PROVISIONAL AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2016

Accéntuate Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 2004/029691/06)
Share Code: ACE • ISIN Code: ZAE000115986
www.accentuateltd.co.za
("Accéntuate" or "the group" or "the company")

LISTING ANNIVERSARY 10TH

Accéntuate
PERFECTING STRUCTURES

Provisional Summarised Audited Consolidated Financial Statements for the year ended 30 June 2016

SUMMARISED AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 30 June 2016 R '000	Restated 30 June 2015 R '000
Revenue	**322 714**	318 609
Cost of sales	**(160 648)**	(160 599)
Gross profit	**162 066**	158 010
Other income	**2 420**	1 840
Other operating expenses	**(151 088)**	(156 832)
Operating profit	**13 398**	3 018
Finance costs	**(2 817)**	(2 485)
Profit before tax	**10 581**	533
Taxation	**(3 056)**	(474)
Total comprehensive income attributable to owners of the parent	**7 525**	59
Earnings per share (cents)	**6,33**	0,05
Diluted earnings per share (cents)	**5,74**	0,05
Notes to the statement of comprehensive income:		
Headline earnings per share (cents)	**6,32**	0,05
Diluted headline earnings per share (cents)	**5,73**	0,05
Number of shares:		
- Weighted average number of shares	**118 852 355**	118 628 531
- Diluted weighted average number of shares	**131 175 083**	118 628 531
Reconciliation between earnings and headline earnings (R'000):		
Profit for the year attributable to ordinary shareholders	**7 525**	59
Profit on disposal of property, plant and equipment - net of taxation	**(9)**	(1)
Headline earnings for the year attributable to ordinary shareholders	**7 516**	58

SUMMARISED AUDITED STATEMENT OF FINANCIAL POSITION

	Audited 30 June 2016 R'000	Restated 30 June 2015 R'000	Restated 30 June 2014 R'000
ASSETS			
Non-current assets	**91 242**	92 468	94 249
Property plant and equipment	**50 191**	50 845	52 576
Goodwill	**36 963**	36 963	36 963
Intangible assets	**1 663**	1 816	1 864
Deferred taxation	**2 425**	2 844	2 846
Current assets	**148 242**	120 755	135 889
Inventories	**104 147**	76 280	76 018
Trade and other receivables	**37 201**	37 900	42 932
Other financial assets	**1 913**	4 530	7 175
Taxation receivable	**4 800**	1 875	2 173
Cash and bank	**181**	170	7 591
Total assets	**239 484**	213 223	230 138
EQUITY AND LIABILITIES			
Total equity	**153 469**	144 879	144 348
Share capital	**137 950**	136 993	136 710
Reserves	**22 354**	22 632	22 830
Accumulated loss	**(6 835)**	(14 746)	(15 192)
Non-current liabilities	**7 312**	4 422	6 266
Deferred taxation	**7 312**	4 422	6 266
Current liabilities	**78 703**	63 922	79 524
Trade and other payables	**48 007**	35 731	45 612
Operating lease liability	**2 252**	2 387	2 559
Current tax payable	**84**	1 236	758
Other financial liabilities	**-**	-	390
Short-term borrowings	**28 360**	24 568	30 205
Total liabilities	**86 015**	68 344	85 790
Total equity and liabilities	**239 484**	213 223	230 138
Notes to the Statement of Financial Position:			
Number of shares in issue	**124 048 757**	124 048 757	123 704 022
Net asset value per share (cents)	**124**	117	117
Tangible net asset value per share (cents)	**93**	86	85

SUMMARISED AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 30 June 2016 R'000	Restated 30 June 2015 R'000
Capital and reserves – opening balance previously reported		152 379
Effect of restatement		(8 031)
Capital and reserves – opening balance	**144 879**	144 348
Total comprehensive income	**7 525**	59
Shares options exercised	**957**	-
Shares issued for acquisition of assets	**-**	283
Share-based payment expense	**108**	189
Capital and reserves – closing balance	**153 469**	144 879

SUMMARISED AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 30 June 2016 R'000	Audited 30 June 2015 R'000
Cash flow from operating activities	**(3 705)**	(407)
Cash flow from investing activities	**(1 032)**	(1 377)
Cash flow from financing activities	**956**	-
Net decrease in cash and cash equivalents	**(3 781)**	(1 784)
Cash and cash equivalents at beginning of the year	**(24 398)**	(22 614)
Cash and cash equivalents at end of the year	**(28 179)**	(24 398)

