Bowler Metcalf Limited

REG NO : 1972/005 REG NO : 1972/005921/06 ALPHA CODE : BCF ISIN CODE : ZAE000030797

PROVISIONAL CONDENSED REPORT OF THE AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2020 AND DIVIDEND DECLARATION

R mil		30 June 20	% Change	30 June 19
CONDENSED STATEMENT OF FINANCIAL POSITION	**Notes**			
Non-current Assets		**178.6**		175.2
Property, plant & equipment	1	**159.3**		161.8
Investment properties	2	**5.1**		5.1
Intangible assets	3	**3.4**	- 31	4.9
Investment in associate	4,7	**-**		-
Right of use assets		**3.2**		-
Deferred tax		**7.6**		3.4
Current Assets		**588.3**		579.1
Inventories		**86.2**	+ 9	79.1
Trade and other receivables		**102.2**		101.7
Prepayments	5	**7.3**	+ 135	3.1
Other Investments	6	**11.0**		10.3
Cash and cash equivalents		**381.6**		382.9
Taxation		**-**		2.0
Total Assets		**766.9**	+ 2	754.3
Total Equity		**681.0**	+ 0	679.1
Non-current liabilities		**28.9**		24.7
Long term lease obligation		**0.9**		-
Deferred Tax		**28.0**	+ 13	24.7
Current Liabilities		**57.0**		50.5
Trade and other payables		**54.1**	+ 8	50.1
Short term lease obligation		**2.6**		-
Taxation		**0.3**		0.4
Total Equity & Liabilities		**766.9**		754.3

R mil	Notes	30 June 20	% Change	30 June 19
CONDENSED STATEMENT OF COMPREHENSIVE INCOME	**Notes**			
Continuing operations				
Revenue	8	**558.7**		542.1
Other income		**0.2**		0.3
Operating costs		**(469.0)**		(478.8)
Profit from operations		**89.9**	+ 41	63.6
Net finance income	9	**25.3**	- 30	36.4
Net profit before tax		**115.2**	+ 15	100.0
Taxation		**(32.8)**	+ 17	(28.1)
Total profit - continuing operations		**82.4**	+ 15	71.9
Discontinued operations				
Profit on disposal of associate		**-**		180.1
Net profit before tax		**-**		180.1
Taxation		**-**		(40.1)
Total profit - discontinued operations		**-**		140.0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF PARENT		**82.4**		211.9
Earnings diluted earnings per share (c)				
Earnings & diluted earnings per share (c)		**111.03**	- 57	259.41
- continuing operations		**111.03**	+ 26	88.09
- discontinued operations		**-**		171.32

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Treasury Shares	Total Equity
Balance as at 30 June 2018	16.0	780.4	(30.2)	766.2
Purchase of treasury shares	-	-	(19.0)	(19.0)
Cancellation of treasury shares	(16.0)	(3.1)	19.1	-
Comprehensive income	-	211.9	-	211.9
Dividends paid	-	(280.0)	-	(280.0)
Balance as at 30 June 2019	-	709.2	(30.1)	679.1
Purchase of treasury shares	**-**	**-**	**(49.6)**	**(49.6)**
Shares cancelled	**-**	**(46.8)**	**46.8**	**-**
Comprehensive income	**-**	**82.4**	**-**	**82.4**
Dividends paid	**-**	**(30.9)**	**-**	**(30.9)**
Balance as at 30 June 2020	**-**	**713.9**	**(32.8)**	**681.0**

HEADLINE EARNINGS RECONCILIATION

	30 June 20	% Change	30 June 19
HEADLINE EARNINGS (R mil)			
Earnings attributable to parent:			
Continuing operations	**82.4**		71.9
Disposal of assets net of tax	**(0.2)**		-
- gross	**(0.3)**		-
- tax	**0.1**		-
Impairment of goodwill	**1.5**		-
Headline earnings - continuing operations	**83.7**	+ 16	71.9
Earnings attributable to parent:			
Discontinued operations	**-**		140.0
Reversal of profit on disposal of associate net of tax	**-**		(140.0)
- reversal	**-**		(180.1)
- tax	**-**		40.1
Headline earnings - discontinued operations	**-**		-
Headline earnings (R'mil)	**83.7**	+ 16	71.9
HEADLINE EARNINGS PER SHARE (HEPS)			
Earnings attributable to parent:			
Continuing operations	**111.03**	+ 26	88.09
Impairment of goodwill	**1.98**		-
Disposal of assets net of tax	**(0.26)**		0.01
HEPS - continuing operations (cents)	**112.75**	+ 28	88.10
Discontinued operations	**-**		171.32
Reversal of profit on disposal of associate net of tax	**-**		(171.32)
HEPS - discontinued operations	**-**		-
Basic & diluted headline earnings per share (c)	**112.75**	+ 28	88.10

