

# ELLIES

HOLDINGS LIMITED

## Integrated Annual Report 2018



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“We are the people who make it possible to watch television, listen to music, see when it’s dark, stay cool when it’s hot, talk to the world online and assist in saving electricity and being more energy-efficient. Our technology is everywhere and our search for new ideas is relentless.

We are not just a company that sells diverse products and services.

We are so much more than that. We are a company that improves people’s lives through meaningful use of technology.”

**Ellie Salkow**  
*Chairman and Joint CEO*



## About this report

This Integrated Annual Report discusses the activities and performance of Ellies Holding Limited (Ellies or the Group or the Company), including its subsidiaries and associates, for the financial year ended 30 April 2018.

While the primary target of this report audience is providers of financial capital, Ellies aims to offer all stakeholders a balanced, comprehensive and complete view of the governance and sustainability principles, practices and performance of the Ellies Group.

The Group's 2018 reporting suite includes the annual financial statements, sustainability review and other documents available on the Group's website. The contents of this report is structured around Ellies' most material issues, which include both financial and non-financial aspects.

These issues are those that could most substantially impact the Group's ability to create value and have been agreed on and approved by the board of directors of Ellies (Board) and the Executive Committee. Ellies' most material issues and how these were derived are discussed in more detail on page 12 of this report.

This report includes feedback from the Chairman and the joint Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

### Guidelines and frameworks

This report has been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 71 of 2008 (Companies Act), the JSE Limited Listings Requirements (JSE Listings Requirements), the principles of the King IV Report on Corporate Governance (King IV) and the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, as these apply to the report.

Please note that while cognisant of the need to comply with the King IV Code of Corporate Governance, the Group is on a journey towards full disclosure in line with the recommendations of King IV. Strides have been taken by Ellies toward this. Please refer to page 30 for more information)

The sustainability information in Ellies' sustainability review is disclosed in accordance with the GRI Standards: Core option.

### External audit and assurance

Ellies' financial statements (pages 64 to 107) have been assured by the Group's external auditor, Grant Thornton, and a copy of their Independent auditor's report on the annual financial statements is available on pages 57 to 59.

The sustainability review has not been independently assured; however, certain information contained in the review has been scrutinised by the Group's Board and Executive Committee. The review is included in this Integrated Annual Report. It can be found on pages 46 to 48.

## Forward-looking statements

This Integrated Annual Report contains certain forward-looking statements concerning the Group's environment, financial performance and conditions, strategy and growth expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group.

No assurance can therefore be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views.

### Board approval

The Board confirms its responsibility for the integrity of this Integrated Annual Report. The contents have been collectively assessed by the Board and in its opinion this report addresses the issues that have the potential to most materially impact the performance of the Group. The Board has accordingly authorised the release of this Integrated Annual Report.



**Ellie Salkow**  
Chairman and Joint CEO



**Adrian Bock**  
Joint CEO and CFO

30 July 2018

Any queries related to the Integrated Annual Report or its contents should be directed to:

**Adrian Bock**  
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Email: [holdings@ellies.co.za](mailto:holdings@ellies.co.za)

# Group profile

Ellies is an investment holdings company for businesses involved in the manufacture, trading and distribution of a diverse range of products and services, inclusive of Digital Terrestrial Television (DTT) and satellite products and related accessories, electrical, signal distribution, residential and commercial LED lighting solutions, solar PV, sound and AV equipment distribution and installation.

Ellies Electronics (Pty) Ltd, which is the heartbeat of our organisation, operates out of 13 branches and trade counters in South Africa, with presence in all nine provinces and wholly-owned branches in Namibia, Botswana and Swaziland.

Ellies Industries manufactures, sells and distributes various products related to markets we serve, including satellite dishes, terrestrial aerials, TV brackets, mounts and shelving solutions, whilst offering bespoke industry solutions and custom-made products.

Ellies listed on the Alternative Exchange of the JSE (AltX) on the 5 September 2007 and moved to the Main Board in 2010, under the Electronics and Electrical Sector.

The Group is ideally positioned to capitalise on increasing demands for our products and services and introduce innovative new solutions to our ever-growing customer base in all the markets we serve.



# Our mission, vision and values

The Ellies Group provides products and services to people, and we endeavour to let this inform everything we do. We're not just a corporate institution – we're a family.

Our **mission** remains to keep on improving ourselves so that we can enrich the lives of others, offering solutions that truly make a difference in people's lives.

**MISSION**

Our **vision** is to be at the forefront of technology and electronic accessories in Southern Africa.

**VISION**

Our **values** are embedded in everything we do – from the way we package our products, to the way we present ourselves, to the way we talk to our customers, colleagues, partners and investors.

**VALUES**

- **Exceptional:** We are an exceptional company, excellent at what we do and strive to be best in class.
- **Principled:** We honour our promises and keep our word. Nothing is as important as our reputation – not even our profits.
- **Committed:** We believe in what we do and take dedication and loyalty seriously.

As a leader in the industry, we pride ourselves on products that are utilitarian, innovative, technologically advanced and engineered to the highest quality with your best interests at heart – without cutting corners. Ellies is committed to providing customers with direct, honest, trustworthy advice, so that they are empowered to make the correct buying decisions.

*The Group's ultimate goal is to be the brand of choice when it comes to satellite, multimedia, electronic, electrical, energy-efficient lighting and power solutions, in both the residential and commercial sectors.*

*Ellies is also deeply committed to empowerment; helping to create business opportunities and stimulating SMME growth is a fundamental pillar of the Group's belief system.*

# Our people

## Human capital

Ellies' human capital comprises our people – the workforce that brings our strategy to life and who are the cornerstone of our business. We have identified three material focus areas related to human capital:

- **Transformation:** Building a diverse workforce that reflects the diversity of our clients, our partners and society.
- **Human resources:** Manage our workforce in a manner that inspires high performance and captures employee loyalty.
- **Company culture:** As we undergo the rapid transition towards a leaner, more focused operating company, it is imperative that we create a high-performance culture that reflects Ellies' values.

Our human capital strategy is to attract and retain the best talent, create job satisfaction and provide training to help employees excel in their roles. We ensure that transformation is overseen and managed from the top through a group transformation committee chaired by the human capital executive.

Management of human capital has transitioned to a shared service model in which the function is held and administered centrally, and reports directly to the human capital executive.

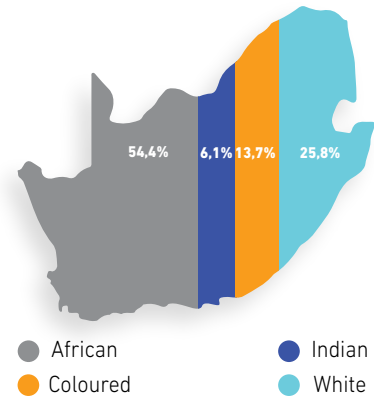
Ellies currently employs a total of 841 permanent staff. Our employees remain one of our most important priorities and, as such, we are focused on upskilling our employees through various skills development programmes, including both installer and PV training for our technicians.

Below is a breakdown of Ellies' employees by age – 33% of our workforce is between the ages of 30 and 39, meaning we are a young and dynamic organisation, able to handle the rigours of a demanding environment and open to new ideas and innovative ways of working. However, we are conscious of the need to improve gender equity in our workforce, along with transformation.

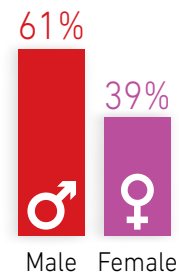
At year-end, 74% of our workforce was African, and 39% female. However, African employees represent only 8% of top and senior management.

We also have an HIV/AIDS awareness programme in place, along with a comprehensive health and safety plan, which is monitored by a full-time compliance officer based at head office. The classification in terms of race and gender of our staff is given below:

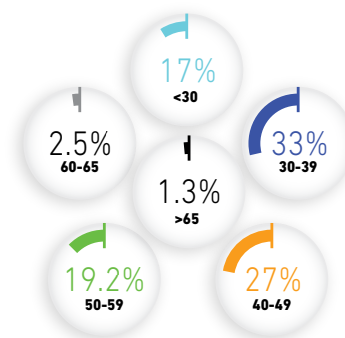
Employees by race



Employees by gender



Employees by age



	♀ Female					♂ Male					Total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	
Top management	0	1	0	0	1	1	0	0	4	5	6
Senior management	0	0	0	1	1	0	0	1	20	21	22
Middle management	1	4	2	8	15	5	4	7	31	47	62
Junior management	16	4	6	27	53	51	7	16	49	123	176
Semi-skilled	68	36	11	39	154	111	44	7	36	198	352
Unskilled	100	9	0	0	109	104	7	1	2	114	223
<b>Total</b>	<b>185</b>	<b>54</b>	<b>19</b>	<b>75</b>	<b>333</b>	<b>272</b>	<b>62</b>	<b>32</b>	<b>142</b>	<b>508</b>	<b>841</b>

# Geographical footprint



# Who we are

Established in 1979, the Ellies Group listed on the AltX on 5 September 2007 and moved to the Main Board in 2010, in the Electronics and Electrical Sector. The Group is a leading Southern African manufacturer, importer, wholesaler and distributor of quality, proprietary LED lighting, electrical and electronic products and solutions to both the residential and commercial sectors. In addition to supplying aerial and satellite equipment, accessories and hardware, headway has been made in PV solar, cable and fibre distribution networks, along with signal, sound and AV turnkey solutions, specifically in the business sector.

Ellies is ideally positioned to capitalise on the ever-increasing demand for these products and services in Southern Africa, and to introduce new offerings to our extensive and diversified customer base.

## Manufacturing and engineering

Staffed by experienced engineers, and with patents for many of our 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 Wizard Remote Blaster and Video Sender 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; LED and plasma TV mounts; shelving; satellite and terrestrial mounting brackets; and satellite dishes.

Additional services and manufacturing include:

- Advanced laser cutting and punching equipment
- Design and manufacture of specialised tooling and equipment
- Robotic welding
- Fully automated electric plating
- Computerised welded mesh facilities and cut-to-length wire straightening plant
- State-of-the-art power coating plant
- Plastic injection moulding plant

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



### Research and development

With a dedicated R&D Department, many of Ellies' products are designed, developed and manufactured in South Africa. Some examples include the market-leading Wizard Remote Blaster, TV antennae, Digital Terrestrial Television (DTT) aerials and Wizard Audio/Video Sender, TV Link and a range of solar home power backup systems. We strive to continually reinvent ourselves by developing products both core and complementary to our business and related industries, such as wireless remote extenders, surge protector and security products.

### Packaging

Ellies has a packaging plant with specialised facilities including Cryovacing and plastic blister packaging.

### Distribution and logistics

Ellies warehousing, distribution and logistics functions have been reinstated within our business to ensure 'just in time' deliveries to customers.

Our primary focus is on warehouse optimisation to increase supply chain visibility, streamlining warehouse processes and improving customer service. Initiatives continue with regard to space utilisation optimisation, achieving labour efficiencies and the management of stock control, together with the implementation of a software management system.

Our new infrastructure is ready to support our diverse business operations comprising of retail, furniture and independent stores in urban and rural areas, to our commercial lighting and Elsat customers and Ellies branches countrywide.

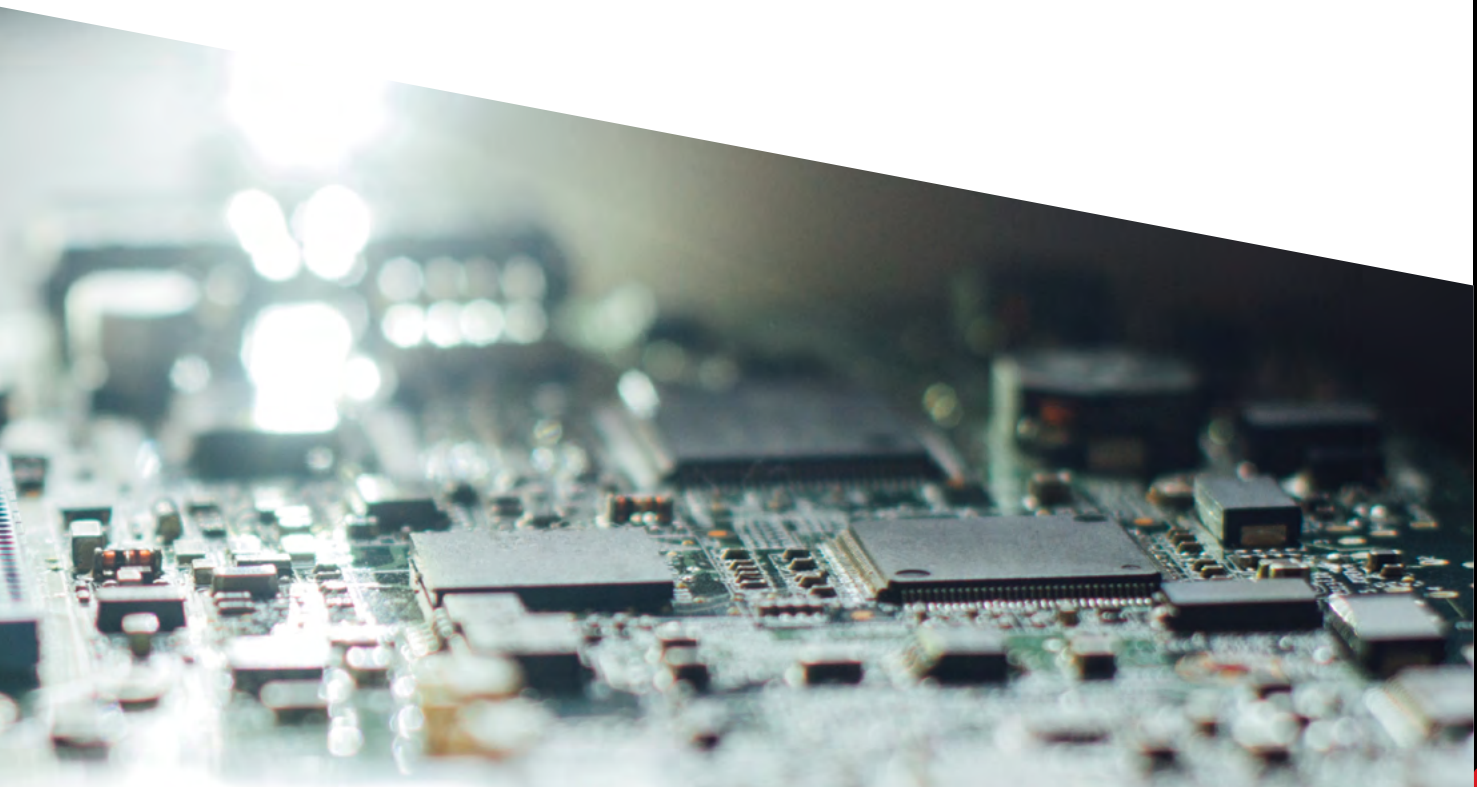
### Product procurement, marketing and sales

In creating synergy and alignment across key divisions, Ellies is well placed to support the business, sales, customers and profit generation by improving the bottom line utilising insights gained into the cost of doing business.

This has allowed for cost reduction, performance improvement, increased marketing and innovation to create value. It has further ensured the Group remains outward facing and intrinsically linked to its customers' needs, as well as providing guidance on how the business communicates with customers and delivers on its commitments.

Consolidated Group services include:

- Ellies Corporate Services
- Elsat full-maintenance finance and rentals
- Packaging
- Product procurement, marketing and sales (inclusive of merchandising)
- Warehousing, distribution and logistics



# Highlights and challenges

## Year under review

The predominant theme for the year under review, is that the turnaround strategy is delivering the expected outcomes. What is pleasing is that this improvement has been driven not only by the reduction of costs as expected, but also by top line growth. The state of the economy and reduced consumer spending remain a concern and management remains vigilant in driving efficiencies and exploring growth opportunities, without taking on undue risk.

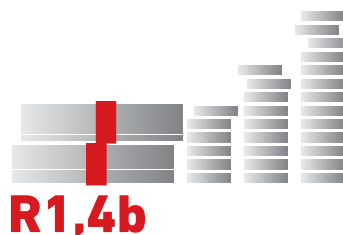
### Results in brief

30 April	2018	2017*
<b>Group – Continuing operations</b>		
Revenue (Rm)	1 418	1 311
Profit/(loss) for the year (Rm)	38	(249)
Operating costs	332	358
Cash flow from operating activities (Rm)	42	53
Headline profit/(loss) per share for the year (cents) – Continued	8,07	(4,97)
Headline profit/(loss) per share for the year (cents) – Group	7,89	(7,45)
<b>Consumers – Goods and services</b>		
Turnover (Rm)	1 301	1 144
Gross profit (Rm)	372	315
Operating expenses (Rm)	298	313
Operating profit/(loss) before impairments (Rm)	67	(8)

\* Restated

### Group revenue for the year

↑ 8%



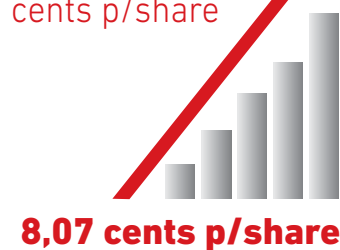
### Overhead costs

↓ 7%



### Headline earnings – continuing operations

↑ 263%  
cents p/share



## Our strategy

The Group's strategy aims to create value for our stakeholders over the long term, and focuses on several key factors, considered essential for the continued sustainability of the company. We will grow by extracting value through business and operational management expertise, as well as product application and market knowledge.

Key factors driving our improved strategy include:

- Lowering operating costs
- Managing stock levels efficiently whilst increasing fill rates at store level
- Increasing EBITDA
- Increasing sales across all product categories
- Centralising all shared services
- Increasing points of presence, brand and product category awareness
- Keeping abreast of technological trends and acting accordingly
- Being first to market with relevant product innovations based on consumer needs and research

## Our investment case

Ellies is a brand leader in South Africa in its identified product categories and industry sectors. For the past 38 years, we have come to be recognised for:

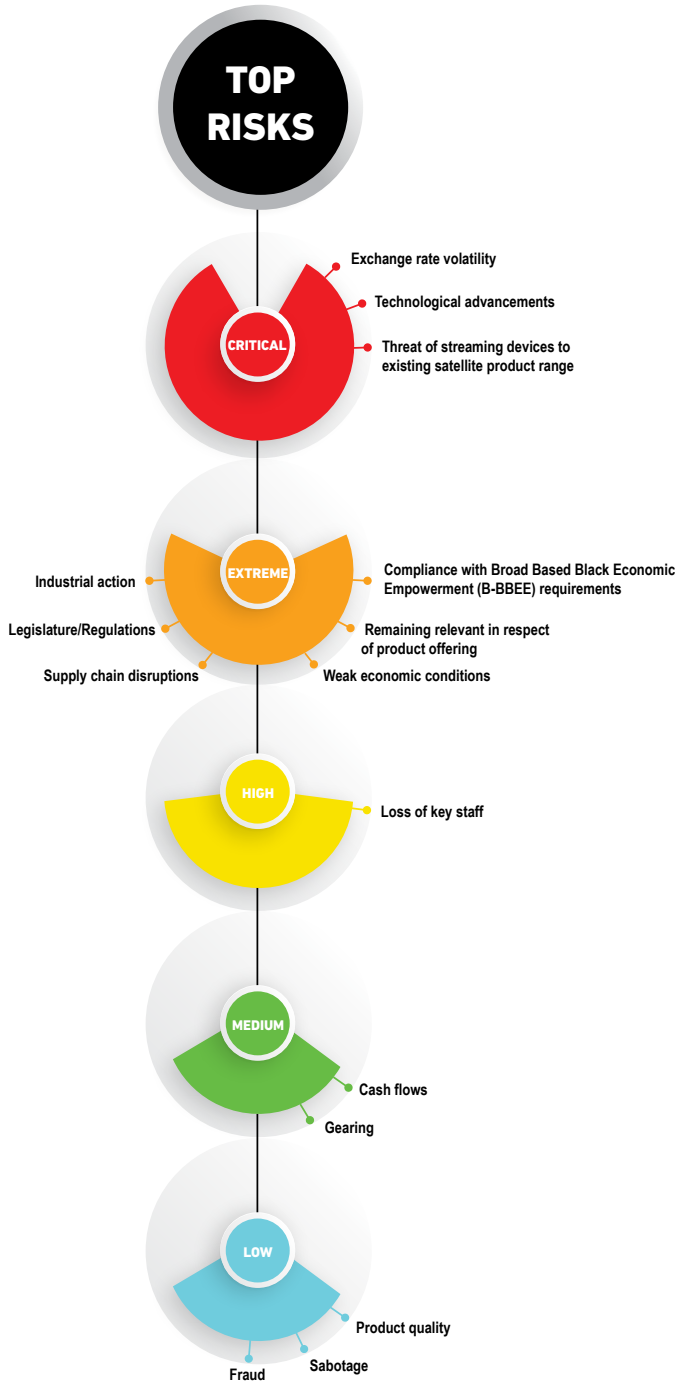
- Excellent product diversification
- Leading and trusted brand names, e.g. Elsat and Ellies, in the South African electronics market with substantial market penetration
- Product innovation
- Being uniquely positioned to benefit from DTT
- Having leading product technology in both domestic and commercial lighting
- A growing commercial division offering bespoke turnkey solutions in proprietary LED lighting, PV solar, signal, sound and AV equipment, and cable and fibre distribution networks
- Being a business positioned for growth opportunities in Southern Africa and on the continent
- Having a relevant geographic footprint
- A highly experienced team, with technical ability and superior product knowledge
- Leading distribution capabilities
- An ability to identify market opportunities
- Being at the forefront of new technologies core to our business focus areas



# Material issues

Ellies' most material matters are those issues that could most significantly affect the Group's ability to create long-term sustainable value for our stakeholders. The Group has identified the following categories of material issues:

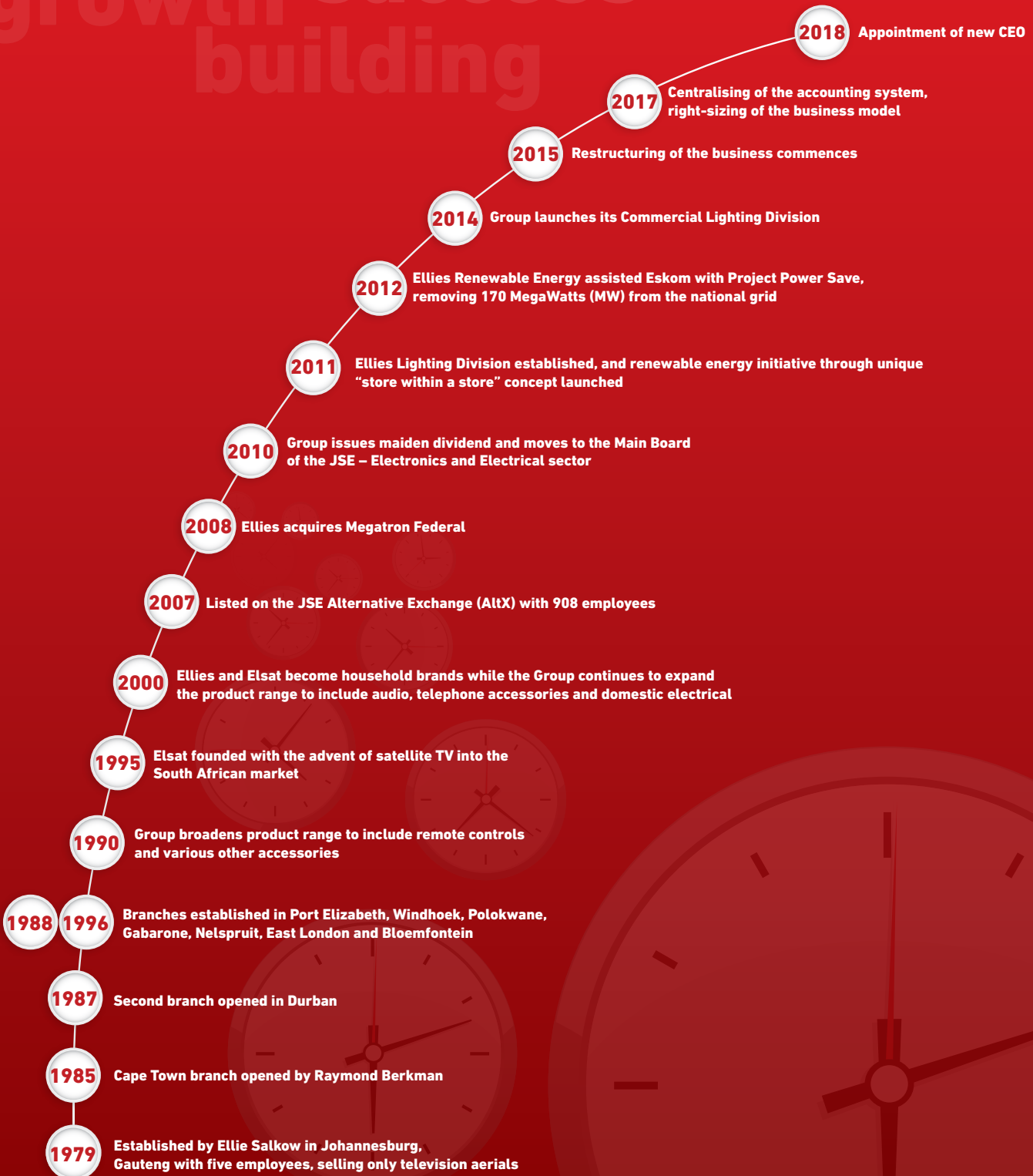
- Economic environment
- Operational
- Labour action
- Information technology



# TIMELINE

achievements milestones  
growth success  
building

Creating value for our stakeholders



# Our business model



## Financial Capital:

- Retain profit and equity for funding
- Investor relationships

## Intellectual Capital:

- Product knowledge
- Sourcing knowledge
- Market knowledge
- In-house professional teams
- Sales and marketing
- Brands and intellectual property
- R&D
- Product innovation

## Human Capital:

- Customer culture
- Values and ethics
- Technical expertise

## Social and Relationship Capital:

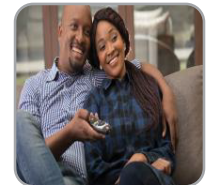
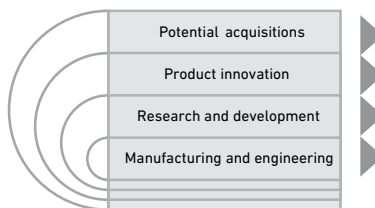
- Multifaceted installer training
- Skills and development training
- Online installation voucher capturing portal – support of Small Medium and Micro sized Entities
- Stakeholder and investor relationships

## Manufactured Capital:

- Buildings
- Equipment
- Infrastructure

## Natural Capital:

- Land
- Energy sources



## Turnkey commercial solutions

- LED lighting and PV solar
- Signal, sound and AV equipment
- Cable and fibre distribution networks

## Wholesale specialists

- Electronics
- Satellite and accessories
- TV antennae (DTT)
- Electrical
- Residential lighting

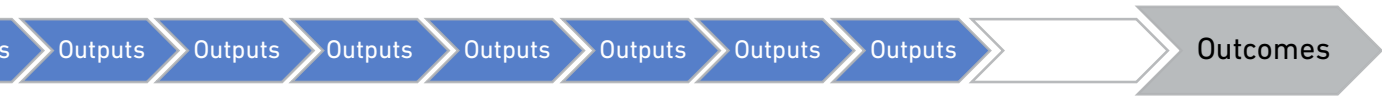
Imports

## Supported by our business activities

Products	Customer knowledge	Logistics	Our values
<ul style="list-style-type: none"> <li>▪ In-depth research and analysis (consumer trends, technology)</li> <li>• New product innovation</li> <li>• Diversification</li> <li>• Keep abreast of competitors</li> <li>• Source responsibly</li> <li>▪ Manage stock levels</li> <li>▪ Increase fill rates</li> </ul>	<ul style="list-style-type: none"> <li>▪ Impart product knowledge to customers in all product categories, ranging from satellite to lighting</li> <li>▪ Align our product ranges by product category to our identified customer needs</li> <li>▪ Entrench customer value proposition.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Centralised warehouse optimisation increasing supply chain visibility, streamlining processes</li> <li>▪ Increase operating efficiencies ensuring just in time deliveries to customers</li> <li>▪ Expand our points of presence and depth of product range to our independents, increasing customer purchasing convenience</li> <li>▪ Warehouse management system</li> </ul>	<p><b>Exceptional, principled and committed</b></p> <ul style="list-style-type: none"> <li>▪ Expressed in everything we do – from the way we package our products, to the way we present ourselves, we talk to our customers, colleagues, partners and investors.</li> </ul>

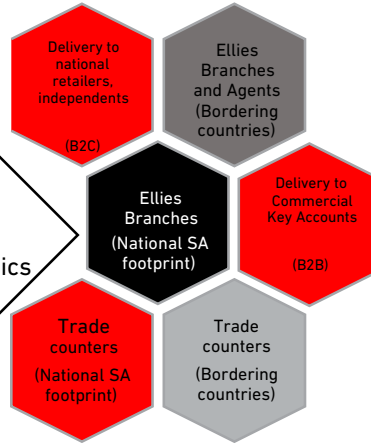
# Our purpose

We are a company that creates wealth by improving people's lives through meaningful technology and innovation. We enrich customers' lives and lifestyles.



