UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

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

OPERATING PROFIT UP 46% • HEPS UP 53% • NORMALISED HEPS UP 63%

Condensed consolidated Financial Statements for the six months ended 31 December 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 December 2015 R'000	Unaudited 6 months to 31 December 2014 R'000	Audited Year to 30 June 2015 R '000
Revenue	**173 018**	170 520	318 609
Cost of sales	**(85 619)**	(84 969)	(154 138)
Gross profit	**87 399**	85 551	164 471
Other income	**1 022**	988	1 840
Other operating expenses	**(77 583)**	(79 131)	(156 832)
Operating profit	**10 838**	7 408	9 479
Finance costs	**(1 159)**	(1 146)	(2 485)
Profit before tax	**9 679**	6 262	6 994
Taxation	**(2 855)**	(1 808)	(2 283)
Profit and total comprehensive income attributable to owners of the parent	**6 824**	4 454	4 711
Earnings per share (cents)	**5,75**	3,76	3,97
Diluted earnings per share (cents)	**5,75**	3,76	3,97
Notes to the Statement of Comprehensive Income:			
Headline earnings per share (cents)	**5,75**	3,76	3,97
Diluted headline earnings per share (cents)	**5,75**	3,76	3,97
Normalised earnings per share (cents)	**5,75**	3,53	5,07
Diluted normalised earnings per share (cents)	**5,75**	3.53	5,07
Weighted average number of shares	**118 687 089**	118 570 928	118 628 531
Diluted average number of shares	**118 687 089**	118 570 928	118 628 531
Reconciliation of Headline Earnings:			
Profit for the period	**6 824**	4 454	4 711
Adjusted for:			
(Profit)/Loss on disposal of property, plant and equipment – net of taxation	**-**	-	(1)
Headline earnings attributable to share-holders of the parent	**6 824**	4 454	4 710
Adjustment for directors' fees if recorded in the correct period – net of taxation	**-**	(270)	1 302
Normalised earnings	**6 824**	4 184	6 012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months to 31 December 2015 R'000	Unaudited 6 months to 31 December 2014 R'000	Audited Year to 30 June 2015 R '000
Assets			
Non-current assets	**92 154**	91 602	92 468
Property, plant and equipment	**50 572**	50 295	50 845
Goodwill and intangible assets	**38 712**	38 614	38 779
Deferred taxation	**2 870**	2 693	2 844
Current assets	**142 570**	136 234	138 370
Inventories	**81 289**	72 898	76 280
Trade and other receivables	**54 579**	53 616	55 515
Other financial assets	**4 685**	7 188	4 530
Taxation receivables	**1 875**	2 173	1 875
Cash and bank	**142**	359	170
Total assets	**234 724**	227 836	230 838
Equity and liabilities			
Total equity	**164 386**	157 116	157 562
Share capital	**136 993**	136 993	136 993
Reserves	**22 632**	22 830	22 632
Retained earnings / (accumulated loss)	**4 761**	(2 707)	(2 063)
Non-current liabilities	**9 354**	9 396	9 354
Deferred taxation	**9 354**	9 396	9 354
Current liabilities	**60 984**	61 324	63 922
Trade and other payables	**38 870**	47 102	35 731
Operating lease liability	**2 451**	1 938	2 387
Taxation payable	**776**	480	1 236
Bank overdraft	**18 887**	11 804	24 568
Total liabilities	**70 338**	70 720	73 276
Total equity and liabilities	**234 724**	227 836	230 838
Notes to the Statement of Financial Position:			
Number of shares in issue	**124 048 757**	124 048 757	124 048 757
Net asset value per share (cents)	**133**	127	127
Tangible net asset value per share (cents)	**101**	96	96

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 31 December 2015 R'000	Reviewed 6 months to 31 December 2014 R'000	Audited Year to 30 June 2015 R'000
Capital and reserves – opening balance	**157 562**	152 379	152 379
Profit for the period	**6 824**	4 454	4 711
Shares issued for acquisition of assets	**-**	283	283
Share-based payment expenses	**-**	-	189
Capital and reserves – closing balance	**164 386**	157 116	157 562
Comprising:			
Share capital and premium	**136 993**	136 993	136 993
Reserves	**22 632**	22 830	22 632
Retained earnings / (accumulated loss)	**4 761**	(2 707)	(2 063)
Total equity	**164 386**	157 116	157 562

