

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2012



HOLDINGS LIMITED

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

Revenue 56% PAT 106% EPS to 42,59 cents NAV per share to 284,08 cents

Abridged consolidated statement of financial position

	Unaudited as at 31 October 2012 R'000	Unaudited as at 31 October 2011 R'000	Audited as at 30 April 2012 R'000
ASSETS			
Non-current assets	375 394	326 512	333 245
Property, plant and equipment	127 246	91 226	100 376
- Land and buildings	78 047	48 825	56 546
- Other	49 199	42 401	43 830
Goodwill and other intangible assets	226 139	225 472	225 027
Investment in associate	8 967	2 358	-
Deferred taxation	13 042	7 456	7 842
Current assets	1 076 227	826 293	1 012 356
Inventories	630 582	455 211	506 377
Trade and other receivables	430 025	327 765	456 268
Taxation receivable	590	344	339
Bank and cash balances	15 030	42 973	49 372
Total assets	1 451 621	1 152 805	1 345 601
EQUITY AND LIABILITIES			
Capital and reserves	862 206	658 699	760 450
Share capital and premium	501 494	501 494	501 494
Non-distributable reserves	(178 522)	(178 630)	(178 907)
Accumulated profits	539 234	338 577	440 315
Equity attributable to equity holders of the parent	862 206	661 441	762 902
Non-controlling interests	-	(2 742)	(2 452)
Non-current liabilities	162 936	39 283	164 714
Interest-bearing liabilities	161 179	38 992	163 150
Vendor loans payable	1 169	-	1 171
Deferred taxation	588	291	393
Current liabilities	426 479	454 823	420 437
Interest-bearing liabilities	4 310	130 248	11 190
Vendor loans payable	853	-	752
Trade and other payables	287 906	233 158	294 012
Provisions	20 147	1 992	12 710
Taxation payable	43 654	22 596	10 001
Shareholders for dividends	563	188	188
Bank overdraft	69 046	66 641	91 584
Total equity and liabilities	1 451 621	1 152 805	1 345 601
Supplementary information:			
Net asset value per share (cents)	284,08	217,93	251,36
Net tangible asset value per share (cents)	209,37	143,44	177,04
Number of shares in issue	303 505 691	303 505 691	303 505 691

Abridged consolidated statement of comprehensive income

	Unaudited six months 31 October 2012 R'000	Unaudited six months 31 October 2011 R'000	Audited year ended 30 April 2012 R'000
Revenue	1 125 748	721 200	1 711 252
Profit before interest, taxation, depreciation and amortisation ("EBITDA")	198 157	105 481	273 371
Depreciation	(8 202)	(8 170)	(15 074)
Amortisation of intangibles	(279)	(279)	(557)
Profit before interest and taxation ("PBIT")	189 676	97 032	257 740
Interest received	413	84	139
Interest paid	(10 983)	(7 698)	(23 510)
Share of losses from associate	(417)	(2 034)	(4 401)
Net profit before taxation ("PBT")	178 689	87 384	229 968
Taxation	(49 898)	(25 009)	(65 565)
Net profit after taxation ("PAT")	128 791	62 375	164 403
Other comprehensive income:			
Foreign currency translation reserve	385	245	(32)
Total comprehensive income for the period	129 176	62 620	164 371
Attributable to:			
Equity holders of the parent	129 270	63 753	165 491
Non-controlling interests	(479)	(1 378)	(1 088)
Net profit after taxation	128 791	62 375	164 403
Attributable to:			
Equity holders of the parent	129 655	63 998	165 459
Non-controlling interests	(479)	(1 378)	(1 088)
Total comprehensive income for the period	129 176	62 620	164 371
Supplementary information:			
Basic earnings per share (cents)	42,59	21,01	54,53
Headline earnings per share (cents)	42,46	20,98	54,45
Weighted average number of shares in issue	303 505 691	303 505 691	303 505 691

* Ellies has no dilutionary instruments in issue.

