AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 APRIL 2013

Ellies Holdings Limited | Registration number: 2007/007084/06 | JSE Share Code: ELI | ISIN: ZAE000103081

HOLDINGS LIMITED

Revenue ↑ 16,6% **EPS ↑ to 74,24 cents** **NAV per share ↑ to 315,80 cents**

PAT ↑ 36,8% **HEPS ↑ to 74,00 cents**

Condensed consolidated statement of financial position

	Audited as at 30 April 2013 R'000	Audited as at 30 April 2012 R'000	% change
ASSETS			
Non-current assets	**409 485**	333 245	
Property, plant and equipment	**163 115**	100 376	
– Land and buildings	**86 140**	56 546	
– Other	**76 975**	43 830	
Goodwill and other intangibles	**226 182**	225 027	
Investment in associates	**10 491**	–	
Deferred taxation	**9 697**	7 842	
Current assets	**1 282 644**	1 012 356	
Inventories	**667 983**	506 377	
Trade and other receivables	**392 259**	398 490	
Amounts due from contract customers	**158 651**	57 778	
Taxation receivable	**447**	339	
Bank and cash balances	**63 304**	49 372	
Total assets	**1 692 129**	1 345 601	
EQUITY AND LIABILITIES			
Total shareholders' interests	**958 467**	760 450	
Stated capital	**501 494**	501 494	
Non-distributable reserves	**(178 316)**	(178 907)	
Accumulated profits	**635 289**	440 315	
Equity attributable to equity holders of the parent	**958 467**	762 902	
Non-controlling interests	**–**	(2 452)	
Non-current liabilities	**260 266**	164 714	
Interest-bearing liabilities	**259 411**	163 150	
Vendor loan payable	**–**	1 171	
Deferred taxation	**855**	393	
Current liabilities	**473 396**	420 437	
Interest-bearing liabilities	**26 104**	11 190	
Vendor loan payable	**1 278**	752	
Trade and other payables	**343 671**	294 012	
Amounts due to contract customers	**8 246**	–	
Provisions	**20 787**	12 710	
Taxation payable	**1 060**	10 001	
Shareholders for dividends	**40**	188	
Bank overdraft	**72 210**	91 584	
Total equity and liabilities	**1 692 129**	1 345 601	
Shares in issue at end of the year (number of shares)	**303 505 691**	303 505 691	
Net asset value per share (cents)	**315,80**	251,36	25,6
Tangible net asset value per share (cents)	**241,12**	177,04	36,2

Condensed consolidated statement of comprehensive income

	Audited year ended 30 April 2013 R'000	Audited year ended 30 April 2012 R'000	% change
Revenue	**1 996 053**	1 711 252	16,6
Profit before interest, taxation, depreciation and amortisation ("EBITDA")	**348 282**	273 371	27,4
Depreciation	**(11 331)**	(15 074)	
Amortisation of intangibles	**(557)**	(557)	
Profit before interest and taxation	**336 394**	257 740	
Interest received	**5 994**	139	
Interest paid	**(27 853)**	(23 510)	
Share of losses from associates	**(1 666)**	(4 401)	
Net profit before taxation ("PBT")	**312 869**	229 968	
Taxation	**(88 023)**	(65 565)	
Net profit after taxation	**224 846**	164 403	36,8
Other comprehensive income:			
Foreign currency translation reserve	**591**	(32)	
Total comprehensive income for the year	**225 437**	164 371	
Attributable to:			
Equity holders of the parent	**225 325**	165 491	
Non-controlling interests	**(479)**	(1 088)	
Net profit after taxation	**224 846**	164 403	
Attributable to:			
Equity holders of the parent	**225 916**	165 459	
Non-controlling interests	**(479)**	(1 088)	
Total comprehensive income for the year	**225 437**	164 371	
Supplementary information:			
Basic earnings per share (cents)	**74,24**	54,53	36,1
Headline earnings per share (cents)	**74,00**	54,45	35,9
Shares in issue (number of shares):			
– At the end of the year	**303 505 691**	303 505 691	

