INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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: Turnover up 9% • Operating profit up 39% • HEPS up 34% • Borrowings reduced

Condensed consolidated Financial Statements for the six months ended 31 December 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME	**Unaudited 6 months to 31 December 2014 R'000**	Reviewed 6 months to 31 December 2013 R'000	Audited Year to 30 June 2014 R '000
Revenue	**170 520**	156 802	308 101
Cost of sales	**(84 969)**	(74 811)	(147 297)
Gross profit	**85 551**	81 991	160 804
Other income	**988**	878	1 876
Operating expenses excluding depreciation and amortisation	**(76 160)**	(74 539)	(146 607)
Earnings before interest, tax depreciation and amortisation	**10 379**	8 330	16 073
Depreciation and amortisation	**(2 971)**	(3 019)	(6 524)
Operating profit before interest and tax	**7 408**	5 311	9 549
Finance costs	**(1 146)**	(812)	(2 101)
Profit before tax	**6 262**	4 499	7 448
Income tax	**(1 808)**	(1 305)	(2 308)
Profit attributable to equity holders of the parent	**4 454**	3 194	5 140
Other comprehensive income for the period:			
Net effect of revaluation of property (not classified)	**-**	-	5 480
Total comprehensive income attributable to equity holders of the parent	**4 454**	3 194	10 620
Weighted average number of shares	**118 570 928**	111 511 421	114 635 975
Diluted average number of shares	**118 570 928**	113 327 263	115 111 585
Earnings Ratios (cents):			
Earnings per share (cents)	**3,76**	2,86	4,48
Diluted earnings per share (cents)	**3,76**	2,82	4,46
Notes to the Statement of Comprehensive Income:			
Headline earnings per share (cents)	**3,76**	2,81	4,46
Diluted headline earnings per share (cents)	**3,76**	2,77	4,45
Reconciliation of Headline Earnings:			
Profit for the period	**4 454**	3 194	5 140
Adjusted for:			
(Profit)/Loss on disposal of property, plant and equipment net of taxation	**-**	(40)	(22)
Headline earnings attributable to shareholders of the parent	**4 454**	3 154	5 118

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Unaudited 6 months to 31 December 2014 R'000**	Reviewed 6 months to 31 December 2013 R'000	Audited Year to 30 June 2014 R '000
Assets			
Non-current assets	**91 602**	86 291	94 249
Property, plant and equipment	**50 295**	44 538	52 576
Goodwill and intangible assets	**38 614**	38 564	38 827
Deferred taxation	**2 693**	3 189	2 846
Current assets	**136 234**	121 560	147 043
Inventories	**72 898**	67 419	76 018
Trade and other receivables	**53 616**	45 213	54 086
Other financial assets	**7 188**	5 794	7 175
Taxation receivables	**2 173**	2 897	2 173
Cash and bank	**359**	237	7 591
Total assets	**227 836**	207 851	241 292
Equity and liabilities			
Total equity	**157 116**	148 682	152 379
Share capital	**136 993**	135 836	136 710
Shares to be issued to vendors	**-**	1 484	-
Reserves	**22 830**	22 215	22 830
Accumulated loss	**(2 707)**	(10 853)	(7 161)
Non-current liabilities	**9 389**	4 748	9 389
Deferred taxation	**9 389**	4 748	9 389
Current liabilities	**61 324**	54 421	79 524
Trade and other payables	**47 102**	39 865	45 612
Other financial liabilities	**-**	-	390
Operating lease liability	**1 938**	2 476	2 559
Taxation payable	**480**	-	758
Bank overdraft	**11 804**	12 080	30 205
Total liabilities	**70 713**	59 169	88 913
Total equity and liabilities	**227 829**	207 851	241 292
Notes to the Statement of Financial Position:			
Number of shares in issue	**124 048 757**	122 638 059	123 704 022
Net asset value per share (cents)	**127**	120	123
Tangible net asset value per share (cents)	**96**	89	92

REVIEW OF PERFORMANCE

SUMMARY

Accéntuate has produced pleasing results for the first half of the year after recovering from the severe impact of the NUMSA strike in July. Trading for the remaining five months was steady with evidence of improved demand and an increase in sales of 9% over the corresponding period. Expenses were managed extremely well resulting in an increase in operating expenses of only 2,2% compared to the same period in 2013. The resultant increase in operating profit for the period of 39%, together with effective control of working capital, resulted in borrowings reducing by R11,6 million since June as well as lower working capital compared to the second half of the previous financial year.

The increase in profits was achieved despite gross margins remaining under pressure - attributable to the reduced volumes produced during the strike and the impact of increased competition. Nevertheless, profit before tax and after tax increased by 39%. The headline earnings per share increased by 34% to 3,76 cents after taking account of the increased number of shares in issue. The NUMSA strike affected both FloorworX and Safic. FloorworX production came to an almost complete halt during July as the workers at the East London production facility are members of NUMSA and they were not able to work during the strike. The employees at many of Safic's customers, especially those in the metal and engineering sectors, are affiliated to NUMSA and off-take was thus significantly reduced during the month due to reduced activity.

Inventory levels reduced as planned during the first portion of the period. However, the levels of locally manufactured product were deliberately increased during the last couple of months in anticipation of the impact of load shedding by Eskom affecting production during the first part of 2015. Accounts receivable and payable continue to be well managed and remain within target levels. Capital expenditure was in line with expectation.

FLOORING DIVISION

This division, which has been operational for more than 60 years, comprises the FloorworX business operations and contributed 78% of the group revenue.

