UNAUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2017

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

Summarised Unaudited Consolidated Financial Statements for the year ended 30 June 2017

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2017 R '000	Restated 30 June 2016 R '000
Revenue	**300 026**	322 714
Cost of sales	**(173 453)**	(160 648)
Gross profit	**126 573**	162 066
Other income	**12 384**	2 420
Other operating expenses	**(136 099)**	(151 088)
Impairment loss on goodwill	**-**	(36 963)
Operating profit/(loss) before finance costs	**2 858**	(23 565)
Investment income	**145**	-
Finance costs	**(2 420)**	(2 817)
Profit/(loss) before tax	**583**	(26 382)
Taxation	**334**	(3 056)
Profit/(loss) for the period	**917**	(29 438)
Other comprehensive income/(loss):	**7 323**	(386)
Transfer of revaluation reserve	**(350)**	(386)
Asset revaluation surplus	**7 673**	-
- Gross revaluation surplus	**9 402**	-
- Deferred Tax	**(1 729)**	-
Total comprehensive income/(loss) for the period	**8 240**	(29 824)
Earnings/(loss) per share (cents)	**0,70**	(24,77)
Diluted earnings/(loss) per share (cents)	**0,69**	(22,44)
Net asset value per share (cents)	**102**	98
Notes to the statement of comprehensive income:		
Headline earnings/(loss) per share (cents)	**0,74**	6,32
Diluted headline earnings/(loss) per share (cents)	**0,72**	5,73
Number of shares:		
- Weighted average number of shares	**130 405 641**	118 852 355
- Diluted weighted average number of shares	**133 302 612**	131 175 083
- Number of shares in issue	**134 048 757**	124 048 757
Reconciliation of headline and normalised earnings (R'000):		
Profit/(loss) for the year attributable to ordinary shareholders	**917**	(29 438)
(Profit)/loss on disposal of property, plant and equipment - net of taxation	**45**	(9)
Impairment of goodwill	**-**	36 963
Headline earnings for the year attributable to ordinary shareholders	**962**	7 516

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 R'000	Restated 30 June 2016 R'000
ASSETS		
Non-current assets	**58 885**	**54 279**
Property plant and equipment	54 339	50 191
Goodwill	-	-
Intangible assets	1 500	1 663
Deferred taxation	3 046	2 425
Current assets	**130 567**	**148 242**
Inventories	80 157	104 147
Trade and other receivables	47 266	37 201
Other financial assets	1 726	1 913
Taxation receivable	1 217	4 800
Cash and bank	201	181
Total assets	189 452	202 521
EQUITY AND LIABILITIES		
Total equity	**132 556**	**116 506**
Share capital	147 613	137 950
Reserves	27 614	22 020
Accumulated loss	(43 686)	(43 798)
Share based payment reserve	1 015	334
Non-current liabilities	**6 613**	**7 312**
Deferred taxation	6 613	7 312
Current liabilities	**50 283**	**78 703**
Other financial liabilities	579	-
Finance lease obligation	127	-
Trade and other payables	38 761	48 007
Operating lease liability	1 530	2 252
Current tax payables	500	84
Bank overdraft	8 786	28 360
Total liabilities	56 896	86 015
Total equity and liabilities	189 452	202 521

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	30 June 2017 R'000	Restated 30 June 2016 R'000
Capital and reserves – opening balance	116 506	144 879
Correction of error in equity	(721)	-
Profit/(loss) for the year	917	(29 438)
Shares issued for cash	7 500	-
Asset revaluation surplus	7 673	-
Share options exercised	-	957
Share-based payment expense	681	108
Capital and reserves – closing balance	**132 556**	**116 506**

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2017 R'000	30 June 2016 R'000
Cash flow from operating activities	**12 477**	(3 705)
Cash flow from investing activities	**(510)**	(1 032)
Cash flow from financing activities	**7 627**	956
Net increase/decrease in cash and cash equivalents	**19 594**	(3 781)
Cash and cash equivalents at beginning of the year	**(28 179)**	(24 398)
Cash and cash equivalents at end of the year	**(8 585)**	(28 179)

SEGMENT REPORT
30 June 2017

	30 June 2017 R'000 Flooring	30 June 2017 R'000 Environmental Solutions	30 June 2017 R'000 Corporate and Eliminations	30 June 2017 R'000 Consolidated
Total sales	232 999	67 489	9 086	309 574
Less: inter-segmental sales	-	(5 428)	(4 120)	(9 548)
Revenue	**232 999**	**62 061**	**4 966**	**300 026**
Gross profit	93 908	39 746	(7 081)	126 573
Operating profit/(loss)	3 447	(2 379)	1 790	2 858
Finance costs	(1 270)	(1 240)	235	(2 275)
Profit/(loss) before tax	2 177	(3 619)	2 025	583
Share of profit /(loss) from associate	-	-	-	-
Other information				
Capital expenditure	1 133	130	333	1 596
Depreciation and amortisation	3 325	1 123	164	4 612
Segment assets	165 359	24 798	(705)	189 452
Segment liabilities	31 450	16 838	8 608	56 896

