UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 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")

Accéntuate
PERFECTING STRUCTURES

Condensed consolidated financial statements for the six months ended 31 December 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**Unaudited 6 months to 31 December 2016 R'000**	Unaudited 6 months to 31 December 2015 R'000	Audited Year to 30 June 2016 R '000
Revenue	**159 316**	173 018	322 714
Cost of sales	**(86 287)**	(85 619)	(160 648)
Gross profit	**73 029**	87 399	162 066
Other income	**8 681**	1 022	2 420
Other operating expenses	**(75 635)**	(77 583)	(151 088)
Operating profit	**6 075**	10 838	13 398
Finance costs	**(1 268)**	(1 159)	(2 817)
Profit before tax	**4 807**	9 679	10 581
Taxation	**(1 346)**	(2 855)	(3 056)
Profit and total comprehensive income attributable to owners of the parent	**3 461**	6 824	7 525
Earnings per share (cents)	**2,65**	5,75	6,33
Diluted earnings per share (cents)	**2,61**	5,75	5,74
Notes to the statement of comprehensive Income:			
Headline earnings per share (cents)	**2,66**	5,75	6,32
Diluted headline earnings per share (cents)	**2,62**	5,75	5,73
Number of shares:			
- Weighted average number of shares	**130 487 285**	118 687 089	118 852 355
- Diluted weighted average number of shares	**132 474 589**	118 687 089	131 175 082
Reconciliation of headline earnings (R'000):			
Profit for the year attributable to ordinary shareholders	**3 461**	6 824	7 525
Loss/(profit) on disposal of property, plant and equipment - net of taxation	**4**	-	(9)
Headline earnings for the year attributable to ordinary shareholders	**3 465**	6 824	7 516

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**Unaudited 6 months to 31 December 2016 R'000**	Unaudited 6 months to 31 December 2015 R'000	Audited Year to 30 June 2016 R'000
Cash flow from operating activities	**8 016**	7 858	(3 705)
Operating profit for period	**6 075**	10 838	13 398
Adjustment for non-cash items	**2 293**	2 455	4 626
Decrease / (increase) in working capital	**916**	(936)	(15 094)
Tax paid	**-**	(3 340)	(3 818)
Finance costs	**(1 268)**	(1 159)	(2 817)
Cash flow from investing activities	**(69)**	(2 205)	(1 032)
Net flows on capital items	**(69)**	(2 051)	(3 649)
Decrease/(increase) in financial assets	**-**	(154)	2 617
Cash flow from financing activities	**7 766**	-	956
Proceeds from share issue	**7 500**	-	-
Increase in financial liabilities	**266**	-	-
Proceeds from share options exercised	**-**	-	956
Net increase/(decrease) in cash and cash equivalents	**15 713**	5 653	(3 781)
Cash and cash equivalents at beginning of the period	**(28 179)**	(24 398)	(24 398)
Cash and cash equivalents at end of the period	**(12 466)**	(18 745)	(28 179)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Unaudited 6 months to 31 December 2016 R'000**	Unaudited 6 months to 31 December 2015 R'000	Audited Year to 30 June 2016 R '000
ASSETS			
Non-current assets	**89 641**	92 154	91 242
Property plant and equipment	**48 580**	50 572	50 191
Goodwill	**36 963**	36 963	36 963
Intangible assets	**1 564**	1 749	1 663
Deferred taxation	**2 534**	2870	2 425
Current assets	**136 868**	142 570	148 242
Inventories	**93 488**	81 289	104 147
Trade and other receivables	**36 999**	54 579	37 201
Other financial assets	**1 369**	4 685	1 913
Taxation receivables	**4 800**	1 875	4 800
Cash and bank	**212**	142	181
Total assets	**226 509**	234 724	239 484
EQUITY AND LIABILITIES			
Total equity	**164 430**	164 386	153 469
Share capital	**145 450**	136 993	137 950
Reserves	**22 354**	22 632	22 354
Accumulated loss	**(3 374)**	4 761	(6 835)
Non-current liabilities	**9 033**	9 354	7 312
Deferred taxation	**8 767**	9 354	7 312
Other financial liabilities	**266**	-	-
Current liabilities	**53 046**	60 984	78 703
Trade and other payables	**38 032**	38 870	48 007
Operating lease liability	**2 222**	2 451	2 252
Other financial liabilities	**30**	-	-
Current tax payables	**84**	776	84
Short-term borrowings	**12 678**	18 887	28 360
Total liabilities	**62 079**	70 338	86 015
Total equity and liabilities	**226 509**	234 724	239 484
Number of shares in issue	**134 048 757**	124 048 757	124 048 785
Net asset value per share (cents)	**123**	133	124
Tangible net asset value per share (cents)	**94**	101	93

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**Unaudited 6 months to 31 December 2016 R'000**	Unaudited 6 months to 31 December 2015 R'000	Audited Year to 30 June 2016 R'000
Capital and reserves – opening balance	**153 469**	157 562	144 879
Profit for the period	**3 461**	6 824	7 525
Shares issued for cash	**7 500**	-	-
Share options exercised	**-**	-	957
Share-based payment expense	**-**	-	108
Capital and reserves – closing balance	**164 430**	164 386	153 469