** Ellies has no dilutionary instruments in issue.*

Reconciliation of earnings to headline earnings

	Audited year ended 30 April 2013 R'000	Audited year ended 30 April 2012 R'000	% change
Net profit for the year attributable to equity holders of the parent	**225 325**	165 491	36,2
Adjusted for:			
Profit on change of control from subsidiary to associate	**(120)**	–	
Profit on sale of property, plant and equipment	**(857)**	(322)	
Tax effect on adjustments	**240**	90	
Headline earnings attributable to ordinary shareholders	**224 588**	165 259	35,9

Condensed consolidated statement of cash flows

	Audited year ended 30 April 2013 R'000	Audited year ended 30 April 2012 R'000
Cash flows from operating activities	**445**	(123 145)
Cash generated from/(utilised by) operations	**153 428**	(43 729)
Interest received	**5 994**	139
Interest paid (in cash)	**(27 713)**	(23 416)
Taxation paid	**(100 765)**	(56 139)
Dividends paid	**(30 499)**	–
Cash flows from investing activities	**(77 529)**	(45 174)
Cash flows from financing activities	**110 390**	100 755
Net increase/(decrease) in cash and cash equivalents	**33 306**	(67 564)
Cash and cash equivalents at the beginning of the year	**(42 212)**	25 352
Cash and cash equivalents at the end of the year	**(8 906)**	(42 212)

Condensed statement of changes in equity

	Audited year ended 30 April 2013 R'000	Audited year ended 30 April 2012 R'000
Balance at the beginning of the year	**760 450**	596 079
Total comprehensive income for the year	**225 437**	164 371
Change of control from subsidiary to associate	**2 931**	–
Dividends declared	**(30 351)**	–
Balance at the end of the year	**958 467**	760 450

Segmental analysis

	Audited year ended 30 April 2013 R'000	Audited year ended 30 April 2012 R'000	% change
Revenue	**1 996 053**	1 711 252	
Consumer goods and services	**1 301 030**	1 140 467	14,1
– Total	**1 308 065**	1 140 467	
– Inter-segment	**(7 035)**	–	
Infrastructure	**687 922**	559 240	23,0
– Total	**688 382**	559 240	
– Inter-segment	**(460)**	–	
Property	**–**	–	
– Total	**8 483**	6 342	
– Inter-segment	**(8 483)**	(6 342)	
Other	**7 101**	11 545	
Segmental profits/(losses) from operations			
Profit/(loss) before interest and taxation, after losses from associates	**334 728**	253 339	
Consumer goods and services	**249 298**	164 607	51,5
Infrastructure	**82 112**	91 097	(9,9)
Property	**6 790**	5 271	28,8
Other	**(2 710)**	(6 863)	
Holding company/consolidation	**(762)**	(773)	
Net finance costs	**(21 859)**	(23 371)	
Operating segments (combined)	**(16 810)**	(19 557)	
Property	**(4 909)**	(3 720)	
Deemed vendor interest	**(140)**	(94)	
Profit before taxation	**312 869**	229 968	

Subsequent events post the year-end

1. Business combinations

Subsequent to the year-end, on 1 May 2013, Ellies, through a wholly-owned subsidiary, acquired 100% of the shares and loans of Botjheng Water Proprietary Limited. The purchase price of R10 million will be settled via a cash payment of R7 million on this date and the balance over a 12-month period.

A summary of the provisional fair values of assets, liabilities and purchase consideration is as follows:

	R'000
Property, plant and equipment	785
Deferred taxation (asset)	12 328
Inventories	100
Trade and other receivables	18 076
Bank and cash	2 630
Shareholder loans acquired	(10 000)
Non-current liabilities	(2 443)
Current portion of non-current liabilities	(143)
Trade and other payables	(35 601)
Total net liabilities acquired	(14 268)
Purchase consideration discharged as follows:	9 866
– Cash payments made on effective date	7 000
– Deferred payment due in the future	2 866
Goodwill	24 134

2. Acquisition of property

Subsequent to the year-end, as reported on SENS on 27 June 2013, the group has concluded an agreement with Vegtu Investments Proprietary Limited, a related party, to purchase for R39 million, a property that houses the current manufacturing facilities of the consumer goods and services division.

Notes to audited year-end results

Audited results for the year ended 30 April 2013

The results for the year ended 30 April 2013 have been audited by Grant Thornton (Jhb) Inc. and the audited consolidated financial statements and unqualified audit report is available for inspection at the company's registered office.