- Other:**
- Elsat
  - Procurement
  - Product packaging
  - Product diversification

Centralised warehousing, distribution and logistics



Supported by our business activities

- Increased customer value and market share
- Increased brand awareness and perception
- New product development and innovation
- Total of 841 people employed who share in our wealth generation
- Diversified product mix aligned to our customer needs
- Contribute to country development through payment of taxes
- Increased locally manufactured products
- Optimised operational efficiencies including digitisation
- Commitment to sustaining our environment
- Assisting in lowering the country's electrical consumption with energy efficient and renewable product solutions
- Community upliftment through skills development, employment and social initiatives

Staff satisfaction	Stakeholder satisfaction	Customer satisfaction
<ul style="list-style-type: none"> <li>▪ Assist staff balance their working lives</li> <li>▪ Create an environment conducive to innovation, team work, job satisfaction and productivity</li> </ul> <p><b>Passion, purpose, people, profits</b></p>	<ul style="list-style-type: none"> <li>▪ Rebuild stakeholder trust and investor confidence</li> <li>▪ Rebuild value in the company</li> <li>▪ Share our mission and vision</li> <li>▪ Nurture and build brand equity</li> </ul>	<ul style="list-style-type: none"> <li>• Implement consumer-centric strategies</li> <li>• Identify consumer trends in the industries in which we operate and align our product and service offerings</li> <li>• Be flexible and agile in exceeding our customers' expectations</li> <li>• Service each customer as if they are our only customer</li> <li>• Exceed customer expectations</li> </ul>

# Chairman's introduction



It is with pleasure that I present to you the Ellies 2018 Integrated Annual Report, an essential part of the Group's communications with our stakeholders. Whilst prepared primarily for our current and prospective investors and funders, the report is relevant to any stakeholder who has an interest in Ellies' activities and performance.

In accordance with King IV, this report seeks to provide a concise and integrated account of how the Group's strategy, governance, performance and prospects are delivering on Ellies' core purpose – which is to be an African company that efficiently converts customer expectations into a shared value, thereby enhancing our value proposition through the constant innovation of our product offering and customer experience.

The key feature of this year's integrated report is to provide improved guidance on our governance structure and systems contributing to value creation. We have focused our disclosure in this regard to those material matters that we believe could substantively affect the Group's ability to create value over time.

## Reviewing our 2018 performance

The South African economy continues on a low growth trajectory, with the political uncertainty, particularly prior to December 2017, negatively impacting an already fragile economy and consumer confidence. This obviously negatively affected the propensity of consumers to spend and hence had negative consequences for a business such as ours.

Despite the tough circumstances, the Group delivered pleasing financial results, with headline earnings per share of 7,89 cents for 2018, versus a headline loss per share of 7,45 cents for 2017, reflecting the positive effects of the turnaround strategy that was successfully implemented throughout the business.

## Governance

To ensure that the Board and executive management team have a full understanding of the requirements of King IV, a King IV workshop was facilitated by an external party, which covered the principles underpinning King IV, as well as its application.

A King IV gap assessment was discussed at Board level as a result thereof. The Board recognises the application of the King IV Principles as leading global governance practice, and is committed to applying them to the scale and complexity of the Group. A more detailed analysis of the application to King IV can be found on our website: [www.elliesholdings.com](http://www.elliesholdings.com).

## Directorate

Our long-standing CEO, Wayne Samson, resigned on 28 February 2018 to pursue new interests. I would like to thank him for his many years of service and dedication to the company and wish him well.

## Acknowledgements

I would like to acknowledge the continued support and contribution from my Board colleagues during the year, as well as our customers, suppliers, business partners and stakeholders. We also owe a debt of gratitude to our management teams and our staff members.

**Ellie Salkow**  
Chairman and Joint CEO

30 July 2018

# Board of Directors



## Ellie Salkow

*Executive Chairman of the Board, Joint CEO and founder (65)*

Ellie 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.

Following the resignation of Wayne Samson, dispensation was obtained from the JSE for Ellie to take on the role of both executive chairman of the board (with Oliver Fortuin as the lead independent non-executive director until his resignation on 30 June 2018) and Joint CEO during this interim period until the appointment of Shaun Prithivirajh as the new CEO with effect from 1 August 2018.

Years with the Group: 39 years



## Wayne Samson

*Chief Executive Officer (53)*

Wayne Samson resigned as CEO, as of 28 February 2018.



## Adrian Bock

*Joint CEO and CFO (50)*

Adrian is a qualified Chartered Accountant, specialising in turnaround strategies, with a wealth of experience in corporate finance, mergers and acquisitions, change management, financial department set-up and re-engineering. Adrian completed his articles at PKF in Cape Town in 1997. He has been the Chief Financial Officer of an AIM-listed company (Beacon Hill Resources Plc) and the Group finance director of a JSE-listed company (Trusco Group Holdings Limited). Adrian also worked in the United Kingdom for four years at Accenture Consulting and Deutsche Bank. Upon his return to South Africa in 2001, Adrian served as one of the founding partners of an audit firm rendering a full range of financial services before founding ALB Capital, a niche corporate finance house.

Following the resignation of Wayne Samson as CEO, dispensation was obtained from the JSE for Adrian Bock to continue in his role as CFO and Joint CEO with Ellie Salkow. Adrian has subsequently resigned from the Group, effective 31 December 2018.

Years with the Group: 2 years



### Oliver Fortuin

*Lead independent non-executive director (52)*

Oliver has more than 21 years' experience in the technology industry, 16 of these with IBM, where he held various executive positions, including general manager of the IBM PC Business for Africa. He is currently employed by MTN as Group Executive for their Enterprise business. Oliver resigned from the Board with effect from 30 June 2018, due to increased demands on his time from his current employer.

Years with the Group: 6 years



### Fikile Mkhize

*Independent non-executive director (46)*

Fikile was appointed to the Board on 1 June 2012 as an independent non-executive director. She holds a Master's Degree in Business Leadership from the University of South Africa (UNISA), and is currently Executive Management at Johannesburg Roads Management responsible for IT, Legal Services, Risk Management, Institutional Performance Management. Fikile is also acting in the same position for Human Capital Management and Facilities Management. She sits on boards and board committees (audit, investment and risk) in the private and public sectors. She was appointed as the lead independent non-executive director on 19 July 2018.

Years with the Group: 6 years



### Martin Kuscus

*Non-executive director (62)*

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 Employees 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 Handelsinstituut.

Years with the Group: 3 years



### Stephen Goldberg

*Independent non-executive director (44)*

Stephen, who qualified as a Chartered Accountant in 1999, completed his articles at Grant Thornton Kessel Feinstein, thereafter joining 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 several of Peregrine's clients. In September 2002, Stephen joined Buffet Investments Proprietary Limited ('Buffet') and was involved in identifying, implementing and managing several private equity transactions in a variety of industries.

Stephen sat on the boards of various investee companies, including Sally Williams Fine Foods, Eazi Access Rentals, Kevro, The Creative Counsel and the interests of Buffet. He also guided 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.

Years with the Group: 3 years

# Joint CEO and CFO Report

The Group has presented commendable results in a challenging environment during the period under review. The results confirm the expectations of the first part of the turnaround strategy announced in last year's integrated report, and present the Group with a solid base from which to grow.

In particular, we would like to acknowledge the branch managers who have been instrumental in buying into the cost-cutting measures that were introduced as part of the strategy, and who have delivered on expectations. The second part of the turnaround strategy will now shift to head office, where significant efficiencies have been identified and will need to be realised in the forthcoming financial year.

## Overview

The predominant theme for the year under review is that the turnaround strategy is resulting in the expected outcomes. What is pleasing is that this improvement has been driven not only by the reduction of costs as expected, but also by top line growth.

## Discontinued operations

During the year management resolved to discontinue the business of African Solar Power Proprietary Limited. As a result thereof the Statement of profit and loss and other comprehensive income and Statements of cash flows are restated for the comparative period in terms of IFRS 5.

## Group results

The Group produced an 8% increase in revenue to R1,42 billion, compared to the R1,31 billion achieved in the 2017 financial year, mainly contributed by the Goods and Services segment, which was up a pleasing 14% year on year.

Trading margins were under pressure, given the weak economic environment. However, given the improved product mix and margin management, the average margins increased to 28% from 26%, which management believes can improve further and thus is targeting a 30% margin.

Overheads continued to be well managed, and reduced from R358 million to R332 million, notwithstanding once-off costs related to the turnaround. The second part of the strategy should yield a further cost reduction in the forthcoming year, of a similar quantum.

As a result of the above, we are pleased with the Group's return to profitability, with headline earnings per share of 7,89 cents per share, up from a headline loss per share of 7,45 cents per share in the comparable prior year.

The Group's continued focus on working capital management has ensured that our operations remained cash generative, resulting in increasing headroom of R30 million in our working capital facility when compared to last year.

Net working capital at 28% (2017: 30%) of revenue is improving within our 2018 target range of 25% to 30% of revenue; the mid-term goal is to reduce this to 20% to 25% of revenue range. This will remain a key management focus, especially in a geared environment, where cost of funding and interest paid remains a material expense and a drag on earnings.



### BRANCHES

Instrumental in implementing cost-cutting measures and delivery on expectations during the period.



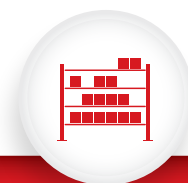
### GROUP

Turnaround strategy driven by focus on cost reductions, along with top line growth. Diversification and potential acquisitions to drive growth strategy moving forward.



### PRODUCTS

Ellies and Elsat remain strong trusted South African brands. Continued focus on PV solar and alternative energy-efficient products and solutions. Growth in corporate Lighting division, proprietary LED solutions.



### OPERATIONS

Continued optimisation of efficiencies. Implementation of warehouse management system.

The Group's after-tax return on average equity in the current year is 15%, as compared to a loss of 4% achieved in the prior year. The return, whilst significantly improved, clearly reflects much is still to be done on both the growth side and the cost side, and management is well aware of this.

Further details on the financial results are set out in the annual financial statements and accompanying notes.

## Consumer (goods and services, properties and manufacturing)

Notwithstanding the challenging economic conditions and reduction in consumer spending, the Consumer segment fared well, improving turnover to R1,42 billion, up from R1,31 billion in 2017. What is also pleasing is we managed to grow the top line whilst still being able to increase the gross profit percentage from 27% to 28%.

Operating expenses reduced by 7%, from R350 million to R332 million this year. Management is targeting a similar reduction in the forthcoming year, largely through efficiencies at head office. The segment returned headline earnings from continuing operations of R41,8 million, up from a loss of R12,9 million last year, representing headline earnings per share for continuing operations of 6,68 cents, an increase from a loss of 2,08 cents per share last year.

The satellite market remains robust and exceeded our internal forecasted numbers, whilst other product lines held their own, which was pleasing given the highly competitive environment.

Ellies continues to be an environmentally-aware-organisation, and is gradually becoming a more recognised brand in the renewable/energy-efficient sector, mainly focusing on PV and alternative energy-efficient products and solutions.

In the Corporate Lighting division, investment in the product line is starting to bear fruit, with several blue-chip clients having been signed up. Management remains optimistic that this particular area will grow exponentially during the forthcoming financial year.

Ellies and Elsat remain strong South African brands that are trusted and found in most homes in Southern Africa. We will endeavour to continue to grow the brand and remain a trusted technology leader in all our categories.

## Infrastructure

The arbitration in which the operating entity Botjheng Water Proprietary Limited (Botjheng) is involved against Cooperative Muratori Cementisti Ravenna (CMC) and which was expected to be heard in February 2018, was postponed by the arbitrator until July 2018. As such, both Botjheng and its holding company, Ellies Infrastructure Proprietary Limited, are classified as continuing operations. On finalisation of the arbitration, management may commit to a disposal and/or wind down as applicable. It should be noted that if the case is not successful, a profit on loss of control in excess of R75 million will be recognised (non-cash flow). Please refer to subsequent events for post year end updates.



### CUSTOMERS

Remaining relevant, trusted and the brand of choice. Delivering both technology and innovation in our product offering. Enhancing our customers' lifestyles, while delivering in answer to their needs.

## Subsequent events

On 24 July 2018, Botjheng and CMC entered into a Settlement Agreement, the substance thereof being that CMC agreed to pay Botjheng a net USD2.25 million in full and final settlement for all claims each party has against each other.

The effect of the settlement will be that the guaranteed provision to Standard Bank (Note 20 of the annual financial statements – Guarantee provision) will reduce to R47 million.

On 27 July 2018 the restructuring of the bank facilities with The Standard Bank of South Africa Limited was completed. The effect thereof was to restructure the debt facility, in that the property term loan of R11 million, as reflected in Note 15 of the annual financial statements, the guarantee provision of R66 million, as reflected in Note 20 of the annual financial statements, and the overdraft facility of R200 million, as reflected in Note 10 of the annual financial statements, was collapsed and substituted by a bullet 5 year facility of R85 million, an amortizing 5 year facility of R85 million and an ongoing working capital facility of R135 million.

The covenants have been set such that the Gross Debt to EBITDA cannot exceed 4,5 at 30 April 2018, 4 at 30 April 2019, 3,5 at 30 April 2020 and 3 at 30 April 2021.

## Corporate activity and expansion

No new corporate activity was undertaken during the year under review, and none has been committed to at this stage, other than as disclosed in the Consumer and Infrastructure segment information Acquisitions and further diversification of the Group and, as a result, its product offering, will become an integral part of Ellies' growth strategy.

Potential acquisitions will need to be considered and evaluated. In the evaluation of such acquisitions, the Board will consider the strategic fit and merits of each opportunity, the risk associated therewith, both in terms of the acquisition itself and in the ability to extract value there from for shareholders, on an ongoing basis. The risk will also be referenced in terms of cost, cash generation, independent oversight and specific know-how of the potential target's industry.

# Joint CEO and CFO Report (continued)

## Outlook

The current trading environment is tough and is not expected to change in the foreseeable future.

The Group remains focused on optimising operational efficiencies within its existing business and will accelerate this, particularly at head office. We are in the process of implementing a warehouse management system and will look to overhaul the way we do business by embracing digitisation, IT and accounting electronic work-flow management. The way we interact with our suppliers and customers will change significantly to reduce the cost of doing business.

The Group will also seek out strategically aligned trading and distribution-related acquisitions, as alluded to above.

## Appreciation

I would like to thank all our employees for the effort they have exerted in this tough trading environment. Without your hard work and dedication these results would not have been possible. To my fellow Board members, thank you for your guidance and support throughout the year. To all our customers, suppliers, business partners and stakeholders, I would like to express my sincere appreciation for your support and to our advisors for their guidance.

Finally, I wish the incoming CEO and management team the very best. Whilst there are headwinds still to overcome, the recent interventions leave the Group on a sound footing and a platform from which to grow.

To the staff, embrace the coming change, see it as an opportunity, and grow both as employees and individuals alike as a result.



**Adrian Bock**  
Joint CEO and CFO

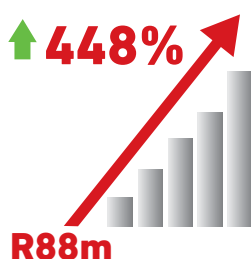
30 July 2018

# Five-year review

Year ended 30 April 2018

		2018	2017	2016	2015	2014
<b>USD Exchange rate at year end</b>	US\$	<b>12,3153</b>	13,3293	14,2238	11,8216	10,5869
<b>Statement of comprehensive income</b>						
Revenue – Continuing operations	R'000	<b>1 418 324</b>	1 311 492	1 362 761	1 590 247	1 911 002
Revenue – Discontinued operations	R'000	<b>11 382</b>	71 268	280 416	212 903	195 087
<b>Total revenue</b>		<b>1 429 706</b>	1 382 760	1 643 177	1 803 150	2 106 089
Earnings before interest, tax, depreciation and amortisation (“EBITDA”) – Continuing operations	R'000	<b>90 390</b>	(13 834)	28 520	(255 731)	66 285
Earnings before interest, tax, depreciation and amortisation (“EBITDA”) – Discontinued operations	R'000	<b>(2 165)</b>	(11 511)	(271 021)	(32 988)	101 240
<b>Total earnings before interest, tax, depreciation and amortisation (“EBITDA”)</b>		<b>88 225</b>	(25 345)	(242 501)	(288 719)	167 525
Profit/(loss) from operations – Continuing operations	R'000	<b>76 644</b>	(61 954)	14 568	(309 953)	62 692
Loss from continuing operations – Non-recurring expenses		<b>(3 510)</b>	(37 176)	–	(36 979)	–
Profit/(loss) from continuing operations – Adjusted for non-recurring expenses		<b>80 154</b>	(24 778)	14 568	(272 974)	–
(Loss)/profit from operations – Discontinued operations	R'000	<b>(2 173)</b>	(11 566)	(448 110)	(34 401)	89 153
<b>Total profit/(loss) from operations</b>		<b>74 471</b>	(73 520)	(433 542)	(344 354)	151 845
Gross profit – Continuing operations	R'000	<b>402 822</b>	334 123	406 152	241 438	663 575
Gross (loss)/profit – Discontinued operations	R'000	<b>(634)</b>	5 819	16 920	34 513	35 251
<b>Total gross profit</b>		<b>402 188</b>	339 942	423 072	275 951	698 826
<b>Statement of financial position – Continuing operations</b>						
Cash and cash equivalents	R'000	<b>(75 404)</b>	(105 190)	(98 151)	9 810	(107 470)
Total assets	R'000	<b>776 948</b>	788 544	1 291 317	1 733 515	2 088 703
Shareholders' funds (capital and reserves)	R'000	<b>310 429</b>	270 906	519 288	855 047	1 031 732
<b>Statement of cash flows – Continuing operations</b>						
Cash (utilised by)/generated from operations	R'000	<b>69 559</b>	103 895	146 233	(1 417)	(82 757)
<b>Share statistics (per share)</b>						
Earnings	Cents	<b>6,84</b>	(39,67)	(87,78)	(92,33)	24,66
Headline earnings	Cents	<b>7,89</b>	(7,45)	(57,35)	(81,34)	23,46
Distribution to shareholders	Cents	–	–	–	–	–
Net asset value	Cents	<b>51,89</b>	44,84	83,97	190,76	340,95
Tangible net asset value	Cents	<b>43,48</b>	36,44	74,74	140,70	254,39
<b>Other statistics</b>						
Shares in issue at year-end		<b>620 158 235</b>	620 158 235	620 158 235	453 057 398	303 505 691
Diluted average number of shares in issue		<b>628 158 235</b>	620 158 235	583 533 394	354 135 067	303 505 691
<b>JSE statistics</b>						
Market capitalisation	R'000	<b>236 739</b>	136 435	421 708	1 880 188	1 198 847
Share price	R	<b>0,36</b>	0,22	0,68	4,15	3,95
Price-earnings ratio	Times	<b>5,26</b>	(0,55)	(1,70)	(4,49)	16,02
<b>Selected ratios – for continuing operations</b>						
Profit/(loss) from operations as percentage of revenue	%	<b>5,71</b>	(1,87)	(14,99)	(17,17)	11,79
Current asset ratio (current assets/current liabilities)	Times	<b>1,39</b>	1,32	1,58	2,54	1,57
Quick asset ratio (current assets – inventories/current liabilities)	Times	<b>0,59</b>	0,55	0,73	2,46	0,85
Profit for the year attributable to equity holders/ shareholders interest	%	<b>14,59</b>	(3,57)	(21,33)	(22,52)	8

