



ELLIES

HOLDINGS LIMITED

ELLIES

ELECTRONICS (PTY) LTD

MEGATRON

Integrated Annual Report
2015



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Scope of this report



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 segments comprise consumer goods, renewable energy, power management, water and telecommunications infrastructure.

The financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act of South Africa, regulations of the JSE Limited (“JSE”) and recommendations of King III.

This report includes the annual financial statements of Ellies for the financial year from 1 May 2014 to 30 April 2015. The previous year’s annual financial statements were published in October 2014 and in terms of IFRS 5 the financial results for the year ended 30 April 2014 have been restated, the full details of which are included in the directors’ report on page 45 of the integrated report.

The report comprises feedback from the Chairman and the Chief Executive Officer, the Chief Financial Officer as well as reports on the group’s two main operating divisions, the Consumer Goods division and the Infrastructure division.

The annual financial statements can be found on pages 36 to 91 of this report and have been audited by Grant Thornton Johannesburg Partnership, the group’s external auditors. The independent auditors’ report can be found on page 39 of this report. Only the financial statements contained in this report and on the company’s website have been externally assured and not the entire integrated annual report.

Any queries related to the integrated annual report or its contents should be directed to:

Irwin Lipworth (CFO)

Tel: 011 490 3800

94 Eloff Street Ext, Village Deep, Johannesburg, 2001

Email: holdings@ellies.co.za

Board responsibility statement

The Ellies Board of Directors confirms its responsibility for the integrity of the integrated annual report, the content of which has been collectively assessed by the directors who believe that all material issues have been addressed and are fairly presented.

Ellie Salkow

Founder and Chairman

30 October 2015

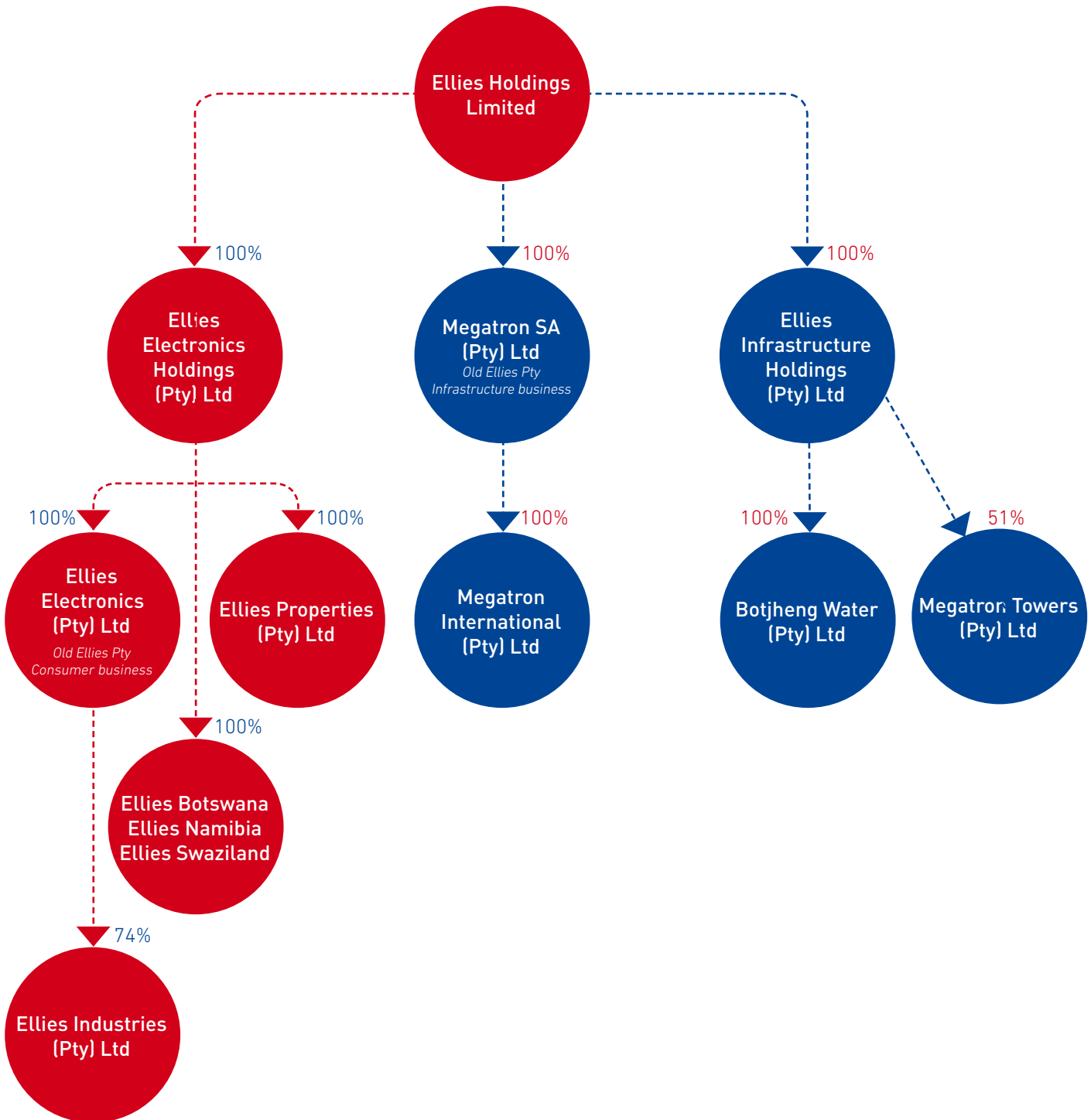


Group overview

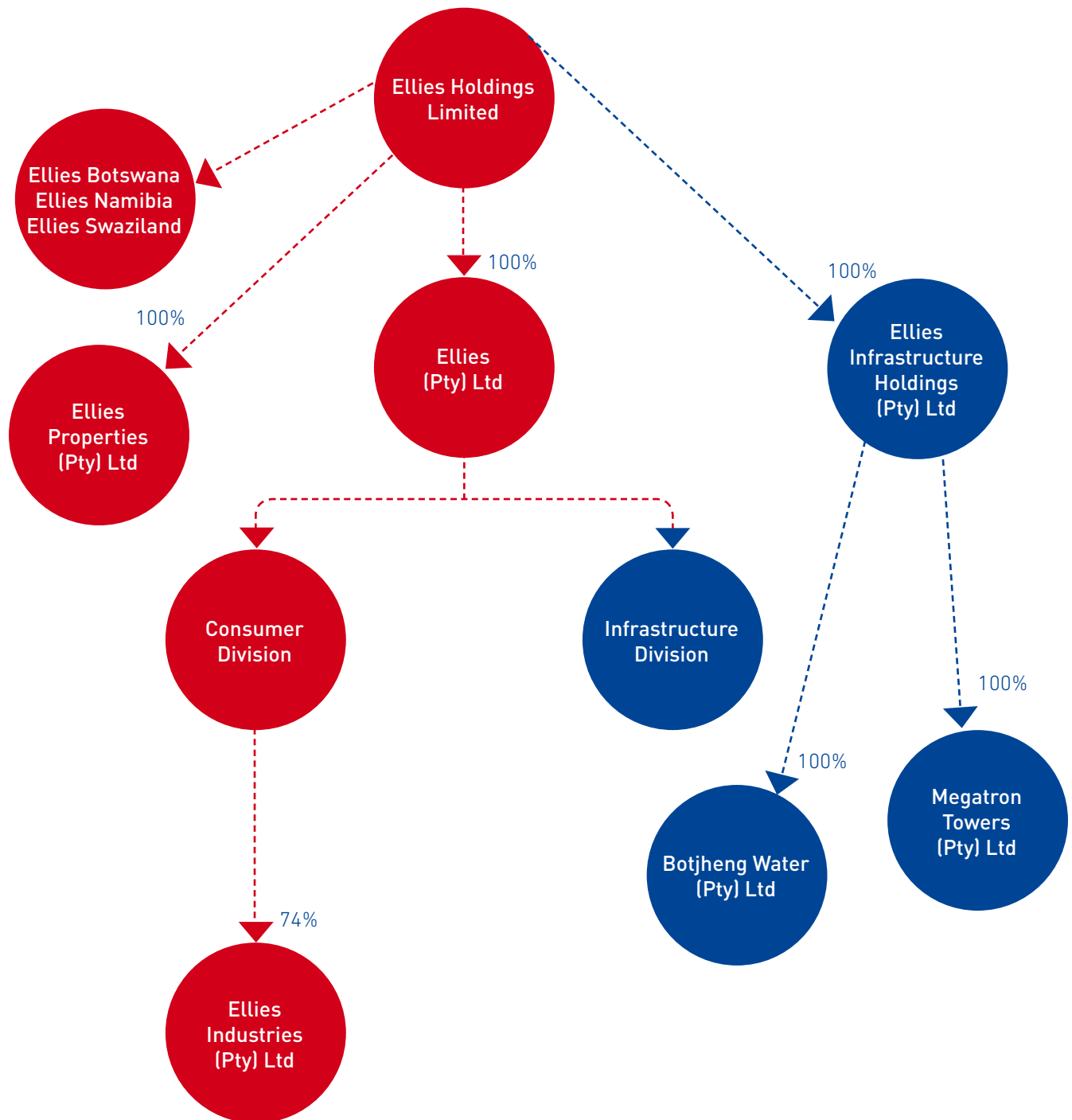
Group profile

In order to house standalone debt facilities for both businesses, an internal restructure of the group has been implemented, which is represented by the new structure.

ELLIES NEW CORPORATE STRUCTURE

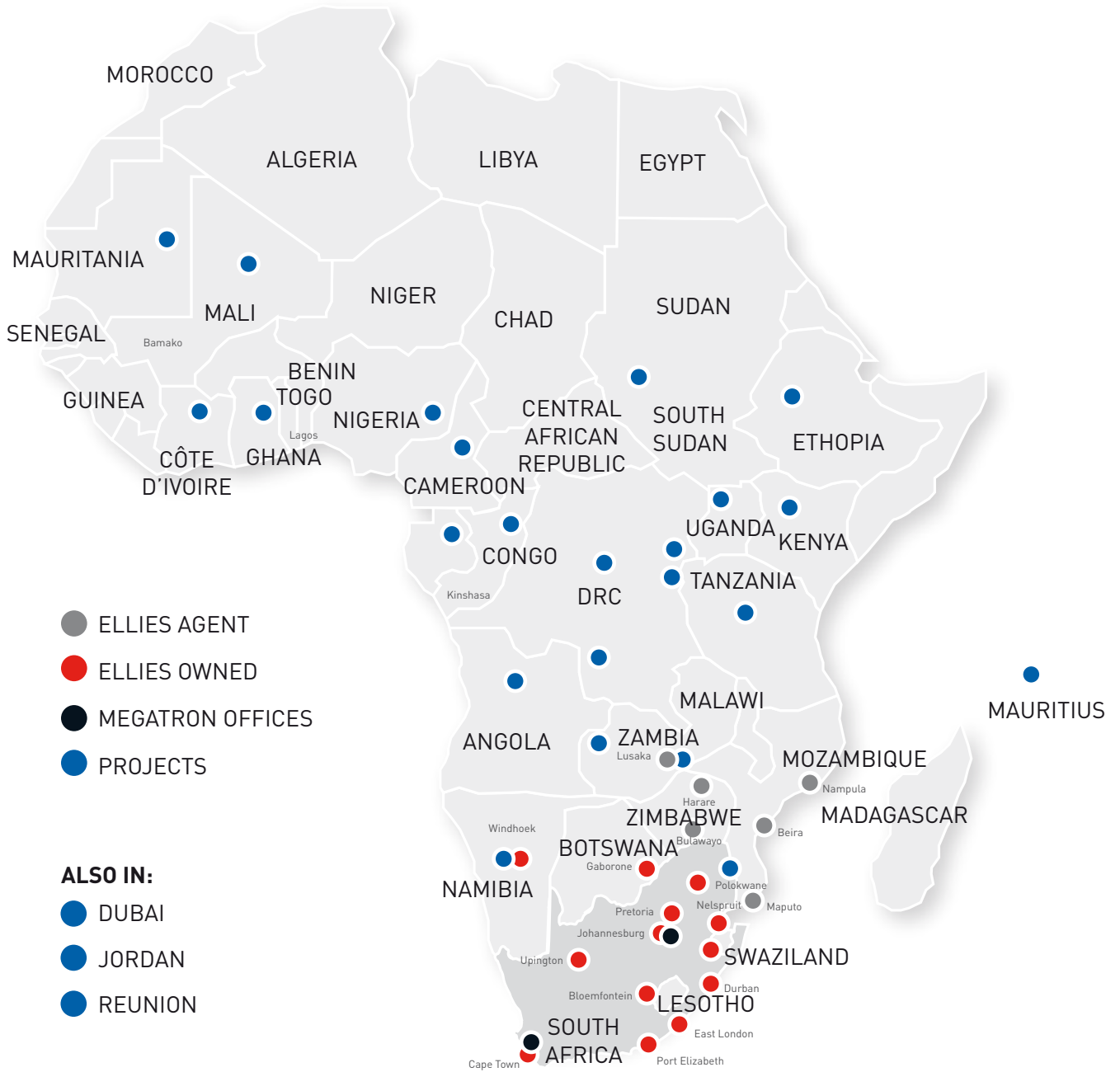


ELLIES OLD CORPORATE STRUCTURE

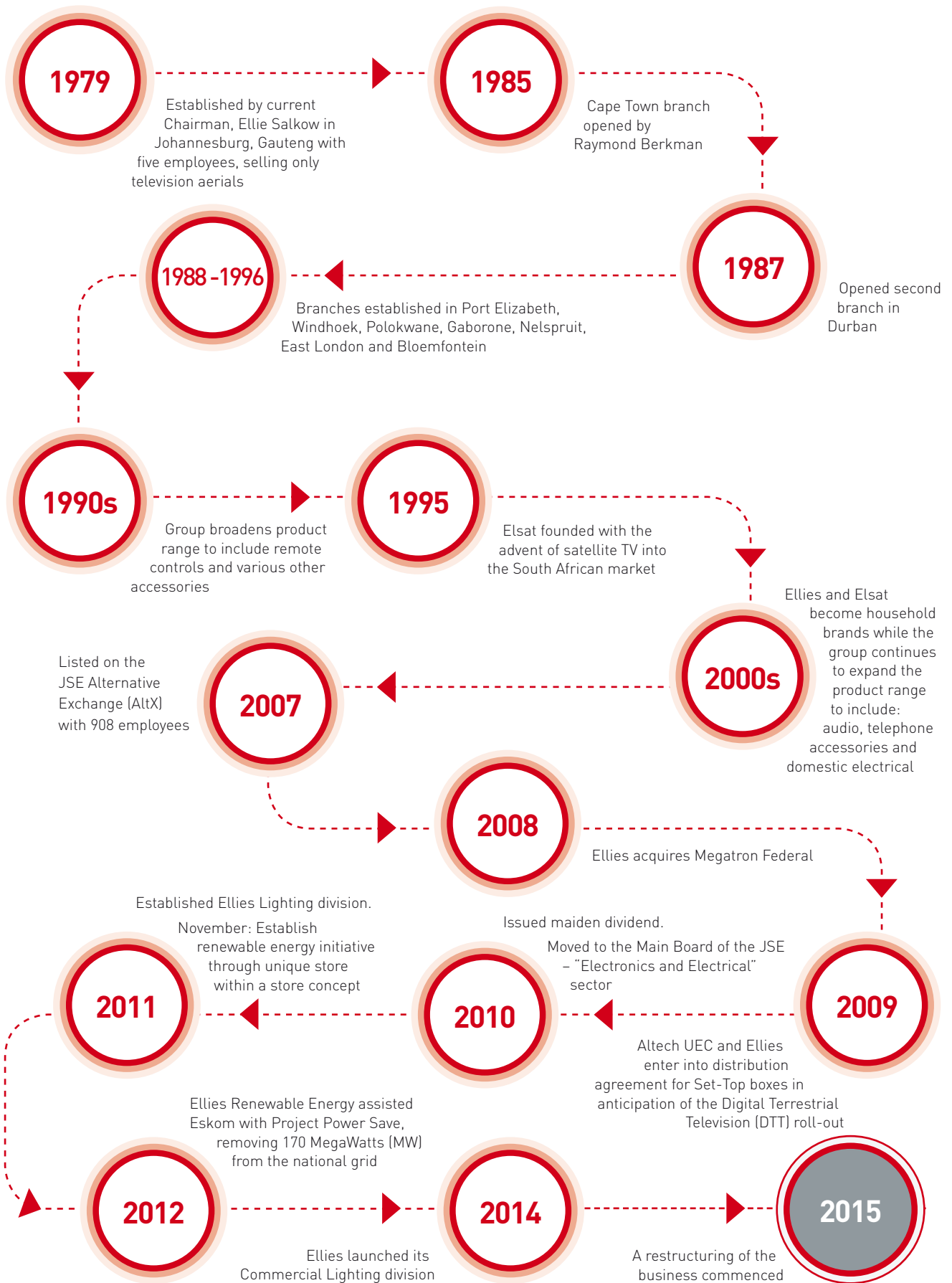


Group overview

Geographical footprint



The Ellies story



Leadership

Board of directors

Ellie Salkow

Chairman of the Board and founder (62)

Elliott Salkow began his career as a salesman and honed his entrepreneurial skills early on in South Africa and later in the United Kingdom. In 1979, he started Ellies and with great entrepreneurial spirit and flair, he soon recognised, exploited and created new opportunities within the market.

Years with the group: 36 years

Wayne Samson

Chief Executive Officer (51)

Wayne has been a loyal member of the Ellies team for 26 years, elevating himself from his initial position as an assistant in dispatch at the Ellies factory to General Manager in 1993. In 1997 Wayne was appointed as the Operations Director and was promoted to the position of CEO of Ellies Holdings in 2007.

Years with the group: 26 years

Irwin Lipworth

Chief Financial Officer (39) – BCom (Wits), BAcc (Wits), CA(SA)

After having served articles at PKF, Irwin was appointed a partner in 2004 and held this position for six years. Having initially become involved with the company as its auditor and reporting accountant in 2007 when Ellies listed on the JSE, he joined the company as group financial manager of Ellies in 2010. Irwin took over the role of chief financial officer on 1 August 2014, from Michael Levitt who retired in 2014.

Years with the group: 5 years

Raymond Berkman

Executive director (59)

Raymond worked as a Department Manager for Woolworths for a number of years before joining the Ellies team in 1980. In 1985 he pioneered the first official branch of Ellies Electronics by establishing Ellies Cape Town.

Years with the group: 35 years

Ryan Otto

Executive director (35) – BCom, H Dip Tax (RAU)

Ryan qualified at Rand Afrikaans University with a BCom in Accounting and a Higher Diploma in Tax Law. He co-founded Megatron Engineering Proprietary Limited with his father, Dedreich Otto, in 1999. Ryan negotiated the sale of the Megatron Federal group to Ellies Holdings Limited and has served on the Ellies board since 15 July 2008.

Years with the group: 7 years

Non-executive directors

Oliver Fortuin

Lead independent non-executive director (48)

Oliver has more than 25 years' experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver has held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa Director for HP Services, and headed HP's Technology Services Group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is the former Managing Director of i1 Solutions (a privately owned technology company). In May 2014, Oliver was appointed as the Managing Director of British Telecommunications sub-Saharan Africa.

Years with the group: 4 years

Malcolm Goodford

Non-executive director (48)

Malcolm has had a career of over 20 years in the IT industry. Since 1985, Malcolm held numerous senior positions with various major companies. Malcolm left full-time employment to start his own business in 1998. The company he formed, MG and Associates, is an executive search and niche recruitment and ICT consultancy.

Years with the group: 6 years

Fikile Sharon Mkhize

Independent non-executive director (43)
Masters in Business Leadership (UNISA)

On 1 June 2012, Ellies appointed Fikile to the board of directors as an independent non-executive director. Fikile holds a Masters Degree in Business Leadership from the University of South Africa (UNISA), and is currently the Group Manager for IT at Mutual & Federal, responsible for Finance and Compliance Risk.

Years with the group: 4 years

Stephen Goldberg

Independent non-executive director (41)

Stephen, who qualified as a chartered accountant in 1999, completed his articles at Grant Thornton Kessel Feinstein, where after he joined the investment banking business of Peregrine Holdings Limited, where he was involved in the execution of private equity transactions as well as providing corporate finance advisory services to a number of Peregrine's clients.

In September 2002, Stephen joined Buffet Investments (Pty) Ltd ("Buffet") and was involved in identifying, implementing and managing a number of private equity transactions in a variety of industries. Stephen sat on the boards of the various investee companies, including Sally Williams Fine Foods, Eazi Access Rentals, Kevro, The Creative Counsel and Aquazania, to look after the interests of Buffet as well as guide the various executives involved in the underlying operations. After leaving Buffet in December 2008, he co-founded Exit Holdings SA, an investment holding company with interests in FMCG distribution, consumer electronics and financial services.

Stephen joined the Ellies board effective 21 November 2014

Martin Kuscus

Non-executive director (59)

Martin was the MEC for Finance in the North West Provincial Government from 1994 until 2004. Prior to that, he spent 17 years in healthcare services. In June 2004 he became CEO of the South African Bureau of Standards, a position he held until July 2009. He was the Chairperson of the first Board of Trustees for the Government Employee Pension Fund overseeing a portfolio worth R850 billion from June 2005 to July 2009. He served on the PRI Board of the United Nations Global Compact Initiative on Responsible Investment, served as Chairperson of the Pan African Infrastructure Development Fund and is President of the Afrikaanse Handels Instituut.

Martin joined the Ellies board effective 1 June 2015

Leadership

Executive management

Consumer Goods division

Barry Shum (53) Nelspruit and Swaziland

Length of service: 28 years

Grant Melville (50) Natal

Length of service: 30 years

Grant Davis (54) Port Elizabeth

Length of service: 26 years

Mike Miller (70) Technical

Length of service: 24 years

Gary Gillingham (54) Electrical and lighting products

Length of service: 22 years

Teresa Moldenhauer (43) East London

Length of service: 20 years

Peter van Vuuren (41) Polokwane

Length of service: 18 years

Michael Livanos (46) Engineering

Length of service: 14 years

Bernhard Arnold (37) Bloemfontein

Length of service: 14 years

Vic Haskins (56) Finance

Length of service: 13 years

Clinton Olckers (47) Namibia

Length of service: 6 years

Infrastructure division

Carlos Fidalgo (50) Strategic Planning/
General Manager

Length of service: 14 years

Howard John Brockbank (51) Finance

Length of service: 6 months

Jean-Pierre Ford (35) Power Projects

Length of service: 4 years

Romano Bevilacqua (41) Telecoms

Length of service: 3 years

Petrus Maritz (48) Procurement

Length of service: 4 years

Carrie-Anne Bennet (35) SHEQ

Length of service: 3 years

Russel Broadhead (54) General Manager –
Projects

Length of service: 6 months



Joint Chairman and CEO's report



Dear stakeholders

The year under review was extremely challenging to say the least. The company faced the perfect storm with Eskom RMR being cancelled while we still had stock, the Digital Migration delayed, Platco's OVHD decoders taking off much more slowly than anticipated, and numerous infrastructural projects starting within a short period of one another, which saw contract debtors increasing from R180 million to R420 million within a year. All these factors contributed to severe working capital pressure.

However, we have addressed these issues and have **seen a marked improvement across the board as a result.** Improvement measures included decreasing the holding in Eskom RMR stock significantly, albeit by selling stock at cost or below cost, which effected the consumer division's margins. **Tenders for the Digital Migration came out in December and we submitted tenders for three separate projects.** Placto made the decision to subsidise the OVHD decoders in December too, and we have seen a significant uptake in the product since then. As a result, Ellies now has manageable stock on hand. In addition, the development of new infrastructural projects was put on hold and when cash flow improved, we focused on completing existing projects.

During the year under review, we took a hard look at each division and analysed profitability and prospects for each. **After deliberation, the decision was made to close the majority of manufacturing plants within Megatron.** Municipal spending never fully materialised and with the South Africa's power problems and the related decrease

in infrastructure and construction spending, the plants became unprofitable. **With the remaining focus now on projects north of the border, we are no longer reliant on local manufacture.** We remain positive about the division's outlook, with Megatron currently having the capacity to complete existing projects. The results of these changes should reflect by the 2016 year-end.

The Consumer division focused on reducing costs and increasing efficiencies and while significant inroads have been achieved, we acknowledge more needs to be done in the near future. We have also reduced stock in the division by R100 million and will look to further reduce the holding by R50 million to R100 million. While the consumer market remains under pressure, resulting in reduced margins, we are convinced that we will see this period through and come out the other end stronger than before.