Basis of preparation and accounting policies

These annual financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of IAS 34, the Listings Requirements of the JSE Limited and the Companies Act of South Africa. Except for the adoption of the new and revised accounting standards, the principal accounting policies of the group are consistent with those applied in the audited consolidated financial statements for the year ended 30 April 2012. These results have been compiled under the supervision of the Chief Financial Officer, MF Levitt CA (SA).

Change in presentation

In order to improve on the current disclosure in the annual financial statements, the Group has moved the receivables accounted for under Construction contracts, out of "Trade and other receivables" and placed it under "Amounts due from Contract customers". The effect on the 2012 year-end is to reduce "Trade and other receivables" by R57,8 million. There is no effect on any statements of financial position prior to 2012, as there were no amounts relating to Construction contracts.

Commentary

Introduction

Ellies Holdings Limited ("Ellies" or the "group") is a leading South African manufacturer, wholesaler, importer and distributor in diversified sectors servicing the local and African markets. Operational divisions comprise consumer goods, renewable energy, power management, water and telecommunications infrastructure.

Overview

The year under review has been a positive but challenging period. The first half reflected the benefits derived from the Eskom consumer programme and beneficial contract timing in the Infrastructural division. This contributed substantially to the group's half-year growth, as was reflected by the comparative movement in earnings from 21 cents to 43 cents for that period. The challenge then being an unrealistic growth expectation in the second half of the year.

Notwithstanding this, the group still achieved satisfactory growth in earnings with many major future opportunities, for which substantial capital investments have been made during the period.

The Ellies consumer goods and services segment's PBIT grew by 51,5% against the prior corresponding period, with 2% points improvement in gross profit margins. This is partly the result of contributions from the Eskom Phase 1 Project Power Save programme; the "Green shop within a shop" concept; and the expansion of the domestic and commercial lighting ranges.

The Infrastructure division, while delivering solid earnings for the first half period, increased revenue by 23% although reflecting a decline in PBIT of 9,9%. The main reasons for this are a 2% decline in gross margin and a significant increase in resources and staff, particularly in the Andrews Towers, Telecommunications and compliance departments. All business units were able to conclude numerous new projects during the period. Infrastructure projects further increased their scope of activity by collaborating with contractors in the water industry, culminating in the purchase of Botjheng Water, whose core focus is water and wastewater bulk infrastructure construction, as a subsidiary post the year-end.

The group's statement of financial position remains solid, with NAV and NTAV per share improving to 316 cents (2012: 251 cents) and 241 cents (2012: 177 cents) respectively.

The interest-bearing bank debt, which includes property term finance of R79,4 million (2012: R57 million), results in a debt to equity ratio of 31% (2012: 28%). Without the property funding, which replaces rent with interest, the debt to equity ratio drops to 24% (2012: 21%). The higher inventory holding in anticipation of Eskom and Digital Terrestrial Television ("DTT") programmes, together with work-in-progress and longer cycle contract customers, impacted on these ratios.

The group's interest cover to EBITDA is around 16 times (2012: 12 times). Management considers the gearing to be at a satisfactory level under the current economic climate with the current working capital levels being held for future prospects.

The group's growth and diversification demands capital input, ongoing investments in property, plant and equipment and working capital. Additional long-term funding of approximately R110 million was raised. While the cash flows from operations remained fairly neutral, R29,9 million was invested in property and R43,5 million in other property, plant and equipment, leaving a net positive cash movement of R33 million as compared to 30 April 2012 (2012: negative cash movement of R67 million).

These investments increase local production capacity and add the holding of raw materials and inventory. Delays in the fruition of some of the group's prospects continue to impact on our short-term working capital demands. We are well positioned to roll out these future projects expected in the year ahead.

Prospects

The group's diversification into new products and ventures together with its alignments with leading technology partners, enables the group to build on its existing skills, infrastructure and customer base.

The management is under no illusions as to the current difficult trading conditions in our sectors. We endeavour to continue to leverage off our existing core competencies, our capacity and customer base.

The Consumer goods and services division

Once again, disappointingly, the DTT migration rollout in South Africa, thought to be imminent, was further delayed due to the failure of the Department of Communications to finalise its strategy. With the latest departmental changes occurring, management remains optimistic in the DTT implementation in the short term. Ellies is still well positioned to participate in and benefit from this rollout with new production machinery being installed for increased local production and employment. In the interim we continue to export DTT products into Africa.