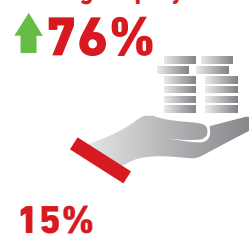
## EBITDA



## Net asset value



## After TAX return on average equity

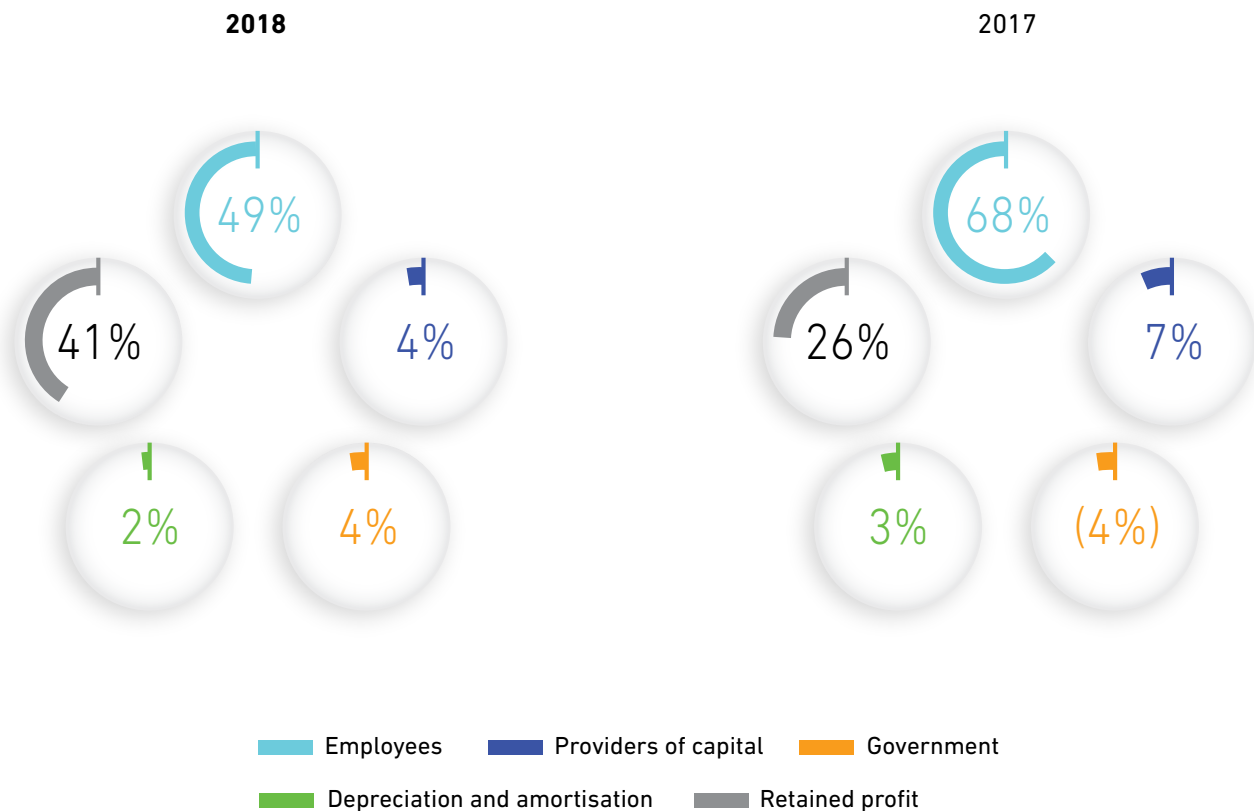


# Value-added statement

As at 30 April 2018

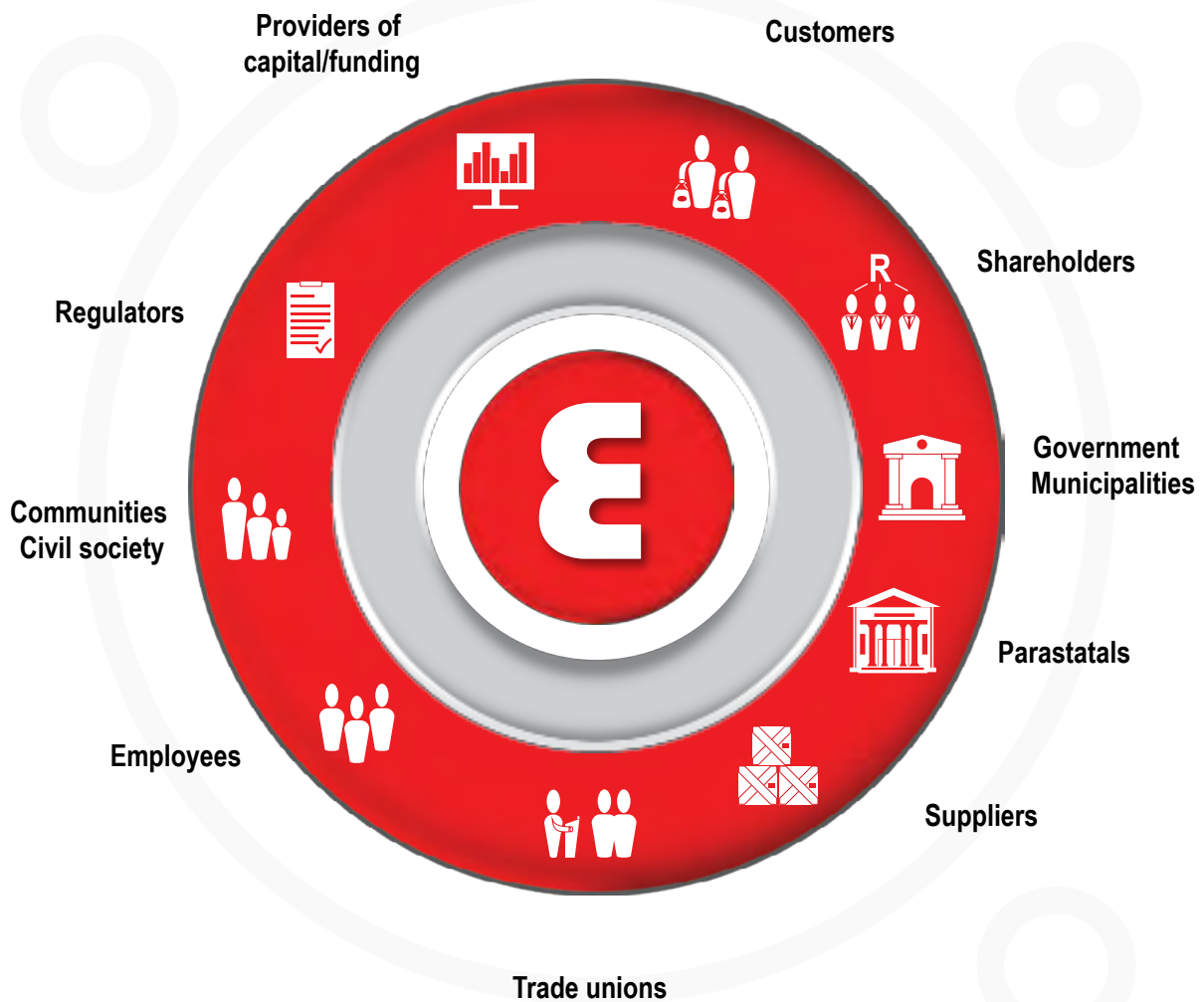
	2018		2017	
	R'000	%	R'000	%
<b>Wealth created</b>				
Turnover	1 418 324		1 311 492	
Cost of materials and other services	(1 015 502)		(977 369)	
Other income	19 842		9 550	
<b>Total wealth created</b>	<b>422 664</b>		<b>343 673</b>	
<b>Wealth distributed</b>				
Employees and contractors				
– Salaries, wages and related benefits	206 303	49	235 226	68
Providers of capital				
– Interest paid on borrowings and finance charges	18 283	4	23 446	7
Government				
– Company tax	16 415	4	(14 225)	(4)
<b>Wealth retained for replacement of assets and future growth</b>				
Amortisation of intangibles and depreciation of property, plant and equipment	9 367	2	10 944	3
Retained profit	172 296	41	88 282	26
<b>Total wealth distributed</b>	<b>422 664</b>		<b>343 673</b>	

## Wealth distribution



# Engaging our stakeholders

The Group defines its stakeholders as groups, people, organisations or communities that have a direct interest in or effect on Ellies. These include:



We are committed to constructive, transparent and continuous engagement with all our stakeholders. Our engagement efforts include informal meetings, annual general meetings, calls, customer meetings, staff meetings, conferences, seminars, workshops as well as newsletters to staff and investors.

## Engaging our stakeholders (continued)

Details of the Group's key stakeholders, the type of engagement, material issues raised and actions taken are provided in the table below:

Stakeholders	Type of engagement	Material issues raised	Action taken
<b>Shareholders</b>	Interim and final results presentations and teleconferences are held regularly. An active website is in place with dissemination of information through a defined contact list, calls with strategic shareholders as and when required	<ul style="list-style-type: none"> <li>• Cash generation</li> <li>• Group funding</li> </ul>	Meetings and informal engagements with Shareholders
<b>Customers</b>	Formalised business product presentations, planning sessions, meetings, telephone conversations, credit checks and reviews	No material issues raised	No actions needed
<b>Employees</b>	Compliance with relevant legislation	<ul style="list-style-type: none"> <li>• Promoting equal opportunity and fair treatment in employment</li> <li>• Prohibition of unfair discrimination</li> <li>• Awareness of rules and regulations within the workplace</li> <li>• Affirmative action measures</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated Human Resource Department to oversee and monitor</li> <li>• Ongoing monitoring by Social and Ethics Committee</li> </ul>
	Basic Conditions of Employment/ MEIBC Collective Agreement	Regulation of working time, holidays, leave, termination of employment	<ul style="list-style-type: none"> <li>• Dedicated Human Resource Department to oversee and monitor</li> <li>• Ongoing monitoring by Social and Ethics Committee</li> </ul>
	Communication	Communication structures in place to keep employees informed	<ul style="list-style-type: none"> <li>• Newsletters to staff</li> <li>• Staff notice boards</li> <li>• Open door communication policy</li> </ul>
	Training	Provide a safe working environment for employees	<ul style="list-style-type: none"> <li>• Health and safety training is given each year</li> </ul>
<b>Communities and civil society</b>	Active corporate social investment initiatives, community participation and assistance	No material issues raised	<ul style="list-style-type: none"> <li>• Monitoring by Social and Ethics Committee</li> </ul>
<b>Suppliers</b>	One-on-one business dealings, presentations on product features, industry analysis and research, product/technology, innovations, trends and correspondence	No material issues raised	<ul style="list-style-type: none"> <li>• Continue to maintain strong relationships with strategic suppliers</li> <li>• Supply chain risk management, including continuity</li> </ul>

Stakeholders	Type of engagement	Material issues raised	Action taken
<b>Trade unions</b>	Advance economic development, social justice, labour practices and the democratisation of the workplace	Collective bargaining/ establishment of bargaining council (only in manufacturing divisions)	Constant engagement with unions
<b>Providers of capital/funding</b>	Formal meetings, status update meetings and feedback sessions	Ongoing funding requirements	<ul style="list-style-type: none"> <li>Continue to maintain strong relationships with financiers with sufficient facilities available</li> <li>Discuss Company's long-term plans</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Meetings with regulators take place if required</li> <li>Products are constantly monitored and approved by National Regulatory Compulsory Specifications (NRCS)</li> </ul>	No material issues raised	Ellies is a member of: <ul style="list-style-type: none"> <li>SABIDA</li> <li>Lighting Association</li> <li>Energy Efficient Association</li> </ul>
<b>Parastatals</b>	Taxes paid	No material issues raised	No actions needed
<b>Government and municipalities</b>	Conference participation, meetings, industry body representation	Transformation remains a key driver for Ellies, so too compliance with municipal regulations, especially where operations could impact communities	<ul style="list-style-type: none"> <li>Obtained a B-BBEE verification certificate</li> <li>Exploring B-BBEE partnerships</li> </ul>



# Corporate Governance Report

## Commitment and approach to corporate governance

The Board is the focal point of the Group's corporate governance management system and remains ultimately responsible for its implementation and performance. In discharging this responsibility, the Board is guided by its charters and policies and further ensures that effective corporate governance is practiced consistently throughout the Group by complying with the requirements of King IV, the JSE Listings Requirements and the Companies Act, in both letter and spirit.

## Ethical leadership and corporate citizenship

The Board has set values for Ellies and these are incorporated into the Group's Code of Business Conduct (the Code). Within the Code, we have articulated our ethical values and our behavioural standards. This foundation remains the Board's platform to lead Ellies sincerely and honestly.

The Group's standards of integrity and ethics in dealing with its stakeholders at large is included in the Code. Every employee is expected to adhere to these principles and values to deliver exceptional value to our stakeholders. This is not merely a matter of knowing the "rules", but of repeatedly exercising moral thinking and applying the guidelines outlined in the Code.

The Code is reviewed by the Board and management periodically to ensure that the Group remains differentiated through people who are resolute, trustworthy and responsible.

Ellies' corporate governance structures and policies are evaluated on an ongoing basis and are amended, as appropriate, in response to changes within and external to the Group. The Board attended an externally-facilitated workshop on King IV and has incorporated the King IV practices the 2018 Integrated Annual Report where feasible at this point.

The assessment of the extent of our compliance with King IV is available on our website [www.ellies.co.za](http://www.ellies.co.za).

## Statement of compliance and application of King IV

The JSE Listings Requirements require listed companies to report on the extent to which they comply with the principles and recommendations set out in King IV. As stated in the section "About this report", the Group is on a journey with regard to full compliance with King IV. Although Ellies has applied the King IV principles, it does not comply with certain King IV practices, such as the appointment of an independent non-executive chairman.

The chairman of the Ellies Board, Ellie Salkow, is not independent. However, the Board considers 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 Group in mind.

The Group does not comply with King IV in respect of an internal audit function. However, a co-sourced reputable internal audit firm has been appointed, commencing 1 August 2018.

Following the resignation of the Group's CEO, Wayne Samson, effective February 2018, dispensation was obtained from the JSE for Adrian Bock to continue in his role as CFO and Joint CEO, and for Ellie Salkow to take on the role as both executive chairman of the Board and Joint CEO during the interim period until the appointment of a new CEO.

Subsequent to the year-end, the Group appointed Shaun Prithivirajh as the new CEO of Ellies with effect from 1 August 2018. The Board, subsequent to the resignation of Olivier Fortuin, will appoint a replacement within the 90 days as stipulated by the JSE Regulations.

The Group's sustainability reporting and disclosure are not independently assured. The Social and Ethics Committee is responsible for overseeing the level of sustainability reporting and compliance with the levels selected.

The Board is responsible for reviewing this Integrated Annual Report.

## Board of Directors

The power and authority to lead, control, manage and conduct business, including the power and authority to delegate, is vested with the Board to ensure that Ellies remains a sustainable and viable business. This responsibility is facilitated by a well-developed governance structure. In discharging its responsibilities, the Board is supported by senior management and Board committees.

### Composition of the Board

During the year under review, the Board comprised three executive directors and four non-executive directors, three of whom are independent. The Board has adopted a gender diversity policy and undertakes to ensure that by 2020, female representation on the Board is at least 15%, and a racial diversity policy and undertakes to ensure that by 2020 African representation of the Board will be at least 40%. The Board currently has one female independent non-executive director, Ms Fikile Mkhize.



## Board members

### Executive

### Non-executive



**Ellie Salkow**  
*(Executive Chairman)*

**Wayne Samson**  
*(Chief Executive Officer)<sup>#</sup>*

**Adrian Bock**  
*(Chief Financial Officer)<sup>^</sup>*

**Stephen Goldberg**  
*(Independent non-executive director)*

**Martin Kuscus**  
*(Independent non-executive director)*

**Oliver Fortuin**  
*(Lead independent non-executive director)<sup>\*</sup>*

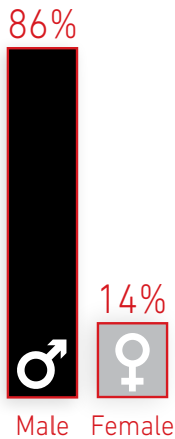
**Fikile Mkhize**  
*(Independent non-executive director)*

<sup>#</sup>Resigned as of 28 February 2018

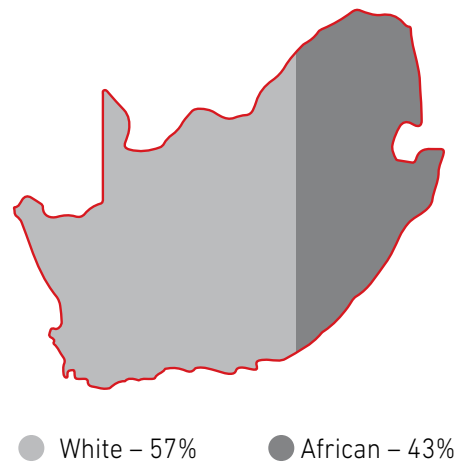
<sup>^</sup>Resigned as Joint CEO and CFO with effect from 31 December 2018

<sup>\*</sup>Resigned as of 30 June 2018

### Board by gender



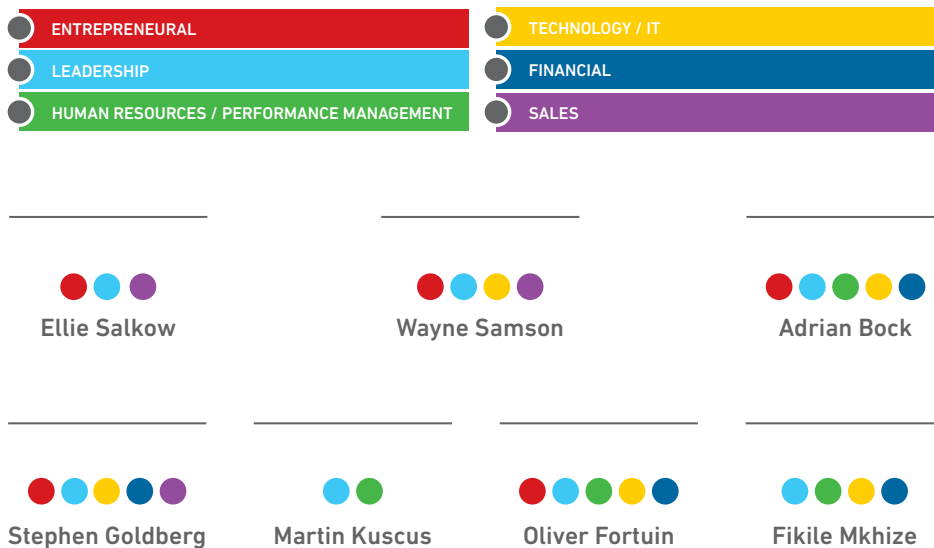
### Board by race



# Corporate Governance Report (continued)

## Board skills

The non-executive directors are individuals of the right calibre, credibility and have the necessary 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.



## Changes to the Board during the year under review

As previously mentioned, Ellies' CEO Wayne Samson resigned effective 28 February 2018. After the year-end, lead independent non-executive director to the Board, Oliver Fortuin, resigned from the Board with effect from 30 June 2018, due to increased demands from his current employer. Ellies is currently in the process of appointing a new lead independent non-executive director, which appointment will be announced in due course.

Also subsequent to the year-end, Adrian Bock resigned as CFO and Joint CEO with effect from 31 December 2018, and Shaun Prithvirajh was appointed as the new CEO of Ellies with effect from 1 August 2018.

## Board Charter

The Board is regulated by a formal Board Charter, which is reviewed annually, and codifies the role of the Board and the responsibilities of the directors. The Charter sets out the Board's responsibilities, including adoption of strategic plans, monitoring operational performance and management, determining policy and processes to ensure the integrity of the Group's risk management and internal controls, communication policy and director selection, orientation and evaluation.

## Role of the Board

Board roles and responsibilities	Members
Maximising shareholder value while maintaining good corporate governance	<ul style="list-style-type: none"> <li>• Ellie Salkow (Executive Chairman)</li> <li>• Stephen Goldberg (Independent non-executive director)</li> </ul>
Determining and monitoring implementation of strategy for the Group	<ul style="list-style-type: none"> <li>• Martin Kuscus (Non-executive director)</li> <li>• Wayne Samson (CEO)*</li> <li>• Adrian Bock (CFO)<sup>#</sup></li> <li>• Oliver Fortuin (Lead independent non-executive director)<sup>4</sup></li> <li>• Fikile Mkhize (Independent non-executive director)</li> </ul>
	<i>*Resigned as of 28 February 2018</i>
	<i><sup>4</sup>Resigned as of 30 June 2018</i>
	<i><sup>#</sup>Following Wayne Samson's resignation, appointed Joint CEO and CFO; resigned as of 31 December 2018</i>

## Responsibilities of the Board

A summary of the duties of the Board as outlined in the Board Charter are:

- Provides leadership based on an ethical foundation and ensures that the Group's ethics are effectively managed.
- Appreciates that strategy, risk, performance and sustainability are inseparable.
- Acts as the focal point for, and custodian of, corporate governance.
- Has a responsibility to all stakeholders, which includes present and potential beneficiaries of the Group's products and services, clients and employees, to achieve continuing prosperity for the Group.
- Reviews and approves financial objectives, plans and actions, including cost allocations and expenditures.
- Ensures that the Group is a responsible citizen by having regard to, not only the financial aspects of the business, but also the impact that the business operations may have socially and environmentally.
- Ensures that the Group complies with applicable laws and considers adherence to non-binding rules and standards.
- Is responsible for the governance of risk, including information technology.

## Board practices

The information needs of the Board are reviewed annually and directors have unfettered access to all company information, records, documents and property to enable them to discharge their responsibilities. Efficient and timely methods of informing and briefing Board members prior to Board meetings have been developed, with steps taken to identify and monitor key risk areas, key performance areas and non-financial matters relevant to Ellies' operations.

In this context, directors are given information on key performance indicators, variance reports and industry trends. Any director may request that additional matters be added to the agenda. Proceedings at Board meetings are properly minuted and all minutes are circulated to all Board members for review prior to being approved.

The Board also has an induction programme in place, to familiarise incoming directors with the Group'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.

Directors are further encouraged to stay abreast of the Group's businesses through independent site visits and meetings with executive management. All directors are entitled, at Ellies' expense, and after following an agreed procedure, to seek independent professional advice on any matter pertaining to the Group which they deem necessary. A brief curriculum vitae for each director is set out on pages 18 and 19 of this Integrated Annual Report.

## Board meetings

Board meetings are held at least quarterly, with additional meetings convened when required. The Board sets the strategic objectives of the Ellies Group 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.

# Corporate Governance Report (continued)

## Meeting attendance register

Name of director	Date of Board meeting 08.05.2017	Date of Board meeting 25.07.2017	Date of Board meeting 27.09.2017	Date of Board meeting 06.12.2017	Date of Board meeting 13.03.2018	Total
<b>Executive directors</b>						
1. ER Salkow	✓	✓	✓	✓	✓	5 (5)
2. WMG Samson <sup>#</sup>	✓	✓	✓			3 (5)
3. A Bock <sup>†</sup>	✓	✓	✓	✓	✓	5 (5)
<b>Non-executive directors</b>						
4. FS Mkhize <sup>*</sup>	✓	✓	✓	✓	✓	5 (5)
6. MJ Kuscus <sup>oΔ</sup>	✓	✓	✓	✓	✓	5 (5)
7. S Goldberg	✓	✓	✓	✓	✓	5 (5)
8. O Fortuin <sup>‡</sup>	✓	✓	✓	✓	✓	5 (5)

Figures in brackets indicate number of meetings held during director's tenure

<sup>#</sup> Resignation from the Board effective 28 February 2018

<sup>\*</sup> Chair of Audit and Risk Committee

<sup>o</sup> Chair of Social and Ethics Committee

<sup>Δ</sup> Chair of Remuneration Committee

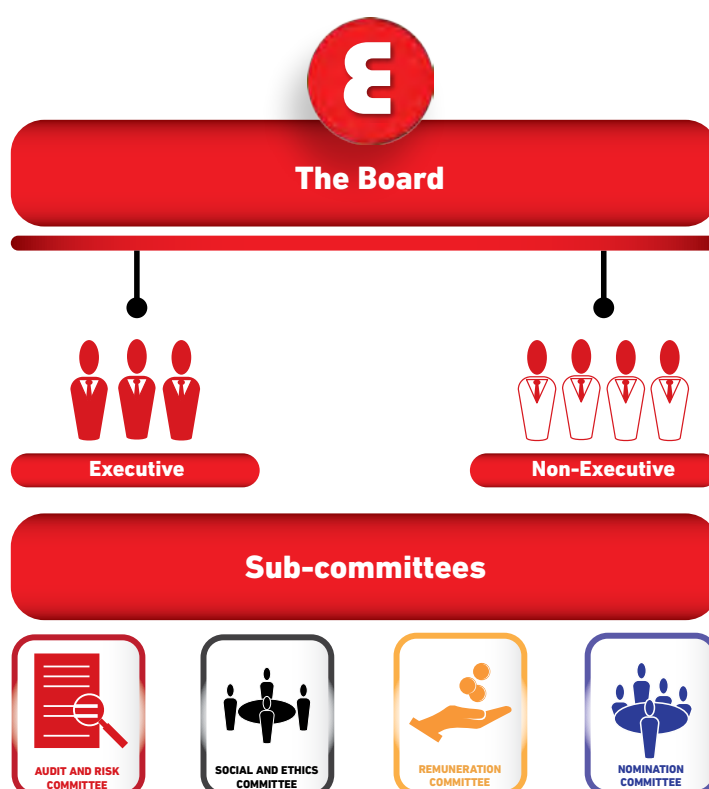
<sup>‡</sup> Lead independent non-executive; resignation from the Board effective 30 June 2018

<sup>†</sup> Following Wayne Samson's resignation, appointed Joint CEO and CFO; resignation from the Board effective 31 December 2018

## Rotation of directors

In accordance with Ellies' 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. Fikile Mkhize is subject to retirement by rotation at the upcoming Annual General Meeting and, being eligible, has offered herself for re-election.

## Governance structure



### Board sub-committees

The Board has established four sub-committees to give detailed attention to certain of its responsibilities. These are the:

- Audit and Risk Committee;
- Social and Ethics Committee;
- Remuneration Committee; and
- Nomination Committee.

These committees operate within defined, written terms of reference. The Board conducts a self-evaluation on its members annually.





The sub-committees, each with their own formal charter, deal with the detailed aspects of responsibility for governance to ensure that the main Board, which retains ultimate

responsibility for the Group, can focus on strategic matters more effectively. These sub-committees report to the Board through their respective Chairs and the minutes of these meetings are included in the Board pack of the next meeting.

These sub-committee Chairs attend the Annual General Meeting of shareholders to respond to any shareholder questions regarding their committee's areas of responsibility.

Assistance is rendered in the form of recommendations and reports submitted at Board meetings, ensuring transparency and full disclosure of the committees' activities.

For each committee's full responsibilities as well as actions taken during the year, please consult their respective reports in this Integrated Annual Report.

Committee name	Committee responsibility	Committee members
 <p><b>AUDIT AND RISK COMMITTEE</b></p>	<p>This committee bears responsibility for:</p> <ul style="list-style-type: none"> <li>• Reviewing the annual financial statements</li> <li>• Ensuring effective internal financial controls</li> <li>• Liaising with, and nominating external auditors, for appointment and approving their fees</li> <li>• Evaluating the independence of the auditors</li> <li>• Pre-approving contracts with external auditors for the provision of non-audit services</li> <li>• Over-site of risk management processes</li> <li>• Dealing with litigation and fraud matters</li> </ul>	<ul style="list-style-type: none"> <li>• Fikile Mkhize (Chair)</li> <li>• Steven Goldberg</li> <li>• Oliver Fortuin*</li> </ul>
 <p><b>NOMINATION COMMITTEE</b></p>	<p>Responsibilities include:</p> <ul style="list-style-type: none"> <li>• Review of the composition of the Board</li> <li>• Member induction, training and continuous development</li> <li>• Evaluate the effectiveness of the Board as a whole</li> <li>• Consider the performance/contributions of the non-executive directors</li> </ul>	<ul style="list-style-type: none"> <li>• Fikile Mkhize (Chair)</li> <li>• Oliver Fortuin*</li> <li>• Martin Kuscus</li> </ul>
 <p><b>REMUNERATION COMMITTEE</b></p>	<p>Responsibilities include:</p> <ul style="list-style-type: none"> <li>• Remuneration strategy</li> <li>• Non-executive director fees, including benchmarking</li> <li>• Director assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Martin Kuscus (Chair)</li> <li>• Oliver Fortuin**</li> </ul>
 <p><b>SOCIAL AND ETHICS COMMITTEE</b></p>	<p>The committee monitors:</p> <ul style="list-style-type: none"> <li>• Social and economic development</li> <li>• Good corporate citizenship</li> <li>• The environment, health and public safety</li> <li>• Consumer relationships</li> <li>• Labour and employment</li> </ul>	<ul style="list-style-type: none"> <li>• Martin Kuscus (Chair)</li> <li>• Oliver Fortuin*</li> <li>• Fikile Mkhize</li> </ul>

\* Resignation from the Board effective 30 June 2018, a new lead independent non-executive director will be appointed in due course.

# An additional non-executive director will be appointed in due course.

# Corporate Governance Report (continued)

## Nomination Committee

The Nomination Committee was established in December 2017 following the resignation of the incumbent CEO Wayne Samson and assisted with the recruitment and appointment of the new CEO. The committee has only met once formally during the year. The Nomination Committee, chaired by Fikile Mkhize, with independent non-executive directors Oliver Fortuin and Martin Kuscus as members, also considered the adoption of the terms of reference for the Nomination Committee, as well as the Board evaluation process. A full report of the activities of this committee will be included in the next Integrated Annual Report.

## Appointment of directors

Board appointments are conducted in a formal and transparent manner by the Board, free from any dominance of any one particular Board member and in accordance with the terms of reference of the Board.

