

AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 APRIL 2012

Ellies Holdings Limited | Registration No. 2007/007084/06 | Share code: ELI | ISIN: ZAE000103081



HOLDINGS LIMITED

Revenue ↑ 30%

HEPS ↑ 73% to 54,45 cents

EPS ↑ 73% to 54,53 cents

PAT ↑ 75%

NAV per share ↑ 251,36 cents

Dividend declared 10 cents

Abridged consolidated statement of financial position

	Audited as at 30 April 2012 R'000	Audited as at 30 April 2011 R'000	% change
ASSETS			
Non-current assets	333 245	309 553	
Property, plant and equipment	100 376	76 584	
– Land and buildings	56 546	41 353	
– Other	43 830	35 231	
Goodwill	217 554	217 554	
Intangible assets	7 473	6 434	
Investment in associate	–	1 039	
Deferred taxation	7 842	7 942	
Current assets	1 012 356	655 240	
Inventories	506 377	358 895	
Trade and other receivables	456 268	224 319	
Taxation receivable	339	418	
Bank and cash balances	49 372	71 608	
Total assets	1 345 601	964 793	
EQUITY AND LIABILITIES			
Total shareholders' interests	760 450	596 079	
Share capital and premium	501 494	501 494	
Non-distributable reserves	(178 907)	(178 875)	
Accumulated profits	440 315	274 824	
Equity attributable to equity holders of the parent	762 902	597 443	
Non-controlling interests	(2 452)	(1 364)	
Non-current liabilities	164 714	44 059	
Interest-bearing liabilities	163 150	43 913	
Vendor loan payable	1 171	–	
Deferred taxation	393	146	
Current liabilities	420 437	324 655	
Interest-bearing liabilities	11 190	29 672	
Vendor loan payable	752	–	
Trade and other payables	294 012	245 182	
Provisions	12 710	2 258	
Taxation payable	10 001	1 099	
Shareholders for dividends	188	188	
Bank overdrafts	91 584	46 256	
Total equity and liabilities	1 345 601	964 793	
Shares in issue at end of the year (number of shares)	303 505 691	303 505 691	
Net asset value per share (cents)	251,36	196,40	28,0
Tangible net asset value per share (cents)	177,04	122,81	44,2

Abridged consolidated statement of comprehensive income

	Audited year ended 30 April 2012 R'000	Audited year ended 30 April 2011 R'000	% change
Revenue	1 711 252	1 316 055	30,0
Profit before interest, taxation, depreciation and amortisation ("EBITDA")	273 371	159 785	71,1
Depreciation	(15 074)	(12 228)	
Amortisation of intangibles	(557)	(1 502)	
Profit before interest and taxation	257 740	146 055	
Interest received	139	548	
Interest paid	(23 510)	(12 819)	
Share of losses from associate	(4 401)	(531)	
Net profit before taxation ("PBT")	229 968	133 253	
Taxation	(65 565)	(39 044)	
Net profit after taxation	164 403	94 209	74,5
Other comprehensive income:			
Foreign currency translation reserve	(32)	(208)	
Total comprehensive income for the year	164 371	94 001	
Attributable to:			
Equity holders of the parent	165 491	95 573	
Non-controlling interests	(1 088)	(1 364)	
Net profit after tax	164 403	94 209	
Attributable to:			
Equity holders of the parent	165 459	95 365	
Non-controlling interests	(1 088)	(1 364)	
Total comprehensive income for the year	164 371	94 001	
Supplementary information:			
Basic earnings per share (cents)	54,53	31,49	73,2
Headline earnings per share (cents)	54,45	31,42	73,3
Shares in issue (number of shares):			
– At end of the year	303 505 691	303 505 691	
– Weighted	303 505 691	303 505 691	

Reconciliation of earnings to headline earnings:

	Audited year ended 30 April 2012 R'000	Audited year ended 30 April 2011 R'000	% change
Net profit for the year attributable to equity holders of the parent	165 491	95 573	73,2
Adjusted for:			
Profit on sale of property, plant and equipment	(322)	(301)	
Tax effect on adjustments	90	84	
Headline earnings attributable to ordinary shareholders	165 259	95 356	73,3