On a more positive note, **we have recently made progress on the digital migration** and have experienced increased sales in back-up power generation products driven by load-shedding. The inverter trolley, which is partly manufactured by the engineering division, seems to be the most popular of all.

Moreover, the television viewing environment in South Africa is changing with Multichoice sales slowing, OVHD sales increasing and the introduction of new video streaming products being introduced. **Ellies is making sure that its product and service offerings aligns with this new environment** and we will strive to be leaders in Wi-Fi and



Lte products. Whilst this market is still in its infancy, it is a market with major growth prospects in terms of product and service offerings, and Ellies is well-placed to be the leader in this sector.

While **much remains to be done in reshaping the business**, we are confident that with the support and dedication of our staff and management, Ellies will once again become a shining light to investors.

Mano Moodley retired as Independent non-executive director from the board effective 31 October 2014. We would like to thank Mano for his contribution to Ellies over the past four years and we wish him all the best.

The Ellies board would like to welcome Martin Kuscus and Steven Goldberg to the board. We look forward to their guidance and valuable input over the coming years.

We would like to thank our fellow directors for their commitment and support, our management and staff for their hard work, our customers, suppliers and business partners for their ongoing support and our advisors for their guidance.

Ellies Salkow
Chairman

Wayne Samson
Chief Executive Officer

30 October 2015

Performance summary

Chief Financial Officer's report

The past year has been extremely challenging for the Company. Ellies' financial performance has been negatively affected by difficult trading conditions, severe liquidity constraints and higher interest charges. Shareholders are referred to the numerous SENS announcements released over the past year that dealt with the company's various capital raises, debt restructure with the company's primary lender, The Standard Bank of South Africa Limited ("Standard Bank") and corporate restructure.

During the past financial year the company undertook two capital raisings in the form of a general issue of shares for cash in November 2014 and a fully underwritten rights offer which concluded in January 2015. The general issue of shares resulted in the company issuing 45 000 000 Ellies ordinary shares at 110 cents per share to client funds managed by Mazi Capital Proprietary Limited ("Mazi Capital"). The rights offer was fully subscribed for by existing shareholders which resulted in the company issuing a further 104 551 707 Ellies ordinary shares at 110 cents per share. The number of issued shares at year-end as a result of these capital raises was 453 057 398.

R100 million from these capital raises was used to reduce the company's debt with Standard Bank, with the balance of the money used to fund working capital.

Prior to finalising the January 2015 rights offer, the Company together with its advisors had embarked on numerous other short-term initiatives to further reduce the Standard Bank debt. Due to circumstances that were not within the company's control, these initiatives failed and the company was required to implement a further rights offer in order to enter into an arrangement with Standard Bank, in terms of which the company would be restructured into its two main segments, being Consumer Goods and Infrastructure and thereafter to be funded and operated separately.

Subsequent to the year-end the company launched a second rights offer of R200 million. This second rights offer concluded in July 2015, with the company issuing 167 100 837 shares at 110 cents per share. The number of issued shares post the second rights offer will be 620 158 235. An amount of R150 million from this capital raise was used to further reduce the company's debts, with the balance of the money used to fund working capital.

With the successful launch of the rights offer, the company was able to complete its corporate and debt restructure as announced on SENS on 4 May 2015, with retrospective effect from 1 May 2015.

With the various capital raising exercises completed, the company will continue to focus on improving its liquidity by disposing of its property portfolio and further reductions of its consumer inventory holdings. In addition the infrastructure segment has received the outstanding tax refund and is anticipating that certain large outstanding debtors will be recovered in the short term.

The company together with its advisors have set up a Separation Committee, comprising an equal number of non-executive and executive directors, with the view that a separate listing of the Ellies consumer business and the Megatron infrastructure business will allow for increased focus on their respective core operations. It will also enable the Ellies consumer business and the Megatron infrastructure business to access different sources of funding, better suited to their respective needs and cash flow profiles. The unbundling and simultaneous separate listing of Ellies consumer will also provide greater investor flexibility. The committee will explore all the options available in order to ensure that a separate listing is done timeously and in a manner that maximises value for shareholders.

As a result of the proposed separate listing that is in process, the company has applied IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. As a consequence of the application of this standard, the results of the Ellies consumer goods business and property division have been reclassified as discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income and its assets and liabilities reclassified as disposal groups held for sale/distribution in the statement of financial position.

The financial results of the current financial year include the following items (pre-tax) that are not in the course of normal business operations:

Infrastructure division

1. Impairment of goodwill of R34,4 million relating to Botjheng Water;
2. Deferred tax assets from the prior year reversed of approximately R9,1 million and current year losses of approximately R27,5 million not raised;
3. Losses of approximately R25 million, including retrenchment costs of R3,1 million, from the scaled down South African operations;
4. Impairments to accounts and construction receivables of approximately R84,2 million, including an onerous provision raised of R4,1 million; and
5. Other retrenchment costs paid of approximately R1,6 million.

Consumer division

1. Inventory impairments mainly resulting from cancelled projects of R63,8 million;
2. Impairment of intangibles of R2,6 million relating to the Carbon Credit Programme;

Were it not for these items, the loss per share and headline loss per share for the current financial year would be 36 cents and 35 cents, respectively.

The Infrastructure division

The continuing operations of the Infrastructure division performed poorly in the current period, which resulted in a loss of R258,8 million (2014 profit: R61,9 million) on revenue of R316,4 million (2014: R533,5 million). Revenue was severely impacted by the ability to execute in a timely manner due to liquidity constraints, resulting in both the increase of time-related costs as well as the imposition of delay damages. Due to the fixed cost structure of the company, operating profit was severely impacted by the reduced revenue. A number of once-off and non-cash items as detailed below had a further negative impact on the final results.

In the period ending 30 April 2015 the Infrastructure division implemented its strategy of reducing its exposure to manufacturing in South Africa. The operations earmarked for discontinuation had their employees retrenched and a sale of assets and inventory was undertaken. The impact of this exercise resulted in a once-off cost of R25 million including retrenchment costs of R3,1 million. This exercise has reduced the fixed cost structure of the Infrastructure division by approximately R30 million per annum going forward.

The operating structure of Botjheng Water was brought in line with the philosophy of the Infrastructure division going forward, being a reduction in overheads and an increased focus on outsourcing. The Company made a loss before tax of R10,6 million, including retrenchment costs of R1,6 million. Due to the continued losses, the goodwill was fully impaired and both past and current deferred tax assets reversed.

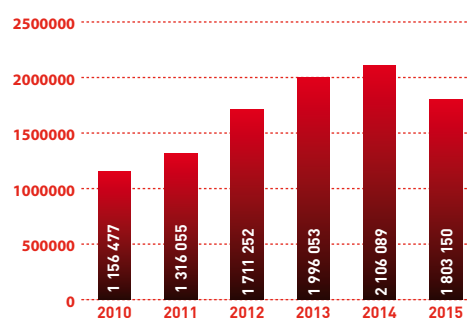
For the financial year-end, management elected not to raise various deferred tax assets of R44,2 million. The provisional tax losses remain intact and the recognition of these assets will be subject to positive future trading results.

The Consumer Goods division

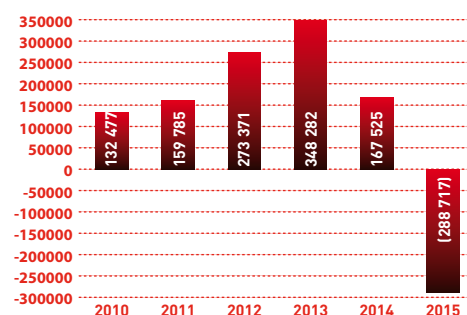
Even though trading conditions remain strained with the consumer under pressure, Ellies Electronics has been trading positively in the new financial year. The main factors that have contributed towards positive trading are the reduced overhead costs with a lower-staff count and increased efficiencies within the organisation. The division has looked hard at reducing handling costs and making products more competitive in an environment where the consumer is more price conscious. Having said this, the division will not compromise on the quality of our products. We remain focused on maximising gain with our distribution network and wide customer base.

The Consumer division will continue to reshape itself in line with market demands and trends, and continues to remain relevant and ahead of the technology curve. We pride ourselves on our product, service and brand. With our increased efficiencies, lower cost and motivated staff we will continue to be a significant brand and Company in South Africa.

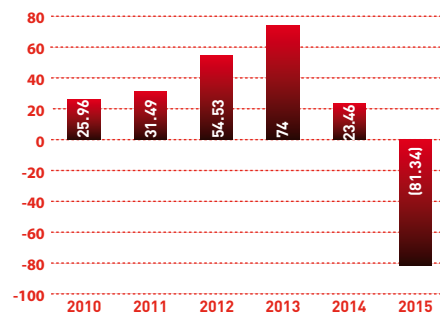
Revenue (R'000)



EBITDA (R'000)

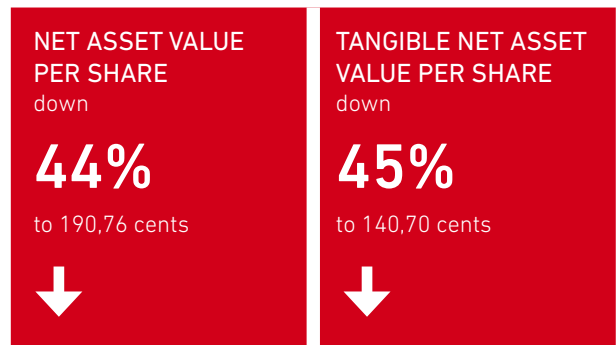
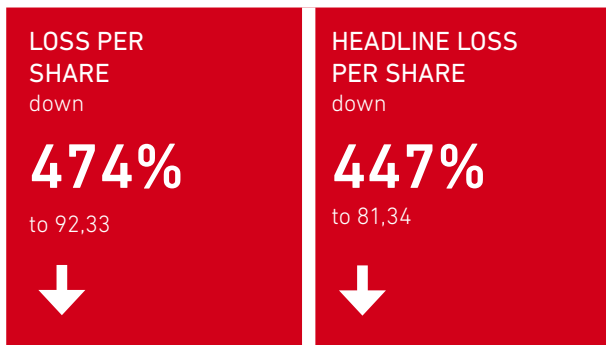
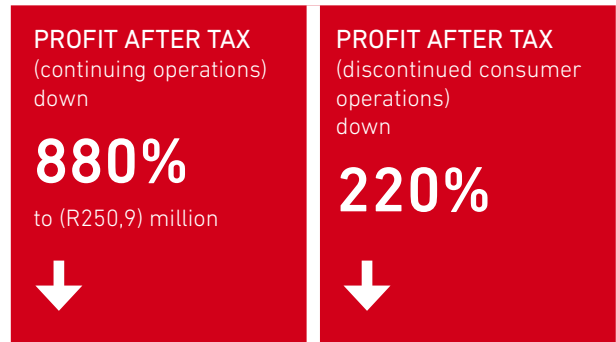
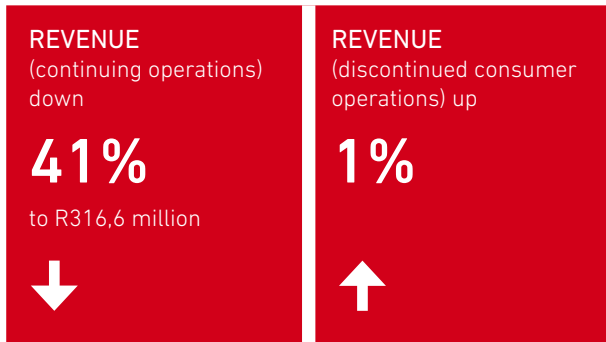


HEPS (cents)



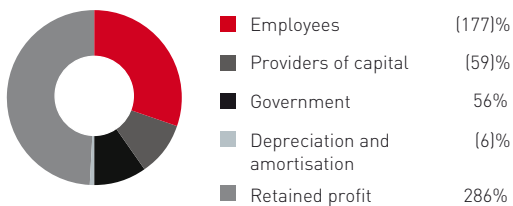
Performance summary

Financial indicators

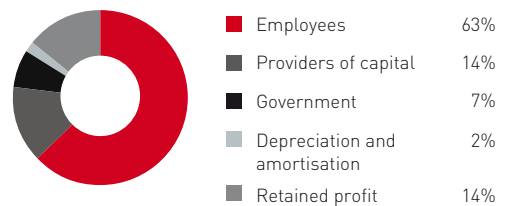


Wealth distribution

2015



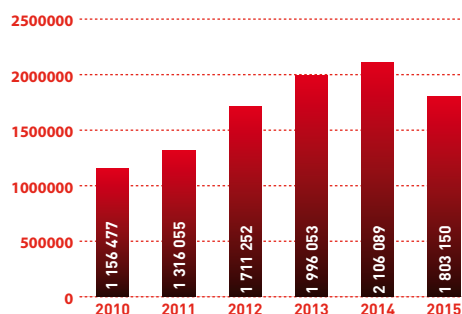
2014



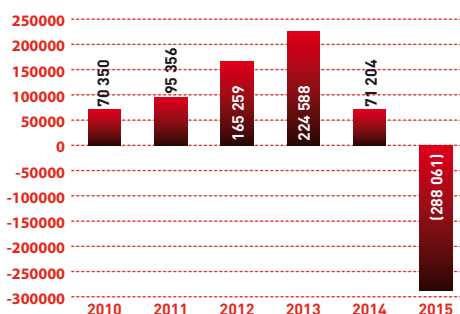
Five-year review

		2015	2014	2013	2012	2011
Statement of comprehensive income						
Revenue – Continuing operations	R'000	316 366	531 676	1 996 053	1 711 252	1 316 055
Revenue – Discontinued operations	R'000	1 486 784	1 574 413			
Earnings before interest, tax, depreciation and amortisation (“EBITDA”) – Continuing operations	R'000	(221 329)	66 285	348 282	273 371	159 785
Earnings before interest, tax, depreciation and amortisation (“EBITDA”) – Discontinued operations	R'000	(67 388)	101 240			
Profit from operations – Continuing operations	R'000	(259 317)	62 692	336 394	257 740	146 055
Profit from operations – Discontinued operations	R'000	(85 037)	89 153			
Headline earnings	R'000	(288 061)	71 204	224 588	165 259	95 356
Statement of financial position						
Cash and cash equivalents	R'000	9 810	(107 470)	(8 906)	(42 212)	25 352
Total assets	R'000	1 733 516	2 088 703	1 692 129	1 345 601	964 793
Shareholders' funds (capital and reserves)	R'000	855 047	1 031 732	958 467	760 450	596 079
Statement of cash flows						
Cash (utilised by)/generated from operations	R'000	(49 607)	(82 757)	153 428	(43 729)	166 000
Share statistics (per share)						
Earnings	cents	(92,33)	24,66	74,24	54,53	31,49
Headline earnings	cents	(81,34)	23,46	74,00	54,45	31,42
Distribution to shareholders	cents	–	–	10,00	10,00	–
Net asset value	cents	190,76	340,95	315,80	251,36	196,40
Tangible net asset value	cents	140,70	254,39	241,12	177,04	122,81
Other statistics						
Shares in issue at year-end		453 057 398	303 505 691	303 505 691	303 505 691	303 505 691
Weighted average number of shares in issue		354 135 067	303 505 691	303 505 691	303 505 691	303 505 691
JSE statistics						
Market capitalisation	R'000	1 880 188	1 198 847,48	1 198 847	1 198 847	585 766
Share price	R	4,15	3,95	3,95	3,95	1,93
Price earnings ratio	times	(4,49)	16,02	5,32	7,24	6,13
Selected ratios						
Profit from operations as percentage of revenue	%	(81,97)	11,79	16,85	15,06	11,10
Current asset ratio (current assets/current liabilities)	times	2,54	1,57	2,71	2,41	2,02
Quick asset ratio (current assets – inventories/current liabilities)	times	2,46	0,85	1,30	1,20	0,91
Debt to equity	%	9,16	43,54	31,47	28,24	15,44
Return on shareholder funds (ROE) (PBIT/(Shareholders interest excluding NDR))	%	(18,55)	8,08	43,33	33,20	20,99

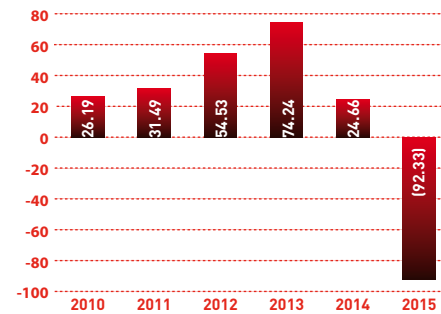
Revenue (R'000)



Headline earnings (R'000)



Earning per share (cents)



Operational overview

Consumer goods and services

What we do

This division is involved in the manufacturing, sale and distribution of various electronic products related to television reception, including satellite and terrestrial aerial ranges and accessories, and lighting and electrical products and accessories, to retailers and businesses throughout South Africa. This division is supported by manufacturing and engineering, research and development, electronics manufacturing, packaging, distribution and logistics, and sales and marketing teams.

Manufacturing and Engineering

Ellies has a dedicated Research and Development department staffed by experienced engineers, which hold patents for many of its manufactured products. The facility comprises three key manufacturing divisions:

- **Aluminium and Plastics Manufacturing:** Product development and the manufacturing of terrestrial antennae using specialised machinery.
- **Electronics Manufacturing:** Ellies own-design products such as the remote blaster and video senders are manufactured and assembled using SMD machines.
- **Light Metal Manufacturing:** This subdivision manufactures products in an advanced light metal-fabricating plant. These include wall brackets; TV, VCR, LCD and plasma mounts; shelving; satellite and terrestrial mounting brackets and satellite dishes.

Ellies manufactures products catering for both coastal and inland conditions using steel, stainless steel and galvanised materials. The company has its own tool and die manufacturing capabilities and powder coating plant, ensuring self-sufficiency, as well as its own screen-printing capability, giving it the flexibility to meet the requirements of the Original Equipment Manufacturers (OEMs) to which it exports products. The company's galvanising plant enables it to have more control over manufacturing volumes and costs.

Research and Development

Many of Ellies' products are designed and manufactured in South Africa, and are developed and supported by our Research and Development department. Some examples of these products include the market-leading Wizard Remote Blaster, TV antennas and Wizard Audio/Video Sender. The company strives to continually re-invent itself by developing products relevant to its core business. This includes related industries, such as wireless remote extenders, surge and security products.

Packaging

Ellies has one of the largest packaging plants in the country, with specialised facilities including cryovacing and plastic blister packaging. An in-house marketing division creates and implements innovative strategies to ensure continued growth and brand awareness. Artwork for packaging and promotions is designed by the in-house art department.

Distribution and logistics

The group maintains extensive warehousing throughout southern Africa to ensure 'just-in-time' deliveries to customers. These warehouses store products manufactured by the group as well as imported goods, with sufficient inventory to best meet orders processed.

Ellies operates its own vehicle fleet and uses courier services that specialise in deliveries to retail, furniture chains and independents in rural areas. These courier services have offices on site at Ellies head office in Johannesburg.

Most goods are delivered to customers anywhere in southern Africa with a 48-hour turnaround, with extensive container-loading facilities for expediting export orders. The company's forwarding and clearing agents have offices on site at head office.

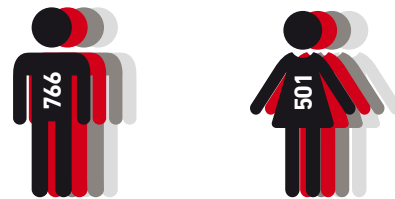
Employees

The Consumer Goods division employed a total of 1 274 individuals as at the end of the financial year, a decrease of 159 employees compared to the 1 433 employed in 2014. Below is a detailed breakdown of the staff. The increase in staff can mostly be attributed to the growth in the business.

Employee analysis

Gender breakdown

Race breakdown



- African
- Coloured
- Indian
- White



Operational overview

The year had its challenges both in terms of employees and with regards to supply chain costs. Consumer Goods and Services experienced a violent strike in July resulting in staff intimidation and property damage. NUMSA (National Union of Metalworkers of South Africa) members, who are only employed by the engineering division, intimidated staff working in the warehouse, offices and distribution centre located two blocks away, causing the business to close for two days. Thereafter it worked on skeleton staff for over a week. As a result of this, the division lost some orders, but the most serious effect was the delay in executing orders, which took several weeks to make up.

The division was also affected by the retail chains ordering less but more frequently. This put more pressure on the order pulling and distribution staff but adjustments were made to meet these new demands. We are, however, still working on ways to address the added costs of distribution with lower invoice amounts per delivery.

Strategic outlook and prospects

Warehousing and distribution

This division has actively been exploring more efficient ways of distributing its products. Management is in the process of analysing each branch's distribution cost with a view to consolidating the distribution of retail product whilst maintaining and even increasing service to independents and installers. It may become feasible to consolidate retail distribution to Johannesburg, Durban and Cape Town, which aligns the company with the retailers' plans of executing deliveries through their Central Distribution Centres in the same cities.

We must however not lose our focus on the independent retailers and installers. With this in mind the division is exploring the viability of increasing the number of trade counters we have in each province. The view is to bring Ellies closer to the installers, thereby making purchasing more convenient, and saving installers both time and money.

Product

The division is in the process of reducing stock levels by increasing buyer efficiencies and by working on an 80/20 principle to reduce the range per product grouping. The aim is to concentrate on the faster moving lines, thus maximising fill rate percentages. By understanding the concept that we cannot be "everything to everybody", the division will also be eliminating products lines that do not have a significant sell rate.

Ellies has concentrated on Wi-Fi and Lte products as we see the convergence of these methods of delivery with the traditional satellite and aerial delivery method. We hope to become the solution provider of choice to all households when it comes to all forms of entertainment and data distribution. Ellies is well aware of technology changes and shifts in entertainment options as we watch Naspers move into VoD services with Showmax.

DTT

The digital migration is finally gaining momentum, with Ellies being approved as a supplier of all three tenders it submitted in December. These tenders are for the manufacture and supply of terrestrial antennas and all accessories, the manufacture and supply of satellite dishes and all accessories, and for the management and installation of all products for the migration. We have already received an order for the manufacture and supply of satellite dishes and accessories, and believe that this programme will have a positive effect on the business. The division has already made available the capex needed to roll out these tenders and we look forward to seeing the country's transition into the digital era.

Operational overview

Infrastructure division

What we do

The Infrastructure division, operating as Megatron Federal, offers a wide range of products through 10 impressive manufacturing plants in Johannesburg, and distributor agreements with numerous global industry leaders, resulting in a company which is able to provide a diverse range of products. This coupled with extensive design and development capabilities together with a solid project management track record forms a division which is able to provide tailor-made turnkey solutions to virtually any infrastructure project within its fields of expertise.

The division's business is structured into three primary business units, namely:

- Power products
- Infrastructure products
- Telecommunications

Power products

This business unit is a manufacturer and distributor of a range of power-related products, including:

- Medium Voltage Withdrawable Switchgear
- Medium Voltage Fixed Pattern Switchgear (Ormazabal)
- Low Voltage Switchgear
- Miniature Substations
- Generators
- Distribution Transformers
- Infrastructure products

The infrastructure products unit offers turnkey project services in the following key areas of infrastructure development:

Project finance

The project finance team provide in-house project finance, export credit finance as well as IPP programmes to Megatron's customers.

Civils and Construction

The Construction division specialises in turnkey construction services in civil and commercial construction as well as the property development market.

Electrical and Instrumentation

The Electrical and Instrumentation division executes electrical and instrumentation works for various clients in the Mining, Energy, Food, Petrochemical, Power and Heavy Industrial sectors in South Africa and certain parts of Africa.

Water infrastructure

Provides the following water purification plants:

- Fresh water
- Waste water
- Stormwater
- Power

This subdivision provides turnkey project solutions, incorporating engineering and design solutions, with a focus on medium and high voltage electrical systems. In-house expertise and product ranges sets this division apart, along with competitive lead times and pricing.

Types of projects undertaken:

- Complete containerised substations
- Supply, installation and commissioning of PFC solutions
- Supply and installation of complete substations up to 400kV
- Supply and installation of power transformers

Renewable energy

In keeping with the company's philosophy of providing infrastructure solutions, this division offers turnkey project services for power generation projects which are based upon renewable energy technologies and provides a complete service offering including design, finance, supply of an extensive range of products and services, construction, grid connection, commissioning and operation and maintenance.

Telecommunications

The Telecommunications division offers a range of products and services engineered specifically for the telecommunications industry, including:

Towers

The Towers business unit, incorporating Andrews Towers, offers a diverse family of innovative, modular, lattice tower configurations for any client application requiring unmatched strength and versatility, standard fabrication techniques, cost-effective transport and ease of field assembly.