Over the past few months, additional opportunities have arisen, with additional media and visual entertainment providers. Amongst them, a new entrant namely OVHD or Openview HD, a free-to-view satellite broadcaster, is expected to launch in October this year.

With the success of the "Green shop within a shop" concept, expansion is anticipated into media, visual entertainment and internet connectivity through this proven successful route to market. This new concept "Ellies Connect" should provide customers with easy access to these services.

The group's initiatives in energy conservation continue to attract new and innovative renewable energy products and ideas. The expansion into commercial energy efficient lighting is attracting much interest amongst existing and new commercial customers. Management anticipates that this business-to-business sector will be a significant future opportunity.

Infrastructure division

The contribution of the Infrastructure division remains important to the group, consistently contributing around a third of the group's profits. This ratio is expected to continue.

Megatron acts as a preferred equipment supplier for several solar and wind projects within the South African Renewable Energy Independent Power Producer's ("REIPP") programme. Products have successfully been tested to SABS specifications and as a result it is expected that new projects will be contracted in this space.

With the improvement and current relative strength in the residential building sector, a number of power distribution projects have been secured.

Within its Telecommunications business unit, the "proof-of-concept" testing for the Diesel Generator Optimisation ("DGO") product has recently been completed. Performance has been particularly well received in Nigeria, which is expected to be the largest market in the future. This is expected to be a substantial contributor to future revenue. The Towers business unit is experiencing a significant increase in its order intake across the continent. This increase is driven by the co-location of carriers, which requires specialist equipment.

Within its Infrastructure Projects sector, Megatron has strengthened its offering in the water infrastructure sector through the acquisition of Botjheng Water. This acquisition is expected to leverage greater advantage within its current customer base and entry into new markets.

With the current pressure on the resources sector and the relative weakness of the mining industry, Megatron has increased its emphasis on public sector and IPP type projects for the coming period.

The existing order book, including tenders won, in both new diversified and traditional sectors, remains at record levels. Exports into Africa remain a large portion of the infrastructure division's revenue and are expected to contribute between 70% and 80% of revenue in the coming period.

Strategic investments

With additional service providers entering the satellite broadband sector, SkyeVine's future opportunities are reinforced. Ellies management continues to adopt a conservative approach towards this investment.

With the investment in property now reaching approximately R86,1 million, management is satisfied with the strategy implemented and benefits being derived. This year the group acquired in excess of 14 000 square metres, which is being fully utilised. Since year-end, as reported, the current manufacturing facilities of the consumer goods and services division, on land of approximately 29 000 square metres, has been secured for R39 million. Together with the prior property investments, this property is considered by Ellies to be a strategic asset which will result in future declining occupational costs.

The group is always engaged in exciting prospects for organic growth, new ventures and product opportunities.

Dividend policy

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements. At present and in view of the immediate prospects, all cash generated by the company will be utilised to fund these opportunities. Accordingly, no dividend has been recommended for the year.

Appreciation

Once again, the directors and management continue to recognise and appreciate the focused efforts and hard work of the group's staff and also continue to appreciate its customers, business partners, advisors, suppliers and, most importantly, shareholders.

By order of the board

ER Salkow
Chairman

WMG Samson
CEO

23 July 2013

Directors:

Executive Directors
ER Salkow (Chairman)
WMG Samson (Chief executive officer)
MF Levitt (Chief financial officer)
RH Berkman
RE Otto

Non-executive Directors
AC Brooking
MR Goodford

Lead independent non-executive Director
OD Fortuin

Independent non-executive Directors
FS Mkhize
M Moodley

** There have been no changes to the Ellies board since the last reporting period.*

Registered office: 94 Eloff Street Ext, Village Deep, Johannesburg, 2001. (PO Box 57076, Springfield, 2137)

Sponsor: Java Capital

Auditors: Grant Thornton (Jhb) Inc. (PKF (Jhb) Inc. changed its name to Grant Thornton (Jhb) Inc.)

Company secretary: Probity Business Services (Pty) Limited

Transfer secretaries: Link Market Services South Africa (Pty) Limited

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