AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2014

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")

Accéntuate
PERFECTING STRUCTURES

Audited Summarised Consolidated Financial Statements for the year ended 30 June 2014

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Audited 30 June 2014 R '000	Audited 30 June 2013 R '000
Revenue	**308 101**	284 213
Cost of sales	**(147 297)**	(135 219)
Gross profit	**160 804**	148 994
Other income	**1 876**	431
Other operating expenses	**(153 131)**	(134 298)
Operating profit	**9 549**	15 127
Finance costs	**(2 101)**	(1 909)
Profit before tax	**7 448**	13 218
Taxation	**(2 308)**	(3 991)
Share of loss from associate	**-**	(400)
Profit for the year	**5 140**	8 827
Other comprehensive income for the year:		
Net effect of revaluation of property	**5 480**	-
Total comprehensive income attributable to owners of the parent	**10 620**	8 827
Earnings per share (cents)	**4,48**	8,38
Diluted earnings per share (cents)	**4,46**	8,38
Notes to the statement of comprehensive income:		
Headline earnings per share (cents)	**4,46**	8,41
Diluted headline earnings per share (cents)	**4,45**	8,41
Number of shares:		
- Weighted average number of shares	**114 635 975**	105 335 517
- Diluted weighted average number of shares	**115 111 585**	105 335 517
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	**5 140**	8 827
(Profit)/loss on disposal of property, plant and equipment net of taxation	**(22)**	27
Headline earnings for the year attributable to ordinary shareholders	**5 118**	8 854

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Audited 30 June 2014 R '000	Audited 30 June 2013 R '000
ASSETS		
Non-current assets	**94 249**	86 119
Property plant and equipment	**52 576**	45 302
Goodwill	**36 963**	34 928
Intangible assets	**1 864**	531
Other financial assets	**-**	2 041
Deferred taxation	**2 846**	3 317
Current assets	**147 043**	101 268
Inventories	**76 018**	51 965
Trade and other receivables	**54 086**	41 192
Other financial assets	**7 175**	4 953
Taxation receivables	**2 173**	2 770
Cash and bank	**7 591**	388
Total assets	**241 292**	187 387
EQUITY AND LIABILITIES		
Capital and reserves	**152 379**	134 550
Share capital	**136 710**	126 382
Reserves	**22 830**	22 215
Accumulated loss	**(7 161)**	(14 047)
Total equity	**152 379**	134 550
Non-current liabilities	**9 389**	4 791
Deferred taxation	**9 389**	4 791
Current liabilities	**79 524**	48 046
Other financial liabilities	**390**	2 850
Trade and other payables	**45 612**	32 284
Operating lease liability	**2 559**	2 139
Current tax payables	**758**	1 333
Bank overdraft	**30 205**	9 440
Total liabilities	**88 913**	52 837
Total equity and liabilities	**241 292**	187 387
Number of shares in issue	**123 704 022**	111 108 119
Net asset value per share (cents)	**123**	121
Tangible net asset value per share (cents)	**92**	89

REVIEW OF PERFORMANCE

INTRODUCTION

Following the exciting developments at the time of completing the previous financial year, including the FloorworX 60th anniversary promotions and the acquisitions of Suntups and Degrachem, it would have been virtually impossible at that time to have foreseen how difficult the coming financial year would be for the Accéntuate group. The economic cycles for the manufacturing and construction industries have continued to deteriorate beyond initial expectations. Coupled with the prolonged industrial action that has crippled a number of sectors supplied by the group and the severe upward price pressure on many raw materials and fuel prices as well as already depressed government infrastructure spend, these factors combined have contributed to making the 2013/14 financial year incredibly challenging.

Overall revenue for the year increased by 8,4% to R308 million (2013: R284 million) and gross profit increased by 8% to R160,8 million. There were significant increases in operating expenses which were impacted by a number of factors:- the inclusion of R6,0 million from the acquisitions, R2,5 million from higher fuel prices, significant increases in other administered prices, and the impact of the weaker rand, off-set by employment costs being 6% lower than the previous year. The result was operating profit reduced to R9,5 million.