Off-grid and "green sites"

The off-grid and "green site" facilitate the deployment of infrastructure such as base transceiver stations in remote areas which do not have access to the electricity grid and is an attractive alternative to diesel-powered sites. These sites utilise proven solar technology which can be mated with wind generators and the solar modules have a 25-year performance guarantee.

Data centres

- Highly efficient modular design
- PUE of 1,20 in Johannesburg at tier 4 specifications
- Reduced energy costs
- BladeRoom data centres can be up and running in 24 weeks compared to 72 weeks for brick and mortar systems
- Capital expenditure is reduced by approximately 50%

Core design principles

- Extract maximum heat from the data hall
- Deploy mechanical cooling as rarely as possible
- Utilise ambient air with evaporative cooling in order to achieve maximum free air cooling

Diesel generator optimisation

Megatron Federal, in conjunction with General Electric, has developed a solution for off-grid diesel generator-powered sites, taking particular aim at the Africa telecommunications sector. This unique product has been made possible through the development of innovative battery technology together with patented Megatron Federal technology. The purpose of the system is to significantly reduce the operating costs associated with running off-grid sites which are traditionally powered by diesel generators throughout Africa.

Our employees

The Infrastructure division employed a total of 472 individuals during the year under review, compared to the 521 employed in 2014, a decrease of 49 staff due to the closure of our manufacturing plants in South Africa. Below is a detailed breakdown of the staff. The increase is primarily due to the acquisition of Andrews Towers.

Staff breakdown

Gender breakdown



Race breakdown

- African
- Coloured
- Indian
- White



Operational overview

The continuing operations of the Infrastructure division performed poorly in the current period, which resulted in a loss of R259,32 million (2014 profit: R62,69 million) on Revenue of

R316,4 million (2014: R531,68 million). Revenue was severely impacted by the ability to execute in a timely manner due to liquidity constraints, resulting in both the increase of time-related costs as well as the imposition of delay damages. Due to the fixed cost structure of the Company, operating profit was severely impacted by the reduced revenue. A number of once-off and non-cash items as detailed below had a further negative impact on the final results.

In the period ending 30 April 2015, the infrastructure division implemented its strategy of reducing its exposure to manufacturing in South Africa. The operations earmarked for discontinuation had their employees retrenched and a sale of assets and inventory was undertaken. The impact of this exercise resulted in a once-off cost of R25 million including retrenchment costs of R3,1 million. This exercise has reduced the fixed cost structure of the Infrastructure division by approximately R30 million per annum going forward.

The operating structure of Botjheng Water was brought in line with the philosophy of the infrastructure division going forward, being a reduction in overhead and an increased focus on outsourcing. The Company made a loss before tax of R10,6 million, including retrenchment costs of R1,6 million. Due to the continued losses, the goodwill was fully impaired and both past and current deferred tax assets reversed.

At year-end management elected not to raise various deferred tax assets of R44,2 million. The provisional tax losses remain intact and the recognition of these assets will be subject to positive future trading results. With reduced fixed costs and improved liquidity, the division will be focused on improving operating margin in the future. The Democratic Republic of Congo, Nigeria and Ivory Coast will continue to be significant revenue drivers in the next period, as the previously reported order book remains intact.

Strategic outlook and prospects

The infrastructure division has scaled down its South African operations significantly during the current financial period to focus on higher margin African operations. Management does not expect the losses incurred by these discontinued operations to be repeated.

The current trading year did not do any justice to the current pipeline, with significant losses incurred due to extension of time related costs as a result of the company's liquidity challenges.

Management does not expect these project delays caused by external factors to recur in the next financial year and will aim to recoup the additional expenses the infrastructure division has incurred.

A key market for the infrastructure division remains the Democratic Republic of Congo, with projects in generation, transmission and distribution, as well as the completion of the energy efficiency project currently under way. Both Nigeria and Ivory Coast are expected to be significant revenue contributors in the next financial year.

The infrastructure division expects an improved funding position to facilitate a return to normal trading conditions.

Sustainability and corporate governance

Engaging with stakeholders

Ellies defines stakeholders as groups, people, organisations or communities that have a direct interest in or affect on the businesses of Ellies. Stakeholder evaluation has been undertaken at the holdings level as well as in the Consumer Goods and Infrastructure divisions.

Engagement with stakeholders takes various forms including informal meetings, calls, customer meetings, staff meetings as well as newsletters to staff and investors.

Details of the group's key stakeholders, the type of engagement, material issues raised and actions taken are provided in the table on the opposite page.



Stakeholders	Type of engagement	Material issue raised	Action taken
Shareholders	Interim and final results presentations and teleconferences are held regularly, an active web-site is in place, dissemination of information through a defined contact list, calls with strategic shareholders if and when required and site visits and investor open days to facilities regularly take place	Cash generation Megatron funding	Site visits to various operations Participation in showcases
Customers	Formalised business product presentations, meetings, telephone conversations, credit checks and reviews	No material issues raised	No actions needed
Employees	Compliance with legislation: Employment Equity Basic Conditions of Employment Communication Training Health and Safety	Promoting equal opportunity and fair treatment in employment Prohibition of unfair discrimination Awareness of rules and regulations within the workplace Affirmative action measures Regulation of working time, holidays, leave, termination of employment Communication structures in place to keep employees informed Employee competency Provide a safe working environment for employees	Dedicated Human Resource department to oversee and monitor Ongoing monitor by Social and Ethics Committee Newsletters to staff Open door communication policy Succession planning/promote within Health and safety training is given each year Monitor BI awards
Communities and civil society	Active CSI initiatives, community participation and assistance	No material issues raised	Formalised Ellies Engage and established Social and Ethics Committee
Suppliers	One-on-one business dealings, presentations on product features and correspondence	No material issues raised	Continue to maintain strong relationships with strategic suppliers Supply chain risk management, including continuity
Trade unions	Advance economic development, social justice, labour practices and the democratisation of the work place	Collective Bargaining/Establishment of Bargaining Council (only in manufacturing divisions)	Constant communication with unions Minimum 18 months collective agreements
Financiers	Formal meetings, updated status meetings and feedback sessions	Ongoing funding requirements	Continue to maintain strong relationships with financiers with sufficient facilities available Share long-term plans
Regulators	Meetings with regulators take place on a need to basis Products are constantly monitored and approved by NRCS (National Regulatory Compulsory Specifications)	No material issues raised	Ellies are members of: SABIDA Lighting Association Energy Efficient Association
Parastatals	Taxes paid	No material issues raised	No actions needed
Government and municipalities	Conference participation, meetings, industry body representation	Transformation remains a key driver for Ellies, so too compliance with municipal regulations especially where operations could impact on communities	Obtained a BEE verification certificate Exploring BEE partnerships

Sustainability and corporate governance

Corporate governance report

Ellies is fully committed to ensuring compliance with the principles of the Code of Corporate Practices and Conduct set out in the King III Report. The directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes: timely, relevant and meaningful reporting to shareholders and other stakeholders, providing a proper and objective perspective of the company and its activities.

The directors have, accordingly, established mechanisms and policies appropriate to the company's business in keeping with its commitment to best practices in corporate governance to ensure compliance with the King III. An assessment of the 75 King III principles and the extent of the company's compliance herewith is available on the company's website, www.ellies.co.za, and will be reviewed on a regular basis to ensure the disclosures are current

and relevant. The board reviews these policies as the need arises.

Membership and roles/responsibilities of the board and subcommittees is as follows:

Board of directors

The board comprises five executive directors and five non-executive directors, three of whom are considered independent, including the lead independent non-executive director. The current composition of the board is under review and the appointment of additional independent non-executive directors is under consideration. The board is satisfied that there is an appropriate balance of power and authority so that no one individual or block of individuals can dominate decision-making. The non-executive directors are individuals of calibre, credibility and have the necessary

Board/Committee	Roles and responsibilities	Members
Ellies Holdings board	Maximising shareholder value while maintaining good corporate governance	Ellie Salkow (Executive Chairman) Wayne Samson (Executive director: CEO) Irwin Lipworth (Executive director: CFO) Raymond Berkman (Executive director) Ryan Otto (Executive director) Oliver Fortuin (Lead independent non-executive director) Malcolm Goodford (Non-executive director) Martin Kuscus (Non-executive director) Fikile Mkhize (Independent non-executive director) Steven Goldberg (Independent Non-executive director)
Audit and Risk Committee	This committee bears responsibility to: <ul style="list-style-type: none"> Review annual financial statements Ensure effective internal financial controls Liaise and nominate external auditors and approve their fee structure Evaluate the independence of the auditors Preapprove contracts with external auditors for the provision of non-audit services Overview risk management processes Litigation matters and fraud 	Fikile Mkhize (Chairperson) Steven Goldberg Oliver Fortuin
Remuneration Committee	Responsibilities include: <ul style="list-style-type: none"> Remuneration strategy Non-executive director fees, including benchmarking Director assessments 	Malcolm Goodford (Chairman) Oliver Fortuin
Social and Ethics Committee	The Social and Ethics Committee was established in 2012. The committee monitors: <ul style="list-style-type: none"> Social and economic development Good corporate citizenship The environment, health and public safety Consumer relationships Labour and employment 	Martin Kuscus (Chairman) Oliver Fortuin Wayne Samson Fikile Mkhize Irwin Lipworth

skills and experience to bring judgement to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. Ellies does not comply with King III in respect of an independent non-executive chairman. The chairman of the Ellies board, Ellie Salkow, is not independent, however, the board feels that he offers valuable insight into both the day-to-day running of the business as well as strategic decisions taken at board level, and does so with the best interests of the shareholders and company in mind. To counter this, and in line with the King III Report, Oliver Fortuin has been appointed as the lead independent non-executive director to the board.

The information needs of the board are reviewed annually and directors have unrestricted access to all company information, records, documents and property to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing board members prior to board meetings have been developed and steps taken to identify and monitor key risk areas, key performance areas and non-financial aspects relevant to Ellies operations. In this context, directors are given information on key performance indicators, variance reports and industry trends.

The board has an orientation programme to familiarise incoming directors with the company's operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities. Directors receive further briefings on relevant new laws and regulations as well as on changing economic risks.

New directors, with limited or no board experience, receive development and education training to inform them of their duties, responsibilities, powers and potential liabilities.

In accordance with the company's memorandum of incorporation (MOI), one-third of the non-executive directors, for the time being, are subject to retirement by rotation and re-election by Ellies Holdings' shareholders at each annual general meeting. OD Fortuin is subject to retirement by rotation at the upcoming annual general meeting and, being eligible, offers himself for re-election. The appointment of S Goldberg and MJ Kuscus as newly appointed directors requires shareholder confirmation of their appointment at the annual general meeting.

The board has adopted a charter setting out its responsibilities including adoption of strategic plans, monitoring operational performance and management, determining policy and processes to ensure the integrity of the company's risk management and internal controls, communication policy and director selection, orientation and evaluation.

Board meetings are held quarterly, with additional meetings convened when required. The board sets the strategic objectives of the company and determines investment and performance criteria. It is also responsible for the proper management, control, compliance and ethical behaviour of the businesses under its direction. The board has established committees to give detailed attention to certain of its responsibilities. These operate within defined, written terms of reference. The board conducts a self-evaluation on an annual basis.

Attendance/Participation at meetings

Director	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee
ER Salkow	10(11)			
WVG Samson	11(11)	2(2)>	1(1)	1(1)
IM Lipworth ¹	11(11)	2(2)>		1(1)
RH Berkman	8(11)			
RE Otto	11(11)			
AC Brooking ^{*2}	3(3)	1(1)	1(1)	
MR Goodford ^{*^}	10(11)	1(1)	1(1)	
OD Fortuin [§]	11(11)	2(2)		1(1)
M Moodley ³	6(7)	1(1)		
FS Mkhize ^{?#}	10(11)	2(2)		1(1)
S Goldberg ^{?4}	3(3)	2(2)		
MJ Kuscus ^{5*}	1(1)			1(1)

§ Lead independent non-executive

* Non-executive

? Independent non-executive

Chairperson audit and risk committee

^ Chairman remuneration committee

◇ Chairman social and ethics committee

> by invitation

1 Appointed as Financial Director effective 1 August 2014

2 Resigned 31 August 2014

3 Resigned 31 October 2014

4 Appointed 21 November 2014

5 Appointed 1 June 2015

Sustainability and corporate governance

Corporate governance report continued

Appointment of directors

Board appointments are conducted in a formal and transparent manner by the board as a whole, free from any dominance of any one particular shareholder and in accordance with the procedures detailed in the nomination policy.

New directors shall hold office until the next annual general meeting, at which they shall retire and become available for re-election. A brief curriculum vitae of the director standing for re-election at the annual general meeting can be found on pages 6 to 7 of this integrated annual report.

A board directorship continuity programme will be established and maintained to review the performance and succession planning of executive directors and continuity of non-executive directors.

Audit and Risk Committee

The board has established an Audit and Risk Committee which comprises three non-executive directors, all with the required degree of independence. The members are experienced business persons and all are financially literate. The committee's primary objective is to provide the board with additional assurance regarding the efficacy and reliability of the financial information relied on by the directors, as well as to provide oversight in respect of risk management, in order to assist directors in the discharge of their duties. The committee provides assurance to the board that adequate and appropriate financial and operating controls are in place; that significant business, financial and other risks have been identified and are being suitably managed; and that satisfactory standards of governance, reporting and compliance are in operation. Within this context, the board remains responsible for the group's systems of internal financial and operational control. The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems.

The Audit and Risk Committee meets at least twice a year. Executives and managers responsible for finance together with the external auditors (Grant Thornton Johannesburg Partnership), attend meetings as invitees.

Responsibilities of the committee include:

- Monitoring proposed changes in accounting policies;
 - Advising the board on the accounting implications of transactions;
 - Reviewing audit-related functions and recommending the reappointment of the external auditors for approval by shareholders at the annual general meeting;
 - Assessing adherence to controls and systems within the company and, where necessary, recommending and monitoring improvements during the year;
 - Providing oversight in respect of risk management processes throughout the group;
 - Monitoring and appraising internal operating structures and systems to ensure that these are maintained and continue to contribute to the ongoing success of the company; and
 - Reviewing effectiveness of risk management framework process.
- The committee has fulfilled its duties during the year in accordance with its written terms of reference.
- The Audit and Risk Committee sets in place principles related to engagement for non-audit services of the external auditors or any other practising firm of auditors, which principles include:
- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession;
 - the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
 - the work being done may not conflict with any requirement of IFRS or principles of good corporate governance; and
 - consideration to the operational structure, internal standards and processes that were adopted by the audit firm in order to ensure that audit independence is maintained in the event that such audit firm is engaged to perform accounting or other services to its client base. Specifically:
 - the company may not appoint a firm of auditors to improve systems or processes where such firm of auditors will later be required to express a view as to the functionality or effectiveness of such systems or processes;
 - the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 35% of the audit fee without the approval of the Audit and Risk Committee; and
 - a firm of auditors will not be engaged to perform any management functions (eg acting as curator) without the express prior approval of the Audit and Risk Committee. A firm of auditors may be engaged to perform operational functions, including that of bookkeeping, when such firm of auditors are not the appointed external auditors of the company and work is being performed under management supervision.

Information relating to the use of non-audit services from the appointed external auditors of the company is disclosed in the notes to the annual financial statements. Separate disclosures of the amounts paid to the appointed external auditors for non-audit services, as opposed to audit services, are made in the annual financial statements.

Due to the extensive involvement of the executive directors in the day-to-day activities of the companies and continuous reporting to the Audit and Risk Committee regarding internal controls, no internal audit function currently exists. The executive directors are actively involved in the management of the company and therefore ensure the effective governance, risk management and internal control. The appropriateness of an internal audit function is reviewed on an annual basis.

Risk management

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed.

The most significant risks faced by Ellies are:

- impact of various macro-economic conditions;
- competitors within the industry; and
- foreign currency risk.

Furthermore, the level of borrowings and the exposure to interest rate movement is carefully monitored and covered.

Where relevant and with assistance from expert risk consultants, risks are assessed and appropriate insurance cover purchased for all material risks above predetermined self-insured limits. Levels of cover are reassessed annually in light of claims experience and events affecting the group, internally and externally.

To enable the directors to meet these responsibilities, management have implemented systems of internal control, comprising policies, procedures, systems and information to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting; and
- the timely preparation of reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices.

A risk report can be found on pages 27 to 29 of this integrated annual report.

Remuneration Committee

The Remuneration Committee is mandated by the board to set the remuneration and incentive strategies and arrangements of all executive directors of both the holding

company and main subsidiary companies. In addition, the Remuneration Committee recommends directors' fees payable to non-executive directors and members of board subcommittees. These fees are approved by shareholders at the annual general meeting.

It is also responsible for measuring the performance of the executive directors in discharging their functions and responsibilities.

Remuneration philosophy

Ellies is committed to its shareholders and therefore determines its remuneration policy and philosophy on best practices in the marketplace. The group's directors are remunerated on a cost to company basis, which includes benefits such as: medical aid, life insurance, death cover, disability and retirement.

Increases and incentives are based on individual performance and measured against defined targets for the group.

The committee comprises two non-executive directors and is chaired by a non-executive director. The Remuneration Committee meets when necessary but at least once a year. The executive Chairman, CEO and CFO attend meetings as invitees.

Directors' emoluments are set out in the directors' report in the annual financial statements of the integrated annual report.

Social and Ethics Committee

The Social and Ethics Committee has adopted terms of reference which outline its areas of responsibility, and include the monitoring of the company's activities relating to:

- social and economic development (including implementation of anti-corruption measures; BEE and employment equity related matters etc);
- good corporate citizenship (including promotion of equality and ethical behaviour, as well as corporate social responsibility);
- environmental, health and safety matters;
- consumer relations; and
- labour and employment issues, including skills development and education.

The committee held meetings during the year and received progress reports in respect of the various initiatives underway in the company.

Reporting by the committee on social and ethics related matters has been included in various parts of this integrated annual report (refer in particular to pages 16 to 19 and 30 to 33).

Sustainability and corporate governance

Corporate governance report continued

Directors' dealings and professional advice

The company operates a policy (in compliance with the JSE Listings Requirements) of prohibiting dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement and at any other time deemed necessary by the board. All announcements regarding trades in securities of the company that are required to be released on SENS (in terms of the JSE Listings Requirements) are co-ordinated through the CEO and the company sponsor.

The board has established a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the company's expense. All directors have access to the advice and services of the company secretary.

Company secretary

The company has engaged the services of an independent, professional company secretarial practice with several years of experience in the field. The company secretary provides the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company. The company secretary provides a central source of guidance and advice to the board, and within the company, on matters of ethics and good corporate governance. As an external consultant to Ellies, the company secretary maintains an arm's length, professional relationship with the board of directors and has access to both independent and non-executive directors. The company secretary is subjected to an annual evaluation by the board in order to ensure that the company secretary has the requisite competence, qualifications and experience to undertake the role and to ensure that the company secretary maintains an arm's length relationship with the

board of directors. Following the annual evaluation of the company secretary, the board confirms that it is satisfied with the competence, qualifications and experience and that the company secretary maintains an arm's length, professional relationship with the board of directors.

Investments

The board meets when necessary to consider acquisitions and sales of investments.

Communication

In all communications with stakeholders, the board aims to present a balanced and understandable assessment of Ellies' position. This is done through adherence to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders. The board encourages shareholder attendance at general and annual general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

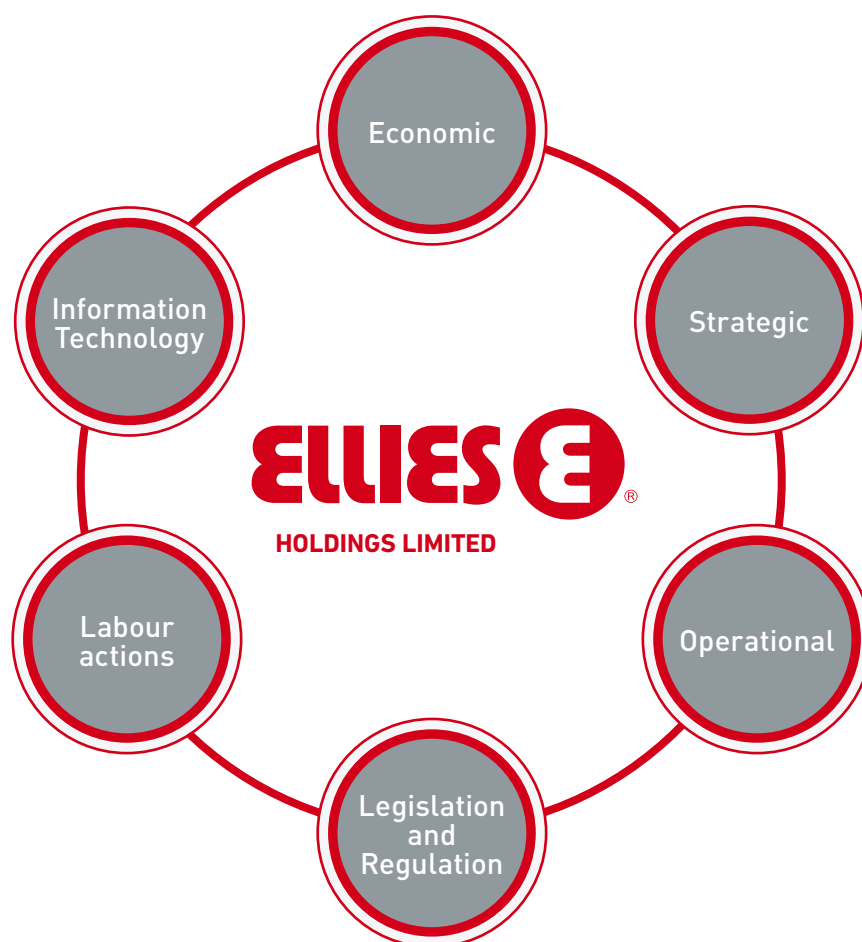
Communication with institutional and private shareowners and investment analysts is maintained through presentations of financial results, one-on-one meetings, trading updates and press announcements of interim and final results, site visits to operations, as well as the proactive dissemination of any messages considered relevant to investors, via SENS and through appointed investor relations consultancy.

A report on stakeholder communication is set out on pages 20 to 21 of this integrated annual report.

King III Compliance Matrix

A detailed King III Compliance Matrix can be found on the Ellies Holding website www.elliesholdings.com under the investor relations button.

