Accéntuate

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" or "the company")

ACHIEVEMENT

Successful Pentafloor acquisition

INTRODUCTION TO THE RESULTS

Accentuate Limited is a company with underlying investments involved in infrastructure supplies, with a focus on flooring, the water treatment and chemical sectors.

These sectors, have over the past six-months, suffered from depressed macroeconomic conditions, political uncertainty and a lack of confidence in the country. In order to counter these direct impacts, Accentuate has established a clear, defined and detailed growth plan for immediate implementation. The focal point of the strategy is to ensure that advantage is taken of opportunities in the respective sectors.

RESTATEMENT

The opening balances of the comparative results, being 31 December 2016, have been restated to reflect the impairment of goodwill amounting to R36 963 000. The restatement was recorded in the integrated annual report for the year ended 30 June 2017 and full disclosure of the restatement has been made in note 33 to the annual financial statements.

REVIEW OF PERFORMANCE

Results for the six-months ended 31 December 2017 are in line with management's expectations given the macroeconomic and market conditions for the period under review, and provide a solid foundation for growth.

Revenue for the year decreased by 1,3% to R157,3 million (2016: R159,3 million), mainly resulting from lower sales volumes in Floorworx. Gross profit decreased by R3 million and the gross profit margin from 45,8% to 44,5%, as a result of the mentioned reduction in sales volumes.

Other income decreased by 95% to R0,4 million (2016: R8,7 million) mainly as a result of the recognition of recoveries relating to the court order granted to Accentuate after the fraud conviction of the previous financial director of Floorworx amounting to R6,5 million during the period ending 31 December 2016.

Operating cost decreased by 4,8%, largely due to the reduced activity in Floorworx and the impact of ongoing cost saving initiatives.

Finance costs reduced by 51% from R1,2 million in the previous period to R0,6 million in the current year as a result of a conscious effort by management to improve working capital management.

The additional contribution of the newly acquired access flooring business, Pentafloor, (for a three-month period) amounted to a net profit of R3,3 million and countered the impact of the reduced sales activity in the flooring segment.

FLOORING BUSINESS (100% OWNED)

The Flooring business operations contributed 78% of group sales.

Revenue of R121,3 million was down by 5,0% compared to the previous six-months but the gross margin increased to 45,6% from 42,3%.

Production volumes at the East London manufacturing facility were purposefully managed down as a result of low demand from government infrastructure including classrooms, clinics and hospitals. This action reduced inventories and ensured resilience through cash generation. The product category of "other flooring products" showed stable growth with a consolidation and growth in market share.

Margins were impacted by local production activity which was the single largest negative impact on margins, coupled with currency volatility, since a significant proportion of FloorworX product is imported from overseas.

ACQUISITION

The Pentafloor acquisition was concluded by the end of September 2017. Pentafloor is a leading supplier in the access flooring market in South Africa and the 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.

During its first three months in the Accentuate Group, Pentafloor delivered results which are in line with projections. Growth opportunities exist in the rest of Africa which the Pentafloor management team is evaluating.

ENVIRONMENTAL SOLUTIONS BUSINESS (100% OWNED)

This comprises the chemical blending, Safic business operations which contributed 22% of group sales.

Revenue was flat at R34,9 million (2016: R34,8 million). Increasing costs results in an operating loss of R2,1 million (2016: R0,9 million). Sales volumes were affected by lulls in the manufacturing and mining sectors. The gross margin percentage increased 8% to 59,3%, mainly due to a change in the sales demand to other products of Safic.

A new Sales Director was appointed and focused on gaining market share in specialist chemical sectors. Several expansive projects including the supply of manufactured chemicals to a mining operation in Angola and to a number of local parastatals were identified. The supply of white labelling of chemicals for major blue-chip companies, as a result of the above mentioned efforts, is also being considered.

WATER TREATMENT BUSINESS (40% OWNED)

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

Each period we make inroads into obtaining projects in the industrial sector. The technical expertise from India and on the ground in South Africa is exceptional and structures have been developed for the implementation of major projects that we are currently negotiating. We are expecting the mentioned developments to deliver positive results in the near future.

OUTLOOK

Shareholders will be aware that the flooring division has, and continues to be the largest contributor to the group. A strategic decision has been made to continue with the expansion of the flooring portfolio and this will be supported through possible acquisitions, increasing market presence and marketing.