Abridged consolidated statement of cash flows

	Audited year ended 30 April 2012 R'000	Audited year ended 30 April 2011 R'000
Cash flows from operating activities	(123 145)	93 290
Cash (utilised by)/generated from operations	(43 729)	166 000
Interest received	139	548
Interest paid (in cash)	(23 416)	(12 338)
Taxation paid	(56 139)	(45 932)
Dividends paid	–	(14 988)
Cash flows from investing activities	(45 174)	(57 177)
Cash flows from financing activities	100 755	2 492
Net (decrease)/increase in cash and cash equivalents	(67 564)	38 605
Cash and cash equivalents at the beginning of the year	25 352	(13 253)
Cash and cash equivalents at the end of the year	(42 212)	25 352

Abridged statement of changes in equity

	Audited year ended 30 April 2012 R'000	Audited year ended 30 April 2011 R'000
Balance at the beginning of the year	596 079	517 254
Total comprehensive income for the year	164 371	94 001
Dividends declared during the year	–	(15 176)
Balance at the end of the year	760 450	596 079

Segmental analysis

	Audited year ended 30 April 2012 R'000	Audited year ended 30 April 2011 R'000	% change
Revenue	1 711 252	1 316 055	
Consumer goods and services	1 140 467	1 095 946	4,1
Infrastructure	559 240	216 540	158,3
Property	6 342	3 131	
Other	11 545	3 569	
Holding company/consolidation	(6 342)	(3 131)	
Segmental profits/(losses) from operations			
Profit/(loss) before interest and taxation, after losses from associate	253 339	145 524	
Consumer goods and services	164 607	124 772	31,9
Infrastructure	91 097	22 821	299,2
Property	5 271	2 646	99,2
Other	(6 863)	(4 289)	
Holding company/consolidation	(773)	(426)	
Net finance costs	(23 371)	(12 271)	
Operating segments (combined)	(19 557)	(10 108)	
Property division	(3 720)	(1 682)	
Deemed vendor interest	(94)	(481)	
Profit before taxation	229 968	133 253	

Business combinations effected during the year

The Megatron Federal division of Ellies Proprietary Limited, acquired the business of Andrew Wireless Solutions Africa Proprietary Limited on 1 November 2011.

Summary of fair value of assets and liabilities acquired in terms of business combinations:

	R'000
Fair value of net assets acquired	
Property, plant and equipment	128
Inventories – work in progress	4 597
Trade and other payables	(1 122)
Total net assets acquired/purchase consideration	3 603
Purchase consideration discharged as follows:	
Discharged as follows:	3 603
– Cash payments made during the year (excluding deemed interest)	1 719
– Deferred payment due in the future	1 884

Pro forma amount as if the acquisitions occurred
at the beginning of the year

	Revenue R'000	Loss before tax R'000
Actual amounts included in results	10 195	3 337
	5 366	1 589

Notes to the audited year-end results

Audited results for the year ended 30 April 2012

The results for the year ended 30 April 2012 have been audited by PKF (Jhb) Inc. and their 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 AC 500 series of Interpretations, the requirements of IAS 34, the Listings Requirements of the JSE Limited and the Companies Act of South Africa. The accounting policies used are consistent with those applied in the previous financial year. These results have been compiled under the supervision of the Chief financial officer, MF Levitt CA (SA).

Commentary

Introduction

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

Overview

The group continues to reflect excellent growth in earnings.

The Infrastructure division delivered impressive full-year earnings. Megatron grew revenue by 158% and PBIT by 299% on the prior corresponding year. Megatron's earnings growth is largely the result of its improved product offering across the various sectors in which it operates, with significant investments made in new products as well as the improvement in production facilities and an extended skills base. This has resulted in increased orders from an expanding customer base.

The Ellies consumer goods and services segment grew revenue by 4% and PBIT by 32%. The smaller revenue growth on the prior corresponding year was largely the result of a change in the satellite pricing and distribution models, which did not impact on gross profit percentages, volumes sold or on market share.

The combined success of both divisions resulted in a 73% growth in basic earnings per share for the group. By continuing to cement market share in all divisions, improve capacity, skills, systems and diversify products and services, the group is sustainably increasing profits.

The group's statement of financial position remains strong, with NAV per share and NTA per share improving to 251 cents (2011: 196 cents) and 177 cents (2011: 123 cents), respectively.

At 30 April 2011, the group's positive cash position was largely due to creditor financing and significant cash receipts against contract orders placed prior to the year-end. Soon thereafter a significant portion of this cash was utilised for the fulfilment of these contract orders.