Risk management and internal controls



Risk	Probability	Impact	Result	Mitigation
ECONOMIC				
Increase in interest rates	Medium	Medium	Increased interest payments on borrowings and bank overdraft	The group currently has a debt: equity level of around 43,45% Ellies would ideally prefer this never to exceed the 30% level
Increase in the Rand/US dollar exchange rate	Medium	Medium	Imported goods sold by Ellies will become more expensive Megatron contracts are in US dollars	In most cases the increase will be passed onto the consumer The impact will only be affected by the timing due to us renegotiating our prices with major customers The CFC account was utilised by retaining sufficient US dollars to cover the forex risk
Global economic conditions – Infrastructural Development segment	Medium	Medium	The slowdown in general economic activity and growth will result in lower projects being undertaken thus resulting in lower sales	This division only represents one-third of the Ellies business Megatron is currently trying to further diversify its operations

Sustainability and corporate governance

Risk management and internal controls continued

Risk	Probability	Impact	Result	Mitigation
OPERATIONAL				
Compliance with legislation eg Consumer Protection Act	Medium	Low – Medium	Any goods sold by Ellies directly or through its Retail/Furniture/Independent customers to an end user of the product, will be subject to the provisions of the Consumer Protection Act. The penalties for contravening the Act are significant	<p>Around one-third of the products supplied will be able to be referred back to the suppliers of these goods</p> <p>Our “QC” is constantly improving</p> <p>We are actively looking at our products to ensure that all the requirements of the Act are met</p> <p>Ellies is ISO 9001 – 2008 compliant</p> <p>We maintain an adequate warranty provision in our accounts to cover any costs which may arise</p>
Insurance fire and loss of profits	Low	High	A fire in a warehouse where any stock is being housed would not only result in the loss of our biggest assets, but would also result in our customers seeking similar products from our competitors	<p>We have adopted a decentralised system with multiple branches across the country</p> <p>Johannesburg is the biggest risk</p> <p>Currently have a sprinkler system to prevent a major catastrophe</p> <p>The stock is split into various different locations</p> <p>Adequate insurance has been taken out, where appropriate</p>
Theft and fraud	Low	Medium	Any theft or fraud would result in a loss to the organisation	We have adequate segregation of duties and reasonable internal controls
Customer/Supplier relationships	Low	High	If Ellies had to lose some of our larger customers, it would result in lower sales	<p>Diversification in both customer base and supplier products</p> <p>Offering services and products to be considered value-added strategic suppliers</p>
Competitors	Low	Low – Medium	A new competitor or the growth of an existing competitor would result in lower sales for a particular product range and/or reduced margins	<p>Ellies has a diversified range of products which would be very hard for a competitor to match</p> <p>Ellies has a national presence with an established logistics system.</p> <p>There are high barriers to entry for new competitors as well as existing competitors that wish to grow their businesses</p> <p>Ellies has a solid brand backed by a good reputation</p>
Key individuals	Low	Low (Ellies) Medium (Megatron)	<p>Senior management have been around for a long time and have an extensive knowledge of the business</p> <p>A loss of any one of the senior management could impact on the group’s operations</p>	<p>There are multiple key individuals across the country and if one should leave there are sufficient skills within the organisation to ensure that there is continuity within the organisation</p> <p>There is sufficient second level management at Megatron to ensure continuity. Once a detailed hand over has been completed</p> <p>The existing senior management at Megatron are material stakeholders in Ellies Holdings</p>

Risk	Probability	Impact	Result	Mitigation
LABOUR ACTION				
Staff unrest	Medium	Medium	Should there be staff unrest there is a risk that production can come to a halt, resulting in certain products becoming out of stock, resulting in lower sales Megatron – delays in projects	Ellies has diversified representatives with different Unions Manufacturing is a small component of Ellies business and should any unrest occur, Ellies would not be materially impacted Ellies keeps an adequate stockholding of its major lines and any unrest in the manufacturing plant would not affect business
INFORMATION TECHNOLOGY				
IT environment	Low	Medium	Should there be a malfunction of IT equipment or an IT disaster, the operations of Ellies would be affected which could result in the inability to invoice customers, resulting in lower sales	Ellies runs a decentralised IT/accounting system among all its branches. The biggest branch being Johannesburg (including Pretoria), operate an independent POS system that can still invoice customers and keep updated stock records. This system is updated every evening with the main database

Sustainability and corporate governance

Sustainability report

Ellies strives to make a difference to the communities within which the group operates.

A process is currently being finalised whereby Ellies is initiating policies and procedures for gathering sustainability information, which will assist in the assessment of performance. This, together with additional management of material risks, will enhance sustainability reporting in the future.

Economic indicators

On page 14 of the integrated annual report Ellies has plotted its economic value generated and distribution to employees, Government, providers of capital and the amount retained for growth.

Climate change had no direct effect on the group's activities and therefore no financial compensation is made for this.

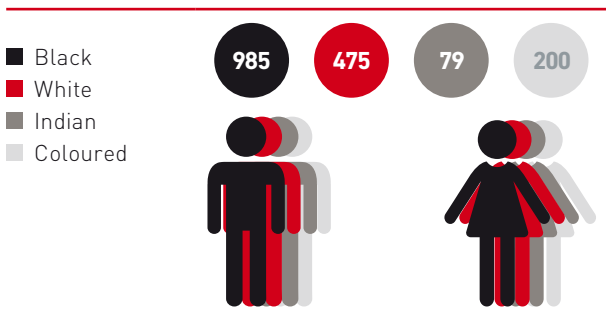
Cash flow requirements to run operations and pay for capital expenditure is generated and used from cash generated by operations as well as manageable overdraft facilities arranged with our bankers, Standard Bank.

Ellies has a well-diversified mix of products sourced and manufactured locally as well as from international suppliers. The company also manufactures and packages a large amount of its own products.

The group is proud of the way in which it conducts its hiring procedures as most employees are hired from the surrounding communities. When senior management positions open, Ellies promotes from within the organisation, giving employees who have dedicated years to the group, a chance to better their position. All hiring is conducted in accordance with recognised labour practices.

Employee breakdowns

Ellies employs a total of 1 739 individuals, throughout our operations.



Environmental indicators

Lighting in all Ellies offices as well as warehouses are energy efficient. Ellies however does not measure the direct or indirect energy consumption of its facilities, but is in the process of putting in place a system to measure energy consumption. Due to Ellies not measuring their energy consumption, no comparison can be made to measure the savings made due to conservation and efficiency improvements.

Ellies have also implemented an "Energy Efficient Office".

Ellies head office is supplied water by Johannesburg Water and not a vast amount of water is used in day-to-day operations therefore Ellies does not measure water consumption and will not do so in future. Ellies currently has an initiative in place to collect rain water and recycle and reuse this water in its day-to-day operations.

All land occupied by Ellies can be found in the main areas of various metropolitan cities and therefore the operations have no negative impact on any protected areas. As the day-to-day operations of the group have no significant impact on the environment in which Ellies operates, no habitats need to be protected or restored.

Ellies has no immediate plans to implement strategies to manage the group's impacts on biodiversity. No IUCN Red List Species' habitats are affected by any of the Ellies operations.

Ellies as a group is extremely conscientious of the impact their operations have on the surrounding environment and will in future have in place, where necessary, ways in which to measure the effect of these operations on the environment, by comparing measurements, year-on-year.

Human Rights

The fundamentals and values of Ellies as a group dictate fairness and integrity in the treatment of all staff and the adherence to human rights.

Over the period under review no incidents of discrimination or human rights abuses have been reported or investigated by the group.

The group and its operations acknowledge that employees and staff have the right to exercise freedom of association and collective bargaining. Unauthorised strike action is deemed a risk to Ellies manufacturing operations and therefore the group endeavours to negotiate effectively and responsibly with the respective trade unions.

Ellies opposes the use of child labour and is not aware of any such practice across the group's divisions.

Ellies does have a hotline in place where employees can report corruption or human rights violations. Tips received via the hotline are considered extremely serious by management and are investigated and dealt with in a speedy and effective manner. During the period under review no human rights violations were reported.

Society

A full CSI report can be found on pages 32 to 33 of this integrated annual report, detailing the group's commitment to enhancing and empowering the communities in which it operates. Unfortunately, due to cash flow constraints during the financial year, the group was unable to implement many of the projects the CSI team had planned. Management are however confident that once liquidity is restored the Ellies Engage programme will resume all activities.

All Ellies employees are aware of the group's zero tolerance to corruption within and outside of the organisation and are encouraged to report such matters to management, in any form of communication the employees are comfortable with, be it in a formal meeting, via email or via the Ellies hotline.

Once an incident of corruption has been reported the group will investigate the legitimacy of the allegations and take steps in correcting the behaviour, which could lead to termination of employment.

In the period under review no donations have been made to any political parties, politicians or institutions related to the South African Government.

No incidents of anti-competitive behaviour were reported in the period under review – as were no fines issued for any non-compliance to laws or regulations.

Product responsibility

Ellies has a wide variety of products sold throughout the country and is vigilant as to the safety of these products to its customers. All Ellies products are first tested and approved by Ellies' Research and Development department. Once this department's quality control is approved, relevant regulatory approvals are obtained. Each shipment is batched, labelled and quality control tested for quality assurance before being released into the warehouse.

Sustainability and corporate governance

Ellies engage



Ellies Engage was established as the group's social investment programme which takes responsibility to contribute towards social upliftment. Our goal is to give back to the communities and public that support us, by actively getting involved in initiatives and projects that support and care for vulnerable groups and people in need. With our country facing intricate social transformation challenges, we have committed ourselves to deliver sustainable benefits to the lives that are touched through harsh living conditions. The programme involves charity (donations and or community work) staff engagement, enterprise development and learnerships.





Things on Wheels

Things on Wheels is an initiative in association with Ellies. The project provides a loaf of bread and soup to thousands of underprivileged communities in the townships of the Western Cape.

During this financial period 400 students received food parcels on a daily basis and 10 000 people were fed in the squatter camps on a monthly basis. The goal for 2014 was to support 500 schools, this goal was narrowly missed with 490 schools supported during the year..

Ellies installer school

The Ellies Installer School was started on the back of the need for properly trained installers as well as a way to create jobs for individuals in the immediate Ellies community. The training programme is presented in Johannesburg, Durban and Cape Town. The installers are required to write an exam and, upon successful completion thereof, graduate from the programme. The installers are then able to participate in the Elsat Satellite Installation Voucher system, which is a sustainable revenue stream for these individuals and a platform from which they can start their own small business. Over 338 Installers graduated from the Installer School during this reporting period, an increase of 70 installers, compared to last years 268 installers.



Shareholder information

Analysis of shareholders

Shareholder information as at 30 April 2015:

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
Analysis of shareholdings				
1 – 1 000	1 105	20,57	523 992	0,12
1 001 – 10 000	2 367	44,05	10 214 221	2,25
10 001 – 100 000	1 610	29,96	48 008 919	10,60
100 001 – 1 000 000	246	4,58	70 416 477	15,54
1 000 001 and over	45	0,84	323 893 789	71,49
Total	5 373	100,00	453 057 398	100,00
Major shareholders (5% and more of the shares in issue)				
Elliot Ralph Salkow			92 651 344	20,45
Government Employees Pension Fund			60 377 942	13,33
Total			153 029 286	33,78
Top fund managers				
Mazi Capital			70 458 355	15,55
Allan Gray			27 428 626	6,06
Total			97 886 981	21,61
Shareholder spread				
Non-public	8	0,15	154 785 671	34,16
Directors – direct	6	0,11	132 881 040	29,33
Directors – indirect	1	0,02	11 896 763	2,62
Associates	1	0,02	10 007 868	2,21
Public	5 365	99,85	298 271 727	65,84
Totals	5 373	100,00	453 057 398	100,00
Distribution of shareholders				
Individuals	4 660	86,73	1 981 129	0,44
Close corporations	58	1,08	2 556 348	0,56
Investment companies	47	0,88	20 896 556	4,61
Nominees and trusts	317	5,90	31 104 783	6,87
Pension funds and medical aid societies	55	1,02	98 970 855	21,84
Collective investment schemes and mutual funds	26	0,48	242 973 286	53,63
Other corporate bodies	210	3,91	54 574 441	12,05
Totals	5 373	100,00	453 057 398	100,00

Shareholders' diary

Financial year-end	30 April 2015
Integrated report mailed	31 October 2015
Annual general meeting	2 December 2015
Announcement of interims	January 2016
Announcement of annual financial statements	July 2016

Share trading statistics

Share trading statistics for 2015 and 2014

	2015	2014
Total volume of shares traded for the year	213 270 041	199 382 977
Value of shares traded	R397,9 million	R1 328 million
Market capitalisation as at 30 April	R543,7 million	R1,3 billion
Opening share price on 2 May 2014	R4,20	
Closing share price on 30 April 2015	R1,20	
Loss for the year	R3,00	
Closing high for the period (23 May 2014)	R4,30	
Closing low for the period (5 March 2015)	R0,51	

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Annual financial statements

Statement of responsibility by the board of directors for the year ended 30 April 2015

The directors are required in terms of the Companies Act of South Africa, 2008 to maintain adequate accounting records and are responsible for the content and integrity of the separate annual financial statements and Group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements and Group annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements and Group financial statements.

The annual financial statements and Group annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The directors have reviewed the Group's cash flow forecast for the year to 30 April 2016 and, in the light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's financial statements in accordance with the applicable financial reporting framework. The financial statements and Group financial statements have been examined by the Group's external auditors and their report is presented on page 39.

Board approval

The annual financial statements and Group annual financial statements as set out on pages 40 to 91, which have been prepared on the going concern basis, were approved by the board of directors on 30 October 2015 and were signed on its behalf by:



ER Salkow
Chairman



IM Lipworth
Chief Financial Officer

Annual financial statements

Declaration by company secretary for the year ended 30 April 2015

For the year ended 30 April 2015, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, as amended, and all such returns are true, correct and up to date in respect of the financial year reported on.



CIS Company Secretaries Proprietary Limited
Company Secretary

30 October 2015

Independent auditor's report for the year ended 30 April 2015

To the shareholders of Ellies Holdings Limited

We have audited the consolidated and separate financial statements of Ellies Holdings Limited set out on pages 46 to 91, which comprise the statements of financial position as at 30 April 2015, and the statements of profit and loss and comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ellies Holdings Limited as of 30 April 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the financial year ended 30 April 2015, we have read the Directors' Report, Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Grant Thornton Johannesburg Partnership

Registered Auditors

C Botha

Partner

Registered Auditor

Chartered Accountant (SA)

30 October 2015

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Annual financial statements

Directors' report for the year ended 30 April 2015

The directors present their annual report, which forms part of the consolidated and separate annual financial statements of Ellies Holdings Limited for the year ended 30 April 2015.

Nature of business

The Group is involved in:

- The manufacture, import and distribution of premium quality TV and video equipment-related products under the "Ellies" brand;
- The manufacture, import and distribution of premium quality satellite and associated equipment under the "Elsat" brand;
- "Ellies Commercial Solutions" and "Elsat Rentals" divisions, deal with commercial lighting, industrial audio, satellite and TV distribution systems respectively;
- "Ellies Renewable Energy" division focuses on thermal, electric and other solutions through alternative energy products, to conserve energy expenditure for your household and to protect the environment;
- "Infrastructure division" comprising "Megatron Federal" and "Bothjeng Water";
"Megatron Federal" manufactures products for power generation for distribution and transmission and is dominant in the area of domestic electrical and surge protection. "Bothjeng Water" is involved in the design and construction of water and waste water treatment plants;
- "In-Toto Solutions" is a broad-based company formed to leverage the collective strengths of its shareholders to establish a presence and project management competence in the clean energy space.

Group results

Details of the consolidated and separate financial results, financial position and cash flows are set out in the audited annual financial statements.

Going concern

The directors believe that the Group has or has access to adequate resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going-concern basis.

Stated capital

During the past financial year the Company raised capital on two instances in the form of a general issue of shares for cash in November 2014 and a fully underwritten rights offer which concluded in January 2015. The general issue of shares resulted in the Company issuing 45 000 000 Ellies ordinary shares at 110 cents per share to client funds managed by Mazi Capital Proprietary Limited ("Mazi Capital"). The rights offer was fully subscribed for by existing shareholders which resulted in the Company issuing a further 104 551 707 Ellies ordinary shares at 110 cents per share. The number of issued shares at year end after these two capital raises was 453 057 398. R100 million from the capital raised was used to reduce the Company's debt with Standard Bank, with the balance of the money used to fund working capital.

The company's unissued shares have been placed under the control of the directors until the upcoming annual general meeting.

Borrowing powers

The company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Subsidiaries and associates

Details of the company's interest in subsidiaries and associates at 30 April 2015 and at the date of this report are set out in notes 4 and 5, respectively, to the annual financial statements.

Directors

Directors in office during the period under review and at the date of this report:

Executive:

ER Salkow (Chairman)
WMG Samson (Chief executive officer)
IM Lipworth (Chief financial officer appointed, appointed 1 August 2014)
RH Berkman
RE Otto

Lead independent non-executive:

OD Fortuin

Independent non-executive:

S Goldberg (Appointed 21 November 2014)
FS Mkhize

Non-executive:

MR Goodford
MJ Kuscus (Appointed 1 June 2015)

The following directors resigned during the year:

MF Levitt (Chief financial officer until resignation on 1 August 2014 due to retirement)
M Moodley (Resigned on 31 October 2014 due to retirement at the last AGM and did *not* offer himself up for re-election in light of other commitments)
AC Brooking (Resigned 31 August 2014 due change in the shareholding of the company's sponsor)

In terms of the Memorandum of Incorporation, the following directors will retire as directors at the upcoming annual general meeting, and being eligible, offer themselves for re-election:

- OD Fortuin
- MJ Kuscus
- S Goldberg.

Annual financial statements

Directors' report continued for the year ended 30 April 2015

Directors' emoluments

Details of emoluments paid to directors are as follows:

For the year ended 30 April 2015

	Fees for services as director R	Basic salary and allowances R	Bonus R	Medical aid and pension benefits R	Total R
Executive directors					
ER Salkow	–	1 283 320	–	37 494	1 320 814
WMG Samson	–	3 320 059	–	319 190	3 639 249
MF Levitt (up until resignation)	–	560 893	–	87 877	648 770
IM Lipworth (from appointment)	–	1 569 499	–	196 982	1 766 480
RH Berkman	–	1 905 264	–	194 687	2 099 951
RE Otto	–	2 511 457	–	203 870	2 715 327
Non-executive directors					
AC Brooking (*) (up until resignation)	63 533	–	–	–	63 533
OD Fortuin	300 000	–	–	–	300 000
S Goldberg (from appointment)	100 000	–	–	–	100 000
MR Goodford	250 008	–	–	–	250 008
FS Mkhize	225 000	–	–	–	225 000
M Moodley (up until resignation)	125 002	–	–	–	125 002
	1 063 543	11 150 492	–	1 040 099	13 254 134

* Fees paid to Java Capital Proprietary Limited

For the year ended 30 April 2014

	Fees for services as director R	Basic salary and allowances R	Bonus R	Medical aid and pension benefits R	Total R
Executive directors					
ER Salkow	–	2 126 076	1 888 213	40 904	4 055 193
WMG Samson	–	2 578 603	1 752 643	241 279	4 572 525
MF Levitt	–	2 291 308	1 880 701	217 207	4 389 216
RH Berkman	–	1 905 264	658 772	194 688	2 758 724
RE Otto	–	2 511 457	500 000	203 870	3 215 327
Non-executive directors					
MR Goodford	250 008	–	–	–	250 008
OD Fortuin	300 000	–	–	–	300 000
AC Brooking*	190 600	–	–	–	190 600
FS Mkhize	206 250	–	–	–	206 250
M Moodley	250 004	–	–	–	250 004
	1 196 862	11 412 708	6 680 329	897 948	20 187 847

* Fees paid to Java Capital Proprietary Limited

Directors' shareholding

At 30 April 2015, directors held 154 785 671 shares (2014: 134 444 461) or 34,16% (2014: 44,30%) of the issued ordinary share capital of the company. Save for the shareholdings detailed below, no other director in office during the period under review held any interest in the issued ordinary share capital of the company.

No share options have been awarded at the date of this report.

At 30 April 2015

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total
Executive directors					
ER Salkow	92 651 314	–	–	11 925 000	104 576 314
WMG Samson	4 827 967	–	–	–	4 827 967
IM Lipworth	1 832 792	–	–	–	1 832 792
RH Berkman	6 112 362	–	10 007 868	–	16 120 230
RE Otto	15 281 605	–	11 896 763	–	27 178 368
Non-executive directors					
MR Goodford	250 000	–	–	–	250 000
	120 956 040	–	21 904 631	11 925 000	154 785 671

During the year, IM Lipworth was appointed as a director. His shareholding at the date of appointment was 566 250 shares, held as "Direct beneficial".

The changes in the directors' shareholding from the year end to the date of this report are as follows:

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total
Executive directors					
ER Salkow	119 924 037	–	–	9 525 000	129 449 037
WMG Samson	4 827 967	–	–	–	4 827 967
IM Lipworth	1 832 792	–	–	–	1 832 792
RH Berkman	6 408 419	–	10 007 868	–	16 416 287
RE Otto	16 671 098	–	16 054 299	–	32 725 397
Non-executive directors					
MR Goodford	330 000	–	–	–	330 000
	149 994 313	–	26 062 167	9 525 000	185 581 480

Annual financial statements

Directors' report continued for the year ended 30 April 2015

At 30 April 2014

	Direct beneficial	Direct non- beneficial	Indirect beneficial	Indirect non- beneficial	Total
Executive directors					
ER Salkow	73 083 658	750 000	–	15 000 000	88 833 658
WGM Samson	2 944 100	–	–	–	2 944 100
MF Levitt	1 962 893	1 624 207	–	–	3 587 100
RH Berkman	4 701 840	–	7 698 360	–	12 400 200
RE Otto	16 861 499	–	9 151 356	–	26 012 855
Non-executive directors					
AC Brooking	–	–	416 548	–	416 548
MR Goodford	250 000	–	–	–	250 000
	99 803 990	2 374 207	17 266 264	15 000 000	134 444 461

Salient terms of the service and restraint agreements of executive directors

The directors' service agreements contain terms and conditions that are standard for these types of agreements and are terminable on three months' notice by either party. The directors are remunerated during their notice period and the contracts contain restraint of trade provisions in terms of which the directors are restrained from competing with the Group during their employment and for a period of two years after termination of their employment with the Group. There were no changes from the prior year.

Company secretary

The secretary of the company is CIS Company Secretaries Proprietary Limited.

During the year, Probity Business Services Proprietary Limited, the previous Company Secretary sold its business, effective 1 June 2014, to CIS Company Secretaries Proprietary Limited.

Auditors

Grant Thornton Johannesburg Partnership will continue in office in accordance with the Companies Act, 71 of 2008, as amended, subject to the approval of the shareholders at the upcoming annual general meeting.

Preparation of the annual financial statements

The annual financial statements have been prepared by Irwin Lipworth (CA) SA, the Chief Financial Officer.

Audit Committee report

The committee has fulfilled its responsibilities for the year under review. Full details of the responsibilities and duties of the audit committee are included in the "Corporate Governance" section.

The scope, independence and objectivity of the external auditors were reviewed. The audit firm Grant Thornton Johannesburg Partnership, and audit partner C Botha, are, in the committee's opinion, independent of the company and the Group. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.

The Audit Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year. This was based on the information and explanations given by management as well as discussion with the independent external auditors on the results of their audits.

The nature and extent of future non-audit services have been defined and pre-approved.

As at the date of this report, no complaints have been received relating to accounting practices of the Group or Company or to the content or auditing of the Group or Company's financial statements, or to any related matter.

The committee also satisfied itself that the Chief Financial Officer, Irwin Lipworth, has the competence, experience and qualifications required of a financial director of a public listed company. He is a member of the South African Institute of Chartered Accountants.

Special resolutions

The following special resolutions were passed at the AGM in the prior year on 2 December 2014:

- General authority for directors to effect share repurchases.
- Approval for the provision of financial assistance to Group inter-related companies
- Approval for the issue of shares for the purpose of implementing a rights offer.

Subsequent to the year end, the following special resolution was passed at a general meeting held on 5 June 2015:

- Authority to issue shares in terms of section 41(3) of the Companies Act

No other special resolutions were passed during the period under review.

Dividends

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

No cash dividend has been proposed for the current year.

Subsequent events

Prior to finalising the first rights offer, during January 2015, the Company together with its advisors, had embarked on numerous other short-term initiatives to further reduce the Standard Bank debt. Due to circumstances that were not within the Company's control, these initiatives failed and the Company was required to implement a further rights offer. Subsequent to the year end, the Company launched a second rights offer of R200 million. This offer concluded in July 2015, with the Company issuing a further 167 100 837 shares at 110 cents per share. The number of issued shares post the second rights offer will be 620 158 235. An amount of R150 million from this capital raised was used to further reduce the Company's debts, with the balance of the money used to fund working capital.

With the successful launch of the second rights offer, the Company was able to complete its corporate and debt restructure as announced on SENS on 4 May 2015, with retrospective effect from 1 May 2015.

Subsequent to the implementation of the rights offer, during September 2015, the Megatron bridge facility, the Ellies consumer bridge facility and the old Ellies property loan were substituted with new loan facilities as part of the second phase of the debt restructuring. Full details of these loans are included in note 16.

The Company together with its advisors have set up a Separation Committee, comprising an equal number of non-executives and executives directors, with the view that a separate listing of the Ellies consumer business and the Megatron infrastructure business will allow for increased focus on their respective core operations. It will also enable the Ellies consumer business and the Megatron infrastructure business to access different sources of funding, better suited to their respective needs and cash flow profiles. The committee will explore all the options available in order to ensure that a separate listing is done timeously and in a manner that it maximises value for shareholders.

As a result of the proposed separate listing that is in process, the Company has applied IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. As a consequence of the application of this standard, the results of the Ellies consumer goods business and property division have been reclassified as discontinued operations in the statement of comprehensive income and its assets and liabilities reclassified as disposal groups held for sale/distribution in the statement of financial position.

Discontinued operations and disposal groups held for sale/distribution

Following the group's announcement that it intends to unbundle and list its consumer goods and property segments separately, together with the Infrastructure segment having scaled down and shut most of its South African operation, the results of these two operations have been reclassified to discontinued operations in the statements of profit and loss and other comprehensive income and their assets and liabilities reclassified to disposal groups held for sale/distribution in the statements of financial position.

The Company has applied IFRS 5-Non-current Assets Held for Sale and Discontinued Operations. As a consequence of the application of this standard, the results of the Ellies consumer goods business and property division have been reclassified as discontinued operations in the statements of profit and loss and other comprehensive income, with the prior year numbers having been restated to show the continuing and discontinued operations consistent with the abovementioned split.