	30 June 20	30 June 19
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (R mil)		
1. Property, Plant and Equipment		
Land and buildings		
- at cost less depreciation	**24.0**	**19.8**
- director's valuation	**156.6**	**169.6**
2. Investment Property		
- at cost less depreciation	**5.1**	**5.1**
- director's valuation	**42.9**	**32.8**
3. Intangible assets		
Goodwill on acquisition of cash generating unit at carrying values		
- balance at beginning of year	**4.9**	**4.9**
- impairment	**(1.5)**	**-**
- derecognition on disposal	**-**	**-**
	=========	==========
- balance at the end of the year	**3.4**	**4.9**
	=========	==========
		-
Cost	**4.9**	**4.9**
Accumulated impairment	**(1.5)**	**-**
	==========	==========
Net Book value	**3.4**	**4.9**
	==========	==========
Goodwill comprises of		
- cash generating unit trading in KZN	**3.4**	**4.9**

Annual impairment tests, based on expected future earnings, discounted at fair rates of return, indicate that the goodwill arising on the past acquisition of the business in the KZN region is impaired at the year end, due to demand in that region, which has been further compromised by the negative consequences of the Covid-19 pandemic. The impairment relates to the Plastic Packaging Segment.

Valuation assumptions, derived from management's past experience within the industry are:

* The discounted cash flow valuation method was used.
* Pre-tax future earnings based on short to mid-term budgets (1 to 5 years) approved by management.
* 5 year compounded growth rates of 4.3% (2019 : 1% and 3%)
* Discount rate to calculate value in use of 18.1% (2019:18.7%)
* The customers and resulting future earnings base for the KZN region reduced in the current year; accordingly, the growth rates increased from the prior year and the discount rate has been reduced to reflect lower risk.
* The valuation of the recoverable amount was determined through value in use calculations.

The inputs most sensitive to change are the anticipated pre-tax earnings derived from the forecasted product demand and the discount rate.

4. Disposal of associate investment in SoftBev (Pty) Ltd

The discontinued operation in the statement of comprehensive income relates to Softbev (Pty) Ltd, an associate which was disposed in the prior year.

5. Prepayments

Increase in prepayments pertains to securing higher levels of raw materials and services to mitigate possible supply disruptions.	**7.3**	3.1

6. Other Investments

Cash unit trust	**11.0**	10.3

The fund is an actively managed cash fund with the underlying investments being mainly floating rate notes and cash, which can be liquidated within 48 hours.

The fair value of the investment is derived from the market value of the underlying shares in the unit trust portfolio (as traded on the stock exchange), but not traded itself.

The investment has been classified as a level 2 fair value in terms of the hierarchy.

7. Related Party Transactions

Subsidiary of associate		
Quality Beverages 2000 (Pty) Ltd		
- revenue	**-**	6.3
- rental income	**-**	0.8

The related party relationship with SoftBev (Pty) Ltd and Quality Beverage 2000 (Pty) Ltd ceased during the previous year. (Refer note 4)

Directors emoluments	**10.1**	13.2

8. Disaggregate Revenue Sources

Plastic Packaging and Related Products	**552.8**	536.6
Property Leases	**5.9**	5.5
	558.7	542.1

9. Net Finance Income	**25.3**	36.4

Lower interest received in the current year due to the combination of declining interest rates announced by the South African Reserve Bank in the second half of this financial year, and lower average cash balances maintained. Lower average cash balances emanated from the payment of the special dividend of R250.1m and taxation of R80.5m. Both payments were as a result of the disposal of the investment in the associate.

10. Covid-19

The outbreak of the Covid-19 pandemic in March 2020 has had a significant impact on the South African and world economy. This was further exacerbated by the announcement of a lock-down in South Africa from 27 March 2020. As a designated essential service provider, the Group continued operating during the lock-down, albeit at reduced capacity and increased operational and compliance costs. Despite the pandemic, the Group reported a slight increase in revenue compared to the prior year. The markets in which the Group operates have slowly started to recover and the activity levels have escalated currently to ‘near normal’ levels. However, the sustainability of this initial recovery is uncertain as the market demand in the medium term has yet to be established and settled. Accordingly, the Group treated the impact of the Covid-19 pandemic as an adjusting event and other than as summarised below, it did not result in any significant adjustments to the Group’s financial statements for the period ended 30 June 2020. The Group continues to monitor the impact of the pandemic, and at the date of releasing the results consider the impact post year end to not be material.

