UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2010

- Revenue up 11%
- PBT up 19%
- EPS of 15,16 cents
- NAV per share 180,54 cents

Ellies Holdings Limited
(Registration No. 2007/007084/06)
Share code ELI
ISIN code ZAE000103081

www.elliesholdings.com

Abridged consolidated statement of financial position

	Unaudited as at 31 October 2010 R'000	Restated Unaudited as at 31 October 2009 R'000	Audited as at 30 April 2010 R'000
ASSETS			
Non-current assets	**291 190**	265 591	264 159
Property, plant and equipment	**60 824**	32 812	33 059
– Land and buildings	**25 013**	–	–
– Other	**35 811**	32 812	33 059
Goodwill and other intangible assets	**224 684**	225 197	225 490
Deferred taxation	**5 682**	7 582	5 610
Current assets	**551 307**	498 237	510 029
Inventories	**367 449**	292 835	297 811
Trade and other receivables	**172 460**	178 805	193 365
Taxation receivable	**93**	825	634
Bank and cash balances	**11 305**	25 772	18 219
Total assets	**842 497**	763 828	774 188
EQUITY AND LIABILITIES			
Capital and reserves	**547 961**	424 734	517 254
Share capital and premium	**501 494**	440 560	501 494
Non-distributable reserves	**(178 799)**	(178 447)	(178 667)
Retained earnings	**225 266**	162 621	194 427
Non-current liabilities	**44 967**	56 446	33 625
Interest-bearing liabilities	**44 967**	42 289	33 625
Vendor loans payable	**–**	12 744	–
Deferred taxation	**–**	1 413	–
Current liabilities	**249 569**	282 648	223 309
Interest-bearing liabilities	**26 444**	24 678	23 380
Vendor loans payable	**–**	59 510	13 607
Trade and other payables	**169 775**	130 608	147 346
Provisions	**1 600**	1 412	1 493
Taxation payable	**7 847**	17 216	6 011
Shareholders for dividend	**221**	–	–
Bank overdraft	**43 682**	49 224	31 472
Total equity and liabilities	**842 497**	763 828	774 188
Supplementary information:			
Net asset value per share (cents)	**180,54**	156,92	170,43
Net tangible asset value per share (cents)	**106,24**	73,72	96,46
Number of shares in issue	**303 505 691**	270 674 399	303 505 691

Abridged consolidated statement of comprehensive income

	Unaudited six months ended 31 October 2010 R'000	Unaudited six months ended 31 October 2009 R'000	Audited year ended 30 April 2010 R'000
Revenue	**652 562**	590 204	1 156 478
Profit before depreciation, amortisation, interest and taxation ("EBITDA")	**78 966**	73 945	132 433
Depreciation	**(6 390)**	(6 516)	(11 904)
Amortisation of intangibles	**(807)**	(639)	(1 428)
Profit before interest and taxation ("PBIT")	**71 769**	66 790	119 101
Interest received	**518**	436	948
Interest paid	**(5 437)**	(11 131)	(19 719)
Net profit before taxation ("PBT")	**66 850**	56 095	100 330
Taxation	**(20 835)**	(16 934)	(29 363)
Net profit after taxation	**46 015**	39 161	70 967
Other comprehensive income:			
Foreign currency translation reserve	**(132)**	(112)	(332)
Total comprehensive income for the period	**45 883**	39 049	70 635
Supplementary information:			
Basic earnings per share (cents)	**15,16**	14,47	26,19
Headline earnings per share (cents)	**15,12**	14,47	25,96
Core headline earnings per share (cents)	**16,06**	16,16	29,43
Diluted earnings per share (cents)	**15,16**	14,47	23,38
Diluted headline earnings per share (cents)	**15,12**	14,47	23,18
Diluted core headline earnings per share (cents)	**16,06**	16,16	26,27
Weighted average number of shares in issue	**303 505 691**	270 674 399	270 944 245