SEGMENT REPORT
For the year ended 30 June 2016 Audited R'000

	Flooring	Environmental Solutions	Corporate and Eliminations	Group
Total sales	254 839	74 094		
Less: inter-segmental sales			(6 219)	
Revenue	254 839	74 094	(6 219)	322 714
Gross profit	120 831	41 235	-	162 066
Operating profit	10 875	1 288	1 235	13 398
Finance costs	(719)	(1 005)	(1 093)	(2 817)
Profit before tax	10 156	283	142	10 581
Share of profit /(loss) from associate				0
Other information				
Capital expenditure	2 789	841	105	3 735
Depreciation and amortisation	3 317	884	267	4 468
Segment assets	178 558	31 312	29 614	239 484
Segment liabilities	50 398	20 597	15 020	86 015

SEGMENT REPORT
For the year ended 30 June 2015 Restated R'000

	Flooring	Environmental Solutions	Corporate and Eliminations	Group
Total sales	250 578	74 943	-	
Less: inter-segmental sales			(6 912)	
Revenue	250 578	74 943	(6 912)	318 609
Gross profit	115 393	42 617		158 010
Operating profit/(loss)	(9)	2 787	240	3 018
Finance costs	(214)	(1 112)	(1 159)	(2 485)
Profit/(loss) before tax	(223)	1 675	(919)	533
Share of profit /(loss) from associate				0
Other information				
Capital expenditure	3 367	371	131	3 869
Depreciation and amortisation	3 801	1 131	267	5 199
Segment assets	152 377	29 140	31 706	213 223
Segment liabilities	31 410	19 445	17 489	68 344

REVIEW OF PERFORMANCE

INTRODUCTION AND BACKGROUND TO THE RESULTS

Accéntuate shareholders were advised during the year of fraudulent activities identified in December 2015 at FloorworX Africa Proprietary Limited, a 100% subsidiary of Accéntuate. The fraud was detected as part of an internal audit investigation and had a material impact on the business. As announced in our interim results, a number of steps have been taken to fully understand the extent of the fraud, evaluate the control environment to detect any further weaknesses and to take the necessary remedial action to avoid a recurrence, as well as ensure a strong and reliable reporting foundation for the anticipated growth across the organisation.

The strengthening of the board and the audit committee has assisted management in evaluating the control environment and taking certain dramatic steps to provide shareholders with the comfort that the concerns over the control environment have been addressed and furthermore to provide more accurate comparative information on which to base investment decisions.

The following measures have been implemented:

- Fraud and theft charges have been instituted against the perpetrator and he has been charged and found guilty of such. Sentencing is imminent. In addition a number of assets have been confiscated and handed over to Accéntuate. We will advise once more information becomes available.
- An external review of the control environment at FloorworX has been concluded and a number of recommendations have been implemented.
- Although management was of the view that the total amount misappropriated had been expensed through the income statement, subsequent investigations have revealed that an amount of R17,6 million had been incorrectly reflected in the balance sheet in order to account for the funds misappropriated. To ensure that shareholders are provided with the correct comparative information and to ensure compliance to the highest reporting and accounting standards, the board deemed it appropriate to restate the previous financial results to reflect these transactions in the periods in which they occurred. The effect of the restatement is noted below.
- A reportable irregularity on the matter was reported to the Independent Regulatory Board for Auditors. All necessary measures have been taken to ensure that the fraud is no longer continuing and that the reportable irregularity is closed.
- Restructuring and strengthening the financial, accounting and internal auditing disciplines within the organisation are in progress and remain a priority.
- The fraudulent expenses recorded in the statement of comprehensive income during the period under review amounted to R5,36 million (2015: 11,06 million).

Based on these actions, the Board is satisfied that this matter has received the necessary attention and that the business can now continue with the necessary controls in place to avoid a recurrence.

REVIEW OF PERFORMANCE

Given the challenges outlined above, Accéntuate delivered a strong operational performance during the year under review. Despite the very challenging economic environment, the group has successfully focused on maintaining market share, increasing operational efficiency and managing costs in order to increase profitability. The downturn in the local economy continued and GDP growth slowed to virtually zero during the second half of the year under review. The impact of the challenging economic environment was compounded by the slowdown in the allocation of government contracts in the run-up to the municipal elections held in August 2016. The weakness in the private and public construction environment as well as in the industrial and mining sectors impacted on the group turnover due to the significance of these sectors in its operations. The effect of the significant currency volatility made it difficult to manage input costs and pricing.

Turnover for the year increased by 1,3% to R322,7 million and gross profit increased by 2,6% to R162,1 million. The ongoing focus on containing costs manifested in operating expenditure being 3,7% less than the previous year. The operating profit increased to R13,4 million. Profit after tax increased to R7,5 million and headline earnings per share increased to 6,32 cents.

Finance costs increased as a result of increased working capital, particularly inventory. This was attributable to a number of factors including the introduction of new ranges, the increased cost of products resulting from the weakening rand, and higher quantities of certain items due to the slower than anticipated sales in the last quarter.

