Bowler Metcalf Limited

REG NO : 1972/005921/06 ALPHA CODE : BCF ISIN CODE : ZAE000030797

CONDENSED REPORT OF AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2014

R mil	30 June 14	% Change	30 June 13
CONDENSED STATEMENT OF FINANCIAL POSITION			
Non-current Assets	**196.6**		212.7
Property, plant & equipment	**173.0**		181.0
Deferred tax	**7.7**		6.3
Intangible assets	**15.9**		15.9
Loan	**-**		9.5
Current Assets	**356.9**		301.2
Inventories	**100.2**		78.9
Trade and other receivables	**95.1**		90.3
Prepayments	**24.2**		7.1
Cash and cash equivalents	**126.2**		74.3
Other financial assets	**-**		50.0
Loan	**9.5**		-
Taxation	**1.7**		0.6
Total Assets	**553.5**	+ 8	513.9
Total Equity	**459.9**	+ 8	424.4
Non-current liabilities	**15.0**		30.4
Deferred Tax	**13.2**		12.7
Borrowings	**1.8**		17.7
Current Liabilities	**78.6**		59.1
Trade and other payables	**62.4**		50.0
Borrowings	**13.8**		6.8
Taxation	**2.4**		2.3
Total Equity & Liabilities	**553.5**		513.9
Prepayments are comprised of:			
- advance payments - capital	**20.6**		4.0
- advance payments - expenses	**3.6**		3.1
CONDENSED STATEMENT OF COMPREHENSIVE INCOME			
Revenue	**726.3**	+ 12	650.4
Other income	**9.7**		3.2
Operating costs	**(628.4)**		(545.1)
Depreciation	**(32.3)**		(38.6)
Profit from operations	**75.3**		69.9
Net interest	**5.3**		8.5
Net profit before tax	**80.6**	+ 3	78.4
Taxation	**(20.4)**		(20.9)
Total	**60.2**		57.5
Attributable to non-controlling interests	**-**		(2.6)
Attributable to parent	**60.2**	+ 10	54.9
Earnings & diluted earnings per share (c)	**73.26**	+ 9	67.35
HEADLINE EARNINGS			
Earnings attributable to parent	**60.2**		54.9
Profit on disposal of plant & equipment	**1.3**		0.1
loss/(profit)	**1.6**		0.2
tax and outside interests	**(0.3)**		(0.1)
Headline earnings (R'mil)	**61.5**	+ 12	55.0
Earnings per share(c)	**73.26**		67.35
Disposal of plant and equipment (c)	**1.61**		0.15
Basic & diluted headline earnings (c)	**74.87**	+ 11	67.50
ADDITIONAL INFORMATION			
Ordinary dividend/share paid (c)	**34.20**	- 9	37.50
Ordinary dividend/share proposed (c)	**35.00**	+ 5	33.30
Basic dividend cover (times)	**2.14**		2.03
Weighted shares in issue (mil)	**82.179**		81.458
Capital commitments (Rmil)	**6.99**		5.15

CEO'S COMMENTARY

In a year where the fortunes of industrial companies, who were linked to the FMCG market were very mixed. Bowler Metcalf has again delivered good results, posting a 12% growth in revenue and a 12% growth in headline earnings. The challenging circumstances in South Africa, being sustained labour unrest, a marked deterioration in the Rand, aggressive competitor pricing (in both packaging and beverages) and raw material margin squeezing, has made these results even more meritorious. The debilitating knock on effect of the labour unrest has contributed to a first quarter GDP contraction in South Africa, with a concomitant reduction in disposable income, severely affecting all aspects of the Bowler Metcalf business.

Group revenue grew from R650m to R726m, attributable profit 10% to R60.2m and EPS increased 9% from 67.35 cents to 73.26 cents per share and HEPS 11% from 67.5 to 74.87 cps. Working capital management was good and cash flow remained positive.

Plastic Packaging

The adverse trading climate for plastic packaging suppliers is well documented and major companies have produced overall losses in this period. Bowler Plastics conducted their business well but despite a revenue growth of 10% (R303m), earnings were flat at R41.3m (2013 – R42.2m). Management had anticipated these pressures, triggered by the anticipated loss of a significant account, and much successful work is being done to position Bowler Plastics correctly for 2015. It is common cause that increases in the cost of major inputs of manufacturing concerns, being labour, raw materials and electricity have an immediate negative effect on the bottom line. Packaging manufacturers are reticent to pass these on and they suffer for that folly. Bowler Plastics has been in this cycle before and we are confident that we can handle this situation. To position ourselves, we have spent some R29m on capital expenditure in the year to date, with a further R50m planned for 2015.