The disposal groups held for sale/distribution, as disclosed in the statements of financial position, relate to the assets and liabilities of the group's consumer goods business and property operations.

Annual financial statements

Statements of financial position

as at 30 April 2015

	Notes	Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
ASSETS					
Non-current assets		248 631	481 424	318 764	332 608
Property, plant and equipment	1	23 254	190 536	–	–
Goodwill	2	169 157	253 046	–	–
Intangible assets	3	4 250	11 020	–	–
Investments in subsidiaries	4	–	–	318 764	332 508
Investment in associates	5	–	10 062	–	100
Other financial assets	6	1 144	4 264	–	–
Deferred taxation	7	50 826	12 496	–	–
Current assets		536 100	1 607 279	362 964	206 063
Inventories	8	15 824	737 412	–	–
Trade and other receivables	9	132 584	395 666	–	–
Amounts due from contract customers	10	348 615	420 497	–	–
Taxation receivable		29 267	29 986	–	–
Loan to subsidiary	11	–	–	362 898	206 026
Bank and cash balances	12	9 810	23 718	66	37
Group disposals held for sale/distribution	13	948 784	–	13 844	–
Infrastructure segment		49 517	–	–	–
Consumer and property segment		899 267	–	13 844	–
Total assets		1 733 515	2 088 703	695 572	538 671
EQUITY AND LIABILITIES					
Total shareholders' interests		855 047	1 031 732	695 486	538 579
Stated capital	14	658 334	501 494	658 334	501 494
Non-distributable reserves	15	(177 763)	(177 344)	–	–
Retained earnings		383 667	710 639	37 152	37 085
Equity attributable to equity holders of the parent		864 238	1 034 789	695 486	538 579
Non-controlling interests		(9 191)	(3 057)	–	–
Non-current liabilities		96 210	30 397	–	–
Interest-bearing liabilities	16	95 260	1 034	–	–
Vendor loans payable	17	–	855	–	–
Shareholder loans payable	18	–	2 033	–	–
Deferred taxation	7	950	26 475	–	–
Current liabilities		211 294	1 026 574	86	92
Interest-bearing liabilities	16	210	395 488	–	–
– payable after 12 months	16	–	289 393	–	–
– payable within 12 months	16	210	106 095	–	–
Vendor loans payable	17	3 000	4 588	–	–
Shareholder loans payable	18	311	–	–	–
Trade and other payables	19	186 915	467 807	46	47
Amounts due to contract customers	10	13 662	17 368	–	–
Provisions	20	7 116	9 954	–	–
Taxation payable		45	146	5	10
Shareholders for dividends		35	35	35	35
Bank overdrafts	12	–	131 188	–	–
Group disposals held for sale/distribution	13	570 964	–	–	–
Infrastructure segment		4 444	–	–	–
Consumer and property segment		566 520	–	–	–
Total equity and liabilities		1 733 515	2 088 703	695 572	538 671

Statements of profit and loss and other comprehensive income

for the year ended 30 April 2015

	Notes	Group		Company	
		2015 R'000	2014* R'000	2015 R'000	2014* R'000
Revenue	21	316 366	531 676	–	–
Cost of sales		(383 350)	(351 241)	–	–
Gross (loss)/profit		(66 984)	180 435	–	–
Other income		4 414	4 019	625	840
Operating expenses		(158 759)	(118 169)	(532)	(737)
Depreciation		(2 828)	(2 374)	–	–
Amortisation of intangible assets		(732)	(1 219)	–	–
Operating (loss)/profit before impairment of intangibles assets		(224 889)	62 692	93	103
Impairment of goodwill		(34 428)	–	–	–
(Loss)/profit from operations	22	(259 317)	62 692	93	103
Interest received	23	10 198	7 599	–	–
Interest paid	24	(36 815)	(25 356)	–	–
(Loss)/profit before taxation		(285 934)	44 935	93	103
Taxation	25	34 971	(12 756)	(26)	(30)
(Loss)/profit for the year: Continuing operations		(250 963)	32 179	67	73
(Loss)/profit for the year: Discontinued operations	13	(82 143)	39 342	–	–
(Loss)/profit for the year		(333 106)	71 521	67	73
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
– Foreign currency translation reserve		(419)	972	–	–
Total comprehensive (loss)/income for the year		(333 525)	72 493	67	73
Attributable to:					
Equity holders of the parent		(326 972)	74 840	67	73
Non-controlling interests		(6 134)	(3 319)	–	–
Net (loss)/profit after tax		(333 106)	71 521	67	73
Attributable to:					
Equity holders of the parent		(327 391)	75 812	67	73
Non-controlling interests		(6 134)	(3 319)	–	–
Total comprehensive (loss)/income for the year		(333 525)	72 493	67	73
* Restated – refer to discontinued operations note					
(Loss)/earnings per share		(cents)			
Basic (loss)/earnings per share	26	(cents)	(92,33)	24,66	
– Infrastructure continuing operations		(cents)	(69,69)	12,02	
– Infrastructure discontinued operations		(cents)	(7,06)	(2,83)	
– Consumer and property discontinued operations		(cents)	(15,58)	15,47	

Details of the headline (loss)/earnings and headline (loss)/earnings per share are set out in note 26 to the annual financial statements.

Ellies has no dilutionary instruments in issue.

Annual financial statements

Statements of changes in equity

for the year ended 30 April 2015

Group	Stated capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Equity attributable to equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Balances as at 1 May 2013	501 494	(178 316)	635 289	958 467	–	958 467
Acquired as part of business combinations	–	–	–	–	262	262
Change of shareholding in subsidiary	–	–	510	510	–	510
Total comprehensive income for the year	–	972	74 840	75 812	(3 319)	72 493
Balances as at 30 April 2014	501 494	(177 344)	710 639	1 034 789	(3 057)	1 031 732
Issue of additional shares	156 840	–	–	156 840	–	156 840
Total comprehensive loss for the year	–	(419)	(326 972)	(327 391)	(6 134)	(333 525)
Balances as at 30 April 2015	658 334	(177 763)	383 667	864 238	(9 191)	855 047
COMPANY						
Balances as at 1 May 2013	501 494	–	37 012	538 506		
Total comprehensive income for the year	–	–	73	73		
Balances as at 30 April 2014	501 494	–	37 085	538 579		
Issue of additional shares	156 840	–	–	156 840		
Total comprehensive income for the year	–	–	67	67		
Balances as at 30 April 2015	658 334	–	37 152	695 486		

Statements of cash flows

for the year ended 30 April 2015

	Notes	Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Cash flows from operating activities		(52 067)	(170 071)	61	76
Cash (utilised by)/generated from operations	27	(56 054)	(82 757)	92	103
Interest received (in cash)	28	1 995	2 018	–	–
Interest paid (in cash)	28	(36 815)	(55 443)	–	–
Taxation paid	29	(944)	(33 884)	(31)	(22)
Dividends paid	30	–	(5)	–	(5)
Cash flows – continuing operations		(91 818)	(170 071)	61	76
Cash flows – discontinued operations*		39 751	–	–	–
Cash flows from investing activities		(2 333)	(38 942)	(156 872)	(80)
Additions to property, plant and equipment		(3 679)	(42 156)	–	–
Proceeds on disposal of property, plant and equipment		17 857	5 979	–	–
Loans to subsidiaries		–	–	(143 128)	(80)
Acquisition of subsidiaries	31	907	(2 805)	–	–
Loan to associate		–	40	–	–
Cash flows – continuing operations		15 085	(38 942)	(143 128)	(80)
Cash flows – discontinued operations*		(17 418)	–	(13 744)	–
Cash flows from financing activities**		55 462	110 449	156 840	–
(Repayment of)/proceeds received from interest-bearing liabilities		(99 985)	110 444	–	–
Repayment of vendor loans		(1 588)	–	–	–
Shareholders' loans raised		195	5	–	–
Proceeds from the issue of additional stated capital		156 840	–	156 840	–
Net (decrease)/increase in cash and cash equivalents		1 062	(98 564)	29	(4)
Cash and cash equivalents at beginning of year		(107 470)	(8 906)	37	41
Cash and cash equivalents at end of year		(106 408)	(107 470)	66	37
Cash and cash equivalents consist of:					
Bank and cash balances		22 410	23 718	66	37
Continuing operations		9 810	**	66	37
Discontinued operations		12 600	**	–	–
Bank overdrafts		(128 818)	(131 188)	–	–
Continuing operations		–	**	–	–
Discontinued operations		(128 818)	**	–	–
		(106 408)	(107 470)	66	37

* The nature of group structure between continued and discontinued operations in 2014 financial year-end, makes it impracticable to calculate the split between the continued and discontinued operations.

** Due to the central treasury function within the Group, it is considered impracticable to calculate the cash and cash equivalents attribution to continued and discontinued operations for the 2015 financial period for financing activities, as no separation basis existed in the prior periods.

Annual financial statements

Principal accounting policies

for the year ended 30 April 2015

The principal accounting policies as set out below have been applied, unless otherwise stated.

1. Basis of preparation

These annual financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act of South African and the Listings Requirements of the JSE Limited, on the historic cost basis except in the case of financial instruments which are measured using the fair value and amortised cost models. The annual financial statements are prepared on the going concern basis. The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the annual financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the annual financial statements are disclosed under the management estimates heading.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

1.1 Standards and Interpretations issued but not yet effective

At the date of approving these annual financial statements, the following standards and interpretations were in issue but not yet effective (effective from the annual periods beginning on or after the date shown):

Standard	Details of amendments	Annual periods beginning on or after
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual Improvements 2012 – 2014 Cycle: Amends IFRS 5 to clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or <i>vice versa</i>), the accounting guidance in paragraphs 27–29 of IFRS 5 does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27–29.	1 July 2016
IFRS 7 Financial Instruments: Disclosures	Annual Improvements 2012 – 2014 Cycle: The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or turning of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.	1 July 2016
	Annual Improvements 2012 – 2014 Cycle: These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure--Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 Interim Financial Reporting when its inclusion would be necessary in order to meet the general principles of IAS 34.	1 July 2016
IFRS 9 Financial Instruments	IFRS 9 'Financial Instruments (2014)' replaces IAS 39 'Financial Instruments: Recognition and Measurement'	1 January 2018

Standard	Details of amendments	Annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary	1 January 2016
	Amendments confirming that the IFRS 10.4(a) consolidation exemption is also available to parent entities which are subsidiaries of investment entities where the investment entity measures its investments at fair value in terms of IFRS 10.31	1 January 2016
	Amendments modifying IFRS 10.32 to state that the consolidation requirement only applies to subsidiaries who are not themselves investment entities and whose main purpose is to provide services which relate to the investment entity's investment activities.	1 January 2016
	Amendments providing relief to non-investment entity investors in associates or joint ventures that are investment entities by allowing the non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by the investment entity associates or joint ventures to their interests in subsidiaries.	1 January 2016
IFRS 11 Joint arrangements	Amendments to provide guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.	1 January 2016
IFRS 15 Revenue from Contracts with Customers	New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.	1 January 2018
IAS 1 Presentation of Financial Statements	Amendments clarifying IAS 1's specified line items on the statement(s) of profit and loss and other comprehensive income and the statement of financial position can be disaggregated.	1 January 2016
	Additional requirements of how entities should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position	1 January 2016
	Clarification that entities have flexibility as to the order in which they present their notes to the financial statements, but also emphasising the need to consider fundamental principles of comparability and understandability in determining the order.	1 January 2016
IAS 16 Property, Plant and Equipment	Amendments to prohibit the use of a revenue-based depreciation method for property, plant and equipment, as well as guidance in the application of the diminishing balance method for property, plant and equipment.	1 January 2016

Annual financial statements

Principal accounting policies continued for the year ended 30 April 2015

Standard	Details of amendments	Annual periods beginning on or after
	Amendments specifying that because the operation of bearer plants is similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41. The produce growing on the bearer plants will continue to be within the scope of IAS 41.	1 January 2016
IAS 19 Employee Benefits	Annual Improvements 2012–2014 Cycle: IAS 19.83 requires that the currency and term of the corporate or government bonds used to determine the discount rate for post-employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency-level rather than the country-level.	1 July 2016
IAS 27 Consolidated and Separate Financial Statements	Amendments to introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements.	1 January 2016
IAS 28 Investments in Associates	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary. In addition IAS 28 (2011) has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.	1 January 2016
IAS 34 Interim Financial Reporting	Annual Improvements 2012–2014 Cycle: The amendments clarify the meaning of disclosure of information elsewhere in the interim financial report' and require the inclusion of a cross-reference from the interim financial statements to the location of this information. The amendments specify that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, or the interim financial statements will be incomplete.	1 July 2016
IAS 38 Intangible Assets	Amendments present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate except in two limited circumstances, as well as provide guidance in the application of the diminishing balance method for intangible assets.	1 January 2016
IAS 41 Agriculture	The amendments change the accounting for bearer plants.	1 January 2016

The directors have not yet determined what the impact of these new Standards and Interpretation on the company will be.

2. Accounting policies

2.1 Basis of consolidation

The Group annual financial statements consolidate the financial statements of the company and all subsidiaries.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the

subsidiary and has the ability to affect those returns through its power over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Where the Group's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

The Group recognises its share of associates' results as a one line entry before tax in the income statement, after accounting for interest, tax and non-controlling interests.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition reserve movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Subsidiary companies in the separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses.

In the event that businesses in subsidiaries are restructured and transferred to other subsidiaries in the Group, the carrying value of the investment in the original subsidiary is reallocated to the carrying value of the subsidiary that now houses the business.

Associate companies in the separate financial statements

Investments in associates are accounted for at cost less accumulated impairment losses.

Intra-group transactions and balances

All inter-group transactions, balances and unrealised profits between the Group and its subsidiaries are eliminated on consolidation.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

Transactions with non-controlling interests are treated as transactions with equity holders of the Group. Gains or losses arising on the disposal of interests to non-controlling parties, which do not result in a loss of control, are accounted for directly in the statement of changes in equity. Any excess or deficit that occurs on the purchase of interests from non-controlling parties, where the Group already has control, are accounted for directly in the statement of changes in equity.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's annual financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Annual financial statements

Principal accounting policies continued for the year ended 30 April 2015

2. Accounting policies continued

2.1 Basis of consolidation continued

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill

Goodwill is carried at cost as established at the date of acquisition less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* based on the carrying amount of each asset in the unit.

Common control transactions

Acquisitions of subsidiaries which do not result in a change of control of the subsidiary are accounted for as common control transactions. The excess of the cost of the acquisition over the Group's interest in the carrying value of the identifiable assets and liabilities of the acquired entity, is carried as a non-distributable reserve in the consolidated results.

2.2 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Depreciation is calculated on the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. Subsequently, property, plant and equipment is carried at cost less accumulated depreciation and impairment. Useful lives and residual values are reassessed at the end of each financial period. The useful life applicable to each category of property, plant and equipment is estimated as follows:

Land	Not depreciated
Freehold buildings and infrastructure	20 to 50 years
Plant and equipment	10 to 20 years
Motor vehicles	4 to 5 years
Computer equipment	2 to 4 years
Office equipment	10 years
Furniture and equipment	6 to 10 years
Leasehold improvements	Over the duration of the lease period

The profit or loss arising on the disposal or scrapping of an asset is the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense.

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed annually for an indication of whether or not the relevant asset is impaired. If any such indication exists, and where the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Impairment losses and reversals are recognised directly in profit or loss under the line item "operating expenses". Reversals of impairments are limited to the carrying amount of the asset had no impairment been recognised previously.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

2.3 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee. Assets subject to finance leases are capitalised at their cash cost equivalent with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated to their estimated residual values over their estimated useful lives. Finance lease payments are allocated, using the effective interest rate method, between lease finance costs, which is included in financing costs, and the capital repayment, which reduced the liability to the lessor.

Operating leases

Leases where the lessor retains risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

2.4 Intangible assets

Intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at the end of each financial period. Other intangible assets are amortised from the date they are available for use.

The useful life applicable to each category of intangible asset is estimated as follows:

Customer related	1 to 3 years
Marketing related	10 years
Development costs	20 years
Carbon credit programme	21 years
Computer Software	2 to 3 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.5 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinary interchangeable items are assigned using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.6 Foreign currency

Transactions

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are stated in South African Rand using rates of exchange ruling at the financial year end. Resulting surpluses and deficits are included in financing costs and are separately identified.

Foreign subsidiaries and associates – translation

Once-off items in the statement of comprehensive income and statement of cash flows of foreign subsidiaries and associates expressed in currencies other than the South African Rand are translated to South African Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. The difference that arises due to the above translations is recognised in the statement of changes in equity as a Foreign Currency Translation Reserve. For these purposes net assets include loans between Group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in equity are recycled through profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity.

Annual financial statements

Principal accounting policies continued for the year ended 30 April 2015

2. Accounting policies continued

2.7 Taxation

Current taxation

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the taxation bases of assets and liabilities and their carrying amounts for financial reporting purposes. Currently substantively enacted taxation rates are used to calculate deferred taxation. Deferred taxation assets relating to deductible temporary differences are only recognised to the extent that it is probable that they will result in future economic benefits, in the form of reductions in the future taxable income, for the Group. Deferred taxation is charged to profit or loss, except to the extent that it relates to transactions recognised directly in other comprehensive income or equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to transactions recognised directly in other comprehensive income and equity.

2.8 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.9 Revenue

Revenue is stated at invoice value of finished goods sold, excluding value added tax. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future benefits is probable. Other income earned by the Group is recognised on the following basis:

- Interest income is recognised as it accrues on the effective interest method unless collectability is in doubt.

2.10 Contract work

Where the outcome of a contract work can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of contract work cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Advance payments received are assessed on initial recognition to determine whether it is probable that it will be repaid in cash or another financial asset. In this instance, the advance payment is classified as a non-trading financial liability that is carried at amortised cost. If it is probable that the advance payment will be repaid with goods or services, the liability is carried at historic cost.

2.11 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the receipt on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value of the grant is credited to the item of property, plant and equipment to which it relates and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.12 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employees' entitlements to wages, salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of the employees' services provided to the reporting date.

Retirement benefits

The Group provides retirement benefits for employees by payments to independent defined contribution funds and contributions are charged against income as incurred. A financial review of the Ellies Pension Fund is undertaken annually.

2.13 Financial instruments

Initial recognition and measurement

All financial instruments are recognised on the statement of financial position. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at fair value, which is generally the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument except if it is classified as at fair value through profit or loss. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

Trade and other receivables

Trade and other receivables are stated at amortised cost less provision for doubtful debts. The provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off during the year in which they are identified.

Cash and cash equivalents

Cash and cash equivalents are measured at their fair value. For the purpose of the statement of cash flow, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

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2. Accounting policies continued

2.13 Financial instruments continued

Financial liabilities

The Group's principal financial liabilities are long-term and short-term borrowings, accounts payable and bank overdrafts:

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdrafts

Refer to "Cash and cash equivalents" above.

De-recognition

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. In de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the statement of comprehensive income. Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in the statement of comprehensive income.

Set-off

Where a legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

2.14 Segment reporting

Operating segments have been identified using the management approach as required by IFRS 8, in terms of which segment classification is determined according to the basis on which the executive directors, being the chief operating decision makers, review the operating results.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

2.15 Non-current assets held for sale

Items classified as non-current assets held for sale are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification.

3. Management estimates

Accounting estimates and judgments can, by definition, only approximate the actual results and the actual results may differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

3.1 Residual values and useful lives of items of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.2 Goodwill

Goodwill is tested for impairment at each reporting date. The recoverable amounts of cash-generating units to which a portion of goodwill relates, have been estimated based on value in use calculations. Value in use calculations have been based on an appropriate discount rate.

3.3 Provisions

The warranty provision has been raised for future estimated warranty claims based on past experience for the Group's historical business and management's best estimate for new business where warranty trends are not yet available.

3.4 Impairment of trade and other receivables

The Group assesses its trade and other receivables for impairment at each reporting date. In determining whether any impairment should be recognised, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from each receivable.

3.5 Inventory impairments

Impairment of inventory is calculated on a line by line basis with reference to average consumption to identify slow moving, defective or obsolete items.

3.6 Deferred tax assets

The Group recognises the future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

3.7 Construction contract profit or loss recognition

The Group makes estimates and assumptions concerning the future, particularly with regard to construction contract profit taking. Estimates are made of the total expected costs of individual contracts when applying the stage of completion method. In certain instances management is required to exercise judgement to determine whether the outcome of a contract can be reliably estimated.

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Notes to annual financial statements

for the year ended 30 April 2015

1. Property, plant and equipment

	Plant and equipment R'000	Motor vehicles R'000	Computer equipment R'000	Office equipment, furniture and fittings R'000	Land and buildings/ leasehold improve- ments R'000	Total R'000
GROUP						
As at 30 April 2015						
Cost	9 880	8 039	1 713	3 884	10 900	34 416
Accumulated depreciation and impairments	(3 971)	(3 199)	(1 082)	(2 910)	–	(11 162)
Net carrying value	5 909	4 840	631	974	10 900	23 254
Movement summary						
Carrying value at 30 April 2014	48 393	10 374	5 734	14 477	111 558	190 536
Additions	2 696	3 893	928	3 089	4 851	15 457
Disposals	(5 335)	(1 304)	(55)	(56)	(10 826)	(17 576)
Depreciation	(6 376)	(3 600)	(2 716)	(3 587)	(1 289)	(17 568)
Transfer to assets held for sale	(33 469)	(4 533)	(3 260)	(12 950)	(93 394)	(147 606)
Foreign translation	–	10	–	1	–	11
Carrying value at 30 April 2015	5 909	4 840	631	974	10 900	23 254
As at 30 April 2014						
Cost	91 712	26 922	23 871	33 277	117 246	293 028
Accumulated depreciation and impairments	(43 319)	(16 548)	(18 137)	(18 800)	(5 688)	(102 492)
Net carrying value	48 393	10 374	5 734	14 477	111 558	190 536
Movement summary						
Carrying value at 30 April 2013	37 743	7 400	4 265	12 203	101 504	163 115
Acquired through a business combination	56	651	5	73	–	785
Additions	15 566	5 794	4 308	5 215	11 273	42 156
Disposals	(716)	(632)	(6)	(84)	–	(1 438)
Depreciation	(4 256)	(2 851)	(2 839)	(2 938)	(1 219)	(14 103)
Foreign translation	–	12	1	8	–	21
Carrying value at 30 April 2014	48 393	10 374	5 734	14 477	111 558	190 536

Property, plant and equipment with a carrying value of R0.6 million (2014: R59.3 million) is encumbered as security against certain interest bearing liabilities (refer note 16).

A register of land and buildings is available for inspection at the registered office of the company.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
2. Goodwill				
Cost	204 335	253 796	–	–
Accumulated impairments	(35 178)	(750)	–	–
Net carrying value	169 157	253 046	–	–
Arising on acquisition of companies/business of:				
Consumer CGU	–	53 672	–	–
– Ellies Group of companies	–	52 608	–	–
– African Solar Power Proprietary Limited	–	1 064	–	–
Infrastructure CGU	169 157	199 374	–	–
– Megatron Federal business	164 946	164 946	–	–
– Megatron Congo	4 211	–	–	–
– Botjheng Water business	–	34 428	–	–
Closing net carrying value	169 157	253 046	–	–
Movement summary				
Carrying value at the beginning of the year	253 046	217 554	–	–
Acquisitions	4 211	35 492	–	–
Impairment of Botjheng Water business	(34 428)	–	–	–
Transfer to assets held for sale	(53 672)	–	–	–
Carrying value at the end of the year	169 157	253 046	–	–

The main factor contributing to the goodwill raised is these acquisitions is their market presence and expected synergies.

Impairment review

In accordance with IAS 36 impairment of assets, goodwill and intangible assets with indefinite useful lives are reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired.

The recoverable amount of goodwill relating to all cash generating units has been determined on the basis of value in use calculations. All these cash generating units operate in the same economic environment for which the same key assumptions have been used. These calculations use cash flow projections based on financial projections, covering a five year period and a discount rate of 17.40% (2014: 17.40%) for all cash generating units. Cash flows beyond the five year period were extrapolated using a steady 4% (2014: 4%) nominal growth rate. Management believes that this growth rate does not exceed the long-term average growth rate for the market in which the companies operate. Any changes in revenue or costs are based on past practices and expectations of future changes in the market. Any reasonable changes to the inputs of the model would not lead to any changes in the impairment calculations.