FLOORING BUSINESS (100% OWNED)

The FloorworX business operations contributed 79% of the group sales.

FloorworX again showed resilience in coping admirably during extremely difficult trading conditions. Management's ongoing focus on operating efficiency, flexible work practices and exploring new products and markets resulted in operating profit increasing to R10,9 million. Turnover increased 1,7% and the gross margin increased by 1,3%.

The company maintained its leadership position within the resilient flooring market and successfully completed some important contracts, including the Nelson Mandela Children's Hospital in Cape Town. Sales to government departments remained sporadic, with some areas increasing spending while demand from other areas reduced, especially during the last quarter in the run-up to the municipal elections.

EFFECT OF THE RESTATEMENT (R'000)

	Restated Year ended 30 June 2015	Change	Previously reported Year ended 30 June 2015
Effect on the consolidated statement of financial position:			
ASSETS			
Current assets	120 755	(17 615)	138 370
Trade and other receivables (note 1)	37 900	(17 615)	55 515
Total Assets	213 223	(17 615)	230 838
EQUITY AND LIABILITIES			
Accumulated loss (note 2)	(14 746)	(12 683)	(2 063)
Total equity	144 879	(12 683)	157 562
Deferred tax (note 3)	4 422	(4 932)	9 354
Total equity and liabilities	213 223	(17 615)	230 838
Effect on the consolidated statement of comprehensive position:			
Cost of sales	(160 599)	(6 461)	(154 138)
Gross profit	158 010	(6 461)	164 471
Operating profit	3 018	(6 461)	9 479
Profit before taxation	533	(6 461)	6 994
Taxation	(474)	1 809	(2 283)
Total comprehensive income for the period	59	(4 652)	4 711
Effect on earnings per share:			
Earnings per share (cents)	0,05	(3,92)	3,97
Diluted earnings per share (cents)	0,05	(3,92)	3,97
Headline earnings per share (cents)	0,05	(3,92)	3,97
Diluted headline earnings per share (cents)	0,05	(3,92)	3,97

The restatement had no effect on the consolidated statement of cashflow for the financial year ending 30 June 2015.

Note 1: The restated trade and other receivables includes adjustments of R6 461 000 relating to the 2015 financial year and R11 154 000 relating to the 2014 and prior years. The previously reported figure for 2014 was R54 086 000 and the restated figure is R42 932 000.

Note 2: The restated retained profit/(loss) includes adjustments of R4 652 000 (R6 461 000 adjustment to cost of sales less deferred taxation of R1 809 000) relating to the 2015 financial year and R8 031 000 (R11 154 000 adjustment to cost of sales less deferred taxation of R3 123 000) relating to the 2014 and prior years. The accumulated profit/(loss) previously reported in 2014 was (R7 161 000) and the restated figure is (R15 192 000).

Note 3: The restated deferred taxation liability includes adjustments of R1 809 000 relating to the 2015 financial year and R3 123 000 relating to the 2014 and prior years. The deferred taxation liability previously reported in 2014 was R6 543 000 and the restated figure is R3 420 000.

The wood and laminate division was affected by the reduced activity in the office, commercial and housing construction sectors, noticeably in the second half of the financial year. The corporate carpet tile range introduced during the previous year continues to gain acceptance in a depressed market, and the introduction of a new range of luxury vinyl products during the second half of the year has been well received by the market. The extreme volatility in the rand negatively impacted the division, and the recent strengthening of the rand is placing further pressure on the ability to penetrate new export markets.

ENVIRONMENTAL SOLUTIONS BUSINESS (100% OWNED)

This comprises the Safic business operations and contributed 21% of the group sales.

The business continued with its strategy to expand further into sustainable, recurring business, as well as increasing the range of specialty chemical products supplied. The increase in revenue from these markets did not off-set the reduced demand from the industrial and mining sectors, resulting in the decrease of 1% in turnover. The increased sales in the newer markets bode well for the business going forward in ensuring Safic's future trading platform is more sustainable and resilient.

The lower revenue and a decrease in gross margin contributed to a reduced operating profit at the division. The net increase in operating costs was contained to less than 1%.

The Degrachem acquisition has allowed some expansion into the related process chemical markets. The provision of screeds and adhesives to FloorworX, as well as sales of related maintenance products and equipment, places the Accéntuate group in a unique position to supply a comprehensive range of flooring solutions, including preparation and maintenance products and equipment.

WATER TREATMENT BUSINESS (40% OWNED)

This comprises the Ion Exchange Safic water treatment business, which is a partnership between Accéntuate and Ion Exchange India. The business is equity accounted by the group as an associate.

The year has seen a focus on building the necessary capacity within the operation and discussions on some significant projects, while continuing to expand the customer base of recurring business. A pleasing improvement in new business, particularly in the second half of the financial year, has been evident. Management remains firm in its view that this business has the potential to become a major contributor to the growth and profitability of Accéntuate in the future.

