



Bowler Metcalf Limited

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CONDENSED ABRIDGED REPORT OF AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2017 AND DIVIDEND DECLARATION

R mil	30 June 17	% Change	30 June 16
CONDENSED STATEMENT OF FINANCIAL POSITION			
Non-current Assets	400,4		422,2
Property, plant & equipment	147,7		130,7
Investment properties	5,7		6,2
Intangible assets	4,8		4,9
Investment in associates	162,3		279,6
Related party loans	79,1		-
Deferred tax	0,8		0,8
Current Assets	358,1		401,3
Related party loan	0,8		46,8
Inventories	82,4		68,8
Trade and other receivables	110,6		106,2
Prepayments	12,3		21,3
Cash and cash equivalents	152,0		158,2
Total Assets	758,5	- 8	823,5
Total Equity	661,2	- 5	699,0
Non-current liabilities	39,8		60,7
Deferred Tax	39,8		60,7
Current Liabilities	57,6		63,8
Trade and other payables	54,6		59,2
Taxation	3,0		4,6
Total Equity & Liabilities	758,6		823,5

R mil	30 June 17	% Change	30 June 16
CONDENSED STATEMENT OF COMPREHENSIVE INCOME			
Continuing operations			
Revenue	580,7	* 16	499,4
Other income	0,8		2,7
Operating costs	(473,5)		(432,0)
Impairment of investment in associate	(57,7)		-
Associated company (loss)/profit	(59,6)		9,2
- share of post-tax (loss)/profit before impairments	(17,1)		9,2
- share of associate's impairment loss, net of tax	(42,5)		-
(Loss)/Profit from operations	(9,3)	- 112	79,3
Net interest	19,4		17,5
Net profit before tax	10,1		96,8
Taxation	(11,2)		(23,3)
Total (loss)/profit - continuing operations	(1,1)	- 101	73,5
Discontinued operations			
Net profit before tax	-		-
Taxation	-		(8,0)
Total profit/(loss) - discontinued operations	-		(8,0)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO OWNERS OF PARENT	(1,1)	- 102	65,5
(Loss)/Earnings & diluted (loss)/earnings per share (c)			
(Loss)/Earnings & diluted (loss)/earnings per share (c)	(1,29)	- 102	79,20
- continuing operations	(1,29)		88,86
- discontinued operations	-		(9,66)

R mil

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Treasury Shares	Total Equity
30 June 15	21,5	676,4	(30,2)	667,7
Comprehensive Income	-	65,6	-	65,6
Dividends	-	(34,2)	-	(34,2)
30 June 16	21,5	707,8	(30,2)	699,1
Comprehensive Loss	-	(1,1)	-	(1,1)
Dividends	-	(31,3)	-	(31,3)
Purchase of treasury shares	-	-	(5,5)	(5,5)
30 June 17	21,5	675,4	(35,7)	661,2

	30 June 17	% Change	30 June 16
HEADLINE EARNINGS (R mil)			
(Loss)/Earnings attributable to parent:			
Continuing operations	(1,1)		73,6
Disposal of assets	-		(0,2)
- gross	-		(0,2)
- tax	-		-
Disposal of assets (beverages)	(0,1)		-
- gross	(0,1)		-
- tax	0,0		-
Impairment of investment in associate	44,8		-
- loss	57,7		-
- tax	(12,9)		-
Impairment within equity accounted profits	33,0		-
- loss	42,5		-
- tax	(9,5)		-
Headline earnings - continuing operations	76,6	* 4	73,4
Discontinued operations	-		(8,0)
Disposal of assets	-		8,0
- gross	-		-
- tax	-		8,0
Headline earnings - discontinued operations	-		-
Headline earnings (R'mil)	76,6	* 4	73,4
HEADLINE (LOSS)/EARNINGS PER SHARE (HEPS)			
(Loss)/Earnings attributable to parent:			
Continuing operations	(1,29)		88,86
Disposal of assets - net of outside interests	(0,04)		(0,11)
Impairment of investment in associate	54,07		-
Impairment within equity accounted profits	39,85		-
HEPS - continuing operations (cents)	92,59	* 4	88,75
Discontinued operations	-		(9,66)
Disposal of assets - net	-		9,66
HEPS - discontinued operations	-		-
Basic & diluted headline earnings (c)	92,59	* 4	88,75

