INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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

Accéntuate
PERFECTING STRUCTURES

HIGHLIGHTS: • Two acquisitions successfully completed and integrated • Sales up 7,1% • Long-term borrowings fully repaid

Condensed Consolidated Financial Statements for the six months ended 31 December 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Reviewed 6 months to 31 December 2013 R'000	Reviewed 6 months to 31 December 2012 R'000	Audited Year to 30 June 2013 R '000
Assets			
Non-current assets	**86 291**	86 398	86 119
Property, plant and equipment	**44 538**	44 184	45 302
Goodwill and intangible assets	**38 564**	35 320	35 459
Other financial assets	**-**	4 091	2 041
Deferred taxation	**3 189**	2 803	3 317
Current assets	**121 560**	97 746	101 268
Inventories	**67 419**	56 195	51 965
Trade and other receivables	**45 213**	36 595	41 192
Other financial assets	**5 794**	2 772	4 953
Current tax receivables	**2 897**	1 312	2 770
Cash and bank	**237**	872	388
Total assets	**207 851**	184 144	187 387
Equity and liabilities			
Total equity	**148 682**	131 844	134 550
Share capital	**135 836**	126 379	126 382
Shares to be issued to vendors	**1 484**		
Reserves	**22 215**	23 139	22 215
Accumulated loss	**(10 853)**	(17 674)	(14 047)
Non-current liabilities	**4 748**	4 199	4 791
Deferred taxation	**4 748**	4 199	4 791
Current liabilities	**54 421**	48 101	48 046
Trade and other payables	**39 865**	33 668	32 284
Other financial liabilities	**-**	5 700	2 850
Operating lease liability	**2 476**	1 962	2 139
Current tax payable	**-**	369	1 333
Bank overdraft	**12 080**	6 402	9 440
Total liabilities	**59 169**	52 300	52 837
Total equity and liabilities	**207 851**	184 144	187 387
Number of shares in issue	**122 638 059**	111 108 109	111 108 119
Net asset value per share (cents)	**120**	119	121
Tangible net asset value per share (cents)	**89**	87	89

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	Reviewed 6 months to 31 December 2013 R'000	Reviewed 6 months to 31 December 2012 R'000	Audited Year to 30 June 2013 R '000
Revenue	**156 802**	146 448	284 213
Cost of sales	**(74 811)**	(67 712)	(135 219)
Gross profit	**81 991**	78 736	148 994
Other income	**878**	199	431
Operating expenses excluding depreciation and amortisation	**(74 539)**	(66 093)	(130 762)
Earnings before interest, tax depreciation and amortisation	**8 330**	12 842	18 663
Depreciation and amortisation	**(3 019)**	(2 758)	(3 536)
Operating profit before interest and tax	**5 311**	10 084	15 127
Finance costs	**(812)**	(816)	(1 909)
Profit before tax	**4 499**	9 268	13 218
Income tax	**(1 305)**	(2 595)	(3 991)
Profit after tax	**3 194**	6 673	9 227
Share of loss in associated company	**-**	(366)	(400)
Profit for the period attributable to shareholders of the parent	**3 194**	6 307	8 827
Weighted average number of shares in issue	**111 511 421**	104 932 950	105 335 517
Diluted average number of shares	**113 327 263**	104 932 950	105 335 517
Earnings Ratios (cents):			
Earnings per share (cents)	**2,86**	6,01	8,38
Diluted earnings per share (cents)	**2,82**	6,01	8,38
Notes to the Financial Statements			
Headline earnings per share (cents)	**2,81**	6,01	8,41
Diluted headline earnings per share (cents)	**2,77**	6,01	8,41
Reconciliation of Headline Earnings:			
Profit for the period	**3 194**	6 307	8 827
Adjusted for:			
(Profit)/Loss on disposal of property, plant and equipment	**(56)**	-	36
Tax effect of adjustments	**16**	-	(10)
Headline earnings attributable to shareholders of the parent	**3 154**	6 307	8 853

REVIEW OF PERFORMANCE

SUMMARY

Accéntuate results for the half year to December 2013 reflect the continued impact of the lower trading levels in a number of key market segments which impacted the last quarter of the financial year ended in June 2013 and the cost pressures caused by the weakening Rand. After seeing some signs of improved activity between September and November, trading in December was noticeably the lowest in recent years. It was pleasing to note that both FloorworX and Safic continued to make progress on expanding their market base during the very tough market conditions prevalent in the industrial and construction sectors. This contributed to turnover being marginally higher than the previous half year. However, the increased competitive pressure on selling prices, the higher cost of many raw materials and lower production volumes in FloorworX have led to reduced gross margins. The increased distribution costs, largely driven by the higher fuel prices, together with the additional costs relating to the concerted sales focus on penetrating new markets, have seen the operating profit reduce by 47%.