Finance costs were higher due to the increased level of borrowings and income tax charges were lower in line with the reduced profits. The profit for the year of R5,1 million was 42% lower than last year and headline earnings per share of 4,46 cents were 47% lower following the issuing of shares for the acquisitions.

In the commentary for the interim results we noted that "operating entities within Accentuate 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 comment was based on some improvement seen in January and February. Unfortunately this trend reversed noticeably during the last four months of the financial year, resulting from the lower level of government related orders, the widespread industrial action and the generally lower activity in the manufacturing and mining sectors.

Inventories at year end were significantly higher than the previous year due to a number of factors. R9,0 million was attributable to the Suntups and Degrachem acquisitions, R5,5 million was attributable to the introduction of new product ranges – including the launch of a carpet tile range for the corporate market -

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 30 June 2014 R'000	Audited 30 June 2013 R'000
Capital and reserves – opening balance	**134 550**	125 236
Profit for the year	**5 140**	8 827
Other comprehensive income	**5 480**	-
Deferred tax on revaluation	**-**	182
Share options excercised	**-**	305
Shares issued for acquisition of assets	**10 328**	-
Net transfer of reserves	**(3 156)**	-
Share-based payment expense	**37**	-
Capital and reserves – closing balance	**152 379**	134 550

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 30 June 2014 R'000	Audited 30 June 2013 R'000
Net cash from operating activities	**(6 629)**	1 580
Net cash used in investing activities	**(4 083)**	(2 741)
Net cash used in financing activities	**(2 850)**	(5 395)
Net decrease in cash and cash equivalents	**(13 562)**	(6 556)
Cash and cash equivalents at beginning of the year	**(9 052)**	(2 496)
Cash and cash equivalents at end of the year	**(22 614)**	(9 052)

and R7,3 million was attributable to the build-up of the finished goods produced at the FloorworX East London factory during May and June in anticipation of the Numsa strike which commenced early in July. Trade and other receivables increased as a result of substantial prepayments for imports only received after year-end. The net of trade and other receivables less trade and other payables was virtually unchanged from the previous year, and both trade receivables and trade payables were well controlled and in line with targeted parameters. Capital expenditure excluding acquisitions was less than budgeted and slightly higher than the previous year. The result was net borrowings increased by R13,6 million. The inventory levels and borrowings have both declined significantly between the year-end and the release of this report.

FLOORING DIVISION

The FloorworX business operations contributed 76% of the group revenue.

The lackluster trading conditions experienced during the first half continued throughout the year and were, as anticipated, further impacted in the second half by the national elections. Price and margin pressures and increased competition were evidenced in the market. Revenue was 6,7% higher following the inclusion of the Suntups acquisition for ten months - excluding this acquisition revenue was flat. Despite the reduced volume throughput on the tile line caused by weak demand from government projects - in particular school classrooms, the higher input costs related to petrochemical derivatives, as well as the depressed state of the local construction environment, FloorworX increased revenue by 6,7% and managed to record a slight improvement in the gross margin ratio for the year.

However, substantial increases in operating costs largely beyond management's control resulted in operating profit being under severe pressure and the division achieved an operating profit of R6,6 million compared to R12,3 million for the previous year. Profitability was severely impacted by the weakening of the rand and higher oil prices, which resulted in large increases in the price of diesel and consequently dramatically higher delivery costs. There were also significant increases in other administered prices such as electricity and water. The nature of the markets in which the business operates sees prices generally fixed a considerable time before delivery actually takes place which makes it very difficult to recover these increases in the short term.

Inventories were intentionally increased during May and June in anticipation of the Numsa strike in July, and were further impacted by the Suntups acquisition and the introduction of new ranges including the entry into carpet solutions for commercial applications. The project pipeline remains active and FloorworX is cautiously optimistic that government will increase its spend in the areas of both healthcare and education, which should have a positive impact on the business going forward. The continuity following the election in the departments of Health, Education and Public Works and the formation of the Presidential Infrastructure Coordinating Commission are positive signs for future growth in this area.

ENVIRONMENTAL SOLUTIONS DIVISION

This comprises the SAFIC business operations and contributed 24% of the group revenue.

