ELLIES HOLDINGS Ltd

GROUP AUDITED RESULTS
FOR THE YEAR ENDED 30 APRIL 2011

- Revenue up 14%
- NPAT up 33%
- HEPS 31,42 cents
- NAV per share 196,40 cents

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

Abridged consolidated statement of financial position

	Audited as at 30 April 2011 R'000	Audited as at 30 April 2010 R'000	% change
ASSETS			
Non-current assets	309 553	264 159	
Property, plant and equipment	76 584	33 059	
– Land and buildings	41 353	–	
– Other	35 231	33 059	
Goodwill	217 554	217 554	
Intangible assets	6 434	7 936	
Investment in associate	1 039	–	
Deferred taxation	7 942	5 610	
Current assets	655 240	510 029	
Inventories	358 895	297 811	
Trade and other receivables	224 319	193 365	
Taxation receivable	418	634	
Bank and cash balances	71 608	18 219	
Total assets	964 793	774 188	
EQUITY AND LIABILITIES			
Total shareholders' interests	596 079	517 254	
Share capital and premium	501 494	501 494	
Non-distributable reserves	(178 875)	(178 667)	
Accumulated profits	274 824	194 427	
Equity attributable to equity holders of the parent	597 443	517 254	
Non-controlling interests	(1 364)	–	
Non-current liabilities	44 059	33 625	
Interest-bearing liabilities	43 913	33 625	
Deferred taxation	146	–	
Current liabilities	324 655	223 309	
Interest-bearing liabilities	29 672	23 380	
Vendor loans payable	–	13 607	
Trade and other payables	245 182	147 346	
Provisions	2 258	1 493	
Taxation payable	1 099	6 011	
Shareholders for dividends	188	–	
Bank overdrafts	46 256	31 472	
Total equity and liabilities	964 793	774 188	
Shares in issue at the end of the year (number of shares)	303 505 691	303 505 691	
Net asset value per share (cents)	196,40	170,43	15,2
Tangible net asset value per share (cents)	122,81	96,46	27,3

Abridged consolidated statement of comprehensive income

	Audited year ended 30 April 2011 R'000	Audited year ended 30 April 2010 R'000	% change
Revenue	1 316 055	1 156 478	13,8
Profit before depreciation, amortisation, interest and taxation ("EBITDA")	159 786	132 433	20,7
Depreciation	(12 229)	(11 904)	
Amortisation of intangibles	(1 502)	(1 428)	
Profit before interest and taxation	146 055	119 101	
Interest received	548	948	
Interest paid	(12 819)	(19 719)	
Share of losses from associate	(531)	–	
Net profit before taxation ("PBT")	133 253	100 330	
Taxation	(39 044)	(29 363)	
Net profit after taxation	94 209	70 967	32,8
Other comprehensive income:			
Foreign currency translation reserve	(208)	(332)	
Total comprehensive income for the year	94 001	70 635	
Attributable to:			
Equity holders of the parent	95 573	70 967	
Non-controlling interests	(1 364)	–	
Net profit after tax	94 209	70 967	
Attributable to:			
Equity holders of the parent	95 365	70 635	
Non-controlling interests	(1 364)	–	
Total comprehensive income for the year	94 001	70 635	
Supplementary information:			
Basic earnings per share (cents)	31,49	26,19	20,2
Headline earnings per share (cents)	31,42	25,96	21,0
Core headline earnings per share (cents)	32,09	29,43	9,0
Diluted earnings per share (cents)	31,49	23,38	34,7
Diluted headline earnings per share (cents)	31,42	23,18	35,5
Diluted core headline earnings per share (cents)	32,09	26,27	22,2
Dividends per share (cents)	–	5,00	
Shares in issue (number of shares):			
– At the end of the year	303 505 691	303 505 691	
– Weighted	303 505 691	270 944 245	
– Diluted	303 505 691	303 505 691	