These commitments, coupled with the five strategic imperatives discussed in the year-end results commentary of 30 June 2017 which include *inter alia* (a) transformation, (b) support for the chemical expansion strategy and (c) implementation of the water strategy – remain in place for the management team to achieve.

Although Accentuate is excited about the prospects identified, together with a clear implementation plan, we do anticipate that the local economy will remain under pressure for the remainder of the financial period. We are, however, cautiously optimistic for the remainder of the calendar year and excited about future opportunities that a change in leadership and confidence in the South African economy will bring. A slight increase in activity is already visible.

The dire water situation in the Western Cape and other parts of South Africa, has elevated the topic of water as a scarce but vital commodity. The recent media coverage received on this topic has led to the possibility of interesting new water projects, including possible acquisitions and large projects that may be pursued in the future.

BOARD CHANGES

There were no changes to the board in this six-month period.

DIVIDEND

The board deems it prudent not to declare a dividend.

GOING CONCERN

The board is satisfied that, after considering 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.

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

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 period were prepared under the supervision of MJ Coetzee CA (SA). They were approved by the board on 22 February 2018.

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 February 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 December 2017 R'000	Unaudited 6 months to 31 December 2016 R'000	Unaudited 30 June 2017 R'000
Revenue	**157 320**	159 316	300 026
Cost of sales	**(87 321)**	(86 287)	(173 453)
Gross profit	**69 999**	73 029	126 573
Other income	**423**	8 681	12 384
Other operating expenses	**(72 020)**	(75 635)	(136 099)
Operating (loss)/profit before finance costs	**(1 598)**	6 075	2 858
Investment income	**–**	–	145
Finance costs	**(618)**	(1 268)	(2 420)
Profit before tax	**(2 216)**	4 807	583
Taxation	**441**	(1 346)	334
(Loss)/profit for the period	**(1 775)**	3 461	917
Other comprehensive (loss)/profit for the period			
Transfer of revaluation reserve	**(220)**	(139)	(252)
Asset revaluation surplus	**–**	–	7 673
Gross revaluation surplus	**–**	–	9 402
Deferred tax	**–**	–	(1 729)
Total comprehensive income attributable to owners of the parent	**(1 995)**	3 322	8 338
Earnings/(loss) per share (cents)	**(1,31)**	2,65	0,70
Diluted earnings/loss per share (cents)	**(1,28)**	2,61	0,69
Net asset value per share (cents)	**96**	97	102
Notes to the statement of comprehensive income:			
Headline earnings/(loss) per share (cents)	**(1,31)**	2,66	0,74
Diluted headline earnings/(loss) per share (cents)	**(1,28)**	2,62	0,72
Number of shares:			
– Weighted average number of shares	**135 471 498**	130 487 285	130 405 641
– Diluted weighted number of shares	**135 368 469**	130 474 589	133 302 612
– Number of shares in issue	**139 366 188**	134 048 757	134 048 757
Reconciliation of headline and normalised earnings (R'000)			
(Loss)/profit for the year attributable to ordinary shareholders	**(1 775)**	3 461	917
(Profit)/loss on disposal of property, plant and equipment – net of taxation	**–**	4	46
Headline earnings for the year attributable to ordinary shares	**(1 775)**	3 465	963

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months to 31 December 2017 R'000	Unaudited restated 6 months to 31 December 2016 R'000	Unaudited 30 June 2017 R'000
ASSETS			
Non-current assets	**84 114**	52 678	58 885
Property plant and equipment	**63 074**	48 580	54 339
Goodwill	**9 751**	–	–
Intangible assets	**7 505**	1 564	1 500
Deferred taxation	**3 784**	2 534	3 046
Current assets	**137 163**	136 868	130 567
Inventories	**82 272**	93 488	80 157
Trade and other receivables	**47 840**	36 999	47 266
Other financial assets	**302**	1 369	1 726
Taxation receivables	**1 230**	4 800	1 217
Cash and cash equivalents	**5 519**	212	201
Total assets	**221 277**	189 546	189 452
EQUITY AND LIABILITIES			
Total equity	**134 021**	126 746	132 556
Stated capital	**150 803**	147 613	147 613
Retained earnings	**(45 461)**	(41 492)	(43 686)
Reserves	**27 394**	20 291	27 614
Share based payment reserve	**1 285**	334	1 015
Non-current liabilities	**23 171**	8 767	6 613
Deferred taxation	**9 137**	8 767	6 613
Long term liabilities	**14 034**	–	–
Current liabilities	**64 085**	54 033	50 283
Other financial liabilities	**–**	296	579
Trade and other payables	**45 049**	38 753	38 761
Operating lease liability	**1 475**	2 222	1 530
Short-term portion of long-term liabilities	**4 098**	–	127
Current tax payable	**4 792**	84	500
Bank overdraft	**8 671**	12 678	8 786
Total equity and liabilities	**221 277**	189 546	189 452