SAFIC continued to face a number of challenges including a further slowdown in the manufacturing and mining sectors - compounded by significant industrial action - which have traditionally been the major markets serviced by this division, the volatility and relative weakness of the rand and the impact of administered cost increases. The division has taken strong action in terms of further reducing costs and continues to increase penetration in the commercial cleaning market. The growth experienced in this commercial sector has, to a large extent, offset the impact of reduced trading in the mining and manufacturing areas of its business and ensured a firm foundation for the further implementation of their chosen strategy.

SAFIC achieved a 13,4% increase in revenue over the corresponding year. The gross profit margin was reduced as result of intense pricing pressure from both customers and competitors and increases in raw material inputs. A concerted focus saw cash operating costs being well contained which allowed the operating profit to be in line with the previous year. Although it has not achieved the required level of profitability, management is happy with the progress made to date and remains confident that the coming financial year will see SAFIC making a meaningful contribution to the profitability of the group.

The business is concentrating on greater specialisation, the positioning of the Cleanfix and SRI ranges of cleaning products, additional metal treatment opportunities, the distribution of the Ion Exchange range of water treatment products together with further exploitation of the synergies with FloorworX in the areas of adhesives and enhanced maintenance products. These are coupled to an even greater focus on the sales and marketing areas of the business and a drive on building strong relationships with identified customers.

WATER TREATMENT DIVISION

This comprises the Ion Exchange Safic water treatment business, which is a partnership between Accentuate, Safic and Ion Exchange India that is equity accounted by the group as an associated company.

During the year, Ion Exchange SAFIC actively pursued both acquisitive growth as well as building capacity for delivery of the anticipated volume business. Structures to accommodate fast tracking the entry of the Ion Exchange technologies into the Southern African market have been implemented. An effective management team has been appointment to ensure the profitable growth of this division.

The division has secured a number of projects, including the supply of a drinking-water plant and water-recycling plant, the supply of speciality chemicals for enhanced performance of gold extraction, a number of clients in the food and beverage sector, and water treatment chemicals for water utilities.

PROSPECTS

Although Accéntuate is facing a number of serious macroeconomic challenges, management remains confident that these are largely temporary in nature and that the group will in the near future be achieving and exceeding the levels of profitability previously achieved.

ACQUISITIONS DURING THE YEAR

On 1 September 2013 the group acquired certain of the assets and liabilities of Degrachem (Pty) Ltd and Suntups Wooden Flooring (Pty) Ltd 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.

Recognised Fair Values on Acquisition

	Degrachem R'000	Suntups R'000	Total R'000
Property, plant and equipment	667	314	981
Trade and other receivables	785	243	1 028
Inventory	303	6 284	6 587
Trade and other payables	(656)	(336)	(992)
Net identifiable assets and liabilities	1 099	6 505	7 604
Goodwill on acquisitions	735	1 300	2 035
Intangible assets	1 500	-	1 500
Deferred tax	(420)	-	(420)
Total consideration	2 914	7 805	10 719
Consideration settled by issue of shares	2 524	7 805	10 329
Contingent consideration (to be settled in shares)	390	-	390
Total consideration	2 914	7 805	10 719

In the ten months to 30 June 2014, Suntups and Degrachem contributed revenue of R20,8 million and operating profit of R1,46 million to the group's results. If the acquisitions had occurred on 1 July 2013, management estimates

SEGMENT REPORT For the year ended 30 June 2014	**Audited 30 June 2014 R '000**	**Audited 30 June 2014 R '000**	**Audited 30 June 2014 R '000**	**Audited 30 June 2014 R '000**	**Audited 30 June 2014 R '000**
	Flooring	**Environmental Solutions**	**Water Treatment**	**Corporate and Eliminations**	**Group**
Total sales	238 956	75 519		-	
Less: inter-segmental sales				(6 374)	
Revenue	238 956	75 519		(6 374)	308 101
Gross profit	117 645	43 159		-	160 804
Operating profit	6 605	697		2 247	9 549
Finance costs	(124)	(1 096)		(881)	(2 101)
Profit /(loss) before tax	6 481	(399)		1 366	7 448
Share of loss from associate			0		0
Other information					
Capital expenditure	3 819	2 617		74	6 510
Depreciation and amortisation	(3 964)	(2 489)		(71)	(6 524)
Segment assets	175 076	32 413		33 803	241 292
Segment liabilities	46 056	22 919		19 941	88 916