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 December 2015 R'000	Reviewed 6 months to 31 December 2014 R'000	Audited Year to 30 June 2015 R'000
Net cash flow from operating activities	**7 858**	11 843	(407)
Net cash flow from investing activities	**(2 205)**	(674)	(1 377)
Net increase / (decrease) in cash and cash equivalents	**5 653**	11 169	(1 784)
Cash and cash equivalents at beginning of the period	**(24 398)**	(22 614)	(22 614)
Cash and cash equivalents at end of the period	**(18 745)**	(11 445)	(24 398)

SEGMENTAL REPORT Six months ended 31 December 2015	Unaudited 31 Dec 2015 R '000 Flooring	Unaudited 31 Dec 2015 R'000 Environmental Solutions	Unaudited 31 Dec 2015 R'000 Water Treatment	Unaudited 31 Dec 2015 R'000 Corporate and Eliminations	Unaudited 31 Dec 2015 R'000 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**		**2377**	**10 838**
Finance costs	**106**	**499**		**554**	**1 159**
Profit before tax	**7 358**	**498**		**1 823**	**9 679**
Share of loss from associate			**0**		
Depreciation and amortisation	**1 590**	**735**		**67**	**2 392**
Capital expenditure	**1 397**	**600**		**56**	**2 053**
Segmental assets	**172 724**	**31 016**		**30 984**	**234 724**
Segmental liabilities	**33 927**	**20 963**		**15 448**	**70 338**

Six months ended 31 December 2014	Reviewed 31 Dec 2014 R '000 Flooring	Reviewed 31 Dec 2014 R'000 Environmental Solutions	Reviewed 31 Dec 2014 R'000 Water Treatment	Reviewed 31 Dec 2014 R'000 Corporate and Eliminations	Reviewed 31 Dec 2014 R'000 Total
Total sales	135 646	39 183		(4 309)	
Less: Inter-segmental sales					
Revenue	135 646	39 183		(4 309)	170 520
Gross Profit	64 024	21 527		-	85 551
Operating profit	5 093	694		1 621	7 408
Finance costs	22	577		547	1 146
Profit before tax	5 071	117		1 074	6 262
Share of loss from associate			0		
Depreciation and amortisation	2 126	704		141	2 971
Capital expenditure	401	133		61	595
Segmental assets	173 499	31 551		22 786	227 836
Segmental liabilities	39 252	21 756		9 705	70 713

REVIEW OF PERFORMANCE

INTRODUCTION AND BACKGROUND TO THE RESULTS

Accéntuate produced pleasing results for the period under review in a generally challenging economic environment. The slowdown in the local economy as well as the weakness of the rand continues to affect the private and public construction environments as well as the industrial and mining sectors. These are significant markets in which the group operates. Notwithstanding these challenges, Accentuate has successfully focused on increasing operational efficiency and managing costs in order to increase profitability.

Turnover for the period increased 1,5% to R173 million and gross profit increased by 2,2% on the back of a slight increase in the gross margin to 50,5%. The concerted effort to contain costs resulted in a 2% reduction in operating expenses and allowed operating profit to increase by 46% to R10,8 million. Finance charges were virtually unchanged which resulted in the profit before tax rising 55% to R7,9 million. Headline earnings per share of 5,75 cents were 53% higher. Normalised headline earnings per share, which reflects the previous period earnings if the non-executive directors' fees had been expensed in the periods to which they actually related, shows an increase of 63%.

An increased focus on the internal audit function resulted during December 2015 in the identification of certain procedural irregularities at the Floorworx facility in East London. These were immediately investigated and a number of payments were discovered to have been fraudulent. The perpetrator, who was the financial director of Floorworx based in East London, was immediately suspended and both a criminal case opened and court orders obtained to freeze and obtain copies of his and his immediate family's bank accounts. No other employees are believed to have been involved. The fraudulent payments made during the period under review amounted to R6,5 million and have been accounted for in the results above.

The company is continuing with its internal investigations as well as assisting authorities with their investigation. Based on the information currently available to the board the extent of the fraud amounts to approximately R70 million over a period of ten years. All these amounts have been accounted for in the results published for the respective periods.