New directors hold office until the next Annual General Meeting, at which time they retire and become available for re-election.

A directorship continuity programme was established to review the performance and succession planning of executive directors and continuity of non-executive directors.

## Stakeholders

Ellies promotes an inclusive approach to governance and takes account of the impact of the Group's operations on internal and external stakeholders. The approach to corporate governance strives to include all these groupings, and is based on good communication and integrated into every aspect of the business.

The Group's primary stakeholders have been identified and the details pertaining to stakeholder engagement are set out on pages 27 to 29 of this Integrated Annual Report.

## Sustainability

The Group's approach to sustainability and assessing its influence and impact on the environment and the communities in which it operates are foremost in mind when conducting business and considering and making investments.

## Fraud and illegal acts

The Group does not tolerate fraudulent behaviour and illegal acts. The Code outlines company norms and expected behaviours when dealing with fraud. Furthermore, employees are discouraged from accepting gifts or favours from suppliers that obligate them in any way to reciprocate. The Group's policy is to actively pursue and prosecute the perpetrators of any fraudulent or other illegal activities should they become aware of any such acts.

## Political contributions

The Group does not contribute to any political parties or politicians.

## Anti-competitive behaviour

The Group supports and encourages free external and internal competition in all business units and subsidiaries.

## Litigation

The services of external legal advisors are engaged by the Group when deemed necessary. The Board is not aware of any legal or arbitration proceedings that may have, or have had in the previous 12 months, a material effect on the financial position of the Group or any of its subsidiaries, other than those disclosed in the annual financial statements.

## 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:

- the impact of the macro-economic environment;
- competitors within the industry;
- foreign currency risk; and
- technological advances.

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

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

To enable the directors to meet these responsibilities, management has 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.

Material issues are identified on page 12 of this Integrated Annual Report. The Board views the Group's risk management process as effective.

The Board retains ultimate responsibility for risk management.

## IT governance

The Board has undertaken to put an IT governance policy in place, to ensure adherence to King IV's IT governance principles. During the year under review, the Board agreed that an IT expert be engaged to present to it on its responsibilities with regards to IT governance – this is currently in progress. In acknowledging that King IV requires IT governance and information governance to be dealt with separately, the Audit and Risk Committee will consider this in the coming year.

## Directors' dealings and professional advice

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

Ellies has engaged the services of an independent, professional company secretarial practice. 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 Group. The Company Secretary provides a central source of guidance and advice to the Board and within the business, on matters of ethics and good corporate governance.

The Company Secretary is subject to annual evaluation by the Board 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.

The Company Secretary is not a director of the Group or any of its subsidiaries, nor is she related or connected to any of the directors, thereby ensuring an independent arm's length relationship.

In this regard, the Board confirms that it has considered and satisfied itself on the competence, qualifications and experience of the Company Secretary during the year under review.

## Investments

The Board meets when necessary to consider acquisitions and disposal 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 meetings and, where appropriate, provides detailed explanations of the effects of resolutions to be proposed.

Communication with institutional and private shareholders and investment analysts includes 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 an appointed investor relations consultancy.

## Annual General Meeting

All the necessary information and facilities are made available to shareholders to enable them to attend the Annual General Meeting, submit forms of proxy and receive announcements and circulars in accordance with the JSE Listings Requirements. The chairman of the Board, Chair of the committees and the external auditor are available to answer questions at the Annual General Meeting.

# Audit and Risk Committee Report



## Introduction

The Audit and Risk Committee (the committee) has pleasure in submitting its report for the year ended 30 April 2018 in compliance with section 94(7) of the Companies Act. The committee acts for the Ellies Group and is an independent entity accountable to the Board. It operates within documented terms of reference and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of King IV. The committee's terms of reference were approved by the Board and are reviewed annually.

## Composition

The committee comprises three independent non-executive directors. The members are experienced business persons and all are financially literate. The committee's authority, composition, roles and responsibilities are defined in the formal terms of reference.

The committee has fulfilled its duties during the year in accordance with its written terms of reference. The committee's primary objective is to provide the Board and shareholders with assurance regarding the efficacy and reliability of the financial information, as well as to provide oversight in respect of risk management, to assist the directors in the discharge of their duties.

## Role and responsibilities

The committee provides assurance to the Board that adequate and appropriate financial and operating controls are in place and are working as intended; 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 retains overall responsibility for the Group's systems of internal financial and operational controls. The executive directors are charged with responsibility for determining the adequacy, extent and operation of these systems.

Responsibilities of the committee include:

- monitoring proposed changes in accounting policies;
- advising the Board on the accounting implications of transactions;
- reviewing the external audit coverage plan and audit fees;
- reviewing and confirming the independence of the external auditor and recommending their reappointment by shareholders at the Annual General Meeting;
- assessing adherence to controls and systems within the Group 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 Group;
- reviewing effectiveness of risk management systems; and
- confirming that the CFO, and the finance function, is adequately resourced and has appropriate levels of expertise and experience.

The committee sets in place principles related to engagement for non-audit services of the external auditors or any other practicing firm of auditors, which principles include:

- a written policy on the management, approval and threshold for non-audit services;
- that the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
- that the work being done may not conflict with any requirement of IFRS or principles of good corporate governance;
- considering the operational structure, internal standards and processes in place to ensure that the independence of the external auditor is maintained in the event that such audit firm is engaged to perform accounting or other services to its client base;
- that the Group 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;
- that the total fee earned by an audit firm for non-audit services in any financial year of the Group, expressed as a percentage of the total fee for audit services, may not exceed 35% of the audit fee, without the express approval of the committee; and
- that a firm of auditors will not be engaged to perform any management functions (e.g. acting as curator) without the express prior approval of the 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 Group and work is being performed under management's supervision.

Information relating to the provision of non-audit services by the appointed external auditors of the Group 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.

### Internal audit function

Due to the extensive involvement of the executive directors in the day-to-day activities of the companies and continuous reporting to the committee regarding internal controls, no internal audit function currently exists. The executive directors are actively involved in the management of the business and therefore ensure that an effective governance, risk management and internal control environment is in place.

The need for establishing an internal audit function is reviewed on an annual basis and, in line with numerous recent governance failures, the Board found it appropriate to formally appoint a co-sourced internal audit function commencing 1 August 2018.

Other functions of the committee include:

- Meeting separately with the external auditors to obtain assurance that they received satisfactory cooperation from management.
- Receiving and adequately responding to any complaint with regard to the content of its annual financial statements and accounting practices.
- Confirmation of the independence, competence and experience of the Company Secretary and the continued maintenance of arm's length relationship with the Board.
- Any other matter that may be delegated to it by the Board.

### Risk functions

The Board has assigned oversight of the Group's risk management function to the committee, which fulfils an oversight function regarding risks in the areas of operations, finance, reporting, fraud, information technology and ethics.

Based on the ongoing oversight of the committee, it can be concluded that nothing came to the attention of the committee and the Board that would suggest that the prevailing system of risk management is not, in all material respects, effective.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans.

During the year under review the committee discharged all its duties in respect of risk management.

### Meetings

The committee meets at least three times a year. Executives and managers responsible for finance together with the external auditors (Grant Thornton Johannesburg Partnership), attend meetings by invitation.

Name	Date of meeting 25.07.2017	Date of meeting 27.09.2017	Date of meeting 06.12.2017	Date of meeting 13.03.2018	Total
<b>Members</b>					
1. FS Mkhize*	✓	✓	✓	✓	4(4)
2. O Fortuin#	✓	✓	✓	A	3(4)
3. S Goldberg	✓	✓	✓	✓	4(4)
4. W Samson (by invitation)°	✓	✓	A		2(4)
5. A Bock (by invitation)Δ	✓	✓	✓	✓	4(4)

Figures in brackets indicate number of meetings held during director's tenure

A = apologies received

\* Chair of committee

# Lead independent non-executive; resignation from the Board effective 30 June 2018

° CEO, resigned effective 28 February 2018

Δ CFO and Joint CEO, resigned effective 31 December 2018

# Audit and Risk Committee Report (continued)



## Committee activities

In addition to undertaking the responsibilities as set out earlier in this report, the committee also carried out the following activities, *inter alia*, during the year under review:

- Approved the **annual audit work plan**.
- The committee recommended the consolidation of the Consumer Risk Committee to the Group Audit Committee, and that the committee's terms of reference be revised accordingly.
- **Reviewed the strategic risk assessment report**  
Following a successful strategic risk assessment workshop, it was deemed that no additional risks needed to be added to the risk register. The risk register was added to the committee's standing agenda. The risk register was adopted and a recommendation made to the Board to adopt the register, and for the Board to monitor the mitigation plans of key risks.
- **State of internal controls**  
The committee recommended that a cost-benefit analysis for the establishment of an internal audit function, to provide assurance on the adequacy and effectiveness of internal controls.
- **Key audit matters**  
Reviewed the key audit matters (KAMS) as highlighted in the Audit Work Plan, and flowing from the KAMS raised in the 2017 annual financial statements relating to, *inter alia*, goodwill impairment, inventory, trade receivables, and deferred tax asset.
- **Going concern assessment**  
The committee concluded that there were no material deficiencies in management's assessment of going concern.
- **Regulatory and legislative universe review**  
As a result of this assessment, the committee recommended that all line managers should be required to confirm compliance with the legislation and regulation applicable to their areas of responsibility. The committee also recommended that an external resource be appointed to undertake a gap analysis to assess the Group's current levels of compliance with relevant and applicable legislation and regulation. Following this, the business heads would be tasked with ensuring that their areas of responsibility were compliant. The committee made one final recommendation that a Legal Compliance Officer be appointed by the Group to ensure compliance going forward.
- **Changes to the Regulatory and Legislative Environment**  
The committee also noted and discussed the impact of the JSE Listings Requirements, King IV and mandatory rotation of external auditors.

- **King IV workshop and training**

Members of the Board and the executive undertook training on the requirements of King IV to ensure that the Group will be compliant with King IV.

- **Internal audit**

The committee, in line with the requirements of King IV and considering recent corporate failures attributable to governance and risk lapses, resolved that a formal internal audit function be set up. A reputable audit firm has been appointed to provide a co-sourced internal audit function as from 1 August 2018.

## Assurance

The committee confirmed that they were prudent in exercising their duties of care and skill and they have taken reasonable steps to ensure that they performed their duties in accordance with the mandate.

## Financial Reporting

The committee confirms that Ellies has established appropriate financial reporting procedures and that those procedures are operating.

On behalf of the Audit and Risk Committeee

**Fikile Mkhize**

*Audit and Risk Committee Chair*

# Remuneration Report



## Part 1: Background statement

The Group recognises that remuneration has a direct impact on operational expenditure, corporate culture, employee behaviour and ultimately, on the Group's sustainability. Responsibility for the remuneration philosophy and policy rests with the Remuneration Committee.

## Compliance with King IV

Ellies has embarked on a journey towards full compliance with King IV, and is committed to improving its reporting, including that on remuneration going forward. This report is thus structured in terms of the King IV recommendations.

## Composition

The Remuneration Committee comprised two non-executive directors (Martin Kuscus and Oliver Fortuin) and was chaired by a non-executive director (Martin Kuscus) during the year under review. The executive chairman, CEO and CFO attend meetings by invitation, but do not participate in discussions and decisions regarding their own remuneration. A Third non-executive director will be appointed to the remuneration committee in due course.

## Role and responsibilities

The Remuneration Committee is mandated by the Board to recommend to the Board the remuneration and incentive strategies and arrangements in respect 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 the Board sub-committees. These fees are approved by shareholders at the Annual General Meeting.

It is also thus the role and responsibility of the Remuneration Committee to measure the performance of the executive directors in discharging their functions and responsibilities. No remuneration of any nature shall be paid, increased or varied to any director without the prior approval of the members of the committee, as well as that of the Board.

## Meetings

The Remuneration Committee meets when necessary, but at least once a year. During the year under review, the Remuneration Committee held one meeting, attended as follows:

Name of director	Date of meeting – 25 July 2017 Attended
MJ Kuscus*	✓
O Fortuin <sup>#</sup>	✓
W Samson (by invitation) <sup>o</sup>	✓
A Bock (by invitation) <sup>Δ</sup>	✓

\* Chair of Audit & Risk Committee

<sup>#</sup> Lead independent non-executive; resignation from the Board effective 30 June 2018

<sup>o</sup> CEO, resigned effective 28 February 2018

<sup>Δ</sup> CFO and Joint CEO, resigned effective 31 December 2018

## Activities

During the year under review, the committee recorded its approval and acceptance of its terms of reference and recommended these to the Board for adoption. The remuneration policy was revised in the context of King IV.

In addition, the Remuneration Committee recommended a benchmarking exercise be facilitated by Human Capital around executive remuneration. It further agreed that this exercise be conducted annually with regards to Board members, branch managers and key personnel.

## Key areas of focus for the coming year

The Remuneration Committee has identified the following areas as a key focus for the coming year:

- Identify, develop and retain a skilled and knowledgeable workforce.
- Develop and retain existing talent.
- Attract the best new talent whilst addressing our race and gender profile.
- Engage with employees at all levels.

## Voting on remuneration at the Annual General Meeting

Ellies' remuneration policy received support from the shareholders who voted in favour of the policy at the most recent Annual General Meeting, held on Friday, 8 December 2017. The results are detailed in the table below:

Resolution	Description	Shares voted	For	Against	Abstained
Special Resolution 3.2	Approval of non-executive directors' remuneration: To approve an increase in non-executive directors' remuneration of no more than 10% over the next two years	379 173 600	378 865 608 – 99,92%	307 992 – 0,08%	1 427 363 – 0,22%

As required by King IV, shareholders will be asked to exercise non-binding advisory votes on the remuneration policy and the implementation thereof.

# Remuneration Report (continued)



We encourage all shareholders to provide feedback and contributions regarding their position on the various voting requirements. Should we fail to achieve the required 75% affirmative votes for either the remuneration policy or the implementation report, or both, we will include an outline of the process and timing of our proposed engagement with shareholders to resolve the unsatisfactory result in the SENS announcement issued to announce the results of voting at the annual general meeting.

## Part II: Remuneration Policy

The objectives of the Ellies remuneration policy are to enable the business to:

- retain competent employees who enhance business performance;
- reward, recognise and confer appreciation for superior performance;
- direct employees' energies and activities towards key business goals;
- recruit high-performing, skilled individuals from a shrinking pool of talent; and
- achieve the most effective returns (employee productivity) for total employee spend.

To achieve this, Ellies rewards its executives and managers in a way that reflects the dynamics of the market and the context in which it operates. All components of this remuneration policy, including the fixed pay and variable pay for performance, are aligned to the strategic direction of the business.

Should shareholders wish to review the remuneration policy, please contact head office.

## Part III: Implementation report

As mentioned elsewhere in this Integrated Annual Report, compensation is an important aspect to attracting and retaining key talent, as well as managing performance. To ensure our continued competitiveness in the battle for talent, Ellies conducts salary benchmark exercises every year against national surveys.

In most areas, we meet our objective of compensating at the 50th percentile for the general workforce and between 50-75th percentile for executives and employees possessing specialist skills.

Salary increases are CPI-linked.

The long-term incentive plan has been a long-standing component of incentivising management performance, 29,45 million share options were issued during the course of this year in terms of the long-term incentive plan.

## Directors' remuneration and fees

For the year ended 30 April 2018

Director	Fees for services		Company benefits	Total 2018	Total 2017
	as director	Salary			
	R'000	R'000	R'000	R'000	R'000
<b>Executive directors</b>					
ER Salkow	–	2 117	60	2 177	2 142
WMG Samson*	–	3 750	324	4 098	2 995
AL Bock**	–	2 550	270	2 820	2 462
<b>Non-executive directors</b>					
OD Fortuin***	300	–	–	300	300
S Goldberg	240	–	–	280	280
M Kuscus	220	–	–	220	220
FS Mkhize	225	–	–	225	225
	<b>985</b>	<b>8 417</b>	<b>653</b>	<b>10 120</b>	<b>8 624</b>

\* Resigned 28 February 2018

\*\* Resigned effective 31 December 2018

\*\*\* Resigned 30 June 2018

## Directors' shareholding

At 30 April 2018

Director	Direct beneficial		Indirect non-beneficial		Total 2018	Total 2017
<b>Executive directors</b>						
ER Salkow	119 924 067	7 057 872	126 981 939		120 516 567	
AL Bock	1 561 578	–	1 561 578		–	
	<b>124 752 034</b>	<b>592 500</b>	<b>125 344 534</b>		<b>125 344 534</b>	

8 million share options have been awarded to AL Bock. (Refer to page 89 of this Integrated Annual Report.)

## Assurance

The Remuneration Committee is governed by formal terms of reference and confirmed that they were diligent in exercising their duties of care and skill and they have taken reasonable steps to ensure that they performed their duties in accordance with the committee's mandate.

On behalf of the Remuneration Committee

**Martin Kuscus**

Remuneration Committee Chair



# Social and Ethics Committee Report

## Introduction

The Social and Ethics Committee (the committee) has pleasure in submitting its report for the year ended 30 April 2018. The committee assists the Board in monitoring Ellies' performance as a good and responsible corporate citizen and performs its duties in terms of regulation 43 under the Companies Act. The committee is further governed by its terms of reference which are reviewed annually and updated with relevant changes to legislation, other legal requirements and codes of best practice.

## Composition

The Social and Ethics Committee comprised two independent non-executive directors (Stephen Goldberg and Oliver Fortuin) and was chaired by a non-executive director (Stephen Goldberg) during the year under review. The executive chairman, CEO, CFO and Human Capital representatives attend meetings by invitation.

## Role and responsibilities

The committee has adopted terms of reference which outline its areas of responsibility, and include the monitoring of the Group's activities relating to:

- social and economic development (including implementation of anti-corruption measures; B-BBEE and employment equity-related matters, etc);
- good corporate citizenship (including promotion of equality and ethical behaviour in terms of the Group's Code of Business Conduct, as well as corporate social responsibility promotion of equality;
- prevention of unfair discrimination and zero-tolerance towards bribery and corruption;
- compliance with relevant legislation, including amongst others, the Employment Equity Act, PAIA Manual and the Protection of Personal Information (PoPI) Act;
- environmental, health and safety matters;
- consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and
- labour and employment issues, including skills development and education.

## Broad-based black economic empowerment

In South Africa, transformation is a business imperative. Having conducted business in the country for more than 39 years, Ellies remains committed to empowerment and transformation. Our approach to transformation is founded on three objectives:

- **Licence to operate:** Many significant clients and customers expect B-BBEE compliance to secure important tenders and contracts.
- **Bolstering our reputation** as a good corporate citizen.
- **Diversity as a catalyst for innovation:** Transformation means bringing together a mix of skill, experience, culture and races. These can help to build an environment ready for success.

### Our performance

In 2018, the Group achieved a level eight score under the revised generic B-BBEE codes. Our performance against the five scorecard elements was as follows:

Element	Element weighting	Score
Ownership	25,00	25,00
Management and control	19,00	8,38
Skills development	20,00	0,00
Enterprise and supplier development	40,00	25,49
Socio-economic development	5,00	1,44
<b>Overall score</b>	<b>109,00</b>	<b>60,31</b>

**Ownership:** Full ownership points were achieved due to the B-BBEE equity holding in Ellies.

**Management and control:** Black representation among leadership remains a challenge at Ellies. While we are aware of this challenge and are committed in improving diversity in our workforce, several factors have made it difficult to change in the short term:

- **Restructuring within operations** means that we are not able to bring in many new employees at present.
- **Turnover at Ellies is quite low**, particularly among senior leadership, many of whom have been with the company for service. Few departures mean few opportunities to fill roles with black candidates. As positions become available, however, we are committed to sourcing black talent where possible.
- **Scarce skills in certain disciplines**, particularly among black candidates, make sourcing qualified leaders a challenge.

# Social and Ethics Committee Report (continued)

**Skills development:** Sourcing and developing people with the right skills is critical to our ability to innovate. In South Africa, the pool of black talent – particularly in some disciplines – is limited because of the country's educational legacy. Due to the financial performance of Ellies in the reporting year, including the restructuring across our operations, very limited investment into skills development has been done.

Ellies is committed to playing a role in rectifying this imbalance and in future aims to spend the stipulated 3% of group payroll developing our employees.

**Enterprise and supplier development:** Procurement poses one of the biggest challenges for the Group to maintain its B-BBEE status going forward. Ellies is currently undertaking an exercise to engage with its suppliers and identify those that are black-owned and empowered. Our goal is to channel our discretionary spend to suppliers with a minimum of level 4 empowerment.

The Ellies Training Academy was started on the back of the need for properly trained installers as well as to create jobs for individuals in the immediate Ellies community. The training programme is presented at all our branches.

A total of 628 installers graduated from the Training Academy during this reporting period, an increase of 27 installers when compared to last year's 601 graduates.

**Socio-economic development:** Ellies' socio-economic development expenditure is done through its corporate social investment (CSI) programme.

The Social and Ethics Committee will continue to focus on Ellies Holdings Limited and the Group companies' progress regarding B-BBEE and on initiatives that enhance both the scorecard and drive transformation.

**Employment equity:** Employment equity, particularly at the more senior levels, is something that the Social and Ethics Committee continues to focus on. During the year under review, the Group reviewed and updated its Employment Equity Plan, which was approved by this committee. Ellies is not currently compliant with the Employment Equity Act for 2018, but is making every effort to ensure compliance.

## Meetings

The Social and Ethics Committee held two meetings during the year. As reported last year, the terms of reference were reaffirmed, as was the role of this committee reinstated in 2017 after a difficult period for the Group.

Name	Date of meeting	Date of meeting	Total
	19.06.2017	26.02.2018	
<b>Members</b>			
1. S Goldberg*	A	✓	1(2)
2. O Fortuin <sup>#</sup>	✓	✓	2(2)
3. W Samson <sup>o</sup>	✓	A	1(2)
4. A Bock <sup>Δ</sup>	A	✓	1(2)

Figures in brackets indicate number of meetings held during director's tenure

A = apologies received

\* Chair of Social and Ethics Committee

<sup>#</sup> Lead independent non-executive; resignation from the Board effective 30 June 2018

<sup>o</sup> CEO, resigned effective 28 February 2018

<sup>Δ</sup> CFO and Joint CEO, resigned effective 31 December 2018

## Stakeholder engagement

As communicated elsewhere in this Integrated Annual Report, Ellies undertakes stakeholder engagement in compliance with King IV and the Companies Act. The Group regards transparent and open communication with stakeholders as critical to its long-term success.

The Group's list of primary stakeholders is reviewed annually by the Social and Ethics Committee to ensure it reflects the key groupings with whom Ellies interacts. Our engagement with stakeholders seeks to understand their concerns and identify ways to address the various social, economic and environmental challenges the Group may face.

## Analysts, shareholders and potential investors

Ellies' senior management engages with analysts, shareholders, the broader investment community and other providers of financial capital regularly. These interactions include results presentations, one-on-one investor meetings, and through its website. The Group is supported by an investor relations consultancy to ensure clear communication of key information to the investment community.



## Committee activities

In addition to the responsibilities falling under their remit as detailed in this report, during the year under review, the Social and Ethics Committee further deliberated on the following issues:

- **Consumer relations and protection** – specifically compliance with the Protection of Personal Information (PoPI) Act. This remains a standing agenda item.
- **Race and Gender diversity** – the Group signed a Race and Gender Diversity Policy during the year under review.
- **ISO status** – an ISO audit was undertaken in December 2017, with success been achieved across Ellies' operations.
- **B-BBEE** – a key area of responsibility for the Social and Ethics Committee is B-BBEE. The Social and Ethics Committee continued to review the Group's B-BBEE strategy at all levels to ensure that Ellies is achieving transformation targets that meet both the letter and the spirit of B-BBEE.

## Assurance

The Social and Ethics Committee confirmed that they were prudent in exercising their duties of care and skill and they have taken reasonable steps to ensure that they performed their duties in accordance with the mandate.

On behalf of the Social and Risk Committee

### Martin Kuscus

*Social and Ethics Committee Chair*

# Sustainability Review

Ellies strives to make a difference to the communities within which we operate. 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 enhanced management of material risks, will enhance sustainability reporting in the future.

## Economic

On page 25 of the Integrated Annual Report Ellies has plotted the 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 provision is made for this.

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

The Group has a well-diversified mix of products sourced and manufactured locally as well as from international suppliers. We also manufacture and package a large amount of our own products.

## Human capital

Our employees embody the Group's innovative, entrepreneurial spirit and are a key factor in its success. Ellies' essential skills and experience of its workforce will be even more critical in the future. It is therefore essential that we continue to invest in and nurture our people to meet our strategic objectives.

### Our performance

As at year-end, Ellies employed 841 permanent staff, down 4% from 2017 (878). Ellies Electronics employs the greatest proportion (78%) of our employees. Ellies' Industries, by comparison, employs 22%. The reduction in Ellies numbers from 2017 is due to the restructuring of operations within Ellies.

### Core skills and talent management

Ellies continues to invest in the skills and development of its people through training opportunities and deliberate and ongoing performance feedback. Our most essential skills requirements vary across all disciplines and different regions. We recruit new talent based on – among other things – their experience in these areas, however, we also invest in developing skills through learnership programmes.

### Attraction and retention of talent

Even amidst a challenging period for the Group, its employees remain loyal to the organisation. Overall employee turnover at a group level was 3,2%, up from 3,1%. We believe this marginal increase to be due to business restructuring.

Compensation is also an important aspect to attracting and retaining key talent as well as managing performance. Ellies will review compensation of employees on an annual basis.

### Performance

Ellies has long valued and encouraged an entrepreneurial working environment in which employees are empowered to innovate. This spirit is what sparked the company's inception and remains evident in the workforce today.

As our businesses come together under the brand proposition we are conscious of the importance of unifying our workforce under a single shared vision and culture. This transition takes time because, in many cases, the businesses have evolved independently over decades.

### Reducing our workforce

Morale can present a challenge when company performance is in decline. Our strategy of refocusing the business has also meant that certain areas throughout the Group have been restructured. We realise that this can place our employees under pressure and therefore strive to treat them with respect and fairness throughout the journey. This means communicating candidly as soon as information is in the public domain, and looking after employees' interests, even when their future does not lie with the Group.