SEGMENT REPORT For the year ended 30 June 2013	**Audited 30 June 2013 R '000**	**Audited 30 June 2013 R '000**	**Audited 30 June 2013 R '000**	**Audited 30 June 2013 R '000**	**Audited 30 June 2013 R '000**
	Flooring	**Environmental Solutions**	**Water Treatment**	**Corporate and Eliminations**	**Group**
Total sales	223 830	66 574		286	
Less: inter-segmental sales	-			(6 477)	
	223 830	66 574		(6 191)	284 213
Revenue					
Gross profit	107 736	40 972		286	148 994
Operating profit	12 340	705		2 082	15 127
Finance costs	(156)	(1 149)		(604)	(1 909)
Profit /(loss) before tax	12 184	(444)		1 478	13 218
Share of loss from associate			(400)		(400)
Other information					
Capital expenditure	2 515	1 118		225	3 858
Depreciation and amortisation	(2 286)	(1 028)		(237)	(3 551)
Segment assets	140 418	24 432		22 537	187 387
Segment liabilities	23 833	17 706		11 299	52 838

that Suntups and Degrachem would have contributed R25 million revenue and R1,75 million operating profit to the group.

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, some complex and unique formulations, know-how and market knowledge of management, a well-established customer base, and certain agency and distribution agreements.

The year under review has seen both the Suntups and Degrachem acquisitions successfully bedded down and the group is now concentrating on extracting synergies and reducing costs, especially with regards to the integration of Suntups which has recently relocated onto the group site at Steeledale.

The process of identifying further suitable potential acquisitions continues.

DIVIDEND

The Accéntuate board deems 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.

CONTINGENT LIABILITY

There are non-executive directors' fees of R1,8 million payable subject to approval of the required special resolutions.

UPDATE ON ANNUAL GENERAL MEETING

The legal challenge against the results of certain of the resolutions passed at the latest Accéntuate 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.

CHANGES TO THE BOARD OF DIRECTORS

Ms Dineo Molefe resigned as non-executive director and chairperson of the audit and risk committee with effect from 1 July 2014.The board wishes to thank Ms Molefe for the valuable contributions made during her tenure. At the same time Mr. Pieter Slabbert Kriel, who acted as Ms Molefe's alternate director, was appointed as a non-executive director of Accéntuate.

On 1 August 2014 Mr. Andile Mjamekwana was appointed as an alternate director to Pieter Kriel. Andile has a strong investment banking and accounting background, which will see Andile contributing positively to the growth of Accéntuate, particularly when it comes to the targeting and assessment of potential acquisitions. The board has appointed Andile as chairman of the audit committee.

BASIS OF PREPARATION

The audited summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with 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 to also 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 except as disclosed in the changes in accounting policies note.

The audited summarised consolidated financial statements were prepared under the supervision of the chief financial officer, Chris Povall CA(SA).

CHANGES IN ACCOUNTING POLICIES

The group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the group from 1 July 2013, none of which had any material impact on the group's financial results for the year.

IFRS 10 Consolidated Financial Statements

The adoption of IFRS 10, which applies a revised definition of control, did not result in any material change in the consolidation of the group.

IFRS 13: Fair value measurement

IFRS 13, which applies a revised definition of fair value, was adopted and applied prospectively and did not result in any material impact on the financial results of the group.

UNQUALIFIED AUDIT OPINION

These summarised consolidated financial statements for the year ended 30 June 2014 have been audited by Mazars (Gauteng) Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of 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.

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.

23 September 2014

CORPORATE INFORMATION

Non executive directors:	MDC Motlatla (chairman) RB Patmore NE Ratshikhopha PS Kriel A Mjamekwana (alternate)
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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

DISCLAIMER

This announcement may contain certain forward-looking statements concerning Accéntuate's operations, business strategy, financial conditions, growth plans and expectations. These statements include, without limitation, those concerning the economic outlook, business climate and changes in the market. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the group. No assurance can be given that these will prove to be correct and no representation or warranty, expressed or implied, is given as to the accuracy or completeness of such views contained in this announcement.