R mil

CONDENSED SEGMENTAL ANALYSIS

	Plastic Packaging	Beverages	Property	Unallocated/ Eliminations	Total
2017					
Continuing Operations					
Revenue	575,9	-	4,8	-	580,7
Impairment on investment	-	(57,7)	-	-	(57,7)
Intersegment revenue	-	-	18,0	(18,0)	-
Other income	2,9	-	-	(2,1)	0,8
Expenses	(486,1)	-	(5,4)	18,0	(473,5)
Share of loss of associate	-	(59,6)	-	-	(59,6)
Operating income/(loss)	92,7	(117,3)	17,4	(2,1)	(9,3)
Net finance income	14,4	-	-	5,0	19,4
Taxation	(29,2)	24,2	(4,8)	(1,4)	(11,2)
Profit for the year - continuing operations	77,9	(93,1)	12,6	1,5	(1,1)
Attributable to parent	77,9	(93,1)	12,6	1,5	(1,1)
Total assets	587,4	241,4	87,4	(157,7)	758,5
Total liabilities	236,1	23,5	1,4	(163,7)	97,3
2016					
Continuing Operations					
Revenue	495,1	-	4,3	-	499,4
Intersegment revenue	-	-	17,0	(17,0)	-
Share of profit of associate	-	9,2	-	-	9,2
Other income	5,0	-	-	(2,3)	2,7
Expenses	(443,5)	-	(5,5)	17,0	(432,0)
Operating income	56,6	9,2	15,8	(2,3)	79,3
Net finance income	17,5	-	-	-	17,5
Taxation	(18,9)	-	(4,4)	-	(23,3)
Profit for the year - continuing operations	55,2	9,2	11,4	(2,3)	73,5
Discontinued Operations					
Profit - discontinued ops	-	-	-	-	-
Taxation	-	(8,0)	-	-	(8,0)
Profit for the year - discontinued operations	-	(8,0)	-	-	(8,0)
Attributable to parent	55,2	1,2	11,4	(2,3)	65,5
Total assets	461,4	326,4 *	78,0	(42,3)	823,5
Total liabilities	125,7	47,8	4,4	(53,4)	124,5

* The related party loan previously included in the Plastic Packaging segment, has been reallocated to the Beverages segment

R mil

CONDENSED STATEMENT OF CASH FLOWS

	30 June 17		30 June 16
Operating Activities	53,4		52,6
Profit before tax	10,1		96,8
Non-cash items	133,2		14,5
Working capital changes	(25,2)		(1,9)
Taxation paid	(33,5)		(22,5)
Dividends paid	(31,2)		(34,3)
Investing Activities	(54,1)		(32,9)
Property plant and equipment	(32,7)		(51,1)
Proceeds on disposal of assets	-		19,6
Loan advances	(33,0)		(0,3)
Advance payments	11,6		(1,1)
Financing Activities	(5,5)		(1,1)
Borrowings	-		(1,1)
Treasury shares - acquisitions	(5,5)		-
Net Cash Flow	(6,2)		18,6
Opening balance	158,2		139,6
Closing balance	152,0		158,2
Comprising:			
Cash & cash equivalents	152,0		158,2
RELATED PARTY TRANSACTIONS			
Associate			
SoftBev (Pty) Ltd			
<i>Finance income</i>	4,9		-
Subsidiary of associate:			
Quality Beverages 2000 (Pty) Ltd			
<i>Revenue</i>	58,2		63,7
<i>Rental income</i>	4,8		4,3
<i>Finance income</i>	2,8		6,1
ADDITIONAL INFORMATION	30 June 17	%	30 June 16
Ordinary dividend/share paid (c)	37,72		41,40
Ordinary dividend/share proposed (c)	42,02	* 14	36,80
Basic dividend cover (times)	(0,03)		2,41
Weighted shares in issue (mil)	82,795		82,799
Capital expenditure (Rmil)	32,66	- 36	51,06
Capital commitments (Rmil)	1,60	- 89	14,40

CEO'S COMMENTARY

Lamenting the South African political and economic environments is so "in vogue" that the many good stories seem to miss the radar– or should I say the twitter screens. I, for one, admire those many voices that are creating forums to stand up for principle and justice, providing much needed guiding light and hope for our rainbow nation. Leading organisations with courage during this VUCA (Volatile, Uncertain, Complex, Ambiguous) reality demands resolve and integrity while still simultaneously implementing and delivering on sustainable business solutions. This surely must bear testimony to the character and makeup of good teams. I experience good news in my many dealings with companies in our supply chain who display this courage.

In this fast changing environment Bowler Metcalf's two key business interests have commendably mastered their respective challenges, be it at different levels of visibility. The Bowler Plastics Packaging business has excelled with a 16% revenue growth on the back of good opportunity development in an otherwise flat sector.