Reconciliation of earnings to headline and core headline earnings

	Audited year ended 30 April 2011 R'000	Audited year ended 30 April 2010 R'000	% change
Net profit for the year attributable to equity holders of the parent	95 573	70 967	34,7
Adjusted for:			
Profit on sale of property, plant and equipment	(301)	(858)	
Tax effect on adjustments	84	240	
Headline earnings attributable to ordinary shareholders	95 356	70 349	35,5
Adjusted for:			
Amortisation of intangibles	1 502	1 428	
Transactional costs expensed (Failed acquisition)	473	–	
IFRS implied interest on vendor liabilities	481	8 356	
Tax effect on adjustments	(421)	(400)	
Core headline earnings attributable to ordinary shareholders	97 391	79 733	22,1

Abridged consolidated statement of cash flows

	Audited year ended 30 April 2011 R'000	Audited year ended 30 April 2010 R'000	% change
Cash flows from operating activities	93 290	63 268	
Cash generated from operations	166 000	101 805	63,1
Interest received	548	948	
Interest paid (in cash)	(12 338)	(11 363)	
Taxation paid	(45 932)	(28 122)	
Dividends paid	(14 988)	–	
Cash flows from investing activities	(57 177)	(17 388)	
Cash flows from financing activities	2 492	(5 566)	
Net increase in cash and cash equivalents	38 605	40 314	
Cash and cash equivalents at the beginning of the year	(13 253)	(53 567)	
Cash and cash equivalents at the end of the year	25 352	(13 253)	

Abridged statement of changes in equity

	Audited year ended 30 April 2011 R'000	Audited year ended 30 April 2010 R'000
Balance at the beginning of the year	517 254	385 685
Shares issued at a premium	–	60 934
Total comprehensive income for the year	94 001	70 635
Dividends declared during the year	(15 176)	–
Balance at the end of the year	596 079	517 254

Segmental analysis

	Audited year ended 30 April 2011 R'000	Audited year ended 30 April 2010 R'000	% change
Revenue	1 316 055	1 156 478	
Wholesale distribution of consumer goods and services	1 095 946	985 311	11,2
Infrastructural electrification	216 540	171 167	26,5
Property	3 131	–	
Other	3 569	–	
Holding company/consolidation	(3 131)	–	
Segmental profits/(losses) from operations			
Profit before interest and taxation	145 524	119 101	
Wholesale distribution of consumer goods and services	124 772	100 627	24,0
Infrastructural electrification	22 821	18 916	20,6
Property	2 646	–	
Other	(4 289)	–	
Holding company/consolidation	(426)	(442)	
Net finance costs	(12 271)	(18 771)	
Operating segments (combined)	(10 108)	(10 415)	
Property division	(1 682)	–	
Deemed vendor interest	(481)	(8 356)	
Profit before taxation	133 253	100 330	

Notes to the audited year end results

Audited results for the year ended 30 April 2011
The results for the year ended 30 April 2011 have been audited by PKF (Jhb) Inc. and their unqualified audit report is available for inspection at the group'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 Listing 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.

Commentary

Introduction
On 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.

The group is pleased to welcome Mr Oliver Fortuin to the board as Lead Independent Director, effective from 11 April 2011. Oliver has more than 20 years' experience in the technology industry, 15 of these with IBM. He is currently serving as a senior executive for IBM Sub-Saharan Africa.

Financial overview
The group achieved strong growth during the year under review, with overall revenue up 14% and net profit after tax ("NPAT") up 33%, to R94,2 million (2010: R70,9 million), with the two major segments having both achieved Profit from operations growth in excess of 20%.

The Earnings growth of 34,7% translates into an EPS growth of 20,2% as a result of the Rights Offer. As at 30 April 2010, shares in issue amounted to 303 505 691, while the weighted average number of shares amounted to 270 944 245.

The group's balance sheet remains strong, with NAV and NTAV per share improving to 196 cents (2010: 170 cents) and 123 cents (2010: 96 cents) respectively.