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 31 December 2017 R'000	Unaudited restated 6 months to 31 December 2016 R'000	Unaudited 30 June 2017 R'000
Capital and reserves – opening balance	**132 556**	116 506	116 506
Correction of error in equity	**–**	(721)	(721)
Profit/(loss) for the year	**(1 775)**	3 461	917
Shares issued for cash	**–**	7 500	7 500
Shares issued as consideration for business combination	**3 190**	–	–
Asset revaluation surplus	**(220)**	–	7 673
Share-based payment expense	**270**	–	681
Capital and reserves – closing balance	**134 021**	126 746	132 556

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 December 2017 R'000	Unaudited 6 months to 31 December 2016 R'000	Unaudited 30 June 2017 R'000
Cash flow from operating activities	**7 104**	8 016	12 477
Cash flow from investing activities	**(17 092)**	(69)	(510)
Cash flow from financing activities	**15 421**	7 766	7 627
Net increase/(decrease) in cash and cash equivalents	**5 433**	15 713	19 594
Cash and cash equivalents at beginning of the period	**(8 585)**	(28 179)	(28 179)
Cash and cash equivalents at end of the period	**(3 152)**	(12 466)	(8 585)

SEGMENT REPORT

Unaudited 31 December 2017	Flooring R'000	Environmental Solutions R'000	Corporate and Eliminations R'000	Group R'000
Total sales	**121 301**	**34 993**	**6 193**	**162 487**
Less: inter-segmental sales	**–**	**(2 963)**	**(2 204)**	**(5 167)**
Revenue	**121 301**	**32 030**	**3 989**	**157 320**
Gross profit	**55 307**	**20 756**	**(6 064)**	**69 999**
Operating profit/(loss)	**1 381**	**(2 054)**	**(926)**	**(1 598)**
Finance costs	**(107)**	**(629)**	**118**	**(618)**
Profit/(loss) before tax	**1 274**	**(2 683)**	**(808)**	**(2 216)**
Share of profit/(loss) from associate	**–**	**–**	**–**	**–**
Other information				
Capital expenditure	**658**	**35**	**230**	**923**
Depreciation and amortisation	**2 855**	**511**	**272**	**3 638**
Segment assets	**183 710**	**25 589**	**11 805**	**221 104**
Segment liabilities	**47 623**	**20 322**	**19 301**	**87 256**

Unaudited 31 December 2016	Flooring R'000	Environmental Solutions R'000	Corporate and Eliminations R'000	Group R'000
Total sales	127 698	34 875	3 125	168 698
Less: inter-segmental sales	–	(3 299)	(3 083)	(6 382)
Revenue	127 698	31 576	42	159 316
Gross profit	54 025	19 004	–	73 029
Operating profit/(loss)	5 877	(899)	1 097	6 075
Finance costs	(814)	(502)	48	(1 268)
Profit before tax	5 063	(1 401)	1 145	4 807
Other information				
Capital expenditure	521	62	52	635
Depreciation and amortisation	1 655	588	75	2 318
Segment assets	155 027	27 167	7 352	189 546
Segment liabilities	27 023	17 883	17 894	62 800

CONTACT 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

Registration number:
2004/029691/06

Registered address:
Accéntuate Business Park, 32 Steele Street
Steeledale, 2197

Postal address:
PO Box 1754, Alberton, 1450

Company secretary:
Juba Statutory Services (Pty) Limited
Represented by Sirkien van Schalkwyk

Telephone:
011 406 4100

Facsimile:
086 509 3246

Website:
www.accentuateltd.co.za

Email:
info@accent.co.za

Twitter:
@AccéntuateLtd

Facebook:
www.facebook.com/AccéntuateLtd

Transfer secretaries:
Computershare Investor Services (Pty) Limited

Designated adviser:
Bridge Capital Advisors (Pty) Ltd

Attorneys:
Fullard Mayer Morrison

Investor relations:
Keyter Rech Investor Solutions