We are conscious of the human impact these decisions have and therefore do not take them lightly. Over the course of the year, our workforce contracted by 4% because of restructuring.



**Labour relations**

At year-end, 39% of our total workforce was unionised. The unions represented in the business are NUMSA, SACCAWU and Abanqobi. Ellies Industries forms part of the MEIBC (Metal Industries Bargaining Council). However, Ellies Electronics falls outside the bargaining council and therefore engages with unions at plant level. All labour disputes have been resolved during the reporting year.

**Looking ahead**

In a cost savings environment, scaling back investment in employees can be tempting but doing so would run contrary to our need to preserve a highly skilled and innovative workforce equipped to deliver on our strategic objectives. We have therefore taken a firm decision to review our training and development expenditure and expect to spend an average of 3% of payroll for this – more than the 2,4% minimum according to the Code of Good Practice.

An engaged workforce is a stable and productive one. We are committed to providing an environment that is conducive to delivery and founded on the values that drive a high-performance culture within our business.

**Environment**

Lighting in all our offices as well as our warehouses is energy efficient, and the Group has installed solar power at its head office in Johannesburg. We do not yet, however, measure the direct or indirect energy consumption of our facilities, but are in the process of putting in place a system to measure energy consumption. Due to the Group not measuring its energy consumption, no comparison can be made to measure the savings made due to conservation and efficiency improvements.

Our head office is supplied with water from Johannesburg Water, and water consumed in respect of day-to-day operations is modest, therefore the Group does not measure water consumption, and will not do so in future. Ellies currently has an initiative in place to collect rain water, and recycles and re-uses this water in our day-to-day operations.

All land occupied by Ellies is in various main metropolitan areas and, therefore, the operations have no impact on any protected areas. As the day-to-day operations of the Group have no significant impact on the environment in which we operate, 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 (International Union for Conservation of Nature) IUCN Red List Species’ habitats are affected by any of our operations.

Ellies, as a Group, is extremely aware of the impact that our operations have on the environment and will in future have in place, where necessary, ways in which to measure the effect of the impact of these operations on the environment, by comparing measurements, year on year.

**Human rights**

The fundamentals and values of Ellies 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. Ellies opposes the use of child labour and is not aware of any such practice across the Group’s operations.

**Practices and decent working conditions**

Employees ensure that Ellies remains competitive, its service levels remain high and its business is conducted in an ethical and profitable manner. Our commitment to our employees spans a variety of areas including employment equity; health and safety; basic human rights; HIV/Aids and skills development.

We are further guided by prevailing legislation including the Basic Conditions of Employment Act; the Labour Relations Act; the Skills Development Act; the Occupational Health and Safety Act; and the Employment Equity Act.

The Group acknowledges that employees have the right to exercise freedom of association and collective bargaining. Unprotected strike action is deemed a risk to Ellies’ manufacturing operations and therefore we endeavour to consult or negotiate effectively and responsibly with the respective trade unions.

**Employment equity**

Ellies’ recruitment policies are codified, in accordance with the Employment Equity Act, to attract the necessary competencies while creating equal employment opportunities. Our policies, including our updated Employment Equity Plan, are geared towards attracting, retaining and promoting our staff through career development and succession planning at all levels.

**Health and safety**

The Group is committed to ensuring a safe and healthy working environment and to ensuring compliance with the Occupational Health and Safety Act.

**Society**

Unfortunately, due to continued cash flow constraints during the financial year, the Group was unable to implement many of the projects that the CSI team had planned. However, the CSI projects as detailed on page 48 were supported to the total amount of R105 142.

Management is confident that once liquidity is restored, the Ellies Engage programme will resume all activities.



# Sustainability Review (continued)

## Fraud and corruption

All Ellies employees are aware of the Group's zero tolerance to corruption within and outside of the organisation, as stated in our Code of Business Conduct 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 or via email. Once an incident of corruption has been reported, the legitimacy of the allegations will be investigated and appropriate action will be taken, which could lead to the 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 – and no fines were issued for any non-compliance with laws or regulations.

## Product responsibility

Ellies has a diversified range of products that are sold throughout the country and is vigilant as to the safety of the products purchased by customers. All Ellies products are tested and approved by Ellies' R&D 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.

## Corporate social responsibility

Ellies socio-economic development expenditure is done through its corporate social investment (CSI) programme. We use our expertise to focus on projects close to our business, ensuring that we have the maximum positive impact while raising interest in the business and helping us to maintain a close relationship with the beneficiaries with whom we partner.

While it is not a material business issue, investing in our communities is an important demonstration of our company values and is closely linked to our social licence to operate.

## 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, through active involvement in initiatives and projects that support and care for vulnerable groups and people in need.

With our country facing complex 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 a joint initiative in association with Ellies. The project provides a loaf of bread and soup to individuals in under-privileged communities in the townships of the Western Cape. During this financial period 600 students received food parcels daily as part of the project.

## Ellies Installer School (Ellies Training Academy)

Established in 2008 to support Ellies' commitment to both B-BBEE and growing the SMME sector, Ellies' training programmes are geared towards equipping trainees with the knowledge and skills needed to run a business and install terrestrial and satellite TV, PA and audio/video security systems and PV solar systems under 1 MW to residential homes and gated communities.

We further assist and support our upskilled beneficiaries by outsourcing work to them via both our prepaid installation voucher system, granted tenders and customer requirements. It's just another way that Ellies is trying to contribute to social upliftment and grow the Ellies Family. All courses are run separately and focused to the subject matter enrolled for, are subsidised and are run based on demand with a minimum of 40 applicants per course per training module. Our training facilities and courses are all SETA-approved.

As part of the basic Ellies/Elsat accreditation process, trainees complete the Ellies Installer Introduction course (our most popular course), with Ellies presenting up to three courses per month.

Additional courses include:

- **Installer level 2 course:** The course is designed to prepare DStv/satellite installers with practical and theoretical knowledge and skills used in the broadcasting industry, and to formalise existing installers' knowledge of satellite products, standards and applications to enhance their effectiveness in the field. We are responsible for training and accreditation of all MultiChoice accredited installers.
- **DTT refresher training:** DTT refresher training: A one day course covering , transmission signals and broadcasting network structure, practical Installations and troubleshooting along with aerial characteristics
- **Practical PV :** This is a two-day solar PV practical course providing two CPD points to successful trainees.

A total of 628 installers graduated from the Installer School during this reporting period, an increase of 27 installers when compared to last year's 601 graduates.



## Analysis of ordinary shareholders

as at 28 April 2018

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 022	24,90%	425 626	0,06%
1 001 – 10 000	1 620	39,47%	6 806 203	1,03%
10 001 – 100 000	1 058	25,78%	39 172 708	5,96%
100 001 – 1 000 000	322	7,85%	96 465 593	14,67%
Over 1 000 000	82	2,00%	514 738 105*	78,27%
<b>Total</b>	<b>4 104</b>	<b>100,00%</b>	<b>657 608 235*</b>	<b>100,00%</b>

## Share trading statistics

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	5	0,12%	2 867 180	0,44%
Close corporations	39	0,95%	1 738 438	0,26%
Collective investment schemes	22	0,54%	58 788 519	8,94%
Control accounts	1	0,02%	4	0,00%
Custodians	7	0,17%	7 540 611	1,15%
Foundations and charitable funds	9	0,22%	4 441 108	0,68%
Hedge funds	4	0,10%	11 167 250	1,70%
Insurance companies	1	0,02%	2 125 644	0,32%
Investment partnerships	17	0,41%	1 376 141	0,21%
Managed funds	5	0,12%	4 019 287	0,61%
Medical aid funds	3	0,07%	5 300 076	0,81%
Organs of state	2	0,05%	88 845 109	13,51%
Private companies	82	2,00%	24 626 097	3,74%
Public companies	1	0,02%	250	0,00%
Public entities	3	0,07%	3 978 126	0,60%
Retail shareholders	3 698	90,11%	268 598 914	40,84%
Retirement benefit funds	47	1,15%	81 573 261	12,40%
Scrip lending	1	0,02%	7 214 978	1,10%
Stockbrokers and nominees	8	0,19%	18 855 582	2,87%
Treasury	1	0,02%	37 450 000*	5,69%
Trusts	147	3,58%	27 100 660	4,12%
Unclaimed scrip	1	0,02%	1 000	0,00%
<b>Total</b>	<b>4 104</b>	<b>100,00%</b>	<b>657 608 235</b>	<b>100,00%</b>

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
<b>Non-public shareholders</b>	<b>18</b>	<b>0,44%</b>	<b>301 761 336</b>	<b>45,89%</b>
Beneficial holders > 10%: Government Employees Pension Fund	1	0,02%	80 413 155	12,23%
Directors of the company or any of its subsidiaries	16	0,39%	183 898 181	27,96%
Treasury	1	0,02%	37 450 000	5,69%
<b>Public shareholders</b>	<b>4 086</b>	<b>99,56%</b>	<b>355 846 899*</b>	<b>54,11%</b>
<b>Total</b>	<b>4 104</b>	<b>100,00%</b>	<b>657 608 235*</b>	<b>100,00%</b>

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Mazi Capital	190 071 034	28,90%
Allan Gray	40 976 204	6,23%
<b>Total</b>	<b>231 047 238</b>	<b>35,13%</b>

<b>Beneficial shareholders with a holding greater than 3% of the issued shares</b>	<b>Number of shares</b>	<b>% of issued capital</b>
Salkow Elliot Ralph Mr	119 924 067	18,24%
Government Employees Pension Fund	80 413 155	12,23%
Ellies Holdings Staff Incentive Trust	37 450 000*	5,69%
Alexander Forbes Investments	30 462 038	4,63%
Eskom Pension and Provident Fund	25 410 278	3,86%
<b>Total</b>	<b>293 659 538</b>	<b>44,66%</b>
<b>Total number of shareholdings</b>	<b>4 104</b>	
<b>Total number of shares in issue</b>	<b>657 608 235*</b>	

## Market performance

Opening price 1 May 2017	R0,20
Closing price 30 April 2018	R0,36
Closing high for period	R0,45
Closing low for period	R0,15
Number of shares in issue	657 608 235*
Volume traded during period	202 275 203
Ratio of volume traded to shares issued (%)	30,76
Rand value traded during the period	R62 993 299
Price-earnings ratio as at 30 April 2018	5,16
Earnings yield as at 30 April 2018	19,39
Dividend yield as at 30 April 2018	–
Market capitalisation at 30 April 2018	R236 738 965

\* Share options totalling 37 450 000, not shares were issued to key staff. The company will seek to have the shares cancelled as soon as possible in compliance with JSE Regulations and the Companies Act. The shares in issue will then be 620 158 235, with any dilution for share options calculated per note 14 of the annual financial statements.

## Shareholders' diary

Interim period	31 October 2018
Interim results	6 December 2018
Year-end	30 April 2018
Year-end results	30 July 2018
Publication of Integrated Annual Report	31 July 2018
Annual General Meeting	7 December 2018

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## **Your needs. Our technology**

Our customers are not really interested in our products – they are more interested in what our products enable them to do. Our customers do not buy lamps: they buy energy efficient light. They do not buy satellite dishes: they buy entertainment. They don't buy signal distribution: they buy fibre solutions. They don't buy speakers: they buy sound.

We are proud of our achievements. We are skilled in our approach and honourable in our attitude. That's how we do business.

# Statement of responsibility by the Board of Directors

Year ended 30 April 2018

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 consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that these consolidated annual financial statements fairly present the consolidated and separate statement of financial position, results of operations and business of the Group, and explain the transactions and the financial position of the Group at the end of the financial year in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the financial statements and Group financial statements.

The consolidated annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 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 consolidated and separate 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 2019 and, in light of this review and the current financial position, they have no reason to believe that the Group will not be a going concern in the foreseeable future. The consolidated and separate financial statements support the viability of the Group.

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 consolidated and separate financial statements have been examined by the Group's external auditors and their report is presented on pages 57 to 59.

These consolidated and separate financial statements have been prepared under the supervision of the Group's Joint CEO and CFO, Adrian Bock CA(SA).

## Board approval

The consolidated and separate annual financial statements as set out on pages 55 to 107, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 July 2018 and were signed on its behalf by:



**Ellie Salkow**  
Chairman and Joint CEO



**Adrian Bock**  
Joint CEO and CFO

# Declaration by Company Secretary

Year ended 30 April 2018

We certify that, to the best of our knowledge and belief, the requirements as stated in section 88(2) of the Companies Act of South Africa, have been met and that all returns, as required of a public company in terms of the aforementioned Act, have been submitted to the Companies and Intellectual Property Commission and that such returns are true, correct and up to date.



**CIS Company Secretaries Proprietary Limited**  
*Company Secretary*

30 July 2018

# Independent auditor's report

Year ended 30 April 2018

## To the shareholders of Ellies Holdings Limited

### Report on the audit of the consolidated and separate financial statements

#### Opinion

We have audited the consolidated and separate financial statements of Ellies Holdings Limited (the group) set out on pages 64 to 107, which comprise the consolidated and separate statements of financial position as at 30 April 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 April 2018, 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment testing</b></p> <p>At 30 April 2018, the Group has goodwill with carrying values of R51.4 million, recognised on the acquisition of various subsidiaries in previous periods. In terms of IFRS, management are required to perform an impairment test on goodwill at least annually, and are also required to perform an impairment test if indicators of impairment are identified.</p> <p>We have determined this is a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management, as disclosed in Note 2 to the financial statements.</p> <p>No impairment of the goodwill was identified in the current financial period.</p>	<p>In considering the appropriateness of management's judgement and estimation used in the testing of indication of impairment for the goodwill, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed the model for compliance with ISA 36 Impairment of Assets.</li> <li>• Assessed the determination of Cash Generating Units based on our understanding of how management monitors the Group's operations and makes decisions about groups of assets that generate independent cash flows.</li> <li>• Verified the mathematical accuracy and appropriateness of the methodology applied in the underlying model and calculations.</li> <li>• Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry.</li> <li>• Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process.</li> <li>• Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the Group.</li> <li>• Performed a sensitivity analysis of the key assumptions applied in the model and considered the potential impact of reasonably possible downside changes in these key assumptions.</li> </ul>

# Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Reasonability testing of allowance for obsolete inventory</b></p> <p>As disclosed in Note 7 to the financial statements, the allowance for obsolete inventory has decreased year on year as a result of better inventory control and implementation of the new stock management system.</p> <p>Management assessed the inventory items on a line by line and item by item basis. The obsolescence allowance is based on inventory items that are not considered to be sellable due to oversupply or redundant technology.</p> <p>Accordingly, the estimation for obsolete inventory requires significant judgement and estimation and is therefore considered a key audit matter.</p>	<p>In considering the appropriateness of management's judgement and estimation used in the determination of the allowance for obsolete inventory, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• A computer assisted auditing technique (CAAT) was used to determine the sales rate of all the inventory on hand based on historical sales.</li> <li>• Recalculated the allowance, also taking into account specific inventory items identified where we obtained market research to support that the product should not be provided for or provided for at a lower rate.</li> <li>• Held discussions with management on specific items as to whether these should be provided for or not.</li> </ul>
<p><b>Impairment of trade receivables</b></p> <p>Trade receivables represent 31% of the assets of the Group and serve as security for a majority of the Group's short term debt.</p> <p>As disclosed in Note 8 to the financial statements, 34% of the trade receivables are passed due but not impaired.</p> <p>The estimation of the allowance for trade receivables requires significant management judgment and estimates and is therefore considered a Key Audit Matter.</p>	<p>In considering the appropriateness of the allowance for trade receivables we performed the following audit work:</p> <ul style="list-style-type: none"> <li>• Used Computer Assisted Audit Techniques to ensure the ageing of the debtors is correct.</li> <li>• Considered payments from trade receivables subsequent to year-end, past payment history and other explanations and evidence obtained to identify potentially impaired balances.</li> <li>• Challenged the appropriateness of management's assumptions applied in their assessment of the allowance for trade receivables.</li> <li>• Considered the appropriateness and completeness of disclosure provided in this regard.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg Partnership has been the auditor of Ellies Holdings Limited for 10 years.

*Grant Thornton*

### GRANT THORNTON

Registered Auditors  
Practice Number: 903485E

**C Botha**  
Partner  
Registered Auditor  
Chartered Accountant (SA)

30 July 2018

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

# Directors' report

Year ended 30 April 2018

## Nature of business and operations

### Consumer

The segment 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 service the business to business commercial market sector with customised turnkey solutions across various product categories, including proprietary LED lighting, PV Solar, audio/video, signal, cable and fibre distribution networks along with satellite and AV systems. Our product and service offering includes full project management, customised design, supply and or product installation, utilizing the latest technology designed to suit our customers specific requirements
- In-Toto Solutions, a broad-based black empowerment company formed to leverage the collective strengths of its shareholders to establish a presence and project management competence in the clean energy space.

### Infrastructure

The segment is involved in the design and construction of water and waste water treatment plants.

## Group results

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

## Stated 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 2018 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 and Joint CEO)*  
WMG Samson *(CEO), resigned 28 February 2018*  
AL Bock *(Joint CEO and CFO), resigned effective 31 December 2018*

### Lead independent non-executive:

OD Fortuin *Resigned 30 June 2018*  
FS Mkhize *Appointed as lead on 19 July 2018*

### Independent non-executive:

S Goldberg  
FS Mkhize

### Non-executive:

MJ Kuscus

In terms of the Memorandum of Incorporation, FS Mkhize director will retire at the upcoming Annual General Meeting and, being eligible, offers herself for re-election.

## Directors' emoluments

Details of emoluments paid to directors are as follows:

For the year ended 30 April 2018

Director	Fees for services as director R'000	Salary R'000	Company benefits R'000	Total 2018 R'000	Total 2017 R'000
<b>Executive directors</b>					
ER Salkow	–	2 117	60	2 177	2 142
WMG Samson*	–	3 750	348	4 098	2 995
AL Bock**	–	2 550	270	2 820	2 462
<b>Non-executive directors</b>					
OD Fortuin***	300	–	–	300	300
S Goldberg	240	–	40	280	280
M Kuscus	220	–	–	220	220
FS Mkhize	225	–	–	225	225
	<b>985</b>	<b>8 417</b>	<b>718</b>	<b>10 120</b>	<b>8 624</b>

\* Resigned 28 February 2018

\*\* Resigned effective 31 December 2018

\*\*\* Resigned 30 June 2018

## Directors' shareholding

At 30 April 2018

Director	Direct beneficial	Indirect non-beneficial	Total 2018	Total 2017
<b>Executive directors</b>				
ER Salkow	119 924 067	7 057 872	126 981 939	120 516 567
AL Bock	1 561 578	–	1 561 578	–
Totals	<b>121 485 645</b>	<b>592 500</b>	<b>125 344 534</b>	<b>120 516 567</b>

8 million share options have been awarded to AL Bock. (Refer to page 89.)

There has been no change in the number of shares held from the date of the year end up to the date of signing this report.

## 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 other than the Joint CEO and CFO, Adrian Bock, who has a six-month notice period. 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 with regards to service and restricted agreements.

## Company Secretary

The Company Secretary is CIS Company Secretaries Proprietary Limited.

# Directors' report (continued)

Year ended 30 April 2018

## 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 under the supervision of AL Bock (CA)SA, the CFO.

## Audit and Risk Committee Report

The committee has fulfilled its responsibilities for the year under review. Full details of the responsibilities and duties of the Audit and Risk Committee are included in the Corporate governance section of this Integrated Annual Report.

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 have been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.

The Audit and Risk 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.

The audit committee has reviewed the performance of the external auditor, the partner and the firm and has complied with paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the sustainability for appointment of the external auditor and the audit partner.

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 CFO, AL Bock, 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.

## 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 period under review.

## Going concern

The directors believe that the Group, as consolidated, 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. In reaching this conclusion the Board *inter alia* considered the real drivers on this assumption, being the forecasted cash flows for the ensuing financial year, in particular those of the Consumer segment and assumptions embedded therein, together with the restructure of the Group's banking facilities. The essence thereof being the ability of the company to absorb the Megatron SA Proprietary Limited contamination worst case, the duration of R170 million of debt being extended to a term of five years, with a general short-term loan facility of R135 million. The Board also applied its mind to the current funding headroom and the levels of the financial covenants to be maintained, financial performance outlook and the conditions precedent of the term sheet, all of which are deemed under management's control.

Other factors the Board further considered include:

The Group has a net asset carrying value of circa R310 million, and a tangible net asset value of R259 million.

The potential contamination from the Infrastructure segment is fully understood and provided for where applicable, and the fact that the only operating company held on the balance sheet for the Infrastructure segment is Botjheng Water Proprietary Limited (Botjheng). Had the deconsolidation of Botjheng taken place at 30 April 2018, it would have released an adjusted profit on loss of control of R75 million.

### Subsequent events

On 24 July 2018, Botjheng and CMC, entered into a Settlement Agreement, the substance thereof being that CMC agreed to pay Botjheng USD2.25 million in full and final settlement for all claims each party has against each other.

The effect of the settlement will be that the guarantee provision to Standard Bank (Note 20 – Guarantee provision) will reduce to R47 million.

Subsequent to the year-end, the Group appointed Shaun Prithvirajh as the new CEO of Ellies with effect from 1 August 2018.

No other subsequent events occurred that require further disclosure.

On 27 July 2018 the restructuring of the bank facilities with The Standard Bank of South Africa Limited was completed, the effect thereof was to restructure the debt facility, in that the property term loan of R11 million, as reflected in Note 15, the guarantee provision of R66 million, as reflected in Note 20, and the overdraft facility of R200 million, as reflected in Note 10, was collapsed and substituted by, a bullet 5 year facility of R85 million, a amortizing 5 year facility of R85 million and an ongoing working capital facility of R135 million.

The covenants have been set such that the Gross Debt to EBITDA cannot exceed 4,5 at 30 April 2018, 4 at 30 April 2019, 3,5 at 30 April 2020 and 3 at 30 April 2021.

# Statements of financial position

as at 30 April 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>138 814</b>	148 691	<b>359 130</b>	359 126
Property, plant and equipment	1	75 979	76 492	–	–
Goodwill	2	51 438	51 438	–	–
Investments in subsidiaries	4	–	–	359 126	359 126
Deferred taxation	6	11 397	20 761	4	–
<b>Current assets</b>		<b>632 444</b>	61 723	<b>2 320</b>	2 334
Inventories	7	368 616	374 502	–	–
Trade and other receivables	8	241 939	221 840	39	–
Taxation receivable		1 097	1 161	10	23
Loan to subsidiaries	9	–	–	2 204	2 266
Bank and cash balances	10	20 792	15 220	67	45
		<b>4 250</b>	27 130	–	–
Non-current assets held for sale	11	4 250	27 130	–	–
<b>Group disposals held for sale/distribution</b>	12	<b>1 440</b>	–	–	–
Consumer and property segment		1 440	–	–	–
<b>Total assets</b>		<b>776 948</b>	788 544	<b>361 450</b>	361 460
<b>EQUITY AND LIABILITIES</b>					
<b>Total shareholders' interests</b>		<b>310 429</b>	270 906	<b>361 364</b>	361 375
Stated capital	13	837 212	837 212	837 212	837 212
Non-distributable reserves	14	(175 267)	(176 532)	–	–
Accumulated loss		(340 173)	(382 594)	(475 848)	(475 837)
Equity attributable to equity holders of the parent		<b>321 772</b>	278 086	<b>361 364</b>	361 375
Non-controlling interests		(11 343)	(7 180)	–	–
<b>Non-current liabilities</b>		<b>7 490</b>	32 806	–	–
Interest-bearing liabilities	15	4 847	30 689	–	–
Deferred taxation	6	2 643	2 117	–	–
<b>Current liabilities</b>		<b>458 115</b>	484 832	<b>86</b>	85
Interest-bearing liabilities	15	6 804	6 700	–	–
Vendor loans payable	17	–	3 000	–	–
Shareholder loans payable	18	–	2 000	–	–
Trade and other payables	19	211 634	200 300	86	82
Provisions	20	67 230	75 576	–	–
Taxation payable		901	886	–	3
Third-party loans	16	75 350	75 960	–	–
Bank overdrafts	10	96 196	120 410	–	–
<b>Group disposals held for sale/distribution</b>	12	<b>914</b>	–	–	–
Consumer and property segment		914	–	–	–
<b>Total equity and liabilities</b>		<b>776 948</b>	788 544	<b>361 450</b>	361 460

# Statements of profit and loss and other comprehensive income

for the year ended 30 April 2018

	Notes	Group		Company	
		2018 R'000	2017* R'000	2018 R'000	2017 R'000
<b>Revenue</b>	21	<b>1 418 324</b>	1 311 492	<b>1 872</b>	800
Cost of sales		<b>(1 015 502)</b>	(977 369)	–	–
<b>Gross profit</b>		<b>402 822</b>	334 123	<b>1 872</b>	800
Other income		<b>19 842</b>	9 550	–	–
Operating expenses		<b>(332 274)</b>	(357 507)	<b>(1 887)</b>	(788)
Depreciation		<b>(9 367)</b>	(10 547)	–	–
Amortisation of intangible assets		–	(397)	–	–
<b>Operating profit/(loss) before impairment of intangibles assets</b>		<b>81 023</b>	(24 778)	<b>(15)</b>	12
Impairment of non-current assets held for sale	11	<b>(869)</b>	–	–	–
Impairment of intangible assets	3	–	(2 381)	–	–
Impairment of property, plant and equipment	1	–	(17 181)	–	–
Impairment of loans to associate	5	<b>(3 136)</b>	(15 380)	–	–
Impairment of goodwill	2	–	(2 234)	–	–
Impairment of loans		<b>(374)</b>	–	–	–
Impairment of investment		–	–	–	(491 763)
<b>Profit/(loss) from operations</b>	22	<b>76 644</b>	(61 954)	<b>(15)</b>	(491 751)
Interest received	23	<b>3 268</b>	2 883	–	–
Interest paid	24	<b>(18 283)</b>	(23 446)	–	–
Share of losses from associates	5	–	(2 427)	–	–
<b>Profit/(loss) before taxation</b>		<b>61 629</b>	(84 944)	<b>(15)</b>	(491 751)
Taxation	25	<b>(16 415)</b>	14 225	<b>4</b>	(3)
<b>Profit/(loss) for the year: continuing operations</b>		<b>45 214</b>	(70 719)	<b>(11)</b>	(491 754)
Loss: discontinued operations	12	<b>(6 956)</b>	(178 766)	–	–
<b>Profit/(loss) for the year</b>		<b>38 258</b>	<b>(249 485)</b>	<b>(11)</b>	<b>(491 754)</b>
<i>Other comprehensive income:</i>					
Items that will be reclassified subsequently to profit or loss					
– Foreign currency translation reserve		<b>(278)</b>	(449)	–	–
– Tax effect on foreign currency translation		<b>(11)</b>	(3)	–	–
<b>Total comprehensive income/(loss) for the year</b>		<b>37 969</b>	(249 934)	<b>(11)</b>	(491 754)
<i>Profit/(loss) attributable to:</i>					
Equity holders of the parent		<b>42 421</b>	(245 986)	<b>(11)</b>	(491 754)
Non-controlling interests		<b>(4 163)</b>	(3 499)	–	–
<b>Net profit/(loss) after tax</b>		<b>38 258</b>	(249 485)	<b>(11)</b>	(491 754)
<i>Total comprehensive income/(loss) attributable to:</i>					
Equity holders of the parent		<b>42 132</b>	(246 435)	<b>(11)</b>	(491 754)
Non-controlling interests		<b>(4 163)</b>	(3 499)	–	–
<b>Total comprehensive income/(loss) for the year</b>		<b>37 969</b>	(249 934)	<b>(11)</b>	(491 754)
– Basic earnings/(loss) per share (cents)	26	<b>6,84</b>	(39,67)		
– Headline earnings/(loss) per share (cents)	26	<b>7,89</b>	(7,45)		
– Diluted earnings/(loss) per share (cents)	26	<b>6,75</b>	(39,67)		
– Diluted headline earnings/(loss) per share (cents)	26	<b>7,79</b>	(7,45)		