SEGMENTAL REPORT for the six months ended 31 December 2016

	Unaudited R '000	Unaudited R'000	Unaudited R'000	Unaudited R'000
	Flooring	Environmental Solutions	Corporate and Eliminations	Total
Total sales	127 698	34 875		
Less: Inter-segmental sales			(3 257)	
Revenue	127 698	34 875	(3 257)	159 316
Gross Profit	54 025	19 004	-	73 029
Operating profit	5 877	(899)	1 097	6 075
Finance (costs)/income	(814)	(502)	48	(1 268)
Profit before tax	5 063	(1 401)	1 145	4 807
Other information				
Capital expenditure	521	62	52	635
Depreciation and amortisation	1 655	588	75	2 318
Segment assets	155 027	27 167	42 860	225 054
Segment liabilities	27 023	17 883	15 718	60 624

For the six months ended 31 December 2015

	Unaudited R '000	Unaudited R '000	Unaudited R '000	Unaudited R '000
	Flooring	Environmental Solutions	Corporate and Eliminations	Total
Total sales	137 634	39 229		
Less: Inter-segmental sales			(3 845)	
Revenue	137 634	39 229	(3 845)	173 018
Gross Profit	65 442	21 957	-	87 399
Operating profit	7 464	997	2 377	10 838
Finance costs	106	499	554	1 159
Profit before tax	7 358	498	1 823	9 679
Other information				
Capital expenditure	1 590	735	67	2 392
Depreciation and amortisation	1 397	600	56	2 053
Segment assets	172 724	31 016	30 984	234 724
Segment liabilities	33 927	20 963	15 448	70 338

INTRODUCTION TO THE RESULTS

The period under review has been one of the most difficult for Accéntuate. The company has always indicated the lag effect it experiences to trading in FloorworX, the largest operating segment, when an election takes place. This is due to delays during the run-up to the elections and likewise in the period immediately afterwards where no meaningful project decisions are made or implemented by government departments and institutions. In these vacuums the volume of orders received by FloorworX reduces considerably despite there being numerous projects in planning. The impact of the municipal election held during the period under review was particularly dramatic, with the lag being even longer than in previous elections in metros where a change in the ruling party and administration were made. This impact, coupled with the negative GDP growth in the manufacturing, mining and construction sectors, resulted in reduced trading activity.

In light of the economic slowdown, the businesses have focused on maintaining market share, continued reduction of costs and improved management of working capital. This was done in a manner which will still allow the entities to successfully benefit from the projects and opportunities anticipated in the not too distant future.

FloorworX has further reduced its production schedule in order to reduce the inventory build-up reported on in the previous results. The lower production levels have negatively impacted on the cost recoveries and the gross margins in the period. Stock levels continue to reduce. Further initiatives to improve efficiencies and margins while operating at reduced throughput are planned. The Safic business was impacted by volatility in the currency and the ongoing reduction in volume off-take by many of the key customers.

The Ion Exchange Safic water treatment business, which is the partnership with Ion Exchange India, continues to gain traction. The business is 40% owned by the group and is equity accounted within Accéntuate. A number of new customers have been secured and considerable effort has been made to ensure that credentials are in place with some large entities which have processes that can benefit from the water treatment services, solutions and equipment offered by the business.

UPDATE ON THE FRAUD

Louis Schreuder, the former financial director of FloorworX, was found guilty on all counts of fraud in the regional court in East London and received an 18-year prison sentence. A confiscation order has been granted over certain of Schreuder's assets and the first auction was held in December 2016 to liquidate most of these assets. Further legal steps are in progress to realise the remaining identified assets, and further attachment awards have been granted which are subject to ratification by the High Court.

REVIEW OF PERFORMANCE

Revenue for the period under review reduced by 7,9% to R159,3 million. The results were impacted by lower sales in both FloorworX and Safic as markets remain extremely constrained, particularly Government related buying/

Small pockets of growth in sales were experienced in the higher-end imported flooring products, primarily for commercial and office developments use.

Gross margins were lower across both businesses due to intense competitiveness and, in the case of FloorworX, due to the reduction in production volumes as described above. The result was a drop of R14,4 million in gross profit as the margin declined from 50,5% to 45,8%.

Other Income increased to R8,7 million following the recognition of R7,2 million for the recoveries from the fraud which have been or are certain to be received.

Across the group further reductions in operating costs continue to be made with a further 2,5% saving compared to the corresponding prior period, expenditure reducing to R75,6 million from R77,6 million. The net result is an operating profit of R6,1 million.

Finance costs of R1,27 million increased slightly compared to the first half of the previous year but were 23% lower than the second half of the financial year to June 2016. The resulting profit after tax was R3,5 million and the Headline Earnings Per Share (HEPS) of 2,66 cents per share (2015: 5,75 cents per share).