During the year under review, interest-bearing bank debt, which includes property term finance of R57 million (2011: R49 million), grew by R100,8 million, to R265 million. The group's interest cover to EBITDA remains at a satisfactory level of 12 times (2011: 13 times).

The group's working capital came under pressure by as much as R327 million as compared to 30 April 2011, as a result of the consumer goods division's initial stocking requirements for new product lines and the implementation of Eskom Project Power Save.

The growth in the infrastructure business added to working capital pressures due to an increase in work in progress of R64 million and a substantial increase in debtors, in line with revenue growth, with limited creditor funding.

The group's capital demands, additional investments in plant and equipment and the construction of new production facilities on existing land and buildings has been financed through additional gearing. The group continues implementing the strategy of acquiring currently leased operating premises and building on vacant land, where it is deemed appropriate, for own use requirements.

The group has made R120 million in capital investments over the last four years, which have delivered a ROA exceeding 20% p.a. and improved the foundations for sustainability.

At the date of this report, the group's overall interest-bearing debt has improved by approximately R80 million since year-end. With these inflows, the total interest-bearing debt to equity ratio drops to 20% (and 16% excluding the group's investment in properties).

Prospects

Management remain optimistic on the growth prospects of the group through continued diversification into new product development and ventures, with a focus on infrastructure development and expansion of the group's customer base.

With approximately a third of the Eskom Project Power Save programme having been completed by year-end, Ellies expects the completion of this programme and the roll out of additional similar projects. The group looks forward to the implementation of the Digital Terrestrial Television ("DTT") migration throughout Southern Africa, further developments in the "Green shop within a shop" concept and expansion in the lighting sector to contribute meaningfully to the consumer segment of the business.

Megatron's growth is expected to continue, and is supported by its current order book and new business opportunities in South Africa and the rest of Africa. These new opportunities include the development of alternate power solutions, telecommunication towers and data centre infrastructure. Substantial alliances with international technology and product leaders in industrial battery power storage, modular data centres, telecommunications and telecommunication towers have been secured.

Megatron's traditional business of customised solutions for power generation, transmission and distribution for utilities continues to recover well.

Ellies management continues to adopt a conservative approach towards SkyVine, while cautiously optimistic of demand in this sector as additional service providers enter this space.

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

Dividend declaration

The payment of dividends is reviewed periodically, taking into account prevailing circumstances and future cash requirements.

Shareholders are advised that a cash dividend of 10 cents per share has been declared.

The salient dates of the dividend are as follows:

Last day to trade cum dividend	Friday, 7 September 2012
Securities trade ex dividend	Monday, 10 September 2012
Record date	Friday, 14 September 2012
Payment date	Monday, 17 September 2012

Share certificates may not be dematerialised or rematerialised between Monday, 10 September 2012 and Friday, 14 September 2012, both dates inclusive.

In terms of the Listings Requirements of the JSE Limited regarding the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividend tax rate is 15%;
- There are no Secondary Tax on Companies credits utilised against the dividend;
- The gross local dividend amount is 10 cents per share for shareholders exempt from paying the new Dividends Tax;
- The net local dividend amount is 8,5 cents per share for shareholders liable to pay the new Dividends Tax;
- The issued share capital of Ellies is 303 505 691 shares of 0,001 cent each; and
- Ellies' tax reference number is 9947/738/14/3.

Changes to the board of directors

Following the resignation of Mr MS Mazwi on 11 November 2011, the group is pleased to welcome Mr M Moodley (appointed 25 April 2012) and Miss FS Mkhize (appointed 22 May 2012) as Independent Non-executive Directors.

Appreciation

The directors and management, as always, continue to recognise and appreciate the focused efforts and hard work of the group's staff and the support and loyalty received from customers, business partners, advisors, suppliers and, most importantly, shareholders.

By order of the board

ER Salkow

Chairman

WMG Samson

CEO

23 July 2012

Directors

Executive Directors

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

Lead independent non-executive Director

OD Fortuin

Independent non-executive Directors

MR Goodford
MS Mazwi (resigned 11 November 2011)
FS Mkhize (appointed 22 May 2012)
M Moodley (appointed 25 April 2012)

Non-executive Director

AC Brooking

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

Sponsors: Java Capital

Auditors: PKF (Jhb) Inc.

Company secretary: Probita Business Services (Pty) Limited

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

www.elliesholdings.com