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Notes to annual financial statements continued for the year ended 30 April 2015

3. Intangible assets

	Customer related R'000	Marketing related R'000	Development costs R'000	Carbon credit programme R'000	Computer software R'000	Total R'000
GROUP						
As at 30 April 2015						
Cost	9 759	7 384	–	2 820	–	19 963
Accumulated amortisation	(9 759)	(3 134)	–	(2 820)	–	(15 713)
Net carrying value	–	4 250	–	–	–	4 250
Estimated remaining useful life of the intangibles (years)	–	3	15	–		
Movement summary						
Carrying value at 30 April 2014	–	4 905	3 429	2 686	–	11 020
Amortisation for the year	–	(732)	(224)	(134)	–	(1 090)
Transferred to assets held for sale	–	–	(3 129)	–	–	(3 129)
Impairments for the year	–	–	–	(2 551)	–	(2 551)
Other transfers between categories	–	77	(76)	(1)	–	–
Carrying value at 30 April 2015	–	4 250	–	–	–	4 250
As at 30 April 2014						
Cost	9 759	7 307	4 470	2 820	488	24 844
Accumulated amortisation	(9 759)	(2 402)	(1 041)	(134)	(488)	(13 824)
Net carrying value	–	4 905	3 429	2 686	–	11 020
Estimated remaining useful life of the intangibles (years)	–	4	16	20		
Movement summary						
Carrying value at 30 April 2013	–	1 668	3 652	2 820	488	8 628
Acquired through a business combination (note 31)	–	3 969	–	–	–	3 969
Amortisation for the year continuing operations	–	(732)	(223)	(134)	(488)	(1 577)
Carrying value at 30 April 2014	–	4 905	3 429	2 686	–	11 020

4. Investments in subsidiaries

COMPANY	Country of incorporation	Segment	Ownership percentage		Shares at cost	
			2015 %	2014 %	2015 R'000	2014 R'000
Shares held directly						
Ellies Proprietary Limited****	RSA	Infrastructure	100	100	318 764	318 764
Ellies Infrastructure Holdings Proprietary Limited	RSA	Infrastructure	100	100	–**	–**
Ellies Electronics (Namibia) Proprietary Limited	Namibia	Consumer	–***	100	–***	9 288
Ellies Electronics (Botswana) Proprietary Limited	Botswana	Consumer	–***	100	–***	2 228
Elsat (Botswana) Proprietary Limited	Botswana	Consumer	–***	100	–***	2 228
Ellies Electronics Swaziland Proprietary Limited	Swaziland	Consumer	–***	100	–***	–**
Ellies Properties Proprietary Limited	RSA	Properties	–***	100	–***	–**
					318 764	332 508
Shares held indirectly						
Botjheng Water Proprietary Limited	RSA	Infrastructure	100	100		
Megatron Towers Proprietary Limited	RSA	Infrastructure	51	51		
Zokutrix Proprietary Limited	RSA	Infrastructure	50,83	50,83		
Megatron Energy and Housing Zambia Limited	Zambia	Infrastructure	51	51		
Megatron Engineering Namibia Proprietary Limited	Namibia	Infrastructure	51	51		
Megatron Federal RDC	DRC	Infrastructure	100	–		
Ellies Electronics Proprietary Limited	RSA	Consumer	–***	100		
Ellies Industries Proprietary Limited	RSA	Consumer	–***	76		
African Solar Power Proprietary Limited	RSA	Consumer	–***	50,01		

** Amounts are less than R1 000

*** Transferred to held for sale – refer to note 13

**** Company changed its name to Megatron SA Proprietary Limited, subsequent to year end

No subsidiary has non controlling interests that are material to the Group.

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Notes to annual financial statements continued for the year ended 30 April 2015

5. Investment in associates

	Country of incorporation	Ownership percentage	2015 %	2014 %	2015 R'000	2014 R'000
COMPANY						
SkyeVine Proprietary Limited	RSA		—***	50	—***	100
In-toto Solutions Proprietary Limited	RSA		—***	49	—***	—**
					—	100

** Amounts are less than R1 000

*** Transferred to held for sale – refer to note 13

	SkyeVine		In-toto Solutions		Total	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
GROUP						
Shares at cost	—***	100	—***	—**	—***	100
Loan receivable	—	4 932	—	12 017	—	16 949
Equity accounted losses:						
Share of loss from associate	—	(5 032)	—	(1 955)	—	(6 987)
– Prior years	—	(5 032)	—	(1 566)	—	(6 598)
– Current year	—	—	—	(389)	—	(389)
	—	—	—	10 062	—	10 062

** Amounts are less than R1 000

*** Transferred to held for sale – refer to note 13

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
6. Other financial assets				
IFTC Technologies Close Corporation	1 144	1 044	—	—
Infrastructure retention debtors	—	3 220	—	—
	1 144	4 264	—	—

The amount due from IFTC Technologies Close Corporation, is secured against their shares held in Megatron Towers Proprietary Limited. The amount accrues interest at a the prime rate of interest and is repayable after 1 November 2015.

In the prior year, the amount due from the retention debtors comprise various projects on which retention was held.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
7. Deferred taxation				
The balance consists of				
Capital allowances	(5 347)	(6 861)	–	–
Provision for employee benefits	5 358	5 389	–	–
Prepaid expenses	–	(57)	–	–
Allowance for bad debts and other allowances against receivables	5 493	3 553	–	–
Lease obligations	403	522	–	–
Income received in advance	582	2 385	–	–
Intangible assets	(1 169)	(1 374)	–	–
Assessable losses	58 946	11 875	–	–
Construction contacts	(16 435)	(29 860)	–	–
Onerous contracts	1 569	490	–	–
Other	476	(41)	–	–
	49 876	(13 979)	–	–
Movement summary				
Balance at the beginning of the year	(13 979)	8 842	–	–
Disposed of on change from subsidiary to associate	–	–	–	–
Acquired as part of a business combinations (refer note 30)	–	6 232	–	–
– Botjheng Water	–	6 054	–	–
Onerous contracts	–	756	–	–
Income received in advance	–	4 854	–	–
Lease obligations	–	164	–	–
Construction contacts	–	(3 026)	–	–
Assessable losses	–	3 306	–	–
– African Solar Power	–	178	–	–
Assessable losses	–	178	–	–
Foreign translation	10	14	–	–
Temporary differences per statement of comprehensive income	63 845	(29 067)	–	–
Capital allowances	(1 811)	(3 268)	–	–
Provision for employee benefits	662	(3 560)	–	–
Prepaid expenses	57	(159)	–	–
Allowance for bad debts and other allowances against receivables	2 730	562	–	–
Lease obligations	(98)	(61)	–	–
Income in advance	454	(936)	–	–
Intangible assets	205	205	–	–
Assessable losses	49 581	5 158	–	–
Construction contacts	11 691	(26 737)	–	–
Onerous contracts	1 569	(182)	–	–
Transfer to held for sale	(592)	–	–	–
Other	(603)	(89)	–	–
Balance at the end of the year	49 876	(13 979)	–	–
Disclosed as				
Deferred taxation – non-current asset	50 826	12 496	–	–
Deferred taxation – non-current liability	(950)	(26 475)	–	–
	49 876	(13 979)	–	–

There are tax losses to the value of R104.7 million (2014: R7.5 million) that have not been recognised.

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
8. Inventories				
Raw materials	46	34 199	–	–
Merchandise	13 302	649 878	–	–
Goods in transit	–	11 055	–	–
Construction work in progress	2 476	42 280	–	–
	15 824	737 412	–	–
Inventory carried at net realisable value	–	73 133		
Movement in impairment allowance raised against inventories				
Balance at the beginning of the year	34 950	38 248	–	–
Transferred to held for sale	(100 288)	–	–	–
Impairment allowances raised	65 808	224	–	–
Impairment allowances utilised	(470)	(3 522)	–	–
Balance at the end of the year	–	34 950	–	–
Inventories up to a maximum of R350 million (2014: R350 million) have been encumbered to secure certain banking facilities.				
9. Trade and other receivables				
Gross trade receivables	133 951	384 042	–	–
Allowance for doubtful debts	(11 285)	(13 474)	–	–
Net trade receivables	122 666	370 568	–	–
Prepayments	383	7 399	–	–
Deposits	1 161	1 569	–	–
VAT	1 764	6 431	–	–
Retention debtors – infrastructure	5 354	2 973	–	–
Financed receivables	–	2 104	–	–
Other receivables	1 256	4 622	–	–
	132 584	395 666	–	–

Trade receivables have been encumbered to Standard Bank Limited to secure certain banking facilities.

A reversionary cession of Trade debtors has been given to Blue Strata Trading Proprietary Limited for credit facilities granted to the Group.

Trade receivables approximate their fair value due to their short-term maturity.

Before accepting any new customer, the Group performs credit checks utilising external credit bureaus and banks. Industry knowledge and visits to potential customer premises assist in the decision to accept a new customer and the setting of credit limits.

Credit limits are continuously monitored through payment history checks and industry information.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
9. Trade and other receivables continued				
Movement in impairment allowance raised against receivables				
Balance at the beginning of the year	13 474	10 646	–	–
Impairment allowance raised	11 286	7 634	–	–
Impairment allowance utilised	(6 813)	(4 806)	–	–
Transferred to held for sale	(6 662)	–	–	–
Balance at the end of the year	11 285	13 474	–	–
Basis of raising impairment allowances against receivables				
All trade and other receivables are continuously reviewed on an individual basis. When all reasonable measures have been taken, without success, in recovering a receivable amount and when reasonable doubt exists as to the recoverability of any such individual receivable amount, a corresponding allowance for impairment is raised. Allowances for impairment raised against receivables are reversed when a receivable amount is either written off as bad debt, or when a previous allowance is received.				
Related credit exposure and enhancements				
Maximum exposure to credit losses of trade and other receivables	126 847	383 190	–	–
Credit risk mitigated through:				
Credit guarantee – infrastructure local debtors	(12 000)	(12 000)	–	–
Residual exposure	114 847	371 190	–	–
Trade receivables past due but not impaired				
Amounts 30 days overdue	9 692	25 501	–	–
Amounts 60 days overdue	2 149	21 969	–	–
Amounts 90 days and more overdue	79 387	127 781	–	–
	91 228	175 251	–	–

The overdue debtors which have not been impaired, relate mainly to the Infrastructure division, which have arisen as a result of the extended terms taken while completing certain contracts. Management are confident that these amounts are recoverable.

Included in the amount of R79,387 million (2014: R127,781 million) (amounts 90 days and more overdue) is an amount of R79,323 million (2014: R75 million) for the Bladeroom project (DCS) which has not been impaired as the Group still has security on the land. An independent valuation shows the recoverable amount to be well in excess of the amount due.

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
10. Amounts due from/(to) contract customers				
Costs incurred plus recognised profits/(less recognised losses) on contracts in progress at year end	313 368	293 930	–	–
Amounts receivable on contracts (net of impairments)	21 585	109 199	–	–
Gross amount receivable on contracts	21 585	116 013	–	–
Allowance for doubtful debt	–	(6 814)	–	–
Net amounts receivable from contracts	334 953	403 129	–	–
Disclosed as:				
Amounts due from contract customers	348 615	420 497	–	–
Amounts due to contract customers	(13 662)	(17 368)	–	–
	334 953	403 129	–	–
Amounts due from contract customers which are less than 90 days past due are not considered impaired. As at 30 April 2015, R10.8 million (2014: R43.8 million) was past due but not impaired. This has not been impaired as the security held is in excess of the amount. The full allowance as disclosed in the prior year has been utilised in the current year.				
The amounts due from contract customers have been encumbered to Standard Bank Limited to secure certain banking facilities.				
The carrying value of amounts due from contract customers approximate their fair value due to the short term nature of these instruments. Discounting is only performed when the effects of the time value of money are considered material.				
11. Loan to subsidiaries				
Megatron SA Proprietary Limited (formerly Ellies Proprietary Limited)	–	–	355 899	199 027
Ellies Infrastructure Holdings Proprietary Limited	–	–	6 999	6 999
	–	–	362 898	206 026

This amount is unsecured, interest free, with no fixed terms of repayment.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
12. Bank and cash balances*				
Cash on hand	8	1 644	–	–
Bank accounts	9 802	15 623	66	37
CFC Bank accounts	–	6 451	–	–
Bank overdrafts	–	(131 188)	–	–
	9 810	(107 470)	66	37
Disclosed as:				
Current asset	9 810	23 718	66	37
Current liability	–	(131 188)	–	–
	9 810	(107 470)	66	37

12. Bank and cash balances* continued

Banking facilities

The Group has overdraft and other short-term bank facilities of R200 million (2014: R200 million). At year-end R71,1 million (2014: R68,8 million) of these facilities were unutilised.

The banking facilities of the company and its subsidiaries are secured as follows:

- general notarial bond over all moveable assets R350 million (2014: R350 million);
- cession of "Trade and other receivables" and "Amounts due from contract customers".

(Refer to notes 8, 9 and 10 for full details).

* Due to the central treasury function within the Group, it is considered impracticable to calculate the bank and cash balances attributable to continued and discontinued operations for the 2014 financial period, as no separation basis existed in the prior periods. Hence the 2014 numbers include both continued and discontinued operations.

13. Discontinued operations and disposal groups held for sale/distribution

Following the group's announcement that it intends to unbundle and list its Consumer goods and property segments separately, together with the Infrastructure segment having scaled down and shut most of its South African operation, the results of these two operations have been reclassified to discontinued operations in the statements of profit and loss and other comprehensive income and their assets and liabilities reclassified to disposal groups held for sale/distribution in the statements of financial position.

The Company has applied IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. As a consequence of the application of this standard, the results of the Ellies consumer goods business and property division have been reclassified as discontinued operations in the statements of profit and loss and other comprehensive income, with the prior year numbers having been restated to show the Continuing and Discontinued operations consistent with the above mentioned split.

The disposal groups held for sale/distribution, as disclosed in the statements of financial position, relate to the assets and liabilities of the group's consumer goods business and property operations.

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Notes to annual financial statements continued for the year ended 30 April 2015

13. Discontinued operations and disposal groups held for sale/distribution continued

Operating profit of the disposal groups until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale are summarised as follows:

	Infrastructure segment		Consumer and property segment		Total	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
GROUP						
Revenue	97 852	195 087	1 388 932	1 379 326	1 486 784	1 574 413
Cost of sales	(85 394)	(159 836)	(1 058 458)	(896 186)	(1 143 852)	(1 056 022)
Gross profit	12 458	35 251	330 474	483 140	342 932	518 391
Other income	796	4 399	5 836	9 758	6 632	14 157
Operating expenses	(46 682)	(49 628)	(370 270)	(381 680)	(416 952)	(431 308)
Depreciation	(1 092)	(1 720)	(13 648)	(10 009)	(14 740)	(11 729)
Amortisation of intangible assets	(224)	(224)	(134)	(134)	(358)	(358)
Operating (loss)/profit before impairment of intangibles assets	(34 744)	(11 922)	(47 742)	101 075	(82 486)	89 153
Impairment of intangible assets	–	–	(2 551)	–	(2 551)	–
(Loss)/profit before interest and taxation ("PBIT")	(34 744)	(11 922)	(50 293)	101 075	(85 037)	89 153
Interest received	–	–	1 376	1 433	1 376	1 433
Interest paid	–	–	(24 306)	(31 113)	(24 306)	(31 113)
Share of losses from associate	–	–	(2 729)	(389)	(2 729)	(389)
Net (loss)/profit before taxation ("PBT")	(34 744)	(11 922)	(75 952)	71 006	(110 696)	59 084
Taxation	9 728	3 338	18 825	(23 080)	28 553	(19 742)
Net (loss)/profit after taxation ("PAT")	(25 016)	(8 584)	(57 127)	47 926	(82 143)	39 342
Loss on remeasurement and disposal					–	–
Loss before tax on remeasurement to fair value less costs to sell					–	–
Loss before tax on disposal					–	–
Tax recovery					–	–
Total loss					–	–
Loss for the year from discontinued operations	(25 016)	(8 584)	(57 127)	47 926	(82 143)	39 342

13. Discontinued operations and disposal groups held for sale/distribution continued

The carrying amounts of assets and liabilities in the disposal groups for 2015 may be analysed as follows:

	Infrastructure segment	Consumer and property segment	Total
	2015 R'000	2015 R'000	2015 R'000
Non-current assets	8 674	207 094	215 768
Property, plant and equipment	5 545	142 061	147 606
Goodwill	–	53 672	53 672
Intangible assets	3 129	–	3 129
Investment in associates	–	10 011	10 011
Deferred taxation	–	1 350	1 350
Current assets	40 843	692 173	733 016
Inventories	40 810	467 080	507 890
Trade and other receivables	33	211 210	211 243
Taxation receivable	–	1 283	1 283
Bank and cash balances	–	12 600	12 600
Assets classified as held for sale	49 517	899 267	948 784
Non-current liabilities	–	48 946	48 946
Interest-bearing liabilities	–	46 271	46 271
Vendor loans payable	–	–	–
Shareholder loans payable	–	1 917	1 917
Deferred taxation	–	758	758
Current liabilities	4 444	517 574	522 018
Interest bearing liabilities	–	154 796	154 796
– payable after 12 months	–	–	–
– payable within 12 months	–	–	–
Vendor loans payable	–	938	938
Shareholder loans payable	–	–	–
Trade and other payables	4 444	230 673	235 117
Other current liabilities	–	–	–
Amounts due to contract customers	–	–	–
Provisions	–	2 302	2 302
Taxation payable	–	47	47
Net inter-group loan balances	–	–	–
Shareholders for dividends	–	–	–
Bank overdrafts	–	128 818	128 818
Liabilities classified as held for sale	4 444	566 520	570 964

Property, plant and equipment with a carrying value of R55,450 million is encumbered as security against certain interest bearing liabilities.

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13. Discontinued operations and disposal groups held for sale/distribution continued

Cash flows generated by the disposal groups for the reporting periods under review until its disposal are as follows:

	Total	
	2015 R'000	2014 R'000
Operating activities	39 668	*
Investing activities	(17 418)	*
Financing activities	**	*
Cash flows from discontinued operations	222 250	*

* The nature of group structure between continued and discontinued operations in 2014 financial year-end, makes it impracticable to calculate the split between the continued and discontinued operations.

** Due to the central treasury function within the Group, it is considered impracticable to calculate the cash and cash equivalents attribution to continued and discontinued operations for the 2015 financial period for financing activities, as no separation basis existed in the prior periods.

	Consumer and property segment	Total
	2015 R'000	2015 R'000
COMPANY		
Non-current assets	13 844	13 844
Investments in subsidiaries	13 744	13 744
Investment in associates	100	100
Assets classified as held for sale	13 844	13 844

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
14. Stated capital				
Authorised				
800 000 000 no par value shares				
Issued				
453 057 398 (2014: 303 505 691) no par value shares	658 334	501 494	658 334	501 494

	2015 Number of shares	2014 Number of shares	2015 Number of shares	2014 Number of shares
The following changes to the issued share capital took place during the year:				
Shares in Issue at the beginning of the year	303 505 691	303 505 691	303 505 691	303 505 691
Shares issued during Rights Offer	104 551 707	–	104 551 707	–
General shares issued for cash	45 000 000	–	45 000 000	–
Shares in Issue at the end of the year	453 057 398	303 505 691	453 057 398	303 505 691

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
15. Non-distributable reserves				
Arising from common control transactions	(178 194)	(178 194)	–	–
Foreign currency translation reserve	431	850	–	–
	(177 763)	(177 344)	–	–
Movement summary for foreign currency translation reserve:				
Balance at the beginning of the year	850	(122)	–	–
Translation of foreign entity	(419)	972	–	–
Balance at the end of the year	431	850	–	–

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
16. Interest-bearing liabilities				
Non-current portion				
Instalment sale liabilities	95 260	1 034	–	–
Current portion	210	395 488	–	–
Instalment sale liabilities	210	2 298	–	–
Term loan – payable after 12 months**	–	264 706	–	–
Term loan – payable within 12 months	–	98 052	–	–
Property term loan – payable after 12 months**	–	24 687	–	–
Property term loan – payable within 12 months	–	5 745	–	–
	95 470	396 522	–	–
Repayment terms (discounted):				
One year	210	395 488	–	–
Two to five years	95 260	1 034	–	–
	95 470	396 522	–	–

** For the 2014 financial year, in terms of IAS 1.74, when an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand the payment as a result of consequence of the breach. The lender agreed not to demand immediate payment and the payment terms were reverted to beyond 12 months.

The instalment sale liabilities bear interest at various rates linked to prime and are currently between 8% and 12% per annum (2014: 8% and 12% per annum) and are repayable in monthly instalments of R118 583 (2014: R118 583). These liabilities are secured by plant and equipment with a carrying value of R3,1 million (2014: R3,1 million).

The property term loan comprises two facilities:

- R20 million at an interest rate of JIBAR 90 +3% and is repayable in quarterly instalments of R1,2 million (2014: R1,2 million)
- R20 million at an interest rate of JIBAR 90 + 3,25%. Interest amounting to R0,4 million (2014: R0,4 million) is repayable quarterly. The capital is repayable on 31 March 2016.

The property term loan is secured by land and buildings with a carrying value of R56 million (2014: R56 million).

A five year term loan which comprises two facilities:

- R125 million at a fixed interest rate of 9,92% and is repayable in quarterly instalments of R8,01 million
- R125 million at an interest rate of JIBAR 90 +4,5%. Interest amounting to R3,03 million is repayable quarterly. The capital is repayable on 31 March 2018.

A two year term loan of R150 million at an interest rate of JIBAR 90 +2,75% and is repayable in quarterly instalments of R20,5 million (2014: R20,5 million).

During September 2014, the company reached an agreement with the lender, Standard Bank, that all capital repayments of the above loans could cease and any interest due would be capitalised into the loans, pursuant to a full debt restructure. The debt restructuring would be implemented in two phases subsequent to the year end.

As part of the first phase of the debt restructuring, with effect from 1 May 2015 two bridging finance facilities, namely the Megatron bridge facility and the Ellies consumer bridge facility, were advanced to the Ellies Group by Standard Bank in place of Ellies' existing debt facilities with Standard Bank.

16. Interest-bearing liabilities continued

The Megatron bridge facility comprises a loan of R95 million advanced by Standard Bank to Megatron SA Proprietary Limited (formally Ellies Proprietary Limited), which bears interest at the prime rate (the "Megatron bridge facility").

The Ellies consumer bridge facility comprises:

- an overdraft facility of up to R200 million advanced by Standard Bank to Ellies Electronics Proprietary Limited which bears interest at the prime rate; and
- a loan of R168,5 million advanced by Standard Bank to Ellies Electronics Proprietary Limited which bears interest at the prime rate, (collectively the "Ellies consumer bridge facility").

A loan of R40 million advanced by Standard Bank to Ellies Properties Proprietary Limited, which bears interest at the prime rate (the "Ellies property loan") remains in place.

Upon the implementation of the rights offer, during July 2015, R150 million of the proceeds of the rights offer were used in part settlement of the Ellies Electronics loan.

Subsequent to the implementation of the rights offer, during September 2015, the Megatron bridge facility, the Ellies consumer bridge facility and the Ellies property loan were substituted with the following loan facilities as part of the second phase of the debt restructuring.

The Megatron loan facility comprises of the Megatron bridge facility of R95 million advanced by Standard Bank to Megatron SA Proprietary Limited plus any interest accrued thereon from 1 May 2015 to the date the Megatron bridge facility is converted into the Megatron loan facility, being an amount of R98,4 million, subject to the following terms:

- the capital amount shall be repayable in one lump sum at the end of the five-year term of the loan;
- interest shall be payable quarterly in arrears. The company may elect to capitalise interest up to an amount equal to 10% of the capital balance at any time. The total amount outstanding may not exceed R100 million at any time.

The facility is not available for redraw to the extent prepaid and accordingly the amount of interest capitalisation will be measured with reference to the reduced outstanding capital balance;

- interest shall be calculated at the rate of JIBAR plus a margin calculated as follows:
 - if the capital balance outstanding exceeds R75 million, the margin shall be 5%;
 - if the capital balance outstanding is between R75 million and R50 million, the margin shall be 4,5%;
 - if the capital balance outstanding is between R50 million and R25 million, the margin shall be 4%;
 - if the capital balance outstanding is less than R25 million, the margin shall be 3,5%;
- save for the proceeds from the sale of assets relating to the Megatron infrastructure division's South African manufacturing business and a tax refund of approximately R30 million, the proceeds of any sale of assets or tax proceeds of R1 million in aggregate shall be offered to Standard Bank as prepayment of the facility;
- a percentage of the excess free cash flow of the Megatron infrastructure division will be offered to Standard Bank as prepayment of the facility as follows:
 - if the capital balance outstanding is between R100 million and R50 million, 60% of the excess free cash flow will be offered to Standard Bank as prepayment of the facility; and
 - if the capital balance outstanding is less than R50 million, 50% of the excess free cash flow will be offered to Standard Bank as prepayment of the facility.