At this point in time there are insufficient data points to understand the long-term impacts of Covid-19 on future profitability and the consequent carrying value of assets. Other than as outlined below, there has not arisen in the interval between the end of the financial year and the date of this report any item transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect substantially the operations of the company.

The financial impact of Covid-19 on the business can be summarised as follow:

- Increase in ECL % for debtors.
- Material increase in provision for bad debts.
- As a percentage of total trade debtors, the provision increased from 3.2% as at 30 June 2019 to 4.8% as at 30 June 2020.
- No material impact in bad debts written off during the year.
- No material impact on cash flows from debtors.
- No change in our definition of what constitutes default for our customers.
- Increase in provision for stock write-offs.
- Increase in capitalisation rates used for the valuation of land and buildings and investment properties
- No staff were retrenched during the year as a result of Covid-19.

R mil

CONDENSED SEGMENTAL ANALYSIS

	Plastic Packaging	Discontinued Beverages	Property	Holdings	Eliminations	Total
2020						
Continuing Operations						
Revenue	**552.8**	**-**	**5.9**	**-**	**-**	**558.7**
Intersegment revenue	**-**	**-**	**21.5**	**-**	**(21.5)**	**-**
Other income	**3.0**	**-**	**-**	**-**	**(2.8)**	**0.2**
Expenses (other than impairment of goodwill)	**(483.1)**	**-**	**(5.0)**	**(1.0)**	**21.5**	**(467.6)**
Impairment of goodwill	**(1.4)**	**-**	**-**	**-**	**-**	**(1.4)**
Operating income	**71.3**	**-**	**22.4**	**(1.0)**	**(2.8)**	**89.9**
Net finance income	**(0.2)**	**-**	**-**	**25.6**	**-**	**25.4**
Taxation	**(19.4)**	**-**	**(6.3)**	**(7.1)**	**-**	**(32.8)**
Profit for the year - continuing operations	**51.7**	**-**	**16.1**	**17.5**	**(2.8)**	**82.5**
Attributable to parent	**51.7**	**-**	**16.1**	**17.5**	**(2.8)**	**82.5**
Total assets	**678.7**	**-**	**58.8**	**386.1**	**(356.7)**	**766.9**
Total liabilities	**123.1**	**-**	**1.0**	**320.8**	**(359.0)**	**85.9**
2019						
Continuing Operations						
Revenue	536.6	-	5.5	-	-	542.1
Profit on disposal of investment in associate	-	180.1	-	-	-	180.1
Intersegment revenue	-	-	20.1	-	(20.1)	-
Other income	19.5	-	-	-	(19.2)	0.3
Expenses	(484.8)	-	(12.9)	(1.2)	20.1	(478.8)
Operating income	71.3	180.1	12.7	(1.2)	(19.2)	243.7
Net finance income	0.4	-	-	36.0	-	36.4
Taxation	(14.6)	(40.1)	(3.8)	(9.7)	-	(68.2)
Profit for the year	57.1	140.0	8.9	25.1	(19.2)	211.9
Attributable to parent	57.1	140.0	8.9	25.1	(19.2)	211.9
Total assets	646.9	-	42.6	384.8	(320.0)	754.3
Total liabilities	95.3	-	0.8	303.3	(324.2)	75.2

R mil

CONDENSED STATEMENT OF CASH FLOWS	**Notes**	**30 June 20**		30 June 19
Operating Activities		**64.4**		(248.6)
Profit before tax		**115.3**		280.1
Non-cash items	*	**21.5**		(158.0)
Working capital changes		**(9.6)**		17.1
Taxation paid		**(31.9)**		(107.8)
Dividends paid		**(30.9)**		(280.0)
Investing Activities		**(12.9)**		447.6
Property plant and equipment		**(13.5)**		(20.7)
Proceeds on disposal of associate		**-**		413.4
Proceeds on disposal of assets		**0.6**		0.1
Loan receipt		**-**		64.8
Investment in cash unit trust	6	**-**		(10.0)
Financing Activities		**(52.7)**		(19.0)
Repayment of lease liabilities		**(3.1)**		-
Treasury shares - acquisitions		**(49.6)**		(19.0)
		------------------		------------------
Net Cash Flow		**(1.3)**		180.0
Opening balance		**382.9**		202.9
		------------------		------------------
Closing balance		**381.6**		382.9
		==========		==========
Comprising:				
Cash & cash equivalents		**381.6**		382.9
		==========		==========

* Non-cash items in the prior rear relates primarily to the sale on the disposal of the associate.
Current year non cash flow items are made up primarily of depreciation.