\* 2017 restated in terms of IFRS 5, refer to Accounting Policy Note 2.2

# Statements of changes in equity

for the year ended 30 April 2018

	Stated capital R'000	Foreign currency translation reserve R'000	Non- distributable reserves R'000	Accumulated loss R'000	Equity attributable to equity holders of the parent R'000	Non- controlling interests R'000	Total equity R'000
<b>Group:</b>							
<b>Balances as at 1 May 2016</b>	837 212	1 964	(179 599)	(138 834)	520 743	(1 455)	519 288
Total comprehensive income/(loss) for the year	–	(449)	–	(245 986)	(246 435)	(3 499)	(249 934)
Change of control	–	–	1 402	2 226	3 628	(2 226)	1 402
Share-based payment reserve	–	–	150	–	150	–	150
<b>Balances as at 30 April 2017</b>	<b>837 212</b>	<b>1 515</b>	<b>(178 047)</b>	<b>(382 594)</b>	<b>278 086</b>	<b>(7 180)</b>	<b>270 906</b>
Total comprehensive income/(loss) for the year	–	(289)	–	42 421	42 132	(4 163)	37 969
Share-based payment reserve	–	–	1 554	–	1 554	–	1 554
<b>Balances as at 30 April 2018</b>	<b>837 212</b>	<b>1 226</b>	<b>(176 493)</b>	<b>(340 173)</b>	<b>321 772</b>	<b>(11 343)</b>	<b>310 429</b>
	Note 13	Note 14	Note 14				
<b>Company:</b>							
<b>Balances as at 1 May 2016</b>	837 212	–	–	15 917	853 129		
Total comprehensive income/(loss) for the year	–	–	–	(491 754)	(491 754)		
<b>Balances as at 30 April 2017</b>	<b>837 212</b>	<b>–</b>	<b>–</b>	<b>(475 837)</b>	<b>361 375</b>		
Total comprehensive income/(loss) for the year	–	–	–	(11)	(11)		
<b>Balances as at 30 April 2018</b>	<b>837 212</b>	<b>–</b>	<b>–</b>	<b>(475 848)</b>	<b>361 364</b>		
	Note 13						

# Statements of cash flows

for the year ended 30 April 2018

	Notes	Group		Company	
		2018 R'000	2017* R'000	2018 R'000	2017 R'000
<b>Cash flows from operating activities</b>		<b>42 317</b>	52 820	<b>(40)</b>	2
Cash generated from operations	27	<b>69 559</b>	103 895	<b>(50)</b>	35
Interest received	28	<b>201</b>	2 885	–	–
Interest paid	28	<b>(18 310)</b>	(23 419)	–	–
Taxation paid	29	<b>(6 191)</b>	884	<b>10</b>	2
Dividends paid	30	–	(35)	–	(35)
Cash flows – continuing operations		<b>45 259</b>	84 210	<b>(40)</b>	2
Cash flows – discontinued operations	12	<b>(2 942)</b>	(31 390)	–	–
<b>Cash flows from investing activities</b>		<b>16 152</b>	(19 046)	–	–
Acquisitions of property, plant and equipment		<b>(9 118)</b>	(9 065)	–	–
Proceeds on disposal of property, plant and equipment		<b>613</b>	6 942	–	–
Proceeds on disposal of non-current assets held for sale		<b>24 734</b>	–	–	–
Loss of control	12	–	(9 575)	–	–
Loan to associate		<b>(69)</b>	(7 293)	–	–
Cash flows – continuing operations		<b>16 160</b>	(18 990)	–	–
Cash flows – discontinued operations	12	<b>(8)</b>	(55)	–	–
<b>Cash flows from financing activities</b>		<b>(27 795)</b>	(40 573)	<b>62</b>	–
Repayment of interest-bearing liabilities	31	<b>(25 738)</b>	(39 863)	–	–
Shareholders' loans (paid)/raised		–	(98)	<b>62</b>	–
Third-party loans paid		<b>(957)</b>	–	–	–
Cash flows utilised by continuing operations		<b>(26 695)</b>	(39 961)	<b>62</b>	–
Cash flows utilised by discontinued operations	12	<b>(1 100)</b>	(612)	–	–
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30 674</b>	(6 798)	<b>22</b>	2
Foreign currency translation reserve – net movement on cash and cash equivalent		<b>(283)</b>	(241)	–	–
Cash and cash equivalents at the beginning of the year		<b>(105 190)</b>	(98 151)	<b>45</b>	43
<b>Cash and cash equivalents at the end of the year</b>	10	<b>(74 799)</b>	(105 190)	<b>67</b>	45
<i>Cash and cash equivalents consist of:</i>					
Bank and cash balances		<b>21 397</b>	15 220	<b>67</b>	45
Continuing operations		<b>20 792</b>	15 220	<b>67</b>	45
Discontinued operations	12	<b>605</b>	–	–	–
Bank overdrafts		<b>(96 196)</b>	(120 410)	–	–
Continuing operations		<b>(96 196)</b>	(120 410)	–	–
	10	<b>(74 799)</b>	(105 190)	<b>67</b>	45

\* 2017 restated in terms of IFRS 5, refer to Accounting Policy Note 2.2



Standard	Details of amendments	Annual periods beginning on/or after
<b>IFRS 15 Revenue from Contracts with Customers</b>	<ul style="list-style-type: none"> <li>• New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.</li> <li>• The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</li> <li>• The new standard supersedes: <ul style="list-style-type: none"> <li>– IAS 11 Construction Contracts;</li> <li>– IAS 18 Revenue;</li> <li>– IFRIC 13 Customer Loyalty Programmes;</li> <li>– IFRIC 15 Agreements for the Construction of Real Estate;</li> <li>– IFRIC 18 Transfers of Assets from Customers; and</li> <li>– SIC-31 Revenue – Barter Transactions Involving Advertising Services.</li> </ul> </li> </ul>	1 January 2018
<b>IFRS 16 Leases</b>	<ul style="list-style-type: none"> <li>• New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.</li> <li>• IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.</li> <li>• IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>• IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> <li>• IFRS 16 supersedes the following Standards and Interpretations: <ul style="list-style-type: none"> <li>– IAS 17 Leases;</li> <li>– IFRIC 4 Determining whether an Arrangement contains a Lease;</li> <li>– SIC-15 Operating Leases – Incentives; and</li> </ul> </li> <li>• SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</li> </ul>	1 January 2019

# Principal accounting policies (continued)

for the year ended 30 April 2018

## 1. Basis of preparation (continued)

### 1.1 Standards and interpretations issued but not yet effective (continued)

Standard	Details of amendments	Annual periods beginning on/or after
<b>IAS 12 Income Tax</b>	<ul style="list-style-type: none"> <li><i>Annual Improvements 2015 – 2017 Cycle</i>: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.</li> </ul>	1 January 2019
<b>IAS 28 Investments in Associates and Joint Ventures</b>	<ul style="list-style-type: none"> <li>Long-term interest in Associates and Joint Ventures: Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</li> </ul>	1 January 2019
<b>Interpretations</b>		<b>Annual periods beginning on/or after</b>
<b>IFRIC 22: Foreign Currency Transactions and Advance Consideration</b>	<ul style="list-style-type: none"> <li>This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.</li> </ul>	1 January 2018
<b>IFRIC 23: Uncertainty over Income Tax Treatments</b>	<ul style="list-style-type: none"> <li>IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes.</li> </ul>	1 January 2019

Management has assessed the impact of these changes to the financial statements, all of which are deemed to be immaterial at year end barring IFRS 16: Leases, which would have had an effect of capitalising, a right of use asset of R67,5 million (2017: R25,7 million) with a corresponding commitment liability and IFRS 9, which would have resulted in the entity recognising and expected credit loss of R1.1 million.

## 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.

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 profit or loss, 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.

#### Subsidiaries and associates companies in the separate financial statements

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

#### Goodwill

Goodwill is carried at cost as established at the date of acquisition less accumulated impairment losses. 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. Impairment of goodwill is not subsequently reversed.

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.

### 2.2 Non-current assets and liabilities classified as held for sale and discontinued operations

Items classified as non-current assets held for sale and discontinued operations 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.

The Statement of Profit and Loss and other comprehensive income and Statements of Cash Flows is restated for the comparative period in terms of IFRS 5.

### 2.3 Loss of control

Upon the loss of control, Ellies derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Statement of profit and loss and other comprehensive income and Statement of cash flows is restated for the comparative period in terms of IFRS 5.

# Principal accounting policies (continued)

for the year ended 30 April 2018

## 2. Accounting policies (continued)

### 2.4 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
Buildings	20 to 50 years
Plant and equipment	10 to 20 years
Motor vehicles	4 to five years
Computer equipment	2 to 4 years
Office equipment	10 years
Furniture and fittings	6 to 10 years

#### 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. Reversals of impairments are limited to the carrying amount of the asset had no impairment been recognised previously.

#### Disposal of property, plant and equipment

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 gains or losses in profit or loss.

### 2.5 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.

### 2.6 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.

## 2.7 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.

## 2.8 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 (rate expected to be enforce when the asset is realised or liability settled) 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.

## 2.9 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.

Specific provisions raised include provisions for warranties on products that are sold, more fully disclosed in Note 20.

# Principal accounting policies *(continued)*

for the year ended 30 April 2018

## 2. Accounting policies *(continued)*

### 2.10 Revenue

Revenue is stated at the fair value of consideration received or receivable, 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.

Revenue from contracts is recognised where the outcome of 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.

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.

### 2.11 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.

## 2.12 Financial instruments

### Initial recognition and measurement

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. 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 allowance for doubtful debts. Subsequently the allowance for doubtful debt 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 amortised cost. For the purpose of the statement of cash flow, cash and cash equivalents comprise cash on hand and deposits held on call, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

### Financial liabilities

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

#### *Borrowings*

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.

### Derecognition

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. Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, 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.

# Principal accounting policies *(continued)*

for the year ended 30 April 2018

## 2. Accounting policies *(continued)*

### 2.13 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.

### 2.14 Share-based payments

The Group operates equity-settled share-based compensation. The costs of these arrangements are measured by reference to their fair value at the dates on which they were granted. The fair values are charged as an expense in determining operating profit, with a corresponding credit to equity, on a straight-line basis over the initial vesting period of each grant. The costs take into account the best estimate of the number of rights that are expected to vest, taking into account non-market conditions such as exits from the schemes prior to vesting and operating performance compared to target for vesting, where applicable. These estimates are revised at each reporting date and the impact of the revision is recognised in profit and loss.

### 2.15 Earning/(loss) per share.

Earnings/(loss) per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on the earnings per share, more specifically share options as detailed in Note 26.

### 2.16 Headline earnings/(loss) per share

Headline earnings/(loss) per share is based on the same calculation as above, except that the attributable profit specifically excludes items as set out in Circular 2/2013: "Headline Earnings" issued by the South African Institute of Chartered Accountants

### 3. Management estimates

Accounting estimates and judgements can, by definition, only approximate the actual results and the actual results may differ from such estimates. Estimates and judgements 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. Note 1

#### 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. Note 2

#### 3.3 Provisions

Provisions are recognised when the company 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. Note 20

#### 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. Note 8

#### 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. Note 7

#### 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. Note 6

#### 3.7 Fair value of share-based payments

The Group calculates the costs of share-based arrangements by reference to the fair value of the options at the dates on which they were granted; this includes estimates with of appropriate discount rates, using the Black Scholes model. Note 14

# Notes to annual financial statements

for the year ended 30 April 2018

## 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 improvements R'000	Total R'000
<b>Group:</b>						
<b>As at 30 April 2018</b>						
Cost	74 333	16 533	25 655	38 527	47 403	202 451
Accumulated depreciation and impairments	(47 579)	(14 036)	(23 394)	(29 662)	(11 801)	(126 472)
<b>Net carrying value</b>	<b>26 754</b>	<b>2 497</b>	<b>2 261</b>	<b>8 865</b>	<b>35 602</b>	<b>75 979</b>
<b>Movement summary</b>						
Carrying value at 30 April 2017	28 452	3 032	1 851	8 112	35 045	76 492
Additions	1 905	855	1 223	3 498	1 637	9 118
Disposals	–	(210)	(3)	–	–	(213)
Depreciation	(3 603)	(1 178)	(810)	(2 701)	(1 075)	(9 367)
Transferred to discontinued Foreign translation	12 –	– (2)	– –	(42) (2)	– (5)	(42) (9)
<b>Carrying value at 30 April 2018</b>	<b>26 754</b>	<b>2 497</b>	<b>2 261</b>	<b>8 865</b>	<b>35 602</b>	<b>75 979</b>
<b>As at 30 April 2017</b>						
Cost	72 428	18 160	24 634	35 379	45 812	196 413
Accumulated depreciation and impairments	(43 976)	(15 128)	(22 783)	(27 267)	(10 767)	(119 921)
<b>Net carrying value</b>	<b>28 452</b>	<b>3 032</b>	<b>1 851</b>	<b>8 112</b>	<b>35 045</b>	<b>76 492</b>
<b>Movement summary</b>						
Carrying value at 30 April 2016	25 544	5 674	1 785	11 182	80 382	124 567
Additions	5 727	118	1 210	1 931	82	9 068
Disposals	–	(259)	(26)	(66)	–	(351)
Depreciation	(2 430)	(1 368)	(1 005)	(4 692)	(1 107)	(10 602)
Depreciation continuing	(2 430)	(1 331)	(1 005)	(4 691)	(1 107)	(10 564)
Depreciation discontinued	–	(37)	–	(1)	–	(38)
Loss as a result of deconsolidation	(389)	(1 125)	(111)	(239)	–	(1 864)
Transfer to Assets held for sale	–	–	–	–	(27 130)	(27 130)
Impairments	12 –	–	–	–	(17 181)	(17 181)
Foreign translation	–	(8)	(2)	(4)	(1)	(15)
<b>Carrying value at 30 April 2017</b>	<b>28 452</b>	<b>3 032</b>	<b>1 851</b>	<b>8 112</b>	<b>35 045</b>	<b>76 492</b>

Property, plant and equipment with a carrying value of R36 million (2017: R62 million) is encumbered as security against certain Interest-bearing liabilities. (refer Note 15)

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

During the prior year management reviewed its property portfolio, with a view of initiating the disposal of non-core properties. This process also identified some properties were carrying values exceeded market values in the current distressed environment and impairments were made in line of realisable values. Management consider the carrying value post the impairment charge to approximate the fair value.

### Company:

The company has no property, plant and equipment.

## 2. Goodwill

	Group	
	2018 R'000	2017 R'000
Cost	53 672	53 672
Accumulated impairment	(2 234)	(2 234)
<b>Net carrying value</b>	<b>51 438</b>	51 438
<b>Arising on acquisition of companies/business of:</b>		
Consumer segment	51 438	51 438
– Ellies Group of companies*	51 438	51 438
<b>Closing net carrying value</b>	<b>51 438</b>	51 438
<b>Movement summary</b>		
Carrying value at the beginning of the year	51 438	53 672
Impairment	–	(2 234)
<b>Carrying value at the end of the year</b>	<b>51 438</b>	51 438
* The net book value of goodwill has been allocated to the following cash generating units (CGU)		
Bloemfontein (Ellies Electronics branch)	13 911	13 911
Cape Town (Ellies Electronics branch)	23 431	23 431
Ellies Namibia Proprietary Limited	6 596	6 596
Other smaller branches ((Ellies Electronics branches))	7 500	7 500
	<b>51 438</b>	51 438

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

### Impairment review

In accordance with IAS 36 impairment of assets and goodwill 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 the consumer segment 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 20,99% (2017: 17,46%) for all cash generating units. Cash flows beyond the five year period were extrapolated using a steady 4% (2017: 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 impairment being recognised.

Based on our assessment the recoverable amount exceeds the carrying amount and no impairment is required.

The prior year impairment relates to Ellies Botswana and African Solar Power both of which on assessment of a separate identifiable cash flow unique to their specific cash generating unit necessitated impairment of the goodwill pertaining to their cash generating unit.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 3. Intangible assets

	Marketing related R'000
<b>Group</b>	
<b>As at 30 April 2018:</b>	
Cost	3 968
Accumulated amortisation and impairment	(3 968)
<b>Net carrying value</b>	<b>–</b>
<b>As at 30 April 2017:</b>	
Cost	3 968
Accumulated amortisation and impairment	(3 968)
<b>Net carrying value</b>	<b>–</b>
<b>Movement summary</b>	
Carrying value at 30 April 2016	2 778
Amortisation for the year	(397)
Impairment	(2 381)
<b>Carrying value at 30 April 2017</b>	<b>–</b>

Intangible assets were acquired as part of the acquisition of businesses. The costs attributable to these assets have been determined by management, applying recognised valuation techniques and exercising judgement on the same basis as for goodwill, as described in Note 2.

The separately identifiable value in use is determined to be zero given the outlook for Botjheng Water Proprietary Limited and the fair value cannot be separately identified

## 4. Investments in subsidiaries

	Country of incorporation	Segment	Ownership percentage		Shares at cost	
			2018 %	2017 %	2018 R'000	2017 R'000
<b>Company</b>						
<b>Shares held directly:</b>						
Ellies Electronics Holdings Proprietary Limited	RSA	Consumer	100	100	–**	–**
Ellies Infrastructure Holdings Proprietary Limited	RSA	Infrastructure	100	100		
<b>Loans deemed capital contributions:</b>						
Ellies Electronics Holdings Proprietary Limited	RSA	Consumer	–	–	532 126	532 126
Impairment of investment			–	–	(173 000)*	(173 000)*
			–	–	359 126	359 126

	Country of incorporation	Segment	Ownership percentage	
			2018 %	2017 %
<b>Shares held indirectly:</b>				
Botjheng Water Proprietary Limited	RSA	Infrastructure	100	100
Ellies Electronics Proprietary Limited	RSA	Consumer	100	100
Ellies Industries Proprietary Limited	RSA	Manufacturing	76	76
African Solar Power Proprietary Limited	RSA	Consumer	50,01	50,01
Ellies Electronics (Namibia) Proprietary Limited	Namibia	Consumer	100	100
Ellies Electronics (Botswana) Proprietary Limited	Botswana	Consumer	100	100
Elsat (Botswana) Proprietary Limited	Botswana	Consumer	100	100
Ellies Electronics Swaziland Proprietary Limited	Swaziland	Consumer	100	100
Ellies Properties Proprietary Limited	RSA	Properties	100	100

\* This impairment relates to the investment in the Ellies Electronics Holdings Proprietary Limited, the quantum of the impairment was determined with reference to the net asset value of the Consumer segment

\*\* Amounts are less than R1 000

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

## 5. Investment in associates

Company	Country of incorporation and principal place of business	Ownership percentage					
		2018 %	2017 %	2018 R'000	2017 R'000		
SkyeVine Proprietary Limited (SkyeVine)	RSA	-	50	-	-		
In-Toto Solutions Proprietary Limited (In-Toto Solutions)	RSA	49	49	-	-**		
<b>Group</b>							
		SkyeVine		In-Toto Solutions		Total	
		2018	2017	2018	2017	2018	2017
Shares at cost		-	-	-**	-**	-	-
Loan receivable		-	9 574	26 618	23 482	26 618	33 056
<b>Equity accounted losses:</b>							
Share of loss from associate		-	(5 032)	(12 644)	(12 644)	(12 644)	(17 676)
- Prior years		-	(5 032)	(12 644)	(10 217)	(12 644)	(15 249)
- Current year		-	-	-	(2 427)	-	(2 427)
Impairment of Associates Loan		-	(4 542)	(13 974)	(10 838)	(13 974)	(15 380)
		-	-	-	-	-	-

\*\* Amounts are less than R1 000

At year end management assessed the net recoverable value of the investments, considering a number of factors, including the net asset value of the company, extent of its support and the ultimate realisable value of the investment given market conditions, all of which necessitated the need to impair investments to nil.

Impairment of loans to associate amounting to R3.1 million (2017: R15.4 million) was recognised in the Statement of profit and loss.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 6. Deferred taxation

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>The balance consists of:</b>				
Capital allowances	1 414	3 312	–	–
Provision for employee benefits	(1 976)	(1 450)	–	–
Allowance for bad debts and other allowances against receivables	3 492	3 353	–	–
Lease obligations	43	25	–	–
Income received in advance	256	647	–	–
Intangible assets	(667)	(667)	–	–
Assessable losses	3 250	8 702	4	–
Unearned profit on inventory	132	1 008	–	–
Provisions	2 285	3 151	–	–
Unutilised capital losses	601	28	–	–
Other	(76)	535	–	–
	<b>8 754</b>	<b>18 644</b>	<b>4</b>	<b>–</b>
<b>Movement summary</b>				
Balance at the beginning of the year	18 644	2 319	–	–
Foreign translation	(11)	(3)	–	–
Temporary differences per statement of comprehensive income	(9 879)	16 328	4	–
Capital allowances	(1 897)	6 026	–	–
Provision for employee benefits	(526)	(2 087)	–	–
Prepaid expenses	–	4	–	–
Allowance for bad debts and other allowances against receivables	139	1 997	–	–
Lease obligations	18	11	–	–
Income in advance	(391)	(195)	–	–
Intangible assets	–	111	–	–
Assessable losses	(5 452)	7 954	4	–
Unearned profit on inventory	(876)	(791)	–	–
Provisions	(866)	2 269	–	–
Other	(28)	1 029	–	–
	<b>8 754</b>	<b>18 644</b>	<b>4</b>	<b>–</b>
<b>Balance at the end of the year</b>	<b>8 754</b>	<b>18 644</b>	<b>4</b>	<b>–</b>
<b>Disclosed as:</b>				
Deferred taxation – non-current asset	11 397	20 761	4	–
Deferred taxation – non-current liability	(2 643)	(2 117)	–	–
	<b>8 754</b>	<b>18 644</b>	<b>4</b>	<b>–</b>

In total, there are tax losses to the value of R98,9 million (2017: R101,1 million) that have not been recognised as deferred tax assets available to set off against future taxable income.

The deferred tax asset belong to the consumer segment and as a result of the cost-cutting measures, a portion of it has been utilised during the current year. It is highly probable that taxable income will continue to be earned, against which these assets will be utilised.

## 7. Inventories

	Group	
	2018 R'000	2017 R'000
Raw materials	37 739	53 128
Merchandise	313 101	307 624
Goods in transit	–	480
Work in progress	17 776	13 270
	<b>368 616</b>	374 502
Value of inventory carried at net realisable value	<b>14 784</b>	33 280
<b>Movement in impairment allowance raised against inventories</b>		
Balance at the beginning of the year	55 358	46 165
Impairment allowances raised	47 765	51 693
Impairment allowances utilised	(27 817)	(41 034)
Inventory losses during the year	(26 597)	(1 466)
<b>Balance at the end of the year</b>	<b>48 709</b>	55 358

Inventories up to a maximum of R350 million (2017: R350 million) have been encumbered to secure certain banking facilities. Note 10

## 8. Trade and other receivables

	Group	
	2018 R'000	2017 R'000
Gross trade receivables	263 346	242 899
Allowance for doubtful debts	(36 366)	(33 940)
Net trade receivables	226 980	208 959
Prepayments	998	916
Deposits	3 979	1 098
VAT	7 885	9 248
Retention debtors – infrastructure*	1 213	1 213
Financed receivables	633	–
Other receivables	251	406
	<b>241 939</b>	221 840

\* Retention debtors was paid after year end

Trade receivables have been encumbered to Standard Bank Limited to secure certain banking facilities. Note 10

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.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 8. Trade and other receivables (continued)

	Group	
	2018 R'000	2017 R'000
<b>Movement in impairment allowance raised against receivables</b>		
Balance at the beginning of the year	33 940	96 901
Impairment allowance raised	3 250	10 056
Impairment allowance utilised	(824)	(5 574)
Impairment allowance reduction due to loss of control	–	(67 443)
<b>Balance at the end of the year</b>	<b>36 366</b>	<b>33 940</b>

### 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.

	Group	
	2018 R'000	2017 R'000
<b>Related credit exposure and enhancements</b>		
Maximum exposure to credit losses of trade and other receivables	240 308	219 895
At year end, trade receivables of R57,15 million (2017: R57,44 million) were past due but not impaired, being customers of whom there is no recent history of default and management are of the view that they are recoverable in full, these debtors are aged as follows:		
All debtors impaired related to individual debtors that are 90+ days outstanding for which management believes there is uncertainty regarding payment.		
<b>Trade receivables past due but not impaired</b>		
Amounts 30 days overdue	11 487	18 656
Amounts 60 days overdue	17 609	7 401
Amounts 90 days and more overdue	28 063	31 384
	<b>57 159</b>	<b>57 441</b>

## 9. Loan to subsidiaries

	Company	
	2018 R'000	2017 R'000
<b>Non-current</b>		
Ellies Electronics Holdings Proprietary Limited*	–	532 126
Transferred to investments in subsidiaries (deemed capital contributions)	–	(532 126)
<b>Current</b>		
Ellies Electronics Proprietary Limited**	2 204	2 266
	<b>2 204</b>	<b>2 266</b>

\* These amounts are unsecured, interest free, with no fixed terms of repayment, and is deemed a capital contribution

\*\* These amounts are unsecured, interest free, and callable on demand

## 10. Bank and cash balances

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash on hand	3 156	2 634	–	–
Bank accounts	14 494	10 088	67	45
CFC Bank accounts	3 142	2 498	–	–
Bank overdrafts	(96 196)	(120 410)	–	–
	<b>(75 404)</b>	<b>(105 190)</b>	<b>67</b>	<b>45</b>
<b>Disclosed as</b>				
Current asset	20 792	15 220	67	45
Current liability	(96 196)	(120 410)	–	–
	<b>(75 404)</b>	<b>(105 190)</b>	<b>67</b>	<b>45</b>

### Banking facilities

The Group has overdraft and other short-term bank facilities of R200 million (2017: R200 million). At year-end R103,8 million (2017: R79,6 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 (2017: R350 million);
- cession of 'Trade and other receivables'.