The Suntups and Degrachem acquisitions concluded during the period are both settling in very well into the existing group structures and are contributing in line with initial expectations. Management remains confident that they will add value going forward. In line with the group's stated strategy of growing both organically and by acquisition, considerable efforts were focused during the period under review on identifying and evaluating possible targets.

Finance charges were slightly less than the previous half year and the tax charge reduced in line with the lower profits. Headline earnings per share were 53% lower than the corresponding previous period.

Inventory levels have increased following the acquisitions made during the period, planned higher stock holding of certain products in anticipation of projects to be delivered early in 2014 and the lower than anticipated sales in December. This has resulted in the cash flows from operating activities being slightly negative for the period. The long term loans have been fully repaid on schedule.

FLOORING DIVISION

This division, which celebrated 60 years in business during 2013, comprises the FloorworX business operations and contributed 78% of the group revenue.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 6 months to 31 December 2013 R'000	Reviewed 6 months to 31 December 2012 R'000	Audited Year to 30 June 2013 R'000
Total equity – opening balance	**134 550**	125 235	125 236
Total comprehensive income for the period	**3 194**	6 307	8 827
Deferred tax on revaluation reserve	**-**	-	182
Share options exercised	**-**	302	305
Issue of shares	**9 454**	-	-
Shares to be issued to vendors	**1 484**		
Total equity – closing balance	**148 682**	131 844	134 550

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 6 months to 31 December 2013 R'000	Reviewed 6 months to 31 December 2012 R'000	Audited Year to 30 June 2013 R'000
Cash flows from operating activities	**(292)**	30	1 580
Cash flows from investing activities	**351**	(517)	(2 741)
Cash flows from financing activities	**(2 850)**	(2 547)	(5 395)
Net (decrease) in cash and cash equivalents	**(2 791)**	(3 034)	(6 556)
Cash and cash equivalents at beginning of the period	**(9 052)**	(2 496)	(2 496)
Cash and cash equivalents at end of the period	**(11 843)**	(5 530)	(9 052)

Sales of flooring products manufactured by FloorworX at the East London facility were lower than during the comparative six months largely due to reduced demand from the public sector. Production volumes declined by 6%. This was offset by increased sales of imported flooring products, especially in the area of commercial office and retail developments. The Suntups acquisition contributed to this increase and will provide even further impetus in these markets going forward. The result was a 6,6% increase in revenue for the flooring division. Trading margins remained under severe pressure, impacted by cost drivers including fuel, energy and petrochemical derivative inputs which have not yet been fully reflected in selling prices in the market. Operating profit reduced by 42%.

Marketing activities remain focused on ensuring that FloorworX maintains its leading position within the resilient flooring sector. There are strategies already implemented to penetrate new markets whilst further improving the service offering in those sectors where FloorworX has traditionally been a significant supplier.

ENVIRONMENTAL SOLUTIONS DIVISION

This comprises the SAFIC business operations and contributed 22% of the group revenue.

The division made further progress towards its stated objectives of increasing revenue in areas which provide recurring and contract based income, broadening the customer base and adding more specialised chemical products. This assisted the division in achieving a 7,7% increase in revenue despite the extremely tough trading conditions experienced in the mining and heavy industrial sectors traditionally serviced by Safic. The acquisition during the period of Degrachem, which supplies specialty solutions to the metal treatment market, provided further diversification to the customer base and product mix. The contractual and managed account area of the business now accounts for 35% of the total revenue of the division. The supply of adhesives, screeds and maintenance products into the flooring market through FloorworX was steady and remains a focus area for Safic. The total volumes produced by Safic increased by 9% compared to the first six months of the previous year. The division also continues to assess the possible opportunities to provide local production for certain water treatment products supplied by Ion Exchange Safic.

The changing product mix supplied by Safic together with pricing pressure from customers and cost increases on inputs due to the volatility of the local currency, resulted in a slightly reduced gross margin ratio. Continuing attention to cost control was reflected in cash expenses increasing by only 4% despite the investment in additional resources for the sales team. The net result was a marginal increase in operating profit for the division.

The restructuring of the sales function was largely completed during the period and the focus of industry specific teams should facilitate improved service levels for customers. This was in line with the two year plan for the division approved by the board at the commencement of the current financial year.