Reconciliation of headline earnings and core headline earnings

	Unaudited six months ended 31 October 2010 R'000	Unaudited six months ended 31 October 2009 R'000	Audited year ended 30 April 2010 R'000
Net profit after taxation	**46 015**	39 161	70 967
Adjusted for:			
Profit on sale of property, plant and equipment	**(172)**	–	(858)
Tax effect on adjustments	**48**	–	240
Headline earnings attributable to ordinary shareholders	**45 891**	39 161	70 349
Adjusted for:			
Amortisation of intangibles	**807**	639	1 428
IFRS 3 – transactional costs expensed	**383**	–	–
IFRS implied interest on vendor liabilities	**481**	4 113	8 356
Secondary tax on dividends ("STC")	**1 518**	–	–
Tax effect on adjustments	**(333)**	(179)	(400)
Core headline earnings attributable to ordinary shareholders	**48 747**	43 734	79 733

Abridged consolidated statement of cash flows

	Unaudited six months ended 31 October 2010 R'000	Unaudited six months ended 31 October 2009 R'000	Audited year ended 30 April 2010 R'000
Cash flows from operating activities	**14 715**	35 207	63 268
Cash generated from operations	**53 158**	47 023	101 805
Net finance costs paid	**(4 958)**	(6 582)	(10 415)
Taxation paid	**(18 531)**	(5 234)	(28 122)
Dividends paid	**(14 954)**	–	–
Cash flow from investing activities	**(34 155)**	(11 333)	(17 388)
Cash flows from financing activities	**316**	6 241	(5 566)
Net (decrease)/increase in cash and cash equivalents	**(19 124)**	30 115	40 314
Cash and cash equivalents at the beginning of the period	**(13 253)**	(53 567)	(53 567)
Cash and cash equivalents at the end of the period	**(32 377)**	(23 452)	(13 253)

Abridged consolidated statement of changes in equity

	Unaudited six months ended 31 October 2010 R'000	Unaudited six months ended 31 October 2009 R'000	Audited year ended 30 April 2010 R'000
Balances at beginning of the period	**517 254**	385 685	385 685
Shares issued at a premium	**–**	–	60 934
Total comprehensive income for the period	**45 883**	39 049	70 635
Dividends declared	**(15 176)**	–	–
Balances at end of the period	**547 961**	424 734	517 254

Segmental analysis

	Unaudited six months ended 31 October 2010 R'000	Unaudited six months ended 31 October 2009 R'000	Audited year ended 30 April 2010 R'000
Revenue	**652 562**	590 204	1 156 478
Wholesale distribution of consumer goods and services	**567 036**	472 152	985 311
Infrastructural electrification	**85 526**	118 052	171 167
Property division	**711**	–	–
Holding company/consolidation	**(711)**	–	–
Segmental profits from operations			
Profit before interest and taxation	**71 769**	66 790	119 101
Wholesale distribution of consumer goods and services	**63 204**	53 956	100 627
Infrastructural electrification	**8 270**	13 059	18 916
Property division	**573**	–	–
Holding company/consolidation	**(278)**	(225)	(442)
Net finance costs	**(4 919)**	(10 695)	(18 771)
Operating segments (combined)	**(4 485)**	(10 695)	(18 771)
Property division	**(434)**	–	–
Profit before taxation	**66 850**	56 095	100 330

Notes to the unaudited interim results

Basis of preparation and accounting policies

The results for the six months ended 31 October 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with IAS 34 – Interim Financial Reporting, the AC500 series of interpretations, the requirements of the South African Companies Act, 1973 and the Listing Requirements of the JSE Limited. The accounting policies used in the abridged consolidated financial results for the six months ended 31 October 2010, are consistent with those applied in the audited financial statements for the year ended 30 April 2010. The interim results have not been reviewed or audited by the group auditors, PKF (Jhb) Inc.

Comparatives

The previous reported interim results for the six months ended 31 October 2009 were restated due to the misclassification of a portion of the warranty provision. Full details were included in the group's audited financial statements for the year ended 30 April 2010. The effect of the reclassification on the prior period figures is to reduce both Provisions and Inventories by R13,5 million.

Commentary

Introduction

With effect from 26 November 2010, Ellies Holdings Limited ("Ellies" or "the group") transferred its listing from the Alternative Exchange to the Main Board – "Electronic and Electrical Sector" of the JSE Limited.

Financial overview

With overall revenue up 11% on the comparative period and profit before tax ("PBT") up by 19% to R66,8 million, the group achieved strong growth during the period under review. The divisional overview below provides more detail on where this growth was achieved.