Refer to Notes 7 and 8 for full details.

## 11. Non-current assets held for sale

Ellies also entered into contracts to sell certain non-core properties.

The properties designated as held for sale have all been sold after year end subject to fulfilment of conditions precedence.

The non-current assets held for sale may be analysed as follows:

	Group	
	2018 R'000	2017 R'000
Chloorkop (Erf 347 Extension 19 Portion 1,2 and 3)	–	9 500
909 Umgeni Road Durban Natal (Portion 1,2 and 3)	–	11 206
Remaining Portion of ERF 195 Selby	4 250*	5 540
ERF 1669 Bloemfontein	–	884**
Non-current assets held for sale	<b>4 250</b>	<b>27 130</b>

\* During the year ERF 195 Selby was written down to R4,250 million resulting in a R1,29 million impairment

\*\* ERF 1669 Bloemfontein was sold for R1,305 million resulting in R0,421 reversal of impairment

The net impairment recognised in profit or loss was R0,869 million

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 12. Discontinued operations and disposal groups held for sale/distribution and Loss on loss of control

### Consumer segment:

During the current financial year management decided to discontinue African Solar Power.

### Infrastructure segment:

During the prior financial year management decided to exit the Infrastructure segment in a combination of liquidation, business rescue and sale process, as applicable. The only remaining company in the segment is Botjheng Water Proprietary Limited.

The respective financial effects thereof are disclosed below:

*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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Group</b>						
<b>Revenue</b>	–	51 494	<b>11 382</b>	19 774	<b>11 382</b>	71 268
Cost of sales	–	(47 573)	<b>(12 016)</b>	(17 876)	<b>(12 016)</b>	(65 449)
<b>Gross profit/(loss)</b>	–	3 921	<b>(634)</b>	1 898	<b>(634)</b>	5 819
Other income	–	5 206	<b>21</b>	603	<b>21</b>	5 809
Operating expenses	–	(20 533)	<b>(1 552)</b>	(2 606)	<b>(1 552)</b>	(23 139)
Depreciation	–	(38)	<b>(8)</b>	(17)	<b>(8)</b>	(55)
<b>Operating loss before impairment of intangibles assets</b>	–	(11 444)	<b>(2 173)</b>	(122)	<b>(2 173)</b>	(11 566)
<b>Loss before interest and taxation</b>	–	(11 444)	<b>(2 173)</b>	(122)	<b>(2 173)</b>	(11 566)
Interest received	–	100	<b>2</b>	2	<b>2</b>	102
Interest paid	–	(3 951)	–	–	–	(3 951)
<b>Loss before taxation</b>	–	(15 295)	<b>(2 171)</b>	(120)	<b>(2 171)</b>	(15 415)
Taxation	–	–	<b>(34)</b>	22	<b>(34)</b>	22
<b>Net loss after taxation</b>	–	(15 295)	<b>(2 205)</b>	(98)	<b>(2 205)</b>	(15 393)
Loss for the year from discontinued operations attributable to Equity holders of the parent	–	(17 497)	<b>(1 103)</b>	(98)	<b>(1 103)</b>	(17 595)
Loss for the year from discontinued operations attributable to non-controlling interests	–	2 202	<b>(1 102)</b>	–	<b>(1 102)</b>	2 202
<b>Loss for the year from discontinued operations</b>	–	<b>(15 295)</b>	<b>(2 205)</b>	<b>(98)</b>	<b>(2 205)</b>	(15 393)
<b>Loss on loss of control</b> (refer to page 87)					<b>(4 751)</b>	(163 373)
<b>Loss discontinued operations</b>					<b>(6 956)</b>	(178 766)

	<b>Consumer and property segment</b>	
	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
<b>Non-current assets</b>	42	-
Property, plant and equipment	42	-
<b>Current assets</b>	1 398	-
Inventories	739	-
Trade and other receivables	40	-
Taxation receivable	14	-
Bank and cash balances	605	-
<b>Assets classified as held for sale</b>	1 440	-
<b>Current liabilities</b>	914	-
Shareholder loans payable	900	-
Trade and other payables	14	-
<b>Liabilities classified as held for sale</b>	914	-
<b>Cash flows generated by the disposal groups for the reporting periods under review until its disposal are as follows:</b>		
	<b>Total</b>	
	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
Operating activities	(2 942)	(31 390)
Investing activities	(8)	(55)
Financing activities	(1 100)	(612)
<b>Cash flows from discontinued operations</b>	<b>(4 050)</b>	<b>(32 057)</b>
	<b>Infrastructure segment</b>	
	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
<b>Analysis of assets and liabilities lost as a result of loss of control</b>	-	<b>336 230</b>
Fixed assets	-	16 710
Trade and other receivables	-	79 062
Amounts due to contract customers	-	91 504
Inventories	-	33 954
Bank and cash balances	-	9 574
Financial assets	-	105 426
	-	<b>328 821</b>
Long-term liabilities	-	72 977
Trade and other payables	-	236 551
Other liabilities	-	19 293
<b>Net Assets</b>	-	7 409
<b>Loss on loss of control</b>		
Net assets lost	-	(7 409)
Loans forfeited as a result of loss on control	790	(95 964)
Guarantees assumed as a result of loss of control (Note 20)	(5 541)	(60 000)
	<b>(4 751)</b>	<b>(163 373)</b>

\* The loss/(profit) on loss of control relates to the following companies

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 12. Discontinued operations and disposal groups held for sale/distribution and loss on loss of control (continued)

	Infrastructure segment	
	2018 R'000	2017 R'000
Megatron South Africa Proprietary Limited (placed into business rescue on 12 August 2016)	(5 541)	(194 734)
Megatron Towers Proprietary Limited (placed into liquidation on 19 April 2017)	790	33 251
Megatron Congo (placed into business rescue on 12 August 2016)	–	5 673
Megatron Mauritius (placed into business rescue on 12 August 2016)	–	380
Megatron CAH (placed into business rescue on 12 August 2016)	–	95
Megatron Namibia (sold on 18 November 2016)	–	(8 038)
<b>Loss as a result of loss of control</b>	<b>(4 751)</b>	<b>(163 373)</b>

## 13. Stated capital

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Authorised</b>				
800 000 000 no par value shares				
<b>Issued</b>				
620 158 235* (2017: 620 158 235) no par value shares	837 212	837 212	837 212	837 212

\* Share options totalling 37 450 000, not shares were issued to key staff. The company will seek to have the shares cancelled as soon as possible in compliance with JSE Regulations and the Companies Act. The shares in issue will then be 620 158 235, with any dilution for share options calculated per note 14 of the annual financial statements.

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

## 14. Non-distributable reserves

	Group	
	2018 R'000	2017 R'000
Arising from common control transactions	(178 194)	(178 194)
Foreign currency translation reserve	1 223	1 512
Share-based payment reserve	1 704	150
	<b>(175 267)</b>	<b>(176 532)</b>
<b>Movement summary for foreign currency translation reserve</b>		
Balance at the beginning of the year	1 512	559
Translation of foreign entity	(289)	(449)
Movement as a result of deconsolidation	–	1 402
Balance at the end of the year	<b>1 223</b>	<b>1 512</b>

### Share-based payment reserves

On 10 January 2017, the group offered, AL Bock (CFO), 8 000 000\*\* Share options, with a requirement he remains in employment for specific period(s) upon which the options shall vest.

Share options	Vest period	Fair value at grant date (Cents)
2 million shares at a strike price of 28.56 cents	2 years	16,66
2 million shares at a strike price of 28.56 cents	3 Years	19,57
4 million shares at a strike price of 28.56 cents	4 Years	21,78

The shares were valued at the issue date using the Black Scholes model

### Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model take into account all inputs to determine the fair value of the shares as follows:

	Cents
Share price at grant date	28,56
Exercise price	28,56
Volatility*	83%
Expected life	as above
Expected dividend	0%
Risk-free rate	8,34%

*\*Expected volatility has been based on an evaluation of the historical volatility of the company's share price, for the preceding year.*

The equity settled payment is recognised over the applicable vesting period of each of the options.

	R'000
The fair value of the option award to be released as follows	1 596
2017	150
2018	515
2019	466
2020	310
2021	155

### Share-based payment reserves

On 27 October 2017, the Group offered, the staff incentive trust 29 450 000\*\*\* share options, with a requirement that key individuals remain in employment for specific period(s) upon which the options shall vest.

Share options	Vest period	Fair value at grant date (Cents)
7.36 million shares at a strike price of 37 cents	2 years	17,96
7.36 million shares at a strike price of 37 cents	3 Years	21,50
14.73 million shares at a strike price of 37 cents	4 Years	24,15

The shares were valued at the issue date using the Black Scholes model

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 14. Non-distributable reserves (continued)

### Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model take into account all inputs to determine the fair value of the shares as follows:

	Cents
Share price at grant date	36,00
Exercise price	37,00
Volatility*	89%
Expected life	as above
Expected dividend	0%
Risk-free rate	7,08%

\*Expected volatility has been based on an evaluation of the historical volatility of the company's share price, for the preceding year.

The equity settled payment is recognised over the applicable vesting period of each of the options.

	R'000
The fair value of the option award to be released as follows	6 460
2018	1 039
2019	2 077
2020	1 747
2021	1 152
2022	445

\*\* In terms of IFRS 2, the shares have been included in determining the diluted EPS and HEPS as the strike price of the options was below the average share price for the period in issue.

\*\*\* In terms of IFRS 2, the shares have been excluded in determining the diluted EPS and HEPS as the strike price of the options was in excess of the average share price for the period in issue.

## 15. Interest-bearing liabilities

	Group	
	2018 R'000	2017 R'000
<b>Non-current portion</b>	<b>4 847</b>	30 689
Instalment sale liabilities	187	–
Term loan	102	233
Property term loan	4 558	30 456
<b>Current portion</b>	<b>6 804</b>	6 700
Instalment sale liabilities	74	365
Term loan – payable within 12 months	140	131
Property term loan – payable within 12 months	6 590	6 204
	<b>11 651</b>	37 389
<b>Repayment terms (discounted):</b>		
1 year	6 804	6 700
2 – 5 years	4 847	30 689
Longer than 5 years	–	–
	<b>11 651</b>	37 389

The instalment sale liabilities bear interest at a rate of 12% and are repayable in monthly instalments of R6 thousand (2017: R55 thousand). These liabilities are secured by plant and equipment.

The term loan bears interest at a rate of 9% and are repayable in monthly instalments of R10 thousand.

The property term loan bears interest at 10,9% and is repayable in quarterly instalments of R1,8 million (2017: R2,1 million).

The property term loan is secured by land and buildings with a carrying value of R36 million (2017: R62 million).

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

## 16. Third-party loans

	Group	
	2018 R'000	2017 R'000
Megatron SA Proprietary Limited	75 350	75 960
	75 350	75 960

This amount is owed by Botjheng Waters Proprietary Limited to Megatron SA Proprietary Limited a previous subsidiary of the Group, the loan is interest free with no fixed repayment terms the fulfillment will be dependent on the outcome of the arbitration. Note 38

## 17. Vendor loans

Arising from the acquisitions of:

	Group	
	2018 R'000	2017 R'000
<b>Current portion</b>		
– Botjheng Water Proprietary Limited	–	3 000
	–	3 000
	–	3 000

This loan is a vendor loan associated with the acquisition of Botjheng Water Proprietary Limited, which is interest free and passed due date, but subject to litigation, which may result in it being payable with immediate affect.

The vendor loan relating to the acquisition of Botjheng was transferred to Megatron SA proprietary limited, as per a legal opinion.

## 18. Shareholder loans payable

Arising from the non-controlling shareholders loans within:

	Group	
	2018 R'000	2017 R'000
<b>Current portion</b>		
– African Solar Power Proprietary Limited*	–	2 000
	–	2 000

These loans are interest free, as will only be repaid, once the entities have sufficient working capital to repay the amounts due. During the year R1,1 million has been paid.

African Solar Power has been classified as a discontinued operation. (refer to Note 12)

## 19. Trade and other payables

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade payables	106 363	116 739	–	–
Accrued expenses	70 497	62 045	85	82
Employee benefits	19 768	13 648	–	–
VAT	7 133	3 712	–	–
Lease liability (straight lining)	–	6	–	–
Income received in advance	7 873	4 150	–	–
	211 634	200 300	85	82

The directors consider the carrying amount of trade and other payables to approximate their fair value.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 20. Provisions

	Group	
	2018 R'000	2017 R'000
<b>Provision for warranty</b>		
Balance at the beginning of the year	3 372	7 419
Provisions raised	22 749	35 633
Provision utilised	(25 444)	(39 680)
<b>Balance at the end of the year</b>	<b>677</b>	<b>3 372</b>
<b>Provision for onerous contracts</b>		
Balance at the beginning of the year	–	4 027
Provision utilised	–	(1 725)
Utilised as a result of deconsolidation	–	(2 302)
<b>Balance at the end of the year</b>	<b>–</b>	<b>–</b>
<b>Guarantee provision</b>		
Balance at the beginning of the year	60 000	–
Provisions raised	5 541	60 000
<b>Balance at the end of the year</b>	<b>65 541</b>	<b>60 000</b>
<b>Other provisions</b>		
Balance at the beginning of the year	12 221	873
Provisions raised	590	12 614
Provision utilised/reversed	(11 799)	(1 283)
<b>Balance at the end of the year</b>	<b>1 012</b>	<b>12 204</b>
<b>Total provisions</b>	<b>67 230</b>	<b>75 576</b>

The provision for warranty relates to goods sold for which there are warranties attached.

Guarantees relate to the expected contamination to Standard Bank Limited from the Infrastructure Segment that was deconsolidated during the 2017 financial year due to guarantees signed.

Other provisions relate predominantly to royalty payments in 2018 and retrenchments in 2017.

## 21. Revenue

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Sale of goods*	1 418 324	1 310 207	–	–
Construction contracts*	–	1 285	–	–
Administration fees	–	–	1 872	800
	<b>1 418 324</b>	<b>1 311 492</b>	<b>1 872</b>	<b>800</b>

\* 2017 restated in terms of IFRS 5, refer to Accounting Policy Note 2.2

## 22. Profit/(loss) from operations

Profit/(losses) from operations is stated after taking the following items into account:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Profit on sale of investment</b>	–	1 788	–	–
<b>Foreign exchange profit/(loss)</b>	<b>1 084</b>	1 799	–	–
<b>Depreciation</b>	<b>9 388</b>	10 568	–	–
<b>Impairment of investment (refer to Note 4)</b>	–	–	–	491 764
<b>Losses and impairments</b>				
Amortisation of intangible assets	–	397	–	–
Impairment of intangible assets	–	2 381	–	–
Impairment of non-current assets held for sale	<b>896</b>	–	–	–
Impairment of property, plant and equipment (refer to Note 1)	–	17 181	–	–
Impairment of loan to associate (refer to Note 5)	<b>3 136</b>	15 380	–	–
Impairment of inventory (refer to Note 7)	<b>21 168</b>	50 227	–	–
Allowance for doubtful debts and other allowances against debtors (refer to Note 8)	<b>3 250</b>	10 056	–	–
Impairment of goodwill (refer to Note 2)	–	2 234	–	–
<b>Operating lease and rental charges</b>				
Plant and equipment	<b>530</b>	777	–	–
Premises	<b>21 737</b>	19 990	–	–
	<b>22 267</b>	20 767	–	–
<b>Profits on sale of non-current assets:</b>				
Profits on disposal of property, plant and equipment	<b>3 106</b>	1 063	–	–
	<b>3 106</b>	1 063	–	–
<b>Employee costs</b>				
Directors	<b>10 120</b>	12 091	–	–
Other staff	<b>196 183</b>	212 033	–	–
Retrenchment costs	–	11 102	–	–
	<b>206 303</b>	235 226	–	–

Director	Fees for services as director	Salary	Car allowance	Company benefits	Total
<b>Executive directors</b>					
ER Salkow	–	2 117	–	60	2 177
WMG Samson	–	3 750	–	348	4 098
AL Bock	–	2 550	–	270	2 820
<b>Non-executive directors</b>					
OD Fortuin	300	–	–	–	300
S Goldberg	240	–	–	40	280
M Kuscus	220	–	–	–	220
FS Mkhize	225	–	–	–	225
	985	8 417	–	718	10 120

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 23. Interest received

	Group	
	2018 R'000	2017 R'000
Funds and deposits with banks	202	33
Interest received from related parties	3 066	2 852
	<b>3 268</b>	<b>2 885</b>

## 24. Interest paid

	Group	
	2018 R'000	2017 R'000
Bank overdraft	15 282	17 921
Interest-bearing liabilities	2 850	4 769
Deemed interest incurred on vendor loans	(27)	27
Other	178	729
	<b>18 283</b>	<b>23 446</b>

## 25. Taxation

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>South African normal taxation</b>				
Current year	6 409	1 323	–	3
Prior year under provision	160	–	–	–
<b>Deferred taxation</b>				
Current year	9 880	(15 570)	(4)	–
Held for sale	(34)	–	–	–
	<b>16 415</b>	<b>(14 247)</b>	<b>(4)</b>	<b>3</b>

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
<b>Reconciliation of rate of taxation</b>				
South African normal taxation rate	28,00	28,00	28,00	28,00
Legal fees	3,85	(0,03)	–	–
Impairment of properties	0,12	(1,19)	–	–
Disallowable capital allowances	0,37	(0,74)	–	–
Impairment of loans	1,55	(8,54)	–	(28,00)
Section 8F interest	(1,39)	2,94	–	–
Other exempt income	(1,37)	1,53	–	–
Other disallowable expenses	0,20	(0,29)	–	–
Tax losses	(5,38)	(6,19)	–	–
Prior year adjustments	0,31	–	–	–
Capital gains	0,23	(0,47)	–	–
Equity accounted losses	–	(0,81)	–	–
Foreign tax rate differential	0,15	0,02	–	–
Capital allowances reversed	–	3,13	–	–
Other	–	(0,61)	–	–
Effective taxation rate	<b>26,64</b>	<b>16,75</b>	<b>28,00</b>	<b>–</b>

## 26. Earnings/(loss) per share

	Group	
	2018	2017
<b>Basic earnings/(loss) per share (cents)</b>	<b>6,84</b>	(39,67)
– Infrastructure continuing operations	<b>1,39</b>	(3,28)
– Infrastructure discontinued operations	<b>(0,77)</b>	(28,81)
– Consumer and property discontinued operations	<b>(0,18)</b>	(0,01)
– Consumer and property continued operations	<b>6,39</b>	(7,56)
<b>Headline earnings/(loss) per share (cents)</b>	<b>7,89</b>	(7,45)
– Infrastructure continuing operations	<b>1,39</b>	(2,89)
– Infrastructure discontinued operations	<b>0,00</b>	(2,47)
– Consumer and property discontinued operations	<b>(0,18)</b>	(0,01)
– Consumer and property continued operations	<b>6,68</b>	(2,08)
<b>The calculation of earnings/(loss) per ordinary share for the Group is based on the following:</b>		
– Basic earnings/(loss) (R'000)	<b>42 421</b>	(245 986)
– Headline earnings/(loss) (R'000)	<b>48 941</b>	(46 202)
– Diluted earnings/(loss) per share (cents)	<b>6,75</b>	(39,67)
– Diluted headline earnings/(loss) per share (cents)	<b>7,79</b>	(7,45)
– Diluted weighted average number of shares	<b>628 158 235</b>	620 158 235
<b>Weighted average number of shares</b>		
– At the end of the year	<b>620 158 235</b>	620 158 235
<b>Reconciliation of headline earnings:</b>		
Net profit/(loss) for the year attributable to equity holders of the parent	<b>42 421</b>	(245 986)
Adjusted for:		
Profit on sale of property, plant and equipment	<b>(3 105)</b>	(1 063)
– Infrastructure continuing operations	–	(51)
– Consumer and property continued operations	<b>(3 105)</b>	(1 012)
Impairment of intangibles – Consumer and property discontinued operations	–	2 381
Impairment of goodwill – Infrastructure continuing operations	–	2 234
Impairment of non-current assets held for sale	<b>869</b>	–
Loss as a result of loss of control	<b>4 751</b>	163 373
Impairment of property, plant and equipment	–	17 181
Impairment of loans to associates	<b>3 136</b>	15 380
Tax effect on adjustments	<b>869</b>	298
Headline earnings/(loss) attributable to ordinary shareholders	<b>48 941</b>	(46 202)

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 27. Cash generated/(utilised) from operations

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Profit (loss) before taxation	61 629	(84 966)	(15)	(21 224)
<b>Adjusted for:</b>				
- Interest received	(3 268)	(2 885)	-	-
- Interest paid	18 283	23 419	-	5
- Impairment of goodwill	-	2 235	-	-
- Impairment of intangible assets	-	2 381	-	-
- Impairment of loans	3 510	15 380	-	21 263
- Impairment of non-current assets held for sale	869	-	-	-
- Impairment of property, plant and equipment	-	17 181	-	-
- Depreciation	9 359	10 547	-	-
- Amortisation of intangibles	-	397	-	-
- Reclassification of vendor loan	(3 000)	-	-	-
- Share-based payments	1 554	-	-	-
- Profit on disposal of non-current assets	(3 106)	(1 063)	-	-
- Equity accounted losses	-	2 427	-	-
- (Decrease)/increase in provisions	(13 097)	3 980	-	-
	72 733	(10 967)	(15)	44
<b>Changes in working capital</b>	(3 174)	114 862	(35)	2
Decrease in inventories	5 886	95 026	-	-
Increase in amounts due from contracts	-	(19 591)	-	-
Increase in trade and other receivables	(20 099)	(1 830)	(39)	-
Decrease in other receivables	-	23 980	-	-
Increase in trade and other payables	11 039	17 277	4	2
Foreign currency translation reserve	-	-	-	-
	69 559	103 895	(50)	46

## 28. Interest paid/(received) (in cash)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Interest paid</b>				
Total expenses (refer to Note 24)	18 283	23 446	-	5
Imputed interest on vendor loans	27	(27)	-	-
<b>Total interest paid (in cash)</b>	18 310	23 419	-	5
<b>Interest received</b>				
Total income (refer to Note 23)	(3 268)	(2 885)	-	-
Interest received from associates	3 067	-	-	-
<b>Total interest received (in cash)</b>	(201)	(2 885)	-	-
<b>Total interest paid/received (in cash)</b>	18 109	20 534	-	5

## 29. Taxation paid

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance at the beginning of the year	(574)	(2 781)	(20)	(25)
Charged to the statement of comprehensive income	6 569	1 323	–	3
Balance at the end of the year	196	574	10	20
	6 191	(884)	(10)	(2)

## 30. Dividends paid

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance at the beginning of the year	–	35	–	35
Dividends declared during the year	–	(35)	–	(35)
	–	–	–	–

## 31. Repayment of interest-bearing liabilities

	Group	
	2018 R'000	2017 R'000
Balance at the beginning of the year	37 389	150 474
Repayment of interest-bearing liabilities	(26 043)	(39 863)
Proceeds from interest-bearing liabilities	305	–
Transferred to discontinued operations	–	(73 222)
Balance at the end of the year	11 651	37 389

## 32. Commitments

	Group	
	2018 R'000	2017 R'000
<b>Capital commitments</b>		
<b>Operating lease commitments</b>		
Premises	90 684	31 140
	90 684	31 140
These commitments accrue in the following periods:		
– Due within one year	16 460	13 782
– Due within year two to five years	72 594	17 358
– Due after five years	1 630	–
	90 684	31 140

## 33. 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.

	Group	
	2018 R'000	2017 R'000
Contributions to funds	13 843	15 031

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 34. Analysis of assets and liabilities by financial instrument classification

	Loans and receivables at amortised cost		Financial liabilities at amortised cost		Total	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Group:</b>						
<b>Current assets</b>	<b>248 656</b>	224 585	–	–	<b>248 656</b>	224 585
Inventories	–	–	–	–	–	–
Trade and other receivables	<b>227 864</b>	209 365	–	–	<b>227 864</b>	209 365
Bank and cash balances	<b>20 792</b>	15 220	–	–	<b>20 792</b>	15 220
Non-current assets held for sale	–	–	–	–	–	–
<b>Total assets</b>	<b>248 656</b>	224 585	–	–	<b>248 656</b>	224 585
<b>Non-current liabilities</b>	–	–	<b>4 847</b>	30 689	<b>4 847</b>	30 689
Interest-bearing liabilities	–	–	<b>4 847</b>	30 689	<b>4 847</b>	30 689
<b>Current liabilities</b>	–	–	<b>355 210</b>	386 854	<b>355 210</b>	386 854
Interest-bearing liabilities	–	–	<b>6 804</b>	6 700	<b>6 804</b>	6 700
Vendor loans payable	–	–	–	3 000	–	3 000
Shareholder loans payable	–	–	–	2 000	–	2 000
Trade and other payables	–	–	<b>176 860</b>	178 784	<b>176 860</b>	178 784
Third-party loans	–	–	<b>75 350</b>	75 960	<b>75 350</b>	75 960
Shareholders for dividend	–	–	–	–	–	–
Bank overdrafts	–	–	<b>96 196</b>	120 410	<b>96 196</b>	120 410
<b>Total equity and liabilities</b>	–	–	<b>360 057</b>	417 543	<b>360 057</b>	417 543
<b>Company:</b>						
<b>Current assets</b>	<b>2 271</b>	2 311	–	–	<b>2 271</b>	2 311
Loan to subsidiary	<b>2 204</b>	2 266	–	–	<b>2 204</b>	2 266
Bank and cash balances	<b>67</b>	45	–	–	<b>67</b>	45
<b>Total assets</b>	<b>2 271</b>	2 311	–	–	<b>2 271</b>	2 311
<b>Current liabilities</b>	–	–	<b>86</b>	82	<b>86</b>	82
Trade and other payables	–	–	<b>86</b>	82	<b>86</b>	82
<b>Total equity and liabilities</b>	–	–	<b>86</b>	82	<b>86</b>	82

No fair value hierarchy has been presented as all financial instruments are carried at amortised cost.