Sales increased by 11% following a marginal improvement in the

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**Unaudited 6 months to 31 December 2014 R'000**	Reviewed 6 months to 31 December 2013 R'000	Audited Year to 30 June 2014 R'000
Capital and reserves – opening balance	**152 379**	134 550	134 550
Profit for the period	**4 454**	3 194	5 140
Other comprehensive income	**-**	-	5 480
Shares issued for acquisition of assets	**283**	9 454	10 328
Shares to be issued to vendors	**-**	1 484	-
Net transfer of reserves	**-**	-	(3 156)
Share-based payment expense	**-**	-	37
Capital and reserves – closing balance	**157 116**	148 682	152 379

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**Unaudited 6 months to 31 December 2014 R'000**	Reviewed 6 months to 31 December 2013 R'000	Audited Year to 30 June 2014 R'000
Net cash from operating activities	**11 843**	(292)	(6 629)
Net cash from investing activities	**(674)**	351	(4 083)
Net cash from financing activities	**-**	(2 850)	(2 850)
Net increase / (decrease) in cash and cash equivalents	**11 169**	(2 791)	(13 562)
Cash and cash equivalents at beginning of the period	**(22 614)**	(9 052)	(9 052)
Cash and cash equivalents at end of the period	**(11 445)**	(11 843)	(22 614)

demand during the period, particularly from education departments. There are indications that this should continue during the second half of the year. However, the demand from the general construction sector remained subdued.

Selling prices were under pressure as competition continued to increase. The plant operated efficiently once production resumed after the strike. The gross margin of 47,2% was lower than the previous period. The higher fuel price during the period under review when compared to the comparative period also contributed to a slight reduction in operating profit. Load shedding impacted negatively on production recoveries during December - and has continued to disrupt production during January and February.

ENVIRONMENTAL SOLUTIONS DIVISION

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

Safic continued to increase trading levels in the new markets targeted during recent years, especially the contract cleaning, screeds and adhesives, speciality chemical and water treatment areas. This has off-set the decline in off-take by the traditional mining and industrial customers which has been evident for some time. The business has further reduced costs and increased efficiencies.

Turnover increased by 2,4% to R39,2 million while the gross profit was slightly reduced. However, a 3,5% reduction in cash operating costs resulted in a significant increase in operating profit. This was a pleasing result considering the lackluster state of the mining and manufacturing sectors and the impact of the NUMSA strike which saw reduced sales to a large number of Safic customers who scaled back operations for most of July.

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. The business continued making steady progress in expanding its customer base and has received significantly more enquiries and opportunities to tender for further business, and is involved in a number of discussions with potential customers on a broad range of water treatment solutions. It has almost achieved a break-even trading level during the period under review.

PROSPECTS

All the trading divisions within the group are focusing considerable efforts on expanding their customer base while reducing costs and improving efficiencies. This should enable the group to benefit from any improvement in the economic sectors served. The reduction in fuel prices should benefit the second half results, although there is not yet much evidence of lower prices in many other petro-chemical derivative products. The group continues to focus on possible acquisitions which fit in with the approved strategic plans. Load shedding is a major concern with the potential to impact negatively on both manufacturing recoveries and the cost of manufacturing. Management is urgently investigating solutions to mitigate this risk and ensure that desired levels of productivity and profitability are achieved. This will require additional capital expenditure during the second half of the year.

INTERIM DIVIDEND

The Accéntuate board deems it prudent not to declare an interim dividend. The group continues to evaluate and investigate potential business opportunities which could require investment. The group also has certain constraints on its cash management and funding arrangements as a result of the special resolutions not being passed at the annual general meeting.

CONTINGENT LIABILITY

There are non-executive directors' fees of R2,3 million payable subject to approval of the required special resolutions.

EVENTS AFTER REPORTING DATE

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

BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 30 December 2014 have been prepared in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and are in compliance with the Listings Requirements of the JSE Limited.

The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 31 December 2014 are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the audited annual financial statements for the year ended 30 June 2014.

These condensed interim consolidated financial statements were prepared under the supervision of the chief financial officer, Chris Povall CA(SA). These condensed consolidated financial results have not been audited or reviewed by the group's independent auditors.

APPRECIATION

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

DISCLAIMER

This announcement may contain certain forward-looking statements concerning Accentuate group 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.

2 March 2015

SEGMENTAL REPORT DECEMBER 2014

	Unaudited 31 Dec 2014 R '000 Flooring	Unaudited 31 Dec 2014 R'000 Environmental Solutions	Unaudited 31 Dec 2014 R'000 Corporate and Eliminations	Unaudited 31 Dec 2014 R'000 Total
Total sales	135 646	39 183		
Less: Inter-segmental sales			(4 309)	
Revenue	135 646	39 183	(4 309)	170 520
Gross Profit	64 024	21 527	-	85 551
Operating profit before depreciation and amortisation	7 219	1 398	1 762	10 379
Depreciation and amortisation	(2 126)	(704)	(141)	(2 971)
Operating profit before interest and tax	5 093	694	1 621	7 408
Segmental assets	173 499	31 551	22 786	227 836
Segmental liabilities	39 252	21 756	9 705	70 713

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	38 279	(3 326)	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

CORPORATE INFORMATION

Non executive directors:
(* = independent)
MDC Motlatla (Chairman)*
RB Patmore*
NE Ratshikhopha*
PS Kriel
A Mjamekwana (Alternate)

Executive directors:
FC Platt (Chief Executive Officer)
CJ Povall (Chief Financial Officer)
DE Platt

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Investor relations: Keyter Rech Investor Solutions