SEGMENT REPORT
30 June 2016

	Restated 30 June 2016 R'000 Flooring	Restated 30 June 2016 R'000 Environmental Solutions	Restated 30 June 2016 R'000 Corporate and Eliminations	Restated 30 June 2016 R'000 Group
Total sales	254 839	74 094	-	328 933
Less: inter-segmental sales	-	-	(6 219)	(6 219)
Revenue	**254 839**	**74 094**	**(6 219)**	**322 714**
Gross profit	120 831	41 235	-	162 066
Operating profit/(loss)	(2 587)	(22 213)	1 235	(23 565)
Finance costs	(719)	(1 005)	(1 093)	(2 817)
Profit/(loss) before tax	(3 306)	(23 218)	142	(26 382)
Share of profit /(loss) from associate	-	-	-	-
Other information				
Capital expenditure	2 789	841	105	3 735
Depreciation and amortisation	3 317	884	267	4 468
Impairment of goodwill	13 462	23 501	-	36 963
Segment assets	178 558	31 312	(7 349)	202 521
Segment liabilities	50 398	20 597	15 020	86 015

INTRODUCTION TO THE RESULTS

The year under review has highlighted several challenges in the macro-economy while presenting Accéntuate with a unique opportunity to examine its current operations, interrogate its strategic focus and to ensure a control environment that is conducive to growth.

Revenue was severely impacted by sluggish infrastructure spend and the recessionary environment experienced in the construction, manufacturing and mining sectors in which Accéntuate is strongly represented. A major focus on sustainability and cost control has seen Accéntuate emerge leaner, with greater focus and better positioned to take advantage of the many opportunities that are currently presenting themselves.

LITIGATION STATEMENT

The legal proceedings against the former financial director of FloorworX (Pty) Limited, Mr Louis Schreuder, relating to fraud amounting to R70 million over 10 years has resulted in him being convicted and he currently is serving a prison sentence of 18 years. The court granted a confiscation order to Accéntuate Limited that resulted in proceeds of R1 million from an auction of the personal effects of Mr Schreuder. Subsequent to the financial year end, Accéntuate Limited was also granted a court order of R9,7 million which has been recognised as other income in the financial statements for the year ended 30 June 2017. In addition an insurance claim amounting to R1 million has been received and contributed to the fraud recoveries.

RESTATEMENT OF THE PRIOR YEAR RESULTS

The results for the year ended 30 June 2016 have been restated for the inclusion of an impairment loss on goodwill that was not recognised in prior years amounting to R36,9 million. The restatement results from the correction of an error due to the exclusion of head office management fees from impairment calculations in previous years. The year ended 30 June 2016 represents the earliest period in which the restatement can practically be determined.

REVIEW OF PERFORMANCE

Revenue for the year declined by 7,0% to R300,0 million (2016: R322,7 million), impacted by lower sales in both the FloorworX and Safic businesses. Gross profit reduced by R35,5 million and the gross profit margin from 50,2% to 42,2%, mainly as a result of the mentioned decline in sales.

Other income increased by 412% to R12,4 million (2016: R2,4 million) mainly as a result of the recognition of fraud recoveries relating to the court order granted amounting to R9,7 million.

A focus on the reduction of operating costs continues and an amount of approximately R15 million was saved through this initiative.

Finance costs reduced by 14% from R2,8 million in the previous year to R2,4 million in the current year and relates directly to the reduction of inventory by R24 million as a result of a conscious effort by management to improve working capital management. The overdraft balance with ABSA Bank has reduced by R19,5 million to R8,8 million during the financial year.

FLOORING BUSINESS (100% OWNED)

The FloorworX business operations contributed 78% of group sales.

Revenue of R232,9 million was down by 8,6% compared to the previous year and the gross margin reduced to 40,3% from 47,4%. The reduction in gross profit was caused by lower sales and a fixed production cost element. Other income has increased due to the fraud recoveries that have been recognised, amounting to R9,7 million, after a court order was granted to confiscate the assets of Mr. Schreuder. FloorworX ended the period with an operating profit of R3,4 million compared to a loss of R2,6 million in the previous year.

ENVIRONMENTAL SOLUTIONS BUSINESS (100% OWNED)

This comprises the Safic business operations and contributed 22% of group sales.

Market conditions remained extremely challenging during this financial year. Revenue was down 8,9% at R67,5 million (2016: R74,1 million), contributing to an operating loss of R2,4 million (2016: R22,2 million). The gross margin percentage increased by 3,2% to 58,9% mainly due to a conscious effort by management to reduce manufacturing cost.

PENTAFLOOR ACQUISITION

The acquisition of the shares in Pentafloor (Pty) Limited was concluded after 30 June 2017. Pentafloor, a leading supplier in the access flooring market in South Africa, was purchased for a consideration of R40 million. The purchase price will initially be settled with R16 million in cash and R4 million in shares. The remaining settlement will be incurred in a combination of shares and cash as agreed over the earn out period of two years.