We have successfully commissioned the first digitally printed laminated tube line in Southern Africa as well as a new Masterbatch manufacturing plant, which will reduce our reliance on outside companies. Other projects in process (many with blue-chip companies) at the present time represent an additional 40% on the current volume being manufactured by Bowler Plastics nationwide. We are confident that the vast majority of these will be brought to fruition.

Beverages

Quality Beverages maintained and expanded their dominant position in the Western Cape. The Jive brand performed well in the highly competitive carbonated soft drink market, posting a 13% growth in revenue, not won on the back of price discounting. Notwithstanding the strength of the brand, additional plans are being put in place to protect our market in the Western and Eastern Cape. Our Johannesburg CSD operation performed less well, posting a substantial loss despite a promising growth of 11% in revenue. The Johannesburg plant possesses an exceptional bottling facility and measures have been put in place to get the plant past the critical mass point.

Prospects

Following a sustained period of trading under a cautionary announcement, the Board was delighted to announce on Friday 26th September 2014 the successful conclusion to negotiations with MIF Holdings Proprietary Limited, the parent of Shoreline Sales and Distribution Proprietary Limited (SL), for the disposal of 100% of Quality Beverages (QB), simultaneously with that of SL, into a new national beverage company called SoftBev, to be settled by shares in SoftBev.

QB has run its course under its current structure and day to day demands are eroding the focus of key Bowler Plastics personnel, to the detriment of the plastics packaging business. SL runs a remarkably parallel operation to QB, primarily in the KZN, an area where QB is not active. Should the deal be approved by the Bowler Metcalf shareholders and the Competition Commission, SoftBev will be one of the largest independent locally owned soft drink company in South Africa. It will have a nationwide representation both in terms of bottling facilities and consumer foot prints with commensurate benefits, once the usual formalities have been attended to and the company is combined. Bowler Metcalf will retain a strategic shareholding in the new combined entity.

Bowler Plastics will have the unfettered chance to build on its expertise and well-earned reputation as the pre-eminent specialist rigid plastic packaging company in South Africa. With more focused management time, coupled with the exciting projects in development, I have every reason to believe that this will be achieved quite rapidly.

BASIS OF PREPARATION AND AUDIT REPORT

The condensed consolidated results have been prepared in accordance with the Framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards, containing information required by the IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and in the manner required by the Companies Act and the Johannesburg Stock Exchange Listings Requirements.

R mil

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Treasury Shares	Share Based Payments	Non-controlling Interests	Total Equity
30 June 12	21.5	434.8	(37.0)	1.2	13.7	434.2
Comprehensive Income	-	54.9	-	-	2.6	57.5
Acquisition of non-controlling interests	-	(22.6)			(16.3)	(38.9)
Dividends	-	(30.6)	-	-	-	(30.6)
Disposals	-	-	2.0	-	-	2.0
Other	-	0.4	-	(0.2)	-	0.2
30 June 13	21.5	436.9	(35.0)	1.0	(0.0)	424.4
Comprehensive Income	**-**	**60.2**	**-**	**-**	**-**	**60.2**
Dividends	**-**	**(28.2)**	**-**	**-**	**-**	**(28.2)**
Disposals	**-**	**-**	**3.4**	**-**	**-**	**3.4**
Other	**-**	**0.7**	**-**	**(0.6)**	**-**	**0.1**
30 June 14	**21.5**	**469.6**	**(31.6)**	**0.4**	**(0.0)**	**459.9**

CONDENSED SEGMENTAL ANALYSIS

	Plastic Packaging	Beverages	Property	Unallocated	Total
Revenue					
2013	275.2	374.9	0.3	-	650.4
- total revenue	369.6	374.9	18.4	-	762.9
- intersegment	(94.4)	-	(18.1)	-	(112.5)
2014	**303.3**	**422.8**	**0.2**	**-**	**726.3**
- total revenue	419.3	422.8	19.9	-	862.0
- intersegment	(116.0)	-	(19.7)	-	(135.7)
Operating Profits					
2013	45.0	11.5	13.4	-	69.9
2014	**47.7**	**8.8**	**14.8**	**4.0**	**75.3**
Attributable Profits					
2013	42.2	3.5	9.3	(0.1)	54.9
2014	**41.3**	**4.6**	**10.7**	**3.6**	**60.2**
Total Assets					
2013	368.5	135.7	97.0	(87.3)	513.9
- total assets	319.9	135.2	42.9	15.9	513.9
- intersegment	48.6	0.5	54.1	(103.2)	-
2014	**398.9**	**148.2**	**104.1**	**(97.7)**	**553.5**
- total assets	349.0	148.2	40.4	15.9	553.5
- intersegment	49.9	-	63.7	(113.6)	-