As stated in our 2010 interim results, the group has implemented a strategy to acquire its operating premises countrywide and, where appropriate, upgrade these premises. The Property segment has invested R43,4 million as at year end. The group anticipates that, over time, the resultant capitalisation of property and the value growth will deliver sound returns. Currently the properties are financed through a ten year facility of R40 million. It is anticipated that the directors will continue with this long term investment strategy.

Cash generation from operations during the period was healthy. At the period end, the cash position had grown by R38,6 million. Much of this cash improvement is due to additional creditor financing and significant cash receipts against contract orders placed prior to year end, with a significant portion being utilised towards the fulfilment of these contract orders.

Divisional overview
Ellies and Elsat divisions continued their solid performance with strong consumer demand for its products and services. Gross margins improved by more than 2% points, due to economies of scale and improved purchasing. Recognition must be given to the growth in the TV satellite market, largely due to the 2010 FIFA World Cup and new TV satellite services providers entering the market.

The performance of the Infrastructural electrification segment reflects a substantial improvement, in spite of the depressed conditions in the building sector. This turnaround is largely due to the improved demand in the mining resources sector. In addition, the division's diversification into renewable power solutions and the telecommunications sector, has contributed to this improvement.

Prospects
Ellies, by its nature, will continue to grow and diversify by seeking new products and ventures, and thus offering its solid customer base additional quality products and services.

We, together with our strategic alliance partners, look forward to the imminent implementation of the Digital Terrestrial Television ("DTT") migration rollout through southern Africa.

The group continues 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. In the past few months Ellies has secured new agencies and products in the lighting and power creation and conservation environment, to enhance its offerings. Ellies has established a Green Office environment to showcase this.

The group intends to utilise 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 an affordable and sustainable manner.

The strong Rand has to some extent limited the export contributions from Ellies. Management is adopting an aggressive approach to improve efficiencies and capacity utilisation, thereby improving our African export penetration.

In-toto Solutions, a BEE initiative and subsidiary of Ellies, focuses on government and large private sector projects. It has successfully completed its first energy-efficient housing project, with future in-roads into this area expected.

SkyeVine has started operating, by providing internet satellite connectivity within Sub-Saharan Africa, with the successful launching of Intelsat's New Dawn Satellite. Ellies has a 45% interest in SkyeVine and will continue to invest and co-develop the opportunities. Returns from this investment are expected to be reflected in the coming years, with the growth in the subscriber base.

This venture not only utilises Ellies' established national and African logistic infrastructure but also adds a new dimension to our satellite division. SkyeVine's internet services will provide redundancies and reach where terrestrial broadband providers cannot. It is an all-inclusive Internet-via-Satellite solution. SkyeVine, with its unique product offering, is focused on growing the broadband subscriber base in Africa, by targeting the home user and small enterprise markets.

With the mining sector once again starting to spend on infrastructural developments, particularly in Africa, this segment's contribution is expected to continue to improve. This is supported by the current order book. The building and electrification sectors however, are recovering at a slower rate. Megatron's continued diversification into associated power products, renewable energy and telecommunications and together with the manufacture of transformers is expected to contribute towards its future buoyancy.

The board remains positive as regards the group's continued organic growth, current new ventures, and new product 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 stage due to short term funding requirements to support working capital needs.

Appreciation
The directors and management, as always, 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.

The recent labour unrest and related intimidation necessitated that some of our Gauteng operations ceased trading for a limited period and we appreciate the understanding of our customers and dedication of our many loyal staff members.

By order of the board

ER Salkow
Chairman

WMG Samson
CEO

20 July 2011

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 (appointed 11 April 2011)
Independent non-executive Directors: MR Goodford, MS Mazwi
Non-executive Directors: AC Brooking
Registered office: 94 Eloff Street Ext, Village Deep, Johannesburg, 2001 (PO Box 57076, Springfield, 2137)
Sponsor: Java Capital (Pty) Limited
Auditors: PKF (Jhb) Inc.
Company secretary: Probity Business Services (Pty) Limited
Transfer secretaries: Link Market Services South Africa (Pty) Limited