Reconciliation of basic earnings and headline earnings

	Unaudited six months 31 October 2012 R'000	Unaudited six months 31 October 2011 R'000	Audited year ended 30 April 2012 R'000
Net profit for the period attributable to equity holders of the parent	129 270	63 753	165 491
Adjusted for:			
Profit on sale of property, plant and equipment	(379)	(98)	(322)
Profit on change of control from subsidiary to associate	(120)	-	-
Tax effect on adjustments	106	27	90
Headline earnings attributable to ordinary shareholders	128 877	63 682	165 259

Abridged consolidated statement of cash flows

	Unaudited six months 31 October 2012 R'000	Unaudited six months 31 October 2011 R'000	Audited year ended 30 April 2012 R'000
Cash flows from operating activities	32 958	(116 747)	(123 145)
Cash generated from/(utilised by) operations	97 236	(106 326)	(43 729)
Interest received	413	84	139
Interest paid	(10 903)	(7 698)	(23 416)
Taxation paid	(23 812)	(2 807)	(56 139)
Dividends paid	(29 976)	-	-
Cash flows from investing activities	(35 911)	(27 928)	(45 174)
Cash flows from financing activities	(8 851)	95 655	100 755
Net decrease in cash and cash equivalents	(11 804)	(49 020)	(67 564)
Cash and cash equivalents at the beginning of the period	(42 212)	25 352	25 352
Cash and cash equivalents at the end of the period	(54 016)	(23 668)	(42 212)

Abridged consolidated statement of changes in equity

	Unaudited six months 31 October 2012 R'000	Unaudited six months 31 October 2011 R'000	Audited year ended 30 April 2012 R'000
Balances at the beginning of the period	760 450	596 079	596 079
Total comprehensive income for the period	129 176	62 620	164 371
Change of control from subsidiary to associate	2 931	-	-
Dividends declared	(30 351)	-	-
Balances at the end of the period	862 206	658 699	760 450

Segmental analysis

	Unaudited six months 31 October 2012 R'000	Unaudited six months 31 October 2011 R'000	Audited year ended 30 April 2012 R'000
Revenue	1 125 748	721 200	1 711 252
Consumer goods and services	749 848	466 300	1 140 467
Infrastructure	368 799	251 098	559 240
Property division	3 861	2 862	6 342
Other	7 101	3 802	11 545
Holding company/consolidation	(3 861)	(2 862)	(6 342)
Segmental profits/(losses) from operations			
Net profit before interest and taxation	189 259	94 998	253 339
Consumer goods and services	127 759	60 281	164 607
Infrastructure	60 239	38 157	91 097
Property division	3 034	2 563	5 271
Other	(1 461)	(5 723)	(6 863)
Holding company/consolidation	(312)	(280)	(773)
Net finance costs	(10 570)	(7 614)	(23 371)
Operating segments (combined)	(8 242)	(5 918)	(19 557)
Property division	(2 248)	(1 696)	(3 720)
Deemed vendor interest	(80)	-	(94)
Net profit before taxation	178 689	87 384	229 968

Notes to the unaudited interim results

Basis of preparation and accounting policies

The unaudited interim results for the six months ended 31 October 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with IAS 34 – Interim Financial Reporting, the AC 500 series of interpretations, the requirements of the Companies Act, No. 71 of 2008 of South Africa and the Listings Requirements of the JSE Limited. The accounting policies used in the preparation of the unaudited interim results for the six months ended 31 October 2012 are consistent with those applied in the audited 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). The interim results have not been reviewed or reported on by the group auditors, PKF (Jhb) Inc.

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 markets.

Overview

All the divisions within the group achieved excellent growth in earnings and capacity utilisation.

PBIT of the Ellies consumer goods and services segment grew by 112% against the prior corresponding period. This is partly the result of completion of the first phase of the Eskom Project Power Save programme. The implementation of the "Green shop within a shop" concept was substantially completed during the period and, together with the growth of the lighting sector, contributed to the success of this consumer segment.

During this period, further important alignments and relationships were established, including those with Aurora Lighting, a leading international lighting group, offering solutions in the domestic, industrial and commercial space; and Efergy, a leading energy-monitoring systems provider.