The Ellies consumer facility comprises:

- an overdraft facility of up to R200 million advanced by Standard Bank to Ellies Electronics Proprietary Limited which bears interest at the prime rate;
- a property loan of R45 million, advanced by Standard Bank to Ellies Properties Proprietary Limited, comprising:
 - a R33,4 million five-year amortising loan facility which bears interest at JIBAR plus a margin of 4%; with quarterly repayments of R2,1 million;
 - a R20 million bullet loan facility, repayable after five years which bears interest at JIBAR plus a margin of 4,5%.

The remaining Ellies Electronics Proprietary Limited loan was repaid using the funds received from the Ellies Properties Proprietary Limited received.

All interest bearing liabilities are denominated in South African Rand.

The directors consider the carrying amount of interest-bearing liabilities to approximate their fair value.

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
17. Vendor loans				
Arising from the acquisitions of:				
Non-current portion				
– African Solar Power Proprietary Limited	–	855	–	–
Current portion	3 000	4 588	–	–
– The business of Andrew Wireless Solutions Africa Proprietary Limited	–	1 588	–	–
– Botjheng Water Proprietary Limited	3 000	3 000	–	–
	3 000	5 443	–	–
These loans are interest free.				
The directors consider the carrying amount of vendor loan to approximate its fair value.				
18. Shareholder loans payable				
Arising from the non-controlling shareholders loans within:				
Non-current portion	–	2 033	–	–
– African Solar Power Proprietary Limited*	–	2 028	–	–
– Megatron Engineering Namibia Proprietary Limited	–	5	–	–
Current portion				
– Megatron Engineering Namibia Proprietary Limited	311	–	–	–
	311	2 033	–	–
These loans are interest free, as will only be repaid, once the entities have sufficient working capital to repay the amounts due.				
The purchase agreement for African Solar Power states that the loan can only become payable after 1 February 2017.				
The directors consider the carrying amount of vendor loan to approximate its fair value.				
* Transferred to held for sale				
19. Trade and other payables				
Trade payables	153 050	380 665	–	–
Accrued expenses	25 777	50 531	46	47
Employee benefits	3 140	19 542	–	–
Value added tax	1 185	8 843	–	–
Lease liability (straight-lining)	115	1 854	–	–
Income received in advance	3 648	6 372	–	–
	186 915	467 807	46	47
The directors consider the carrying amount of trade and other payables to approximate their fair value.				

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
20. Provisions				
Provision for warranty				
Balance at the beginning of the year	8 204	20 787	–	–
Provision (reversed)/raised	(5 902)	(12 583)	–	–
Transfer to held for sale	(2 302)	–	–	–
Balance at the end of the year	–	8 204	–	–
The provisions reversed relate to warranty periods that have expired.				
Provision for onerous contracts				
Balance at the beginning of the year	1 750	–	–	–
Acquired as part of business combination	–	2 400	–	–
Provisions raised	6 666	–	–	–
Provision utilised	(1 300)	(650)	–	–
Balance at the end of the year	7 116	1 750	–	–
The provisions for onerous contracts are expected to be paid within the next 12 months.				
Total provisions	7 116	9 954	–	–
21. Revenue				
Sale of goods	164 707	137 493	–	–
Construction contracts	151 659	394 183	–	–
	316 366	531 676	–	–
22. (Loss)/profit from operations				
(Loss)/profit from operations is stated after taking the following items into account:				
Government grant	–	4 008	–	–
Foreign exchange profit/(loss)	(4 478)	4 375	–	–
Depreciation				
Plant and equipment	816	921	–	–
Motor vehicles	1 627	1 056	–	–
Computer equipment	181	181	–	–
Office equipment/furniture and fittings	204	216	–	–
Land and buildings/leasehold improvements	–	–	–	–
	2 828	2 374	–	–
Amortisation				
Amortisation of intangible assets	732	1 219	–	–
Impairment of goodwill	34 428	–	–	–
Operating lease and rental charges				
Computer equipment	161	–	–	–
Premises	2 556	1 675	–	–
	2 717	1 675	–	–
Profits on sale of non current assets:				
– Profits on disposal of property, plant and equipment	703	–	–	–
Employee costs				
Directors	13 254	20 188	–	–
Other staff	97 609	96 195	–	–
	110 863	116 383	–	–

The key management of the company are the executive directors and included in the directors' emoluments (refer to the directors' report)

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
23. Interest received				
Funds and deposits with banks	17	14	–	–
Interest received from related parties	1 878	486	–	–
Interest received from customers	8 203	6 969	–	–
Other	100	130	–	–
	10 198	7 599	–	–
24. Interest paid				
Bank overdraft	65	–	–	–
Interest-bearing liabilities	34 761	24 498	–	–
Deemed interest incurred on vendor loans	–	202	–	–
Interest paid to related parties	1 878	486	–	–
Interest paid to taxation authorities	17	77	–	–
Other	94	93	–	–
	36 815	25 356	–	–
25. Taxation				
South African normal taxation				
Current year	217	3 393	26	29
Prior year under/(over) provision	114	38	–	1
Deferred taxation				
Current year	(80 432)	29 067	–	–
Prior year over/(under) provision	16 577	–	–	–
Held for sale	28 553	(19 742)	–	–
	(34 971)	12 756	26	30
	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Reconciliation of rate of taxation				
South African normal taxation rate	28,00	28,00	28,00	28,00
Exempt income/disallowable expenses	0,81	3,29	–	–
Tax losses	(9,33)	–	–	–
Prior year adjustments	–	0,04	–	–
Foreign taxes	–	(0,01)	–	–
Capital gains	(0,01)	(0,17)	–	–
Equity accounted losses	(0,27)	0,10	–	–
Other	(6,97)	(0,01)	–	–
Effective taxation rate	12,23	31,24	28,00	28,00

	Group	
	2015 cents	2014 cents
26. (Loss)/earnings per share		
Basic (loss)/earnings per share	(92,33)	24,66
– Infrastructure continuing operations	(69,69)	12,02
– Infrastructure discontinued operations	(7,06)	(2,83)
– Consumer and property discontinued operations	(15,58)	15,47
Headline (loss)/earnings per share	(81,34)	23,46
– Infrastructure continuing operations	(60,11)	11,20
– Infrastructure discontinued operations	(6,31)	(2,95)
– Consumer and property discontinued operations	(14,92)	15,21

Ellies has no dilutionary instruments in issue.

	Group	
	2015 R'000	2014 R'000
The calculation of earnings per ordinary share for the Group is based on the following:		
– Basic (loss)/earnings (R000's)	(326 971)	74 840
– Headline (loss)/earnings (R000's)	(288 061)	71 204
– Weighted average number of shares in issue (number of shares)	354 135 067	303 505 691
Shares in issue:		
– At end of the year (number of shares)	453 057 398	303 505 691
Reconciliation of headline earnings		
Net profit for the year attributable to equity holders of the parent	(326 971)	74 840
Adjusted for:		
Loss/(profit) on sale of property, plant and equipment		
– Infrastructure continuing operations	(703)	(3 447)
– Infrastructure discontinued operations	3 719	–
– Consumer and property discontinued operations	(334)	(1 094)
Impairment of intangibles		
– Consumer and property discontinued operations	2 551	–
Impairment of goodwill		
– Infrastructure continuing operations	34 428	–
Tax effect on adjustments	(751)	905
Headline earnings attributable to ordinary shareholders	(288 061)	71 204

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Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
27. Cash (utilised by)/generated from operations*				
(Loss)/profit before taxation	(285 933)	104 019	93	103
Adjusted for:				
– Interest received	(10 198)	(9 032)	–	–
– Interest paid	36 815	56 469	–	–
– Impairment of goodwill	34 428	–	–	–
– Depreciation	2 828	14 103	–	–
– Amortisation of intangibles	732	1 577	–	–
– Profit on disposal of non-current assets	(703)	(4 541)	–	–
– Equity accounted losses	–	389	–	–
– (Decrease)/increase in provisions	5 366	(13 233)	–	–
	(216 665)	149 751	93	103
Changes in working capital	160 611	(232 508)	(1)	–
Increase in inventories	38 145	(69 271)	–	–
Increase in amounts due from contract contracts	68 176	(259 066)	–	–
Decrease/(increase) in trade and other receivables	63 678	21 744	–	–
Increase in other receivables	3 120	(3 837)	–	–
Increase in trade and other payables	(11 131)	77 922	(1)	–
FCTR	(1 377)	–	–	–
	(56 054)	(82 757)	92	103
28. Interest paid/(received) (in cash)*				
Interest paid				
Total interest paid (refer to note 24)	36 815	56 469	–	–
Interest-bearing liabilities raising fees	–	(563)	–	–
Imputed interest on vendor loans	–	(463)	–	–
Total interest paid (in cash)	36 815	55 443	–	–
Interest received				
Total interest received (refer to note 23)	(10 198)	(9 032)	–	–
Interest received from customers	8 203	7 014	–	–
Total interest received (in cash)	(1 995)	(2 018)	–	–
Total interest paid/received (in cash)	34 820	53 425	–	–

* Due to the central treasury function within the Group, it is considered impracticable to calculate the bank and cash balances attributable to continued and discontinued operations for the 2014 financial period, as no separation basis existed in the prior periods. Hence the 2014 numbers include both continued and discontinued operations.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
29. Taxation paid*				
Balance at beginning of year	(29 840)	613	10	2
Held for sale	1 231			
Charged to the statement of comprehensive income	331	3 431	26	30
Balance at end of year	29 222	29 840	(5)	(10)
	944	33 884	31	22

* Due to the central treasury function within the Group, it is considered impracticable to calculate the bank and cash balances attributable to continued and discontinued operations for the 2014 financial period, as no separation basis existed in the prior periods. Hence the 2014 numbers include both continued and discontinued operations.

30. Dividends paid

Balance at beginning of year	35	40	35	40
Balance owing at end of year	(35)	(35)	(35)	(35)
	–	5	–	5

31. Business combinations

On 1 May 2014, the company through a wholly owned subsidiary, acquired 100% of the shares and loans of Megatron Federal RDC (Democratic Republic of Congo). No cash payment was made as the entity was in a net liability position and was taken over.

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

	R'000
Trade and other receivables	1 600
Bank and cash	907
Trade and other payables	(6 718)
Total net liabilities acquired	(4 211)
Purchase consideration at fair value	–
Goodwill – Infrastructure CGU	4 211
Cash inflow on acquisition – cash acquired	907

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32. Analysis of assets and liabilities by financial instrument classification

	Loans and receivables	
	2015 R'000	2014 R'000
GROUP		
Non-current assets	1 144	14 326
Property, plant and equipment	–	–
Goodwill and other intangible assets	–	–
Investment in associate	–	10 062
Other financial assets	1 144	4 264
Deferred taxation	–	–
Current assets	488 862	826 051
Inventories	–	–
Trade and other receivables	130 437	381 836
Amounts due from contract customers	348 615	420 497
Taxation receivable	–	–
Group disposals held for sale/distribution	–	–
Bank and cash balances	9 810	23 718
Total assets	490 006	840 377
Capital and reserves	–	–
Stated capital	–	–
Non-distributable reserves	–	–
Retained earnings	–	–
Non-controlling interests	–	–
Non-current liabilities	–	–
Interest-bearing liabilities	–	–
Vendor loans payable	–	–
Shareholder loans payable	–	–
Deferred taxation	–	–
Current liabilities	–	–
Interest-bearing liabilities	–	–
Vendor loans payable	–	–
Shareholder loans payable	–	–
Trade and other payables	–	–
Amounts due to contract customers	–	–
Group disposals held for sale/distribution	–	–
Provisions	–	–
Taxation payable	–	–
Shareholders for dividend	–	–
Bank overdrafts	–	–
Total equity and liabilities	–	–
COMPANY		
Non-current assets	–	–
Investment in subsidiaries	–	–
Investment in associate	–	–
Current assets	362 964	206 063
Loan to subsidiary	362 898	206 026
Non-current assets held for sale	–	–
Bank and cash balances	66	37
Total assets	362 964	206 063
Capital and reserves	–	–
Share capital and premium	–	–
Retained earnings	–	–
Current liabilities	–	–
Trade and other payables	–	–
Shareholders for dividend	–	–
Taxation payable	–	–
Total equity and liabilities	–	–

Financial liabilities at amortised cost		Non-financial instruments		Equity		Total	
2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
-	-	247 487	467 098	-	-	248 631	481 424
-	-	23 254	190 536	-	-	23 254	190 536
-	-	173 407	264 066	-	-	173 407	264 066
-	-	-	-	-	-	-	10 062
-	-	-	-	-	-	1 144	4 264
-	-	50 826	12 496	-	-	50 826	12 496
-	-	996 022	781 228	-	-	1 484 884	1 607 279
-	-	15 824	737 412	-	-	15 824	737 412
-	-	2 147	13 830	-	-	132 584	395 666
-	-	-	-	-	-	348 615	420 497
-	-	29 267	29 986	-	-	29 267	29 986
-	-	948 784	-	-	-	948 784	-
-	-	-	-	-	-	9 810	23 718
-	-	1 243 509	1 248 326	-	-	1 733 515	2 088 703
-	-	-	-	855 047	1 031 732	855 047	1 031 732
-	-	-	-	658 334	501 494	658 334	501 494
-	-	-	-	(177 763)	(177 344)	(177 763)	(177 344)
-	-	-	-	383 667	710 639	383 667	710 639
-	-	-	-	(9 191)	(3 057)	(9 191)	(3 057)
95 260	3 922	950	26 475	-	-	96 210	30 397
95 260	1 034	-	-	-	-	95 260	1 034
-	855	-	-	-	-	-	855
-	2 033	-	-	-	-	-	2 033
-	-	950	26 475	-	-	950	26 475
196 045	979 863	586 213	46 711	-	-	782 258	1 026 574
210	395 488	-	-	-	-	210	395 488
3 000	4 588	-	-	-	-	3 000	4 588
311	-	-	-	-	-	311	-
178 827	431 196	8 088	36 611	-	-	186 915	467 807
13 662	17 368	-	-	-	-	13 662	17 368
-	-	570 964	-	-	-	570 964	-
-	-	7 116	9 954	-	-	7 116	9 954
-	-	45	146	-	-	45	146
35	35	-	-	-	-	35	35
-	131 188	-	-	-	-	-	131 188
291 305	983 785	587 163	73 186	855 047	1 031 732	1 733 515	2 088 703
-	-	318 764	332 608	-	-	318 764	332 608
-	-	318 764	332 508	-	-	318 764	332 508
-	-	-	100	-	-	-	100
-	-	13 844	-	-	-	376 808	206 063
-	-	-	-	-	-	362 898	206 026
-	-	13 844	-	-	-	13 844	-
-	-	-	-	-	-	66	37
-	-	332 608	332 608	-	-	695 572	538 671
-	-	-	-	695 486	538 579	695 486	538 579
-	-	-	-	658 334	501 494	658 334	501 494
-	-	-	-	37 152	37 085	37 152	37 085
81	82	5	10	-	-	86	92
46	47	-	-	-	-	46	47
35	35	-	-	-	-	35	35
-	-	5	10	-	-	5	10
81	82	5	10	695 486	538 579	695 572	538 671

Annual financial statements

Notes to annual financial statements continued for the year ended 30 April 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
33. Commitments				
Capital commitments				
Purchase of properties	–	39 000	–	–
There are no other capital commitments.				
During the year the purchase of the property for R39 million was cancelled.				
Operating leases commitments				
Computer and office equipment	–	863	–	–
Premises	1 596	40 653	–	–
	1 596	41 516	–	–
These commitments accrue in the following periods:				
– due within one year	1 127	11 827	–	–
– due within year two to five	469	29 689	–	–
	1 596	41 516	–	–

34. Retirement benefits

All contributions on behalf of employees are charged to the statement of comprehensive income as they are made. The company has no liability towards any pension or provident fund, apart from normal recurring monthly contributions deducted from employees to be paid to relevant funds.

35. Financial risk management

The Group's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks.

35.1 Currency risk management

The Group undertakes certain transactions denominated in foreign currencies and therefore has exposure to exchange fluctuations. The Group manages exchange rate exposures through its currency holdings (CFC accounts) and by making cost adjustments in terms of the agreements with clients.

35.2 Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix between fixed and floating rate borrowings and placing funds on short-term deposit. It is the Group's policy not to hedge interest rate exposure.

35. Financial risk management continued

35.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. The cash requirements of the Group are managed according to its needs from time to time. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

Liquidity risk – maturity analysis of financial liabilities

	Expected settlement period of financial liabilities					Total un-discounted value of financial liabilities R'000
	Carrying value of financial liabilities R'000	No terms R'000	<6 months R'000	6 to 12 months R'000	>12 months R'000	
GROUP						
30 April 2015						
Non-current liabilities						
Interest-bearing liabilities	95 260	–	–	–	95 260	95 260
Current liabilities						
Interest-bearing liabilities	210	–	–	210	–	210
Vendor loans payable	3 000	–	3 000	–	–	3 000
Trade and other payables	178 827	106	177 207	10 880	2 392	190 585
Amounts due to						
contract customers	13 662	5 771	9 716	–	–	15 487
Shareholders for dividend	35	35	–	–	–	35
	290 994	5 912	189 923	11 090	97 652	304 577
30 April 2014						
Non-current liabilities						
Interest-bearing liabilities	1 034	–	–	–	1 034	1 034
Vendor loans payable	855	–	–	–	1 000	1 000
Shareholder loans payable	2 033	–	–	–	2 033	2 033
Current liabilities						
Interest-bearing liabilities	395 488	–	67 481	67 476	345 483	480 440
Vendor loans payable	4 588	–	–	4 588	–	4 588
Trade and other payables	431 196	–	430 655	541	–	431 196
Amounts due to						
contract customers	17 368	–	17 368	–	–	17 368
Shareholders for dividend	35	35	–	–	–	35
Bank overdrafts	131 188	131 188	–	–	–	131 188
	983 785	131 223	515 504	72 605	349 550	1 068 882
COMPANY						
30 April 2015						
Current liabilities						
Trade and other payables	46	–	46	–	–	46
Shareholders for dividends	35	35	–	–	–	35
	81	35	46	–	–	81
30 April 2014						
Current liabilities						
Trade and other payables	47	–	47	–	–	47
Shareholders for dividends	35	35	–	–	–	35
	82	35	47	–	–	82

Annual financial statements

Notes to annual financial statements continued for the year ended 30 April 2015

35. Financial risk management continued

35.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings, as disclosed in notes 16 and 17, cash and cash equivalents as disclosed in note 11, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the Group monitors capital on the basis of the debt : equity ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

	Group	
	2015 R'000	2014 R'000
The debt : equity ratios are as follows:		
Total borrowings		
Interest bearing liabilities	95 470	396 522
Shareholders loan payable	–	2 033
Vendor loans payable	3 000	5 443
	98 470	403 998
<i>Add: Cash and cash equivalents (net borrowings)</i>	(9 810)	107 470
Net debt	88 660	511 468
Total equity	855 047	1 031 732
Total capital	943 707	1 543 200
Debt: equity ratio	0,1 : 1	0,5 : 1

35.5 Credit risk

Refer to note 9 (trade and other receivables) for related credit exposure.

35. Financial risk management continued

35.6 Sensitivity analysis

	Carrying value R'000	Foreign exchange risk profit/(loss) should the Rand exchange rate change by 2%			Interest rate risk profit/(loss) should the interest rate change by 2%		
		Amount subject to risk R'000	Rand appre- ciation R'000	Rand depre- ciation R'000	Amount subject to risk R'000	Rate increase R'000	Rate decrease R'000
GROUP							
30 April 2015							
Financial assets							
Trade and other receivables	132 584	27 935	559	(559)	124 217	2 484	(2 484)
Amounts due from contract customers	348 615	258 595	5 172	(5 172)	–	–	–
Bank and cash balances	9 810	847	17	(17)	9 802	196	(196)
Other financial assets	1 144	–	–	–	1 144	23	(23)
Impact of financial assets on:							
– profit before taxation			5 748	(5 748)		2 703	(2 703)
– profit after taxation			4 138	(4 138)		1 946	(1 946)
Financial liabilities							
Interest-bearing liabilities	(95 470)	–	–	–	(95 470)	(1 909)	1 909
Trade and other payables	(186 915)	(43 150)	(863)	863	(135 192)	(2 704)	2 704
Bank overdrafts	–	–	–	–	–	–	–
Amounts due to contract customers	(13 662)	(7 816)	(156)	156	–	–	–
Impact of financial liabilities on:							
– profit before taxation			(1 019)	1 019		(4 613)	4 613
– profit after taxation			(734)	734		(3 322)	3 322
Overall impact on profit after taxation							
			3 404	(3 404)		(1 376)	1 376
30 April 2014							
Financial assets							
Trade and other receivables	395 666	60 962	1 219	(1 219)	111 636	2 233	(2 233)
Amounts due from contract customers	420 497	–	–	–	–	–	–
Bank and cash balances	23 718	6 560	131	(131)	15 623	312	(312)
Impact of financial assets on:							
– profit before taxation			1 350	(1 350)		2 545	(2 545)
– profit after taxation			972	(972)		1 832	(1 832)
Financial liabilities							
Interest-bearing liabilities	(396 522)	–	–	–	(290 944)	(5 819)	5 819
Trade and other payables	(467 807)	–	–	–	(43 449)	(869)	869
Bank overdrafts	(131 188)	(23 678)	(474)	474	(131 188)	(2 624)	2 624
Impact of financial liabilities on:							
– profit before taxation			(474)	474		(9 312)	9 312
– profit after taxation			(341)	341		(6 705)	6 705
Overall impact on profit after taxation							
			631	(631)		(4 872)	4 872

COMPANY

No company sensitivity analysis is presented as there were no balances exposed to foreign exchange risk and the only interest rate risk would relate to bank and call deposits of R66 000 (2014: R37 000) at year-end, on which the after tax impact on profit or loss would be R1 320 (2014: R740) should the interest rate change by 2% (2014: 2%).

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Notes to annual financial statements continued for the year ended 30 April 2015

36. Related party information

GROUP

Related parties include transactions with directors and key management or entities where directors or key management have an interest. During the year, the Group entered into various transactions with related parties on an arm's length basis. The related parties are:

Related parties

Associates of the company are listed in note 5.

Logos Industries Proprietary Limited – Common directors (no longer a related party in 2015)

Java Capital Proprietary Limited – Common directors (no longer a related party in 2015)

JQ Prosper CC – Common directors/members (no longer a related party in 2015)

Megatron Properties Proprietary Limited – Common directors

Savilas Properties Proprietary Limited – Common directors

Tamryn Manor Proprietary Limited – Common directors

Vegtu Investments Proprietary Limited – Common directors

ZAH Properties Proprietary Limited – Close family member

Dynamic Cloud Solutions (DCS) Proprietary Limited – Close family member

	Group	
	2015 R'000	2014 R'000
Related parties transactions		
Sales	959	14 263
Purchases	–	11 797
Rent paid	15 292	17 069
Interest received	1 808	1 655
Operating expenses	–	373
Directors' remuneration details can be found in the Directors' report.		
Related parties balances		
Logos Industries Proprietary Limited	–	5 191
Dynamic Cloud Solutions (DCS) Proprietary Limited – included in accounts receivable	79 323	75 000
Savilas Properties Proprietary Limited – included in accounts receivable	239	–
SkyeVine Proprietary Limited – included in accounts receivable	83	247

There were no other material balances at year-end.

COMPANY

Related parties include the subsidiary companies, shareholders and directors. During the year, the company entered into various transactions with related parties on an arm's length basis.

	Group	
	2015 R'000	2014 R'000
Related parties		
Subsidiaries and associates of the company are listed in note 4.		
Associates of the company are listed in note 5.		
Java Capital Proprietary Limited – Common directors (no longer a related party in 2015)		
Related parties transactions		
Administration fees	625	840
Operating expenses	–	373

Related parties balances

All related party balances at year-end are disclosed in note 11.