CONDENSED STATEMENT OF CASH FLOWS

	30 June 14	30 June 13
Operating Activities	**44.6**	60.1
Profit before tax	**80.6**	78.4
Non-cash items	**28.6**	36.6
Working capital changes	**(14.1)**	(4.1)
Taxation paid	**(22.3)**	(20.2)
Dividends paid	**(28.2)**	(30.6)
Investing Activities	**8.8**	3.9
Property plant and equipment	**(42.5)**	(27.1)
Transfer to/from income funds	**51.3**	31.0
Financing Activities	**(1.5)**	(32.7)
Borrowings	**(4.9)**	(3.5)
Acquisition - minority interest	**-**	(31.2)
Treasury shares - acquisitions	**-**	-
Treasury shares - disposals	**3.4**	2.0
Opening balance	**74.3**	43.0
Closing balance	**126.2**	74.3
Comprising:		
Cash & cash equivalents	**126.2**	74.3

Operating segments in the segmental analysis have been changed from Plastics and Filling to Plastic Packaging and Beverages respectively to more accurately describe their respective businesses.

This results announcement, itself not audited, is extracted from the audited Annual Financial Statements (AFS). The AFS, together with the unqualified audit report of the company's auditors, Mazars Inc., is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this condensed report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office. The directors take full responsibility for this report extracted from the underlying audited AFS.

This condensed report has been prepared using the same accounting policies and methods of computation as used in the audited AFS from which the condensed report is extracted, and should be read in conjunction with this condensed report.

CHANGES TO THE BOARD

There were no changes to the Board during the year.

TREASURY SHARES

Disposals of treasury shares were in respect of the exercise of share options.

EVENTS AFTER THE REPORTING DATE

Under the cautionary announcements and renewal cautionary announcements, the company has negotiated and agreed to amalgamate its filling division with a KZN based filler, Shoreline Sales and Distribution Proprietary Limited, by disposing of its entire interest in the Quality Beverages Group, with the exception of Postal Presents Proprietary Limited, in return for a strategic 42% shareholding in a newly formed and enlarged national entity. The effective date of the proposed transaction will be the last day of the month in which the last condition precedent, including Competition Commission and shareholder approval, is met.

The sale consideration is valued at R274m which will be settled through the issue of approximately 42% of shares in a new company in the process of incorporation. The transaction is considered to be at fair value between a willing buyer and a willing seller. The transaction value is subject to a claw back for non-performance in the Company's undertaking to set up an integrated PET blowing and filling line at QB by no later than the end of September 2015. The transaction also provides for a bottle supply contract until the commissioning of the new line, and thereafter for the supply of preforms.

The disposal group comprises the Beverages segment as disclosed in the Segmental Report. It is not yet possible to estimate the financial effects of the transaction. The pro forma financial effects of this transaction will be published in due course.

Full details will be included in a circular to be sent to shareholders in due course, including a notice of a General Meeting and a form of proxy.

CASH DIVIDEND DECLARATION

A final gross cash dividend, as defined by the Income Tax Act, of 16.6 cents per share ("cps") for the year ended 30 June 2014 (2013: 15.8 cps) has been declared and is payable to shareholders on Monday, 3 November 2014. The last day to trade will be Friday, 24 October 2014 "Ex" dividend trading begins on Monday, 27 October 2014 and the record date will be Friday, 31 October 2014. Share certificates may not be dematerialised or re-materialised between Monday, 27 October 2014 and Friday, 31 October 2014, both days inclusive. Directors confirm that the solvency and liquidity test is satisfied at the date of this report. The test will be performed again at the payment date.

This dividend will be made from income reserves. The gross dividend is 16.6 cps. Dividend Withholding Tax (DWT) is 15%. There are no Secondary Tax on Companies (STC) credits available for set off against the DWT. The net local cash dividend to shareholders liable for DWT will therefore be 14.110 cps.

Number of shares in issue at the date of declaration is 88 428 066 shares.

Unless otherwise requested in writing, individual dividend cheques of less than R50 will not be paid but retained in the company's unclaimed dividend account. Accumulated unpaid dividends in excess of R200 may be claimed in writing from the Transfer Secretaries.

B.J. Frost (Non-Exec Chairman)
P.F. Sass (Chief Executive Officer)
Cape Town
29 September 2014

Prepared by: LV Rowles CA(SA)

REGISTERED AUDITOR
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