The focus on working capital management has seen the inventory levels reduce by R10,7 million from June 2016 and receivables days outstanding remain virtually unchanged during the period, which was pleasing in the prevailing economy.

Borrowings of R12,7 million are R15,7 million lower than June 2016, due to cash generated from operations and the issue of 10 million new shares for R7,5 million in July 2016.

There was no significant capital expenditure during the period under review.

FLOORING BUSINESS (100% OWNED)

The FloorworX business operations contributed 79% of group sales.

Revenue of R127,7 million was down by 7,2% compared to the previous period and the gross margin reduced to 42,3% from 47,6%. The reduction in gross profit was partly off-set by the other income from the fraud recoveries and the further reduction in operating costs. FloorworX ended the period with an operating profit of R5,9 million compared to the R7,5 million in the corresponding period.

ENVIRONMENTAL SOLUTIONS BUSINESS (100% OWNED)

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

Revenue for the period in Safic declined by 11,1% to R34,9 million. Gross profit was R2,9 million lower on the back of reduced production levels and a volatile pricing environment which reduced the gross margin to 54,5%. Although operating costs of R19,9 million were 5% less than the prior period, Safic posted an operating loss for the period of R899 000 compared to a profit in the previous corresponding period of R997 000.

GENERAL ISSUE OF SHARES FOR CASH

In terms of the resolution approved at the AGM, the board of directors ("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

Management believes that the extended lag in the implementation of government infrastructure projects, particularly in transitioning metros, is over. However, although some infrastructure spending decisions are imminent and the pipeline for FloorworX is looking somewhat improved, the financial pressures within the fiscus are still resulting in a number of planned projects not being undertaken.

For some time Accéntuate was prohibited from achieving a level of growth the market would have liked to see. Most of the factors which contributed to this are now behind the group and management look forward to notifying the market of exciting developments as the company designs a new way forward.

Management is taking active steps to grow the businesses to ensure critical mass is achieved, particularly in the chemicals and water treatment sectors. The growth path identified will be elaborated on as soon as possible, with the main objective being to position Accentuate against the vulnerability of reduced spend by government on infrastructure and upgrade projects.

Volatility will be further smoothed out and with a change in focus of the flooring business to access export markets as well as further expansion into new product ranges, exposure to the private sector will increase. Notwithstanding, the FloorworX manufacturing facility is structured to quickly ramp up local manufacturing should this be required for large public sector projects.

BOARD CHANGES

In the 2016 results announcement released in September 2016, the resignation of the Chief Financial Officer Chris Povall with effect from the end of March 2017 was announced. On 2 February 2017 Accéntuate announced the appointment of Maarten Coetzee as Executive Financial Director with effect from 1 February 2017. A summary of Maarten's background and credentials are available on SENS and on the Accéntuate web-site. Chris and Maarten will be working together during February and March to ensure there is an orderly hand-over.

Mr. Ockert Goosen was appointed as an alternate director to Mr. Thys du Preez with effect from 17 November 2016. Ockert is a chartered accountant with an MBA degree and has twenty five years' experience in investment banking, asset management, structured and corporate finance, securitisation, treasury, and managing collective investment schemes.

DIVIDEND

The Board deems it prudent not to declare an interim dividend.

GOING CONCERN

The Board 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.

CONTINGENT LIABILITY

There are no contingent liabilities in the group.

BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2016 have been prepared in accordance with the requirements of the JSE Listings Requirements for interim reports, the requirements of the Companies Act applicable to summary financial statements, and the requirements of IAS 34: Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The accounting policies applied in the preparation of the unaudited condensed consolidated results for the period are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the results for the previous year. The information above has not been reviewed or audited by the company's auditors.

There are no significant reportable matters arising since the end of the period under review.

The unaudited condensed consolidated results for the period were prepared under the supervision of Chris Povall CA (SA). They were approved by the Board on 23 February 2017.

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 objec¬tives 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 February 2017

CORPORATE INFORMATION

Non-executive directors:
RB Patmore (chairman)
NE Ratshikhopha
PS Kriel
MM du Preez
A Mjamekwana (alternate)
OJ Goosen (alternate)

Executive directors:
FC Platt (chief executive officer)
DE Platt
MJ Coetzee (chief financial officer)

Registration number:
2004/029691/06

Registered address:
Accéntuate Business Park,
32 Steele Street, Steeledale,
Johannesburg, 2197

Postal address:
P.O. Box 1754, Alberton, 1450

Company secretary: P S Dayah
E-mail: pdayah@accent.co.za

Telephone: (011) 406 4100
Facsimile: (086) 509 3246
Website: www.accentuateltd.co.za
Email: info@accent.co.za

Social media:
Twitter.com/AccentuateLtd
Facebook.com/AccentuateLtd

Independent auditors:
PwC

Transfer secretaries:
Computershare Investor Services (Pty) Limited

Designated adviser:
Bridge Capital Advisors (Pty) Ltd

Attorneys:
Fullard Mayer Morrison

Investor relations:
Keyter Rech Investor Solutions

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