	Group	
	2015 R'000	2014 R'000
37. Segmental analysis		
Revenue	1 803 150	2 106 089
Infrastructure	414 218	726 763
– Total – Continued operations	316 408	533 488
– Total – Discontinued operations	97 852	195 087
– Inter-segment	(42)	(1 812)
Consumer goods – Discontinued operation	1 388 932	1 379 326
– Total	1 388 932	1 379 829
– Inter-segment	–	(503)
Property division – Discontinued operation	–	–
– Total	12 805	10 786
– Inter-segment	(12 805)	(10 786)
Segmental (losses)/profits from operations	(347 083)	151 456
(Loss)/profit before interest and taxation, after losses from associates		
Infrastructure – Continued operation	(258 785)	61 882
Infrastructure – Discontinued operation	(34 744)	(9 978)
Consumer goods – Discontinued operation	(60 225)	92 889
Property division – Discontinued operation	9 932	7 789
Other – Discontinued operation	(2 729)	(389)
Holding company/consolidation	(532)	(737)
Interest received	11 574	9 032
– Continuing operations	10 198	7 599
– Discontinued operations	1 376	1 433
Net finance costs	(61 121)	(56 469)
Operating segments	(52 416)	(48 376)
– Continuing operations	(36 815)	(25 356)
– Discontinued operations	(15 601)	(23 020)
Property division – Discontinued operations	(8 622)	(7 872)
Deemed vendor interest – Discontinued operations	(83)	(221)
(Loss)/profit before taxation	(396 630)	104 019
Taxation	63 524	(32 498)
(Loss)/profit for the year after taxation	(333 106)	71 521

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Notes to annual financial statements continued for the year ended 30 April 2015

37. Segmental analysis continued

	Segment assets		Segment liabilities		Capital expenditure	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Segments						
Consumer goods						
– Discontinued operation	785 097	985 718	350 390	348 460	7 429	22 470
Infrastructure	824 438	971 661	311 948	482 677	3 678	9 210
Infrastructure						
– Continued operation	774 921	971 661	307 504	482 677	3 678	9 210
Infrastructure						
– Discontinued operation	49 517	–	4 444	–	–	–
Property division						
– Discontinued operation	91 492	97 507	87 225	94 557	4 350	10 476
Other	10 012	10 062	–	–	–	–
Holding company/ consolidation	66	37	86	92	–	–
	1 711 105	2 064 985	749 649	925 786	15 457	42 156
Cash and cash equivalents/ bank overdrafts*	22 410	23 718	128 818	131 185		
Infrastructure						
– Continued operation	9 810		–			
Consumer goods and property division						
– Discontinued operation	12 600		128 818			
Total	1 733 515	2 088 703	878 467	1 056 971		

* Due to the central treasury function within the group, it is considered impracticable to calculate the bank and cash balances attributable to continued and discontinued operations for the 2014 financial period, as no separation basis existed in the prior periods. Hence the 2014 numbers include both continued and discontinued operations.

	Group	
	2015 R'000	2014 R'000
38. Guarantees and contingent liabilities		
Unlimited suretyship given by Ellies Holdings Limited to Blue Strata Trading Proprietary Limited, a supplier, for facilities of R130 million (2014: R180 million).		
Lombards Insurance Company Limited have issued various "Performance Guarantees" and "Bid Security Guarantees" (denoted in South African Rand) as follows:		
South African Rand	14 515	18 592
Ugandan Shilling	–	794
Namibian Dollar	6 061	–
Euros	3 701	4 132
US Dollar	48 233	32 184
These "Performance Guarantees" and "Bid Security Guarantees" are expected to expire as follows:		
30 April 2015	20 393	46 889
30 April 2016	44 400	4 682
30 April 2019	7 716	4 132
The directors do not believe any exposure to loss is likely.		
Standard Bank Limited have issued the following guarantees on behalf of the Group:		
SARS customs	1 150	1 150
Intelsat New Dawn for SkyeVine Proprietary Limited (US Dollar)	319	319
During the prior financial year the Group began litigation to recover an outstanding debt of R2,7 million. Once documents were served a counter claim was received. The directors are defending the claim and do not believe the case will result in a loss to the Group. The case is still on-going.		

39. Post-reporting date events

Other than events detailed in the directors report, no other material fact or circumstance has occurred between year-end and the date of this report which has a material impact on the consolidated and separate financial position of the company.

Shareholder information

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders ("**Annual General Meeting**" or "**AGM**") of Ellies Holdings Limited ("**Ellies**" or "**the Company**") will be held at 94 Eloff Street Ext, Village Deep, Johannesburg, 2001 on Tuesday, 1 December 2015 at 12:00 for the following purposes:

1. To consider, receive and adopt the annual financial statements of the Company and the Group for the financial year ended 30 April 2015, together with the reports of the directors, the Audit Committee and the auditors thereon contained in the integrated annual report;
2. To transact such other business as may be transacted at an AGM of a company including the re-appointment of the auditors, members of the Audit and Risk Committee and the re-election of retiring directors; and
3. To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below.

Important dates to note:

- Record date for the receipt of the notice of the Annual General Meeting is Friday, 23 October 2015;
- Last day to trade in order to be eligible to participate in and vote at the AGM is Friday, 13 November 2015;
- Record date to participate in and vote at the Annual General Meeting is Friday, 20 November 2015; and
- Last day to lodge proxy forms are by 12:00 on Friday, 27 November 2015.

Special resolution number 1: Share repurchases

"Resolved that the directors be authorised by way of a general authority to approve the repurchase by the Company or any of its subsidiaries of shares of the Company on such terms and conditions and in such amounts that the directors of the Company may determine subject to the Company's Memorandum of Incorporation ("**MOI**"), the JSE Limited ("**JSE**") Listings Requirements ("**JSE Listings Requirements**") and sections 46 and 48 of the Companies Act 71 of 2008 ("**the Companies Act**") on the following basis:

1. repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the Company and the counterparty;
2. at any point in time, the Company may only appoint one agent to effect repurchases on its behalf;
3. the number of shares which may be acquired pursuant to this authority in any one financial year (which commenced on 1 May 2015) may not in the aggregate exceed 20% (twenty percent) (or 10% (ten percent) where such acquisitions are effected by a subsidiary) of the Company's share capital as at the date of passing this special resolution;
4. repurchases of shares may not be made at a price of more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the 5 (five) business days immediately preceding the repurchase;
5. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place and has been submitted to the JSE in writing prior to commencement of the prohibited period;
6. after the Company or any of its subsidiaries has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted) and for each 3% (three percent) in aggregate acquired thereafter, the Company shall publish an announcement to such effect containing full details of such repurchases;
7. the board of directors of the Company must have resolved that the repurchase is authorised, the Company and its subsidiaries have passed the solvency and liquidity tests as set out in section 4 of the Companies Act and since the test was performed, there have been no material changes to the financial position of the Ellies Group;
8. this general authority shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution."

In accordance with the JSE Listings Requirements, the directors record that, although there is no immediate intention to effect a repurchase of securities of the Company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors undertake that, after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the general authority, for a period of 12 months after the date of notice of this Annual General Meeting:

-
- the Company and the Group will be able to pay their debts in the ordinary course of business;
 - the consolidated assets of the Company and of the Group fairly valued in accordance with International Financial Reporting Standards will exceed the consolidated liabilities of the Company and of the Group fairly valued in accordance with International Financial Reporting Standards; and
 - the working capital, share capital and reserves of the Company and of the Group will be adequate for the purposes of the business of the Company and its subsidiaries.

The following additional information, which appears elsewhere in the integrated annual report, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

- Major shareholders – page 34;
- Share capital of the Company – pages 40 and 73.

Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report for the year ended 30 April 2015 and up to the date of this notice.

Directors' responsibility statement

The directors, whose names appear on pages 6 and 7 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and in terms of the JSE Listings Requirements.

Reasons for and effect of special resolution number 1

The reason for special resolution number 1 is to afford directors of the Company or a subsidiary of the Company general authority to effect a repurchase of the Company's shares on the JSE. The effect of this resolution will be that the directors will have the authority, subject to the JSE Listings Requirements to effect acquisitions of the Company's shares on the JSE.

In order for special resolution number 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Special resolution number 2: Financial assistance to related or inter-related companies

"Resolved that, to the extent required by the Companies Act, the board of directors of the Company may, subject to compliance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the Company for any purpose or in connection with any matter, such authority to endure for a period of not more than 2 (two) years."

Reason for and effect of special resolution number 2

The Company would like the ability to provide financial assistance, in appropriate circumstances and if the need arises in accordance with section 45 of the Companies Act. This authority is necessary for the Company to provide financial assistance in appropriate circumstances. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted, provided that the board of directors of the Company be satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and, immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to, *inter alia*, ensure that the Company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

Therefore, the reason for, and effect of, special resolution number 2 is to permit the Company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 2 above.

In order for special resolution number 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Shareholder information

Notice of annual general meeting continued

Special resolution number 3: Approval of non-executive directors' remuneration

3.1 "Resolved, as a special resolution, that the fees payable by the Company to non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

- Lead independent non-executive director R300 000 per annum
- Other non-executive directors:
 - Annual base fee R190 000 per annum
 - Chairperson of a sub-committee R35 000 per annum
 - Participation and membership of a sub-committee R25 000 per annum"

3.2 "Resolved, as a special resolution, that an annual increase not exceeding 10% (ten percent) of the fees payable by the Company to the non-executive directors for their services as non-executive directors be and is hereby approved for a period of 2 (two) years from the passing of this resolution or until its renewal, whichever is the earliest."

Reason for and effect of special resolution number 3.1

The reason for special resolution number 3.1 is to obtain shareholder approval by way of special resolution in accordance with section 66(9) of the Companies Act for the payment by the Company of remuneration to each of the non-executive directors of the Company for each non-executive director's services as a non-executive director in the amounts set out under special resolution number 3.1. It should be noted that the proposed fees are the same as those paid in the prior year.

Reason for and effect of special resolution number 3.2

As the fees payable to non-executive directors are, from time to time, benchmarked to other companies with a similar market capitalisation, taking into account the estimated time and the other requirements of directors, an annual increase not exceeding 10% is proposed for approval in the subsequent year.

In order for special resolutions numbers 3.1 and 3.2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass those resolutions.

Ordinary resolution number 1: Authority to issue shares for cash

"Resolved that, subject to the restrictions set out below, the directors be and are hereby authorised, pursuant, *inter alia*, to the Company's MOI and subject to the provisions of the Companies Act and the JSE Listings Requirements, until this authority lapses which shall be at the next annual general meeting or 15 months from the date hereof, whichever is the earliest, to allot and issue shares of the Company for cash on the following basis:

1. the allotment and issue of shares must be made to persons qualifying as public shareholders and not to related parties, as defined in the JSE Listings Requirements;
2. the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 62 015 823 shares, being 10% of the Company's issued shares as at the date of notice of this annual general meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 62 015 823 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
4. in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
5. the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares; and
6. after the Company has issued shares for cash which represent, on a cumulative basis, within the period that this authority is valid, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average trade price of the shares over the 30 days prior to the date that the issue is agreed in writing an explanation, including supporting information (if any), of the intended use of the funds."

In order for ordinary resolution number 1 to be adopted and in terms of the JSE Listings Requirements, the support of at least 75% of the total number of votes exercisable by shareholders in person or by proxy is required to pass this resolution.

Ordinary resolution number 2: Unissued ordinary shares

“Resolved that the authorised and unissued ordinary share capital of the Company be and is hereby placed under the control of the directors of the Company which directors are, subject to the provisions of the JSE Listings Requirements, the MOI and the Companies Act, authorised to allot, issue and otherwise dispose of all or part thereof at their discretion, any of such shares at such time or times, to such person or persons, Company or companies and upon such terms and conditions as they may determine, provided that:

- the number of shares which may be allotted, issued or disposed of under this authority does not in aggregate exceed 5% of the company’s issued share capital as at the date of the passing of this resolution; and
- such allotment, issue or disposal is subject to a maximum discount of 5% of the weighted average traded price on the JSE of those shares over the 10 business days prior to the date the price is agreed between the Company and the party subscribing for the shares;

such authority to remain in force until the next annual general meeting of the Company.”

In order for ordinary resolution number 2 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution number 3: Re-election of OD Fortuin as a director of the Company

“Resolved that OD Fortuin who retires in terms of the Company’s MOI and who, being eligible, offers himself for re-election as a director of the Company.”

Oliver has more than 25 years’ experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver has held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa Director for HP Services, and headed HP’s Technology Services Group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is the former Managing Director of i1 Solutions (a privately owned technology company). In May 2014, Oliver was appointed as the Managing Director of British Telecommunications sub-Saharan Africa.

The board of directors of Ellies has considered Oliver’s past performance and contribution to the Company and recommends that Oliver be re-elected as a director of the Company.

In order for ordinary resolution number 3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution number 4: Confirmation of appointment MJ Kuscus as director of the Company

“Resolved that the appointment of MJ Kuscus as a director of the Company (effective 1 June 2015) be and is hereby confirmed and approved.”

Martin was the MEC for Finance in the North West Provincial Government from 1994 until 2004. Prior to that, he spent 17 years in healthcare services. In June 2004 he became CEO of the South African Bureau of Standards, a position he held until July 2009. He was the Chairperson of the first Board of Trustees for the Government Employee Pension Fund overseeing a portfolio worth R850 billion from June 2005 to July 2009. He served on the PRI Board of the United Nations Global Compact Initiative on Responsible Investment, served as Chairperson of the Pan African Infrastructure Development Fund and is President of the Afrikaanse Handels Instituut.

In order for ordinary resolution number 4 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution number 5: Confirmation of appointment of S Goldberg as director of the Company

“Resolved that the appointment of S Goldberg as a director of the Company (effective 21 November 2014) be and is hereby confirmed and approved.”

Stephen qualified as a chartered accountant in 1999, completed his articles at Grant Thornton Kessel Feinstein, whereafter he joined the investment banking business of Peregrine Holdings Limited, where he was involved in the execution of private equity transactions as well as providing corporate finance advisory services to a number of Peregrine’s clients. In September

Shareholder information

Notice of annual general meeting continued

2002, Stephen joined Buffet Investments (Pty) Ltd ("Buffet") and was involved in identifying, implementing and managing a number of private equity transactions in a variety of industries. Stephen sat on the boards of the various investee companies, including Sally Williams Fine Foods, Eazi Access Rentals, Kevro, The Creative Counsel and Aquazania, to look after the interests of Buffet as well as guide the various executives involved in the underlying operations. After leaving Buffet in December 2008, he co-founded Exit Holdings SA, an investment holding company with interests in FMCG distribution, consumer electronics and financial services.

In order for ordinary resolution number 5 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution number 6: Re-appointment of the members of the Audit and Risk Committee

"Resolved that, in terms of section 94(2) of the Companies Act, the following independent non-executive directors be re-appointed as members of the Audit and Risk Committee, each by way of a separate vote:

6.1 FS Mkhize (Chairperson);

6.2 OD Fortuin; and

6.3 S Goldberg."

Refer to the brief CVs of Fikile, Oliver and Stephen on page 7.

In order for ordinary resolution numbers 6.1, 6.2 and 6.3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass each resolution.

Ordinary resolution number 7: Re-appointment of auditors

"Resolved that Grant Thornton Johannesburg Partnership, together with C Botha be re-appointed as auditors of the Company from the conclusion of this annual general meeting."

The Audit and Risk Committee has nominated for appointment as auditors of the Company under section 90 of the Companies Act, Grant Thornton Johannesburg Partnership.

In order for ordinary resolution number 7 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution number 8: Signature of documentation

"Resolved that any director or the Company Secretary of the Company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of special resolutions numbers 1, 2 and 3 ordinary resolutions numbers 1, 2, 3, 4, 5, 6 and 7, which are passed by the shareholders in accordance with and subject to the terms thereof."

In order for ordinary resolution number 8 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Quorum

A quorum for the purposes of considering the special and ordinary resolutions above shall consist of three shareholders of the Company personally present (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the Annual General Meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of those resolutions.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Link Market Services South Africa Proprietary Limited (13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001), for the purposes of being entitled to attend, participate in and vote at the AGM is Friday, 20 November 2015.

In terms of section 63(2)(3)(e) and section 63(1) of the Companies Act kindly note that shareholders holding certificated shares and shareholders holding shares in dematerialised form in "own-name":

- may attend and vote at the AGM; alternatively
- may appoint an individual as a proxy (who need not also be a member of the Company) to attend, participate in and speak and vote in your place at the AGM by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, by no later than 12:00 on Friday, 27 November 2015. Alternatively, the form of proxy

may be handed to the chairman of the AGM at the AGM at any time prior to the commencement of the AGM. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the Company's registered office or to the transfer secretaries or handed to the chairman of the AGM, before your proxy may exercise any of your rights as a member of the Company at the AGM.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the AGM.

Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate. Forms of identification include valid identity documents, driver's licences and passports.

Notice to owners of dematerialised shares

Please note that if you are the owner of dematerialised shares held through a CSDP or broker (or their nominee) and are not registered as an "own-name" dematerialised shareholder then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Voting and proxies

A shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding certificated shares who cannot attend the AGM but who wishes to be represented thereat. Forms of proxy may also be obtained on request from the Company's registered office. The completed form of proxy must be deposited at, or posted to the office of the transfer secretaries, Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 12:00 on Friday, 27 November 2015. Alternatively, the form of proxy may be handed to the Chairman of the AGM at the AGM at any time prior to the commencement of the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the shareholder subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and who wish to attend the AGM must instruct their CSDP or broker to issue them with the necessary letter of representation to attend.

Dematerialised shareholders, who have elected "own-name" registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the AGM must complete and return the attached form of proxy and lodge it with the transfer secretaries, Link Market Services, to be received by no later than 12:00 on Friday, 27 November 2015.

All beneficial owners whose shares have been dematerialised through a CSDP or broker other than with "own-name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting. Such shareholder must not complete the attached form of proxy.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the AGM you must contact your CSDP or broker, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the AGM but wish to be represented at the AGM, you must contact your CSDP or broker, and furnish it with your voting instructions in respect of the AGM and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company

Shareholder information

Notice of annual general meeting continued

or to the transfer secretaries, by no later than 48 hours before the meeting. Alternatively, the form of proxy may be handed to the chairman of the AGM at the AGM at any time prior to the commencement of the AGM.

Voting at the Annual General Meeting

In order to more effectively record the votes and give effect to the intentions of members, voting on all resolutions will be conducted by way of a poll.

Electronic participation

Shareholders or their proxies may participate in the AGM by way of telephone conference call. Shareholders or their proxies who wish to participate in the Annual General Meeting via the teleconference facility will be required to advise the Company thereof by no later than Friday, 27 November 2015 by submitting, by email to Tshegofatso.Ramaoka@computershare.co.za or by fax to be faxed to 011 688 5279, for the attention of Tshegofatso Ramaoka, relevant contact details including email address, cellular number and landline, as well as full details of the shareholder's title to the shares issued by the Company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. Upon receipt of the required information, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the Annual General Meeting.

Shareholders who wish to participate in the Annual General Meeting by way of telephone conference call must note that they will not be able to vote during the Annual General Meeting. Such shareholders, should they wish to have their votes counted at the Annual General Meeting, must, to the extent applicable:

- (i) complete the attached form of proxy or
- (ii) contact their CSDP or broker, in both instances, as set out above.

By order of the board

CIS Company Secretaries (Pty) Ltd

Company Secretary

30 October 2015

Form of proxy



Ellies Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 2007/007084/06)
JSE share code: ELI
ISIN: ZAE000103081
("the Company")

For use by the holders of the Company's certificated ordinary shares ("**certified shareholders**") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("**CSDP**") or broker who have selected "own-name" registration ("**own-name dematerialised shareholders**"), registered as such at the close of business on Friday, 20 November 2015, at the Annual General Meeting of the Company to be held on Tuesday, 1 December 2015 at 94 Eloff Street Ext, Village Deep, Johannesburg at 12:00, or at any adjournment thereof, if required. Additional forms of proxy are available from the transfer secretaries of the Company.

Not for use by holders of the Company's dematerialised ordinary shares who have not selected "own-name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the CSDP or broker to vote in accordance with their instructions at the Annual General Meeting.

I/We _____ (name in block letters)

of _____ (address)

being the registered holder of _____ ordinary shares in the capital of the Company, hereby appoint:

1. _____ or failing him/her,
2. _____ or failing him/her,
3. the chairman of the Annual General Meeting, as my/our proxy to act for me/us on my/our behalf at the Annual General Meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the special and ordinary resolutions as detailed in the Notice of Annual General Meeting, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

		Number of votes		
		*For	*Against	*Abstain
To pass special resolutions:				
1.	Share repurchases			
2.	Financial assistance to related or inter-related companies			
3.	Approval for non-executive directors remuneration			
3.1	Annual fees			
3.2	Increase in annual fees			
To pass ordinary resolutions:				
1.	To provide authority to issue shares for cash			
2.	To place the unissued shares under the control of the directors			
3.	To re-elect OD Fortuin as a director of the Company			
4.	To confirm the appointment of MJ Kuscus as a director of the Company			
5.	To confirm the appointment of S Goldberg as a director of the Company			
6.	To re-appoint members of the Audit and Risk Committee:			
6.1	FS Mkhize			
6.2	OD Fortuin			
6.3	S Goldberg			
7.	To re-appoint Grant Thornton Johannesburg Partnership, together with C Botha as auditors			
8.	To authorise the signature of documentation			

* One vote per share held by shareholders recorded in the register on the voting record date.

Mark "for", "against" or "abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this _____ day of _____ 2015

Signature _____ Assisted by (if applicable) _____

(State capacity and full name)

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the Company. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting.

Forms of proxy must be deposited at Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), so as to arrive by no later than 12:00 on Friday, 27 November 2015, being not more than 48 hours before the date of the AGM.

Please read the notes on the reverse side hereof

1. This form of proxy is only to be completed by those ordinary shareholders who are:
 - a. holding ordinary shares in certificated form; or
 - b. recorded in the sub-register in electronic form in their "own-name".



Shareholder information

Notes to the form of proxy

- on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Link Market Services South Africa (Pty) Ltd, in order to vote at the annual general meeting Friday, 20 November 2015, and who wish to appoint another person to represent them at the Annual General Meeting.
2. Certificated shareholders wishing to attend the Annual General Meeting have to ensure beforehand with the transfer secretaries of the company (being Link Market Services South Africa (Pty) Ltd that their shares are registered in their name.
 3. Beneficial shareholders whose shares are not registered in their "own-name", but in the name of another, for example, a nominee, may not complete a form of proxy, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend, speak and, on a poll, vote at the Annual General Meeting.
 4. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the AGM", but any such deletion must be initialed by the shareholder(s). The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairman shall be deemed to be appointed as the proxy.
 5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy, other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of any resolution.
 6. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
 7. Forms of proxy must be lodged at or posted to Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received not less than 48 hours prior to the AGM.
 8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
 9. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
 10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company or the transfer secretaries or waived by the chairman of the AGM.
 11. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
 12. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
 13. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
 14. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own-name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), so as to arrive by no later than 48 hours before the date of the AGM.
 15. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
 16. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, 2008 (the "Companies Act"), as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act, is attached to this form of proxy.
- Extract from the Companies Act**
"58. Shareholder right to be represented by proxy
- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
 - (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
 - (2) A proxy appointment:
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for:
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
 - (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
 - (4) Irrespective of the form of instrument used to appoint a proxy:
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - (i) canceling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.
 - (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
 - (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
 - (6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:
 - (a) the shareholder; or
 - (b) the proxy or proxies, if the shareholder has:
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the company for doing so.
 - (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
 - (8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:
 - (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
 - (i) bear a reasonably prominent summary of the rights established by this section;
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
 - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - (c) the company must not require that the proxy appointment be made irrevocable; and
 - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
 - (9) Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

Notes

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Corporate information

Ellies Holdings Limited

(Registration number 2007/007084/06)

JSE share code: ELI

ISIN: ZAE000103081

Executive directors

ER Salkow (*Chairman*)

WGM Samson (*Chief executive officer*)

IM Lipworth (*Chief financial officer*) (*Appointed 1 August 2014*)

RH Berkman

RE Otto

Non-executive directors

MR Goodford

MJ Kuscus (*Appointed 1 June 2015*)

Lead independent non-executive director

OD Fortuin

Independent non-executive directors

FS Mkhize

S Goldberg (*Appointed 21 November 2014*)

The following directors resigned during the period

MF Levitt (*1 August 2014*)

AC Brooking (*31 August 2014*)

M Moodley (*31 October 2014*)

Registered office

94 Eloff Street Ext, Village Deep, Johannesburg 2001

(PO Box 57076, Springfield 2137)

Sponsor

Java Capital

Auditors

Grant Thornton

Company secretary

CIS Company Secretaries (Pty) Ltd

Transfer secretaries

Link Market Services South Africa (Pty) Ltd

www.elliesholdings.com

www.ellies.co.za

www.megatronfederal.com