The growth evident in revenue and PBT was diluted at the level of earnings per share, as an additional 32,8 million shares were issued in April 2010 pursuant to a rights offer. By underwriting the rights offer, at a premium to the market price, the senior management and vendors of Megatron converted the balance of the purchase price payable in cash, in order to increase their shareholding in Ellies. The result is that EPS was only up 4,8% to 15,16 cents per share, and core HEPS was marginally down by 0,6%, largely due to IFRS implied interest.

The group's balance sheet is strong, with NAV and NTAV improving to 181 cents and 106 cents respectively.

At the start of the period, the group began implementing a strategy to own and, where appropriate to enhance efficiencies, by upgrading its operating premises country-wide. This resulted in the start of a new "Property division" which has acquired and/or refurbished some existing and new premises. The group anticipates that, over time, the resultant capitalisation of property value growth will deliver a sound return on investment.

The property investment by the group, included in "Property, plant and equipment", at 31 October 2010 was R25 million. This is expected to increase to approximately R43 million by year end, as registration of certain transfers is still pending. This investment will be financed through a new ten year facility of R40 million.

Cash generation from operations during the period was healthy. At the period end, the cash position had declined by R19 million, from the 2010 year end, mainly as a result of the final vendor loan repayments of R14 million, interest bearing debt repayments of R11 million, dividends paid (including related taxes) of R16 million, additional operational capital assets acquired of R9 million and increases in net working capital of R24 million.

Divisional overview

Pleasing growth in the Ellies and Elsat divisions has been the result of an increased market in consumer demand for both electrical goods and satellite equipment, while gross margins have been stable.

The performance of the "Infrastructural division" (formerly Megatron Federal) has reflected the depressed conditions in the building and mining sectors, with the result that the contribution of this division has been reduced in the period under review. In spite of this the board believes that the conversion of the amounts payable to the Megatron vendors was a vote of confidence in Ellies by the management of the largest acquisition in the group.

Prospects

Ellies will continue to grow and diversify its current operations, by investing in new ventures.

With the recent approval of a digital standard by both the South African Government and SADC, we are now closer to the implementation of the Digital Terrestrial Television ("DTT") migration. Through the strategic alliance between Ellies and Altech UEC, DTT will materially benefit the group.

The group continues to explore and develop its participation in energy conservation and the reduction of green house effects, with renewable energy sector products including solar power, solar heating and energy efficient lighting, a sector which has great potential. This includes consumer products, corporate solutions and infrastructural and housing solutions. A newly formed empowered subsidiary of Ellies, In-Toto Solutions, has been established to focus and spearhead both government and large private sector projects. Ellies has established a "Green office" environment to showcase its service and product offerings.

The group intends to utilise the different forms of carbon financing, including the generation of carbon credits under the Clean Development Mechanism, to bring its renewable energy sector products to market in a sustainable manner.

Ellies is currently exploring internet satellite connectivity by investing and co-developing with SkyeVine (Pty) Limited. This venture not only utilises our established national and African logistic infrastructure but also adds a new dimension to the satellite division. SkyeVine's Internet services reach where terrestrial broadband providers cannot and is an all-inclusive Internet via satellite solution covering the whole of the Sub-Sahara African region. SkyeVine is focused on growing the broadband subscriber base in Africa by providing a unique product offering that targets the home user and small enterprise markets.

The Infrastructural division's contribution is expected to improve dramatically in the short term. The mining sector is showing material improvement in infrastructural investment, but the building and electrification sectors are expected to turn at a slower rate. Megatron's diversification into associated power products, renewable power and the manufacture of transformers is beginning to show positive results, with growth in the current order book.

The board remains positive with regard to the group's continued organic growth, current ventures and new opportunities which continue to present themselves.

Dividend policy

The payment of dividends is reviewed periodically, taking into account prevailing circumstances and future cash requirements. No dividend is proposed at this interim stage.

Appreciation

The directors and management recognise and appreciate the focused efforts and hard work of the group's staff over the past few months and also thank customers, business partners, advisors, suppliers and most importantly shareholders for their continued support of and faith in the group.

By order of the board

ER Salkow
Chairman

WMG Samson
CEO

20 January 2011

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 (Independent), MS Mazwi
Registered office: 94 Eloff Street Ext, Village Deep, Johannesburg, 2001 (PO Box 57076, Springfield, 2137)
Sponsor: Java Capital (Pty) Limited
Company secretary: Probity Business Services (Pty) Limited
Transfer secretaries: Link Market Services South Africa (Pty) Limited