A number of steps have been taken to address the control deficiencies identified and an independent review of all controls and division of duties will shortly be undertaken. Furthermore, as detailed later in this announcement, an additional non-executive director with extensive experience in auditing will be joining the board and the audit committee. The FloorworX financial department will also be strengthened and restructured as replacement financial staff are appointed.

FLOORING BUSINESS

The FloorworX business operation contributed 80% of the group revenue.

FloorworX again showed resilience in coping admirably during difficult trading conditions. Management's ongoing focus on operating efficiency, flexible work practices and exploring new markets resulted in operating profit increasing 47% to almost R7,5 million despite only a 1,5% increase in turnover and a slight improvement in the gross margin to 47,6%. The company maintained its market share 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. Fortunately there was limited load shedding at the factory during the period under review. The wood and laminate division was affected by the reduced activity in the office and commercial construction sectors, especially in the second quarter of the financial year. The corporate carpet tile range introduced during the previous year continues to gain acceptance in a depressed market.

The dedicated management team remain fully committed to ensuring that FloorworX entrenches its leadership position within the resilient flooring market.

ENVIRONMENTAL SOLUTIONS BUSINESS

This comprises the Safic business operations and contributed 20% of the group revenue.

Safic continued to make progress in its repositioning strategy. The business has for some time been pursuing a strategy to expand further into sustainable, recurring business within the commercial market segments as well as increasing the range supplied of more specialised chemical products utilised in production processes. This helped ensure that turnover was slightly higher despite the very subdued demand from the industrial and mining sectors which Safic has traditionally supplied. This bodes well for the business going forward in ensuring Safic's trading platform is more sustainable and resilient.

The Degrachem acquisition into the specialty metal treatment sector made a couple of years ago has provided some opportunities for further 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 the unique position where it can supply a comprehensive range of flooring solutions, including preparation and maintenance products and equipment.

Safic revenue increased marginally to R39,2 million and further production efficiencies facilitated the gross margin improvement to 56%. The increase in operating costs was contained to less than 1% which resulted in the operating profit increasing 44%.

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.

WATER TREATMENT BUSINESS

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

As has been widely reported, water is increasingly becoming a major area of focus within the domestic economy. This has been especially so as the impact of the current drought has become more pronounced. The joint venture with India's leading water solutions company, Ion Exchange India, provides the Accéntuate group with a unique strategic platform for becoming a significant participant in the water treatment market and related infrastructure projects in South Africa. 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 for recurring business. Although the growth in the business has taken longer than envisaged, 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.

PROSPECTS

It is anticipated that the challenging macroeconomic trading conditions will continue for the foreseeable future. In addition to these we also anticipate that the local government elections will have a negative impact on government spending during the last quarter of the financial year. However, all the trading entities within the group are well positioned and focused on expanding their customer base and product offerings. We believe that the difficult trading conditions will provide an opportunity to expand market share as well as to possibly acquire suitable businesses at reasonable prices. Major opportunities exist for expansion within the water treatment sector. The relative weakness of the rand presents opportunities to increase exports of locally manufactured products, including into substantial markets not previously supplied. Overall the group remains cautiously optimistic that it will deliver acceptable returns to shareholders in the foreseeable future.

CHANGES TO THE BOARD OF DIRECTORS

The company is pleased to announce that Mr. Thys du Preez has been appointed a non-executive director of Accentuate with effect from 1 March 2016, and will also serve on the Audit and Risk Committee from that date. Thys was a partner at Ernst & Young for many years and has subsequently been involved in managing a number of businesses.

DIVIDEND

The Accéntuate board deems it prudent not to declare an interim 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 no contingent liabilities in the group.

BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2015 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.

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

The unaudited condensed consolidated results for the period ended 31 December 2015 were prepared under the supervision of the chief financial officer, Chris Povall CA (SA). They were approved by the board of directors on 25 February 2016 and have not been reviewed or audited by the company's auditors Mazars (Gauteng) Inc.

APPRECIATION

The board would like to thank the staff and management teams of all the operations for their commitment 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.

29 February 2016

CORPORATE INFORMATION

Non executive directors:
RB Patmore (Chairman)
NE Ratshikhopha
PS Kriel
A Mjamekwana (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, 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

Transfer secretaries:
Computershare Investor Services (Pty) Ltd

Designated adviser:
Bridge Capital Advisors (Pty) Ltd

Attorneys:
Fullard Mayer Morrison

Investor relations:
Keyter Rech Investor Solutions