This acquisition provides Accéntuate with a product category in flooring that is not currently in its repertoire and will add significantly to the overall business positioning. Access flooring is used in commercial developments to meet the requirement of underfloor infrastructure and cabling.

The Pentafloor business is complementary to Accéntuate's FloorworX division and will add to the depth of management.

Aside from natural synergies that can be extracted, Accéntuate will benefit from exposure to the growing access flooring market.

Pentafloor was started in 2005 by Bianca and Larry Shakinovsky and has grown significantly over the years. It owns several key brands, namely Lafarge Access Flooring, Solidfeel and Pentafloor Access Flooring, as well as other internationally recognised brands in the industry.

SUBSEQUENT EVENTS

The Pentafloor acquisition was approved by the Accéntuate Limited board subsequent to the financial year end of the company. Adjustments to the financial statements are not required for this event and the required disclosures have been made where required in the Integrated Annual Report.

Subsequent to the financial year end, the High Court in Grahamstown granted a realisation order in terms of the Prevention of Organised Crime Act in respect of known assets under the control of the curator amounting to R9,7 million, which directs the curator to dispose of those assets and to pay the proceeds thereof to the company as recompense to the victim of the fraud that was committed by the Mr Louis Schreuder. The financial statements of Accéntuate Limited have been adjusted to reflect these recoveries.

GENERAL ISSUE OF SHARES FOR CASH

In terms of the resolution approved at the annual general meeting, 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 at the beginning of the financial year. These shares were allotted and subscribed for on 7 July 2016. As previously mentioned management focused on working capital reduction and succeeded in reducing inventory by R24 million.

STRATEGIC POSITIONING

Accéntuate has indicated its ambition for sustainable growth within identified sectors, these being flooring, chemicals and water and to execute this ambitious plan, a number of focused initiatives have been implemented during the 2016/2017 financial year, which include:

- **Control environment**
  A focused attempt on strengthening the control environment has resulted in a strengthened audit and risk committee, the appointment of Maarten Coetzee as the group chief financial officer, PricewaterhouseCoopers Inc. as external auditors, Prozilog (Pty) Limited as internal auditors and Juba Statutory Services (Pty) Limited as company secretaries. These appointments will ensure a solid control environment.

- **Strengthening of the balance sheet**
  This has included the conscious reduction of inventories through a structured programme. Although this impacted the profitability of the organisation across the year, the benefits in terms of cash generation and right-sizing of the manufacturing facility in East London, are already visible. In addition to this, debt has been restructured and additional funding raised through a share issue for cash.

- **Transformation**
  Economic transformation and the inclusion of previously disadvantaged groups within the management and equity environment remains a key developmental priority for Accéntuate. A number of initiatives in this regard during the year under review are being considered and include both gender and ethnic diversity. Accéntuate is also committed to improving its black economic ownership structure. This has long been an investment priority and to truly transform, Accéntuate must ensure an adequate empowerment holding.

- **Support for a chemical expansion strategy**
  The chemical industry continues to hold opportunity and Accéntuate remains focused on leveraging off existing manufacturing capabilities. In addition to the traditional markets served, several complementary market sectors have been identified and will form part of our core expansion strategy.

- **Implementation of a clear water strategy**
  Water remains core to the strategic direction of the organisation and this culminated in the establishment of a SADC-based joint venture with Asia's leading total water management company Ion Exchange India. Much time has been spent on developing the value chain and establishment of the strategic partnerships that would ensure the implementation of a comprehensive total water management strategy.

PROSPECTS

Although 2016/2017 has been a particularly challenging year from a market perspective, we remain positive that macro-economic factors will eventually turn more positive into 2018. With a strong control environment in place, strategies have been interrogated to ensure sustainability and cost-saving initiatives are maintained. This positions Accéntuate positively for implementation of its set ambitious growth objectives. The economic environment may be hampered by poor growth and a political overhang going forward.

We are confident that these interventions embarked on during the year will ensure a strong and sustainable base on which the company can execute its expansion and diversified growth strategies.

BOARD CHANGES

On 2 February 2017 Accéntuate announced the appointment of Maarten Coetzee as chief financial officer with effect from 1 February 2017. Ockert Goosen was appointed as an alternate director to 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 a 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 summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary 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 Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, 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 summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

The unaudited condensed consolidated results for the year were prepared under the supervision of MJ Coetzee CA (SA). They were approved by the board on 28 September 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 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.

28 September 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) MJ Coetzee (Chief Financial Officer) DE Platt
Registered address:	Accéntuate Business Park 32 Steele Street Steeledale 2197
Postal address:	P.O. Box 1754 Alberton 1450
Company secretary:	Juba Statutory Services (Pty) Limited Represented by Sirkien van Schalkwyk
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Email:	info@accent.co.za
Twitter:	@AccentuateLtd
Facebook:	www.facebook.com/AccentuateLtd
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.

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