WATER TREATMENT DIVISION

This comprises the ION Exchange Safic water treatment business, which is a partnership with ION Exchange India, and which is equity accounted by Accéntuate as an associated company.

ION Exchange Safic provides a comprehensive range of water treatment technologies and solutions to the southern African market. The customer base continues to grow. Following the pleasing results achieved on the project, one of the largest customers has recently significantly increased their process to be treated by products supplied by ION Exchange Safic. Numerous discussions with potential clients continue and the business is involved in an increasing number of quotes and proposals. The lengthy sales cycle generally encountered in this industry has caused the rate of market penetration to be a little slower than the partners were anticipating. The set up costs and marketing costs required to ensure the large base of potential customers are aware of ION Exchange Safic's presence and capabilities has resulted in the operations not yet reaching break even, although no further losses are reflected in the Accéntuate group results for this period as the investment had already been reduced to nil during the previous financial year.

Although the business will take a little longer than originally anticipated to make a contribution to the group results, Accéntuate maintain their view that this venture can become a meaningful contributor to the success of the group in the years ahead as it enhances its reputation for providing cost effective and innovative water treatment solutions.

PROSPECTS

As mentioned in previous announcements, the effect of the national election scheduled for May could impact on the government departments' roll out of projects for which the group are suppliers. This, coupled with the volatility of the Rand, is likely to result in the economic climate for the group remaining challenging for the second half of the financial year. Nonetheless, the operating entities within Accéntuate are anticipating that the trading levels for the second half of the current financial year will be better than those experienced in the second half of the previous financial year. This is supported by the current order book for the flooring division being higher than it has been for some time and indications that the school upgrade programme announced by the government is gaining momentum in certain provinces. The weaker Rand will allow the products manufactured by the group to be even more competitive once the impact of the change has been fully absorbed into the market prices.

The businesses will continue to robustly manage costs with the aim of improving gross margins and containing operating costs. The additional costs incurred in line with the strategy of expanding into new markets will have a reduced impact in the second half. A key challenge will be managing the impact of the currency volatility and the petrochemical derived prices on the cost of raw materials and operating costs.

The group remains confident about the growth potential that exists in the markets currently serviced and in the new areas being targeted. It is hoped that the government's proposed infrastructural development programmes will be effectively and efficiently implemented since these present significant opportunities for the Accéntuate businesses. Management continues to vigorously target potential new markets and there has already been progress in this area. As set out in the integrated annual report, the group strategy includes growing by acquisition. This was as evidenced by the two successful acquisitions announced during the period under review. There are a number of other possible acquisitions being considered and evaluated which would further expand and diversify the group's product mix and customer base. Announcements in this regard will be made at the appropriate time.

Opportunities remain evident in the area of water treatment. Significant investment in the country's water resources is required if the country is to meet the growing demand. Additionally, the rising cost of water will result in users having to be much more efficient in their use and recycling of water. Increasingly stringent effluent regulations and monitoring, together with the significant increases in penalties for violation of these regulations, will present increasing demands from all users of water for solutions in this regard. ION Exchange Safic is ideally positioned to provide comprehensive solutions in all of these areas that are suitable for the local conditions and which have been tried and tested in other emerging economies.

ACQUISITIONS DURING PERIOD

On 1 September 2013 the group acquired certain of the assets and liabilities of Degrachem (Pty) Limited and Suntups Wooden Flooring (Pty) Limited in separate transactions. The Degrachem business acquired is principally involved in the supply of specialty metal treatment products and the Suntups business acquired is principally involved in the supply of engineered wooden flooring and decking products.

Goodwill and intangible assets from the acquisitions consist largely of the synergies and economies of scale expected from combining the operations of the entities into existing structures, know-how and market knowledge of management, and certain agency and distribution agreements.

SEGMENTAL REPORT DECEMBER 2013

	Reviewed 31 Dec 2013 R '000 Flooring	Reviewed 31 Dec 2013 R'000 Environmental Solutions	Reviewed 31 Dec 2013 R'000 Corporate and Eliminations	Reviewed 31 Dec 2013 R'000 Total
Total sales	121 849	38 279		
Less: Inter-segmental sales	-	(3 326)		
Revenue	121 849	34 953	-	156 802
Gross Profit	60 032	21 959	-	81 991
Operating profit before depreciation and amortisation	7 286	907	137	8 330
Depreciation and amortisation	(2 066)	(725)	(228)	(3 019)
Operating profit before interest and tax	5 220	182	(91)	5 311
Segmental assets	160 517	29 758	17 576	207 851
Segmental liabilities	33 883	16 446	9 840	59 169