ADDITIONAL INFORMATION		% Change	
Ordinary dividend/share paid (c)	**42.00**	+ 15	36.54
Special dividend/share paid (c)	**-**		305.00
Ordinary dividend/share proposed (c)	**46.50**	+ 16	40.00
Basic dividend cover (times)	**2.39**		2.20
Weighted shares in issue (mil)	**74.293**		81.689
Capital expenditure (Rmil)	**13.46**	- 35	20.69
Capital commitments (Rmil)	**5.54**	+ 151	2.21

CEO'S COMMENTARY

It hardly seems necessary to underline the precarious state we find ourselves in as a nation for the foreseeable future. The Covid-19 global crises is cutting deeply into the fragility of our national economy, the full extent of which is yet to be fathomed.

For most of the reporting period, Bowler Metcalf benefitted from the steady recovery of Bowler Packaging following the weaker performance of the prior year. Gratifyingly, the lockdown period proved to have a limited negative impact on the overall performance, with various operations continuing throughout this time.

Bowler Metcalf posted an overall turnover improvement of 3.1% and a concomitant improvement in HEPS of 27.9%. This was boosted in the main by some fortuitous procurement windfalls from materials and a beneficial product mix in the packaging business. Supported by this performance and mindful of the strength of our Bowler Metcalf balance sheet, a final dividend of 29.5cents per share is declared. During the period, Bowler Metcalf acquired a total of 6 883 966 shares. 6 447 304 of these shares have subsequently been cancelled.

Seemingly, the immediate trading proposition for Bowler Packaging appears stable. The business is sensitive to consumer’s disposable income. The distressed state of the market, exorbitant energy cost hikes despite unreliable supply, incommensurate human capital cost increases and increasing societal disruptions impact the business directly. The management is stepping up to a next level of intense focus on operational efficiencies and agile performances. Further expansions of the moulding capacity in the closures plant, various technology driven upgrades for both the Rigids and Tubes businesses will likely be in the region of R25-35 million in the new year. The lockdown impacted a lower than budgeted Capex in Bowler Packaging at R13.4 million.

Planning for the R61 million of costs for upgrades and expansions in the Bowler Properties portfolio of the Western Cape has commenced late due to delays caused by the Covid-19 pandemic, but is now well on track. It is envisaged that these upgrades and expansions will be completed by 2021, providing employment to some additional 200 workers in the building industry.

As CEO, I impress the importance of both a participative and purposeful mind-set in the company and the partners to the business. This fuels the creative and innovative opportunities that times like these offer whether it is in the continued operations or in the projects environment. One of these opportunities is likely to be provided by the imminent government endorsement of the Industry’s Extended Producer Responsibility (EPR) Plans furthering the circular industry aims within the plastic and packaging industries of South Africa.

During these times, we at Bowler Metcalf remain committed, as a first priority to our employees, and their families, by providing as much job security as is possible. We will spare no effort in achieving this end, and up to this time, we have managed to keep our staff safe and employed. The solidarity and appreciation experienced between all employees during this time was heart-warming and reinforced the virtues of constructive engagement.

With reference to the current times and in anticipation of continued challenges ahead, I commend and thank the majority of the Bowler family of employees, customers, suppliers and various stakeholders who continually and constructively sustain the relevance of the Bowler Metcalf deliverables.

Paul Sass

P.F. SASS
Chief Executive Officer

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 Financial Pronouncements as issued by the Financial Reporting Standards Council. They contain the information required by IAS 34 Interim Financial Reporting and are in compliance with the JSE Listing requirements and the Companies Act, 2008 of South Africa.

Mazars, the group's independent auditor, has audited the annual financial statements for the year end 30 June 2020 and has expressed an unqualified audit opinion thereon. This results announcement, itself not audited, is extracted from the audited Annual Financial Statements (AFS). The AFS will be posted by 18 September 2020 and the AFS and audit report will be made available on that day on the Company's website at www.bowlermetcalf.co.za, and will be available for inspection at the company's registered office on that day. 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.

These condensed consolidated results were prepared by Mr AC September CA (SA) in his capacity as group financial manager.