A major step towards expanding the business is the agreement of understanding signed with Stefanutti Stocks in July 2016. In terms of the agreement, the parties will work together on water projects which require both water treatment technology and construction components. Ion Exchange Safic will be responsible for the process, design, engineering and procurement of process equipment and Stefanutti Stocks will be responsible for the execution, construction and civil works required on such projects. The group envisages major benefits emerging from this arrangement, especially from the supply to larger water utilities, municipalities and public private partnerships.

UPDATE ON SHAREHOLDING

During the financial year Trustee Board Investments ("TBI") acquired an initial 25,2% interest in Accéntuate, which has, through the year, increased to 29,9%. This marked a pivotal moment for Accéntuate, as shareholders are now fully aligned to the strategy and vision of the group. We welcome TBI on board as a shareholder and value its contribution to the board.

GENERAL ISSUE OF SHARES FOR CASH

In terms of the resolution approved at the AGM, the board authorised the issue of 10 million additional shares at 75 cents per share to service the increased working capital requirements. These shares were allotted and subscribed for early in July 2016.

PROSPECTS

Enhanced growth for flooring division depends on export initiatives which are actively being pursued, as well as government's roll-out of infrastructure, including the building and upgrading of school classrooms, clinics and hospitals. It is anticipated that a number of projects which were in the pipeline should come to fruition once normal government spending resumes. The division expects some growth in the corporate market segment, including private healthcare. The dedicated management team remains fully committed to ensuring that FloorworX entrenches its leadership position within the resilient flooring market.

The provision of water treatment chemicals and solutions to Safic customers remains a focus area, and the Ion Exchange joint venture provides products and technical back-up that allows for growth opportunities in this sector. As indicated we are of the firm belief that the water market holds tremendous potential for the Accéntuate group and we remain confident that this will become a major contributor to the profitability of Accéntuate in the not too distant future.

A greater marketing focus, increased contract-based business and process chemical supply, and the return of traditional markets to some form of normality, will see Safic increase its contribution to the performance of the group. In order to gain critical mass, further acquisitions are being assessed.

The group remains cautiously optimistic that it will show growth in the foreseeable future as the initiatives underway are implemented and the economic climate improves.

CHANGES TO THE BOARD OF DIRECTORS

The board welcomes Mr Thys du Preez, a chartered accountant, as a non-executive director of Accéntuate and as a member of the audit and risk committee, effective from 1 March 2016.

Mr Chris Povall, the chief financial officer, has informed the board that he has resigned and will be leaving at the end of March 2017. The board has begun a review process for new candidates and Mr. Povall has committed himself to ensuring a smooth transition and handover once his successor has been appointed.

DIVIDEND

The Accéntuate board deemed it prudent not to declare a dividend.

GOING CONCERN

The board of directors is satisfied that, after taking into account the current banking facilities, its utilisation thereof and the budgeted profits and cash flows, the working capital available to the group will be sufficient to meet its requirements for the next 12 months.

BASIS OF PREPARATION

The provisional summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, the requirements of the Companies Act applicable to summary financial statements, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

These summary audited consolidated financial statements have been derived from the Group's consolidated annual financial statements. The contents of this announcement are extracted from audited information, although the announcement is not itself audited. The directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

UNMODIFIED AUDIT OPINION

The auditors, Mazars (Gauteng) Inc., have issued an unmodified opinion on the Group's consolidated annual financial statements for the year ended 30 June 2016. The auditor's report contained the following paragraph with respect to a reportable irregularity:

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we were made aware of certain unlawful acts committed by a person responsible for the management of FloorworX Pty Ltd, a 100% owned subsidiary of Accéntuate Limited, which constitute a reportable irregularity in terms of the Auditing Profession Act, and have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in Note 1 to the financial statements.

A copy of the auditor's report together with the underlying audited annual financial statements is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all the information contained in this announcement. 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.

APPRECIATION

The board would like to take this opportunity to thank the various management teams for their loyalty and dedication towards the achievement of the objectives that have been set. The board would also like to thank all the customers, partners, advisors, suppliers and most importantly, the shareholders for their ongoing support and faith.

27 September 2016

CORPORATE INFORMATION

Non executive directors:	RB Patmore (chairman) NE Ratshikhopha PS Kriel MM du Preez A Mjamekwana (alternate)
Executive directors:	FC Platt (Chief Executive Officer) CJ Povall (Chief Financial Officer) DE Platt
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Transfer secretaries:	Computershare Investor Services (Pty) Limited
Designated adviser:	Bridge Capital Advisors (Pty) Limited
Attorneys:	Fullard Mayer Morrison
Investor relations:	Keyter Rech Investor Solutions

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