DECEMBER 2012

	Reviewed 31 Dec 2012 R '000 Flooring	Reviewed 31 Dec 2012 R'000 Environmental Solutions	Reviewed 31 Dec 2012 R'000 Corporate and Eliminations	Reviewed 31 Dec 2012 R'000 Total
Total sales	114 357	35 534		
Less: Inter-segmental sales	-	(3 443)		
Revenue	114 357	32 091	-	146 448
Gross Profit	57 735	21 001	-	78 736
Operating profit before depreciation and amortisation	10 803	760	1 279	12 842
Depreciation and amortisation	(1 758)	(728)	(272)	(2 758)
Operating profit before interest and tax	9 045	32	1 007	10 084
Segmental assets	137 998	24 904	21 242	184 114
Segmental liabilities	24 875	18 075	9 350	52 300

Fair value of assets acquired and liabilities assumed:

	Degrachem R'000	Suntups R'000	Total R'000
Property, plant and equipment	667	314	981
Inventories	375	6 284	6 659
Trade and other receivables	799	482	1 281
Trade and other payables	(655)	(442)	(1 097)
Total identifiable net assets	1 186	6 638	7 824
Goodwill and intangible assets	1 814	1 300	3 114
Purchase price	3 000	7 938	10 938
Accéntuate Ltd ordinary shares issued to date	2 817 076	8 712 864	11 529 940
Accéntuate Ltd ordinary shares to be issued	841 464	968 096	1 809 560

The agreements with the vendors were for the purchase considerations to be settled by issuing Accéntuate ordinary shares at a price based on the volume weighted average price of shares traded during the two months preceding the effective date. The majority of the shares have already been issued. The balance will be issued either six months after the effective date, based on the realisation of the working capital acquired, or twelve months after the effective date based on the achievement of certain profit warranties. The figures in the table above reflect the full potential purchase considerations and it is not anticipated that there will be any material reductions to these amounts. The acquisition details of the businesses disclosed above are based on estimated fair values at the effective date. The actual fair value of the businesses will be accurately determined by the next anniversary date.

The revenue from the acquisitions during the period was R8,5 million, and would have been R13,25 million had the acquisitions been effective for the full period under review.

DIVIDEND

In line with the policy to only consider paying dividends based on full year results, no interim dividend is proposed.

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 Accéntuate will be sufficient to meet its requirements for the next 12 months.

CONTINGENT LIABILITY

There are directors' fees of R1,46 million payable subject to implementation of the required special resolution.

UPDATE ON ANNUAL GENERAL MEETING

The legal challenge against the results of certain of the resolutions passed at the latest Accentuate annual general meeting instituted by a consortium of shareholders, whose votes were amongst those excluded from the voting results due to non-compliance with the Companies Act, is continuing. The company is doing everything possible to have the matter heard in court as quickly as possible. A further announcement will be made to shareholders immediately after the outcome of the legal proceedings has been decided.

EVENTS AFTER REPORTING DATE

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

BASIS OF PREPARATION

The condensed consolidated financial results for the six months ended 31 December 2013 have been prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee or its successor, the JSE Listings Requirements and the Companies Act.

The financial statements are based on appropriate accounting policies and methods of computation which are in terms of IFRS and which have been consistently applied with those in the audited financial statements for the previous year and which are supported by reasonable and prudent judgments and estimates. The new standards IFRS 10: Consolidated financial statements; IFRS 11 Joint arrangements; IFRS 12 Disclosure of interests in other ventures; and IFRS 13 Fair value measurement have been mandatorily adopted for the first time during the 2014 financial year and have not had any significant impact on the reported results.

They were prepared under supervision of the chief financial officer, Chris Povall (CA(SA)).

UNQUALIFIED REVIEW OPINION

The condensed consolidated financial statements for the six months ended 31 December 2013 have been reviewed by the group's auditors, Mazars (Gauteng) Inc. The review was conducted in accordance with ISRE2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Their review report is available for inspection at the group's registered office.

APPRECIATION

The board would like to take this opportunity to thank all the management teams and staff 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.

By order of the Board 3 March 2014

CORPORATE INFORMATION

Non executive directors:	MDC Motlatla (chairman) RB Patmore NE Ratshikhopha D Molefe PS Kriel (alternate)
Executive directors:	FC Platt (chief executive officer) CJ Povall (chief financial officer) DE Platt
Registration number:	2004/029691/06
Registered address:	Accéntuate Business Park 32 Steele Street Steeledale 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
Transfer secretaries:	Computershare Investor Services (Pty) Limited
Designated Adviser:	Bridge Capital Advisors (Pty) Ltd