The Infrastructure division, Megatron, continued to deliver solid earnings for the period, with Revenue and PBIT growth of 47% and 58%, respectively, on the prior corresponding period. The power products sector achieved greater volumes due to the historical investment in and testing of new product lines, while the telecommunications sector increased in line with expectations. All sectors were able to conclude numerous new projects during the period. Infrastructure projects further increased their scope by collaborating with contractors in the water industry.

The group's statement of financial position remains solid, with NAV and NTA per share improving to 284 cents (2011: 218 cents) and 209 cents (2011: 143 cents), respectively. The group's interest-bearing bank debt, which includes property term finance of R62.3 million (2011: R48.5 million), results in a debt to equity ratio of 23% (2011: 28%). The group's interest cover to EBITDA remains at a satisfactory level in excess of 18 times. Management considers the gearing to be at a satisfactory level under the current economic climate.

The decline in cash of R11.8 million as compared to 30 April 2012, is considered satisfactory by management, in view of the group's significant investment in advance of the Digital Terrestrial Television ("DTT") and additional Eskom Project Power Save programmes. This investment extends to local production capacity, raw materials and inventory. The timing of both these projects has impacted on short-term working capital demands. Ellies is well-positioned to rollout these projects with reduced further working capital investment.

The group's growth and diversification has resulted in capital demands, additional ongoing investments in property, plant and equipment and higher working capital requirements. This has been financed through the additional long-term gearing.

Prospects

The group's diversification into new product development and ventures, together with its alignments with leading technology partners, assists in building on its existing skills, infrastructure and customer base.

The Consumer goods and services division

The DTT migration rollout through Southern Africa is imminent, subject to the Department of Communication finalising its legal issues. Ellies, together with the group's strong strategic partners and alliances, is well-positioned to participate in and benefit from this rollout. DTT aerials and dishes are currently being exported to other African countries with new production machinery being installed to increase local production and employment. With the continued weakening of the Rand, greater export penetration into Africa is expected to continue. With the growth of local production, trade within the SADAC region is also expected to improve.

The group's initiatives in energy conservation and its introduction of new and innovative renewable energy products has resulted in awards having been won over the past period in recognition of these achievements. This has assured a steady growth in market share. The "Green shop within a shop" concept and expansion in the lighting sector, with additional products being added, will continue to contribute meaningfully to the consumer segment.

Ellies continues its working relationship with Eskom, together with many of Eskom's other service providers in the lighting and energy-saving environment.

Infrastructure division

The Infrastructure division's growth is expected to continue.

Within its power products sector, Megatron has been appointed as the preferred equipment supplier for several solar and wind projects within the South African Independent Power Producer's ("IPP") programme. This is expected to have a significant effect on revenues for this division in the future. In addition, the product line of Miniature sub-Stations achieved SABS certification during the period.

Within its telecommunications sector, the "proof-of-concept" testing for the Diesel Generator Optimisation ("DGO") product is ongoing at several sites across Africa and the Middle East. All tests completed to date have performed in line with expectations and several contracts have been won. This is expected to be a substantial area of growth in the future.

Within its Infrastructure projects sector, Megatron has won a number of tenders in its traditional markets from both existing and new customers, while expanding into additional geographical areas. Megatron is currently expanding its offering in this space to include water-related infrastructure. Three contracts have been awarded in this field, one in South Africa and two outside of the country.

The existing order book, including tenders won, as relates to both new diversified and traditional sectors, remains solid. Export into Africa remains a large portion of the Infrastructure division's revenue.

Strategic investments

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

The group is always engaged with exciting prospects for organic growth, new ventures and product opportunities. In addition, the appreciation in Ellies share price, better positions it to consider strategic acquisitions.

Dividend policy

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

Appreciation

As always, 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

22 January 2013

WMG Samson

CEO

Directors:

Executive Directors

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

Non-executive Director

AC Brooking

Lead independent non-executive Director

OD Fortuin

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Java Capital

Company secretary:

Probit Business Services (Pty) Limited

Transfer secretaries:

Link Market Services South Africa (Pty) Limited