The associate business SoftBev has been cause for much speculation. The economic realities dampened the merger projections therefore slowing progress, particularly in the Gauteng market. While remaining tactically alert to the market dynamics, management required space to steer a strategic and bold process of competitive positioning in a short period. The business incurred significant planned costs in this process as a consequence of the intensely competitive and sieged nature of the Carbonated Soft Drinks (CSD) Beverages industry in a difficult economy. The teams did well to finalise the necessary consolidations while also growing market share across their wide spectrum of brands. These costs, however, bear heavily on the final earnings. The reshaped business is mainly cause for the total pre-tax impairment of R100.2m, including the impairment incurred within SoftBev.

Both businesses emerge with strength. Bowler Plastics (Pty) Ltd acquired a further R5.5mil treasury shares which at 14% discount to NAV of 793c/share represented good opportunity.

Plastic Packaging – Bowler Plastics

All plants have achieved high activity levels – managing a remarkable 15% organic unit growth in this period. Good cost controls combined with new manufacturing approaches have reinforced the company's focus on furthering good supply chain integrations. This exciting development is a wonderful credit to the Bowler teamwork.

The business is adjusting to the rapid changes in the South African FMCG market. In this period, 2 large global converters have entered the commodity rigid plastics packaging supply market by acquisition. It will change the industry landscape in the years to come. Bowler Plastics remains focussed and believes itself well positioned in its niche packaging field.

Some multinational FMCG Personal Care and Household brand holders have discussed moving manufacturing sites for their products elsewhere. This development needs to be strongly discouraged and only collaborative strategies between government, labour and industry stakeholders can make a difference. Initiatives are currently underway to position the industry competitively and protect the employment which it sustains.

A Capex spend of R33m in the past year focussed on capacity expansion and modernisation.

Beverages – SoftBev

A perfect storm was brewing in the B-Brand CSD market, catalysed by the strategies implemented after The Coca-Cola Beverages Africa merger, along with uncertainties surrounding the sugar tax proposals, and stirred by significant sugar price increases. As followers in the sector, these Brands have endured immense pricing pressures in a depressed economic environment.

SoftBev chose to focus on and protect its brands even if it was to the short term detriment of margins, meanwhile it consolidated its operations and positioned the brands appropriately in the new environment. Pleasingly, all brands have shown good to exceptional growth driving a turnover increase by 20% on 2016. Incidental costs of over R100mil flowing from the completed strategies of organisational restructure, product reformulations and plant optimisations are all accounted for in this period. The interventions have had a positive effect.

The R100mil capacity build in Gauteng is complete and operational, while the Cape Town plant upgrade was satisfactorily finalised. Economies of scale for Gauteng have improved after the successful procurement of contract filling for another national retailer brand and good growth in the licensed brands.

The SoftBev energy drink brand Reboost continues its exceptional growth.

Outlook

The economic realities of South Africa demand a focussed management approach. Bowler Metcalf believes in progressing the next phase of expansion of the Plastic Business. This will require investment into expansion of facilities and business opportunities. The management is critically appraising its continued involvement in the beverages business.

BASIS OF PREPARATION AND AUDIT REPORT

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

The accounting policies and methods of computation applied in the preparation of the results are consistent with the those applied in the audited annual financial statements for the year ended 30 June 2016.

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

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, 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 correctly extracted from the underlying audited AFS.

TREASURY SHARES

An additional 803,958 treasury shares were taken up by Bowler Plastics (Pty) Ltd at an average price of R6,84 per share.

CASH DIVIDEND DECLARATION

A final gross cash dividend, as defined by the Income Tax Act, of 22.7 cents per share ("cps") for the year ended 30 June 2017 (2016: 18.4 cps) has been declared and is payable to shareholders on Monday, 30 October 2017. The last day to trade will be Tuesday, 24 October 2017, the ex date is Wednesday, 25 October 2017 and the record date will be Friday, 27 October 2017. Share certificates may not be dematerialised or re-materialised between Wednesday, 25 October 2017 and Friday, 27 October 2017, both days inclusive.

This dividend will be made from income reserves. The gross dividend is 22.7 cps. Dividend Withholding Tax (DWT) is 20%. The net local cash dividend to shareholders liable for DWT will therefore be 18.16 cps.

Number of shares in issue at the date of declaration is 87 624 108 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.

COMPANY TAX NUMBER

9775130710

ANNUAL REPORT

The Annual Report will be released on the same day as this announcement. The twenty-seventh annual general meeting of shareholders (AGM) will be held at the company's head office, Harris Drive, Ottery, Cape Town at 09:00 on Wednesday, 8 November 2017. The record date for purposes of determining which shareholders are entitled to participate and vote at the AGM is Friday, 3 November 2017. The last day to trade in order to be eligible to vote at the AGM will accordingly be Tuesday, 31 October 2017.

B.J. Frost (Non-Exec Chairman)
P.F. Sass (Chief Executive Officer)
Cape Town
29 September 2017

Prepared by: CA Bothma PA (SA)

REGISTERED AUDITOR

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