The accounting policies and methods of computation applied in the preparation of these condensed consolidated results are in terms of IFRS and consistent with those applied in the most recently issued audited annual financial statements except for the adoption of IFRS16 as discussed below:

Standards and interpretations effective and adopted in the current year

IFRS 16 Leases

IFRS 16 provides for the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single accounting model for lessees building on the principle that all leases result in the lessee being entitled to use an asset and, if lease payments are made over time, obtaining financing. The standard eliminates the distinction of operating and finance leases for lessees resulting in a more true representation of the lessees assets and liabilities and improved transparency regarding the lessee's financial leverage and capital employed. Lessor accounting is largely left unchanged from its predecessor (IAS 17 Leases). The adoption did not affect the accounting of leases from a lessor perspective.

The Group has adopted the standard using the modified retrospective approach, and has not restated comparative for the 30 June 2019 reporting period. The Group has recognised all right of use assets as at 1 July 2019 at amounts equal to the related lease liabilities, adjusted by the amount of operating lease payables relating to those leases recognised in the statement of financial position immediately before the date of initial application.

Amounts paid by the Group during the year pertaining to lease liabilities under IFRS 16 have been disclosed in the statement of cash flows under the financing activities amounting to R3 145 185 and increased finance charges of R467 783 under operating activities.

The Group applied a weighted average incremental borrowing rate to lease liabilities recognised during the year of 9.64%.

Impairment review of right of use asset

Instead of performing an impairment review on the right of use assets at the date of the of initial application, the Group has made use of the practical expedient in IFRS 16, by doing an assessment of its existing lease agreements, prior to adopting IFRS 16, and where leases were onerous, the right of use assets for those agreements were adjusted by the onerous contract provision (if any) on initial application. Going forward, the impairment testing of the right of use assets will be done as part of the review of property, plant and equipment.

The impact of adopting IFRS 16 can be summarised as below:

Statement of Financial position

	Year ending 30 June 2020 R'000	At adoption date 01 July 2019 R'000
- increase in right of use asset	3,194	6,226
- increase in lease obligation	(3,548)	(6,360)
- decrease in opening lease payables		(134)
- increase in depreciation expense	(3,032)	
- decrease in operating lease expense	3,146	
- increase in finance cost	(468)	
- decrease in net profit	(354)	

Depreciation increased with R3 032 284 and finance cost with R467 831. Operating lease expenses decreased with R3 145 185. The net profit for 2020 has therefore decreased with R354 882 due to the adoption of IFRS 16.

Earnings and headline earnings per share has accordingly also reduced by 0.48 cents per share.

CASH DIVIDEND DECLARATION

A final gross cash dividend, as defined by the Income Tax Act, of 29.50 cents per share ("cps") for the year ended 30 June 2020 (2019: 25.00 cps) has been declared and is payable to shareholders on Monday, 26 October 2020. The last day to trade will be Tuesday, 20 October 2019, the ex date is Wednesday, 31 October 2020 and the record date will be Friday, 23 October 2020. Share certificates may not be dematerialised or re-materialised between Wednesday, 21 October 2020 and Friday, 23 October 2020, both days inclusive.

This dividend will be made from income reserves. The gross dividend is 29.50cps. Dividend Withholding Tax (DWT) is 20%. The net local cash dividend to shareholders liable for DWT will therefore be 23.60 cps.

Number of shares in issue at the date of declaration is 78 326 023 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.

SUBSEQUENT EVENTS

Despite the current Covid-19 pandemic and suppressed market conditions, there has been no further impact on the write off of goodwill, debtors or inventory above what was raised at year end, up to the date of the release of these Annual Financial Statements. No other significant events occurred subsequent to year end.

COMPANY TAX NUMBER

9775130710

ANNUAL REPORT

The Annual Report will be posted by 18 September 2020 and the Annual Financial Statements and audit report will be made available on that day on the Company's website at www.bowlermetcalf.co.za, and will be available for inspection at the company's registered office on that day. The thirty first annual general meeting of shareholders (AGM) will be held at The Royal Cape Golf Club, 174 Ottery Road, Wynberg, 7800 at 09:00 on Tuesday, 3 November 2020. The record date for purposes of determining which shareholders are entitled to participate and vote at the AGM is Friday, 23 October 2020. The last day to trade in order to be eligible to vote at the AGM will accordingly be Tuesday, 20 October 2020.

BJ Frost (Non-Exec Chairman)
PF Sass (Chief Executive Officer)
GA Böhler (Chief Financial Officer)
Cape Town
08 September 2020

Prepared by: AC September CA (SA)

REGISTERED AUDITOR
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