## 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, and where appropriate hedging its exposure with forward exchange contracts.

### 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.

### 35.3 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 Group 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

	Carrying value of financial liabilities R'000	Expected settlement period of financial liabilities				Total undiscounted value of financial liabilities R'000
		No terms R'000	< 6 months R'000	6 – 12 months R'000	> 12 months R'000	
<b>Group:</b>						
<b>30 April 2018:</b>						
<b>Non-current liabilities</b>						
Interest-bearing liabilities	4 847	–	–	–	4 847	5 818
<b>Current liabilities</b>						
Interest-bearing liabilities	6 804	–	3 394	3 306	–	7 543
Trade and other payables	176 860	20 969	137 670	18 221	–	176 860
Third-party loans	75 960	–	75 960	–	–	75 960
Bank overdrafts	96 196	96 196	–	–	–	96 196
	<b>362 667</b>	<b>117 165</b>	<b>216 414</b>	<b>26 527</b>	<b>4 847</b>	<b>362 377</b>
<b>30 April 2017:</b>						
<b>Non-current liabilities</b>						
Interest-bearing liabilities	30 689	–	–	–	30 689	36 777
<b>Current liabilities</b>						
Interest-bearing liabilities	6 700	–	3 394	3 306	–	7 432
Vendor loans payable	3 000	–	3 000	–	–	3 000
Trade and other payables	178 784	8 674	154 048	16 062	–	178 784
Shareholder loans payable	2 000	–	–	2 000	–	2 000
Third-party loans	75 960	–	75 960	–	–	75 960
Bank overdrafts	120 410	120 410	–	–	–	120 410
	<b>417 543</b>	<b>129 084</b>	<b>236 402</b>	<b>21 368</b>	<b>30 689</b>	<b>424 363</b>
<b>Company:</b>						
<b>30 April 2018:</b>						
<b>Current liabilities</b>						
Trade and other payables	86	–	86	–	–	86
	<b>86</b>	<b>–</b>	<b>86</b>	<b>–</b>	<b>–</b>	<b>86</b>
<b>30 April 2017:</b>						
<b>Current liabilities</b>						
Trade and other payables	82	–	82	–	–	82
	<b>82</b>	<b>–</b>	<b>82</b>	<b>–</b>	<b>–</b>	<b>82</b>

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 35. Financial risk management (continued)

### 35.4 Capital risk management

The Group's objectives when managing capital are to safeguard its 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 Note 15 and Note 16, cash and cash equivalents as disclosed in Note 10, 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.

The debt : equity ratios are as follows:

	Group	
	2018 R'000	2017 R'000
<b>Total borrowings</b>		
Interest-bearing liabilities	11 651	37 389
Shareholders loan payable	–	2 000
Third-party loans	75 350	75 960
Vendor loans payable	–	3 000
	<b>87 001</b>	118 349
<i>Add: Cash and cash equivalents (net borrowings)</i>	<b>75 404</b>	105 190
Net debt	<b>162 405</b>	223 539
Total equity	<b>310 429</b>	270 907
<b>Total capital</b>	<b>472 834</b>	494 446
Debt : equity ratio	<b>0,52 : 1</b>	0,83 : 1

### 35.5 Credit risk

It is group policy to deposit short-term cash investments with major banks, within limits approved by the Board, where security rather than yield is the overriding consideration.

Refer to Note 8 (Trade and other receivables) for related credit exposure.

## 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 appreciation R'000	Rand depreciation R'000	Amount subject to risk R'000	Rate increase R'000	Rate decrease R'000
<b>Group:</b>							
<b>30 April 2018:</b>							
<b>Financial assets</b>							
Trade and other receivables	241 939	10 840	217	(217)	-	-	-
Bank and cash balances	20 792	1 389	28	(28)	-	-	-
Impact of financial assets on:							
- profit before taxation	-	-	245	(245)	-	-	-
- profit after taxation	-	-	176	(176)	-	-	-
<b>Financial liabilities</b>							
Interest-bearing liabilities	(11 651)	11 651	2 035	(2 035)	(11 651)	(233)	233
Shareholders' loan	-	-	-	-	-	-	-
Trade and other payables	(211 634)	10 840	217	(217)	-	-	-
Third-party loans	(75 350)	-	-	-	-	-	-
Bank overdrafts	(96 196)	-	-	-	(96 196)	(1 924)	1 924
Impact of financial liabilities on:							
- profit before taxation	-	-	2 252	(2 252)	-	(2 157)	2 157
- profit after taxation	-	-	1 621	(1 621)	-	(1 553)	1 553
<b>Overall impact on profit after taxation</b>	-	-	<b>1 797</b>	<b>(1 797)</b>	-	<b>(1 553)</b>	<b>1 553</b>

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 35. Financial risk management (continued)

	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%		Rate increase R'000	Rate decrease R'000
		Amount subject to risk R'000	Rand appreciation R'000	Rand depreciation R'000	Amount subject to risk R'000		
<b>30 April 2017:</b>							
<b>Financial assets</b>							
Trade and other receivables	221 840	50 186	1 004	(1 004)	12 903	258	(258)
Bank and cash balances	15 220	1 744	35	(35)	15 220	304	(304)
Impact of financial assets on:							
– profit before taxation	–	–	1 039	(1 039)	–	562	(562)
– profit after taxation	–	–	748	(748)	–	405	(405)
<b>Financial liabilities</b>							
Interest-bearing liabilities	(37 389)	(365)	(7)	7	(37 389)	(748)	748
Vendor loans payable	(3 000)	–	–	–	–	–	–
Shareholders' loan	(2 000)	–	–	–	–	–	–
Trade and other payables	(200 300)	3 210	64	(64)	–	–	–
Third-party loans	75 960	–	–	–	–	–	–
Bank overdrafts	(120 410)	–	–	–	(120 410)	(2 408)	2 408
– profit before taxation	–	–	57	(57)	–	(3 156)	3 156
– profit after taxation	–	–	41	(41)	–	(2 272)	2 272
<b>Overall impact on profit after taxation</b>	<b>–</b>	<b>–</b>	<b>789</b>	<b>(789)</b>	<b>–</b>	<b>(1 867)</b>	<b>1 867</b>

### 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 R67,4 thousand (2017: R44,9 thousand) at year-end, on which the after tax impact on profit or loss would be R0,9 thousand (2017: R0,65 thousand) should the interest rate change by 2% (2017: 2%).

### 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. The related parties are:

#### Related parties:

Associates of the company are listed in Note 5.

Megatron Properties Proprietary Limited – Common directors (seized to be a related party in 2017).

Savilas Properties Proprietary Limited – Common directors (seized to be a related party in 2018).

Vegtu Investments Proprietary Limited – Common directors.

Pyramid Conference and Venue Centre CC – Close family member of directors.

#### Related-party transactions:

	Group	
	2018 R'000	2017 R'000
<b>Sales</b>	–	–
<b>Rent (paid)/received</b>		
– Vegtu Investments Proprietary Limited	(12 178)	(11 153)
– Savilas Properties Proprietary Limited	–	(2 822)
<b>Interest received</b>		
– In-Toto Solutions	3 136	2 752
<b>Purchases</b>		
Pyramid Conference and Venue Centre CC	(397)	(14)
Directors' remuneration details can be found in the Directors' report.		
<b>Related-party balances:</b>		
Vegtu Investments Proprietary Limited – included in accounts payable	(759)	(2 430)
SkyeVine Proprietary Limited – included in accounts receivable	–	144
– In-Toto Solutions – included in accounts receivable	158	–

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 arms' length basis.

#### Related parties:

Subsidiaries of the company are listed in Note 4.

Associates of the company are listed in Note 5.

	Company	
	2018 R'000	2017 R'000
<b>Related-party transactions:</b>		
<b>Administration fees</b>		
Ellies Electronics Proprietary Limited	1 872	800

#### Related-party balances:

All related-party balances at year-end are disclosed in Notes 4 and 5.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 37. Segmental analysis

Statement of financial position 2018	Consumer				Infrastructure		Total* R'000
	Goods and services R'000	Properties R'000	Manufacturing R'000	Consumer discontinued R'000	Infrastructure continued R'000	Infrastructure discontinued R'000	
	598 197	42 041	94 692	1 440	40 578	–	776 948
Fixed assets	22 366	32 045	21 568	42	–	–	76 021
Trade and other receivables	182 901	391	18 083	40	40 564	–	241 979
Inventories	314 690	–	53 926	739	–	–	369 355
Bank and cash balances	19 039	1 518	227	605	8	–	21 397
Non-current assets held for sale	–	4 250	–	–	–	–	4 250
Other assets	59 201	3 837	888	14	6	–	63 946
	237 793	11 398	41 763	914	109 111	65 540	466 519
Long-term liabilities	288	4 559	–	–	–	–	4 847
Trade and other payables	141 991	249	36 107	14	33 287	–	211 648
Bank overdraft	96 196	–	–	–	–	–	96 196
Contamination provisions	–	–	–	–	–	65 540	65 540
Other liabilities	(682)	6 590	5 656	900	75 824	–	88 288
Net assets	360 404	30 643	52 929	526	(68 533)	(65 540)	310 429

\* In order to reconcile back the statement of financial position, exclude discontinued operations.

Profit and loss statement 2018	Consumer				Infrastructure		Group* R'000
	Goods and services R'000	Properties R'000	Manufacturing R'000	Consumer discontinued R'000	Infrastructure continued R'000	Infrastructure discontinued R'000	
External revenue	1 383 917	–	34 407	11 382	–	–	1 429 706
Revenue	1 422 546	–	116 935	11 382	–	–	1 550 863
Inter-segment revenue	(38 629)	–	(82 528)	–	–	–	(121 157)
<b>Gross profit/(loss)</b>	<b>371 586</b>	<b>–</b>	<b>31 543</b>	<b>(634)</b>	<b>(307)</b>	<b>–</b>	<b>402 188</b>
Other income	(2 013)	6 342	–	21	15 513	–	19 863
Operating expenses	(297 840)	(597)	(27 584)	(1 552)	(6 253)	–	(333 826)
Depreciation	(4 047)	(138)	(5 182)	(8)	–	–	(9 375)
<b>Operating (loss)/profit before impairment of intangibles assets</b>	<b>67 686</b>	<b>5 607</b>	<b>(1 223)</b>	<b>(2 173)</b>	<b>8 953</b>	<b>–</b>	<b>78 850</b>
Impairment of non-current assets held for sale	–	(869)	–	–	–	–	(869)
Impairment of loan to associate	(3 136)	–	–	–	–	–	(3 136)
Impairment of loans	(122)	–	–	–	(252)	–	(374)
Loss as a result of loss control	–	–	–	–	–	(4 751)	(4 751)
<b>(Loss)/profit from operations</b>	<b>64 428</b>	<b>4 738</b>	<b>(1 223)</b>	<b>(2 173)</b>	<b>8 701</b>	<b>(4 751)</b>	<b>69 720</b>
Interest received	3 268	–	–	2	–	–	3 270
Interest paid	(15 372)	(2 828)	–	–	(83)	–	(18 283)
<b>(Loss)/profit before taxation</b>	<b>52 324</b>	<b>1 910</b>	<b>(1 223)</b>	<b>(2 171)</b>	<b>8 618</b>	<b>(4 751)</b>	<b>54 707</b>
Taxation	(15 350)	(753)	(312)	(34)	–	–	(16 449)
(Loss)/profit for the year	36 974	1 157	(1 535)	(2 205)	8 618	(4 751)	38 258

\* In order to reconcile back the statement of financial position, exclude discontinued operations.

Statement of financial position 2017	Consumer			Infrastructure		Total* R'000
	Goods and services	Properties	Manufacturing	Infrastructure continued	Infrastructure discontinued	
	R'000	R'000	R'000	R'000	R'000	
	585 145	66 891	104 798	31 710	–	788 544
Fixed assets	21 377	32 182	22 933	–	–	76 492
Trade and other receivables	180 349	667	9 198	31 626	–	221 840
Inventories	303 577	–	70 925	–	–	374 502
Bank and cash balances	14 417	513	205	84	–	15 220
Non-current assets held for sale	–	27 130	–	–	–	27 130
Other assets	65 425	6 399	1 536	–	–	73 360
	313 717	38 643	46 546	118 733	–	517 639
Long-term liabilities	599	30 090	–	–	–	30 689
Trade and other payables	120 487	218	40 962	38 633	–	200 299
Bank overdraft	120 410	–	–	–	–	120 410
Contamination provision	–	–	–	–	60 000	60 000
Other liabilities	12 221	8 335	5 584	80 100	–	106 239
Net assets	331 428	28 248	58 252	(87 023)	60 000	270 906

\* In order to reconcile back the statement of financial position, exclude discontinued operations.

Profit and loss statement 2017	Consumer			Infrastructure		Total* R'000	
	Goods and services	Properties	Manufacturing	Consumer discontinued	Infrastructure continued		Infrastructure discontinued
	R'000	R'000	R'000	R'000	R'000		R'000
External revenue	1 221 855	–	88 352	19 774	1 285	51 494	1 382 760
Revenue	1 268 727	–	166 668	19 774	1 285	51 494	1 507 948
Inter-segment revenue	(46 872)	–	(78 316)	–	–	–	(125 188)
<b>Gross (loss)/profit</b>	314 556	–	34 107	1 898	(14 540)	3 921	339 942
Other income	(4 583)	8 855	–	603	5 278	5 206	15 359
Operating expenses	(312 835)	(5 980)	(31 581)	(2 606)	(7 112)	(20 533)	(380 646)
Depreciation	(5 197)	(397)	(4 948)	(17)	(4)	(38)	(10 601)
Amortisation of intangible assets	–	–	–	–	(397)	–	(397)
<b>Operating (loss)/profit before impairment</b>	(8 059)	2 478	(2 422)	(122)	(16 775)	(11 444)	(36 344)
Impairment of intangible assets	–	–	–	–	(2 381)	–	(2 381)
Impairment of assets	–	(17 181)	–	–	–	–	(17 181)
Impairment of loan to associate	(15 380)	–	–	–	–	–	(15 380)
Impairment of goodwill	(2 234)	–	–	–	–	–	(2 234)
Loss as a result of loss control	–	–	–	–	–	(163 373)	(163 737)
<b>Loss from operations</b>	(25 673)	(14 703)	(2 422)	(122)	(19 156)	(174 817)	(236 894)
Interest received	2 865	–	–	2	18	100	2 983
Interest paid	(2 789)	(8 592)	(11 388)	–	(677)	(3 951)	(27 397)
Share of losses from associates	(2 427)	–	–	–	–	–	(2 427)
<b>Loss before taxation</b>	(28 024)	(23 295)	(13 810)	(120)	(19 815)	(178 668)	(263 732)
Taxation	9 556	5 022	47	22	(400)	–	14 247
<b>Loss for the year</b>	(18 468)	(18 273)	(13 763)	(98)	(20 215)	(178 668)	(249 485)

\* In order to reconcile back the statement of financial position, exclude discontinued operations.

Sales are principally generated in the Republic of South Africa, 5% (2017 – 5%) of sales were generated outside of South Africa.

# Notes to annual financial statements (continued)

for the year ended 30 April 2018

## 38. Guarantees and contingent liabilities/assets

- Unlimited suretyship given by Ellies Holdings Limited to Blue Strata Trading Proprietary Limited, a supplier, for facilities of R80 million (2017: R60 million).
- Lombards Insurance Company Limited has issued various "Performance Guarantees" and "Bid Security Guarantees" (denoted in South African Rands) as follows:

	Group	
	2018 R'000	2017 R'000
* South African Rands	5 802	13 263
* Euros	–	4 242
* US Dollars	2 951	2 801

These "Performance Guarantees" and "Bid Security Guarantees" are expected to expire as follows:

	Group	
	2018 R'000	2017 R'000
– 30 April 2018	–	19 982
– 30 April 2019	8 753	324

The directors do not believe any exposure to loss is likely.

	Group	
	2018 R'000	2017 R'000
• Standard Bank Limited has issued the following guarantees on behalf of the Group:	2 215	1 150

During the 2015 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 litigation of Ellies Proprietary Limited v Increspec Proprietary Limited and NV Properties Proprietary Limited remains pending.

Both Increspec and NV Properties have filed counter claims wherein they seek damages against our mutual client in the sum of R21 million and R5 million respectively. The foregoing relates to Ellies Electronics Proprietary Limited. The directors are defending the claim and do not believe the case will result in a loss to the Group. The case is still ongoing.

Botjheng Water has a claim against CMC in which the arbitrator found in Botjheng Water's favour in respect of participation of a contract.

Botjheng has a claim against CMC to the value of \$8,8 million of which \$1 million has been recognised. CMC has a counter claim of \$2,3 million. On 24 July 2018, Botjheng and CMC, entered into a Settlement Agreement, the substance thereof being that CMC agreed to pay Botjheng a net USD2.25 million in full and final settlement for all claims each party has against each other.

The directors are of the opinion that the \$1 million recognised is the minimum that will be received.

Beyond Platinum Proprietary Limited issued a summons against Ellies and certain of its directors for the alleged sale of counterfeit remotes; the value at risk in terms of assets is R5,1 million.

Super Group has legal dispute with Ellies Electronics over the cancellation of the warehousing and distribution agreement. The amounts claimed are as follows:

- Disputed delivery and warehousing costs of R3,49 million.
- Alleged loss of profits R37,23 million.

The directors are defending all of the above claims and do not believe the case will result in a loss to the Group.

### 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.

On 24 July 2018, Botjheng and CMC, entered into a Settlement Agreement, the substance thereof being that CMC agreed to pay Botjheng USD2.25 million in full and final settlement for all claims each party has against each other.

The effect of the settlement will be that the guarantee to Standard Bank (Note 19 – Guarantee provision) will reduce to R47 million.

Subsequent to the year-end, the Group appointed Shaun Prithivirajh as the new CEO of Ellies with effect from 1 August 2018.

No other subsequent events occurred that require further disclosure.

On 27 July 2018 the restructuring of the bank facilities with The Standard Bank of South Africa Limited was completed, the effect thereof was to restructure the debt facility, in that the property term loan of R11 million, as reflected in Note 15, the guarantee provision of R66 million, as reflected in Note 20, and the overdraft facility of R200 million, as reflected in Note 10, was collapsed and substituted by, a bullet 5 year facility of R85 million, a amortizing 5 year facility of R85 million and an ongoing working capital facility of R135 million.

The covenants have been set such that the Gross Debt to EBITDA cannot exceed 4,5 at 30 April 2018, 4 at 30 April 2019, 3,5 at 30 April 2020 and 3 at 30 April 2021.

### 40. Going Concern

The directors believe that the Group, as consolidated, 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. In reaching this conclusion the Board inter alia considered the real drivers on this assumption, being the forecasted cash flows for the ensuing year, in particular those of the Consumer segment and assumptions embedded therein, together with the restructure of the Group's banking facilities, the essence thereof being the ability of the company to absorb the Megatron SA Proprietary Limited contamination worst case, the duration of R170 million of debt being extended to a term of five years, with a general short-term loan facility of R135 million. The Board also applied its mind to the current funding headroom and the levels of the financial covenants to be maintained, which in their view have been reset to levels that reflect the base case, financial performance outlook and the conditions precedent of the term sheet, all of which are deemed under management's control.

Other factors the Board further considered include:

The Group has a net asset carrying value of circa R310 million, and a tangible net asset value of R259 million.

The potential contamination from the Infrastructure segment is more fully understood and provided for where applicable, and the fact that the only operating company held on the balance sheet for the Infrastructure segment is Botjheng Water Proprietary Limited. Had the deconsolidation of Botjheng taken place at 30 April 2018, it would have released an adjusted profit on loss of control of R75 million.

# Notice of Annual General Meeting

## Ellies Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2007/007084/06)

JSE share code: ELI ISIN: ZAE000103081

("Ellies" or the company")

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders (AGM) of Ellies Holdings Limited (Ellies or the company) will be held at 94 Eloff Street Ext, Village Deep, Johannesburg, 2001 on Friday, 7 December 2018 at 11:00 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 2018, together with the reports of the directors, the Audit and Risk Committee and the auditors, as well as the Social and Ethics Committee, as contained in the Integrated Annual Report;
2. to transact such other business as may be transacted at an AGM of a company including the reappointment 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:

- i. Record date for the receipt of the notice of the AGM is Friday, 20 July 2018.
- ii. Last day to trade in order to be eligible to participate in and vote at the AGM is Tuesday, 27 November 2018.
- iii. Record date to participate in and vote at the AGM is Friday, 30 November 2018.

## Presentation of annual financial statements

The consolidated audited financial statements of the company and its subsidiaries (as approved by the board of directors), including the directors' report, the Audit and Risk Committee report and the external auditor's report for the year ended 30 April 2018, as well as the report of the Social and Ethics Committee, have been distributed as required and will be presented to shareholders. The complete annual financial statements are set out on pages 64 to 107 of the Integrated Annual Report.

## Special resolution number 1: Share repurchases

"Resolved that the company and/or any of its subsidiaries be authorised by way of a general authority, to acquire shares of the company on such terms and conditions and in such amounts as 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 company (or any subsidiary) must be authorised thereto by its MOI.
4. The number of shares which may be acquired pursuant to this authority in any one financial year (which commenced on 1 May 2018) 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.
5. Repurchases of shares may not be made at a price of more than 10% (ten percent) above the weighted average of the market value for the securities on the JSE of the shares in

question for the 5 (five) business days immediately preceding the repurchase.

6. 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.
7. 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.
8. The board of directors of the company (Board) must have resolved that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, 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.
9. This general authority shall be valid until the next AGM 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 AGM:

- 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.
- 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 beneficial shareholders – page 51.
- Share capital of the company – page 88.

## 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 2018 and up to the date of this notice.

## Directors' responsibility statement

The directors, whose names appear on pages 18 and 19 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.

# Notice of Annual General Meeting (continued)

## Reasons for and effect of special resolution number 1

The reason for special resolution number 1 is to afford directors of the company and/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.

## 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, each as presently constituted and amended from time to time, 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 is 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.

## Ordinary resolution number 1: Confirmation of the appointment of S Prithivirajh

"Resolved that the appointment of S Prithivirajh as executive director and chief executive officer ("CEO") of Ellies with effect from 1 August 2018 be confirmed."

In order for ordinary resolution number 1 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.

A brief CV for S Prithivirajh follows:

Shaun was the Group CEO for GloCell Proprietary Limited ("GloCell") for the last two years. Prior to joining GloCell he was managing executive and director for Ellerines Services Africa as well as manager of international products retail, commercial and industrial for Chevron South Africa Proprietary Limited (Caltex).

Shaun holds a PhD in Business Management from the University of North-West, as well as an MBA from the University of Natal. He has extensive executive experience in turnaround businesses and in-dept management experience in highly competitive retail and service driven businesses.

## Ordinary resolution number 2: Re-election of FS Mkhize as a director of the company

"Resolved that FS Mkhize be re-elected as a director of the company."

The Board has considered FS Mkhize's past performance and contribution to the company and recommends that FS Mkhize be re-elected as a director of the company.

Fikile was appointed to the Board on 1 June 2012 as an independent non-executive director. She holds a Master's Degree in Business Leadership from the University of South Africa (UNISA), and is currently Executive Management at Johannesburg Roads Management responsible for IT, Legal Services, Risk Management, Institutional Performance Management. Fikile is also acting in the same position for Human Capital Management and Facilities Management. She sits on boards and board committees (audit, investment and risk) in the private and public sectors. She was appointed as the lead independent non-executive director on 19 July 2018.

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.

## Ordinary resolution number 3: Re-appointment and appoint 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 reappointed as members of the Audit and Risk Committee, each by way of a separate vote:

3.1 FS Mkhize (Chairperson); and

3.2 S Goldberg."

Stephen, who qualified as a Chartered Accountant in 1999, completed his articles at Grant Thornton Kessel Feinstein, thereafter joining 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 several of Peregrine's clients. In September 2002, Stephen joined Buffet Investments Proprietary Limited ('Buffet') and was involved in identifying, implementing and managing several private equity transactions in a variety of industries.

Stephen sat on the boards of various investee companies, including Sally Williams Fine Foods, Eazi Access Rentals, Kevro, The Creative Counsel and the interests of Buffet. He also guided 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 numbers 3.1 and 3.2 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.

## Ordinary resolution number 4: Reappointment of auditors

"Resolved that Grant Thornton, together with Rudi Huiskamp as the designated audit partner, be appointed as auditors of the company from the conclusion of this AGM."

The audit and risk committee has nominated Grant Thornton for appointment as auditors of the company under section 90 of the Companies Act, 71 of 2008 and pursuant to the provisions of paragraph 3.84(g)(iii) of the JSE Limited (JSE) Listings Requirements.

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.

**Ordinary resolution number 5: 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 and the Companies Act, authorised to allot and issue 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, such authority to remain in force until the next AGM of the company.”

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.

**Ordinary resolution number 6: General authority to directors to allot and issue ordinary 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 AGM 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 98 641 235 shares, being 15% of the company’s issued shares as at the date of notice of this AGM. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 98 641 235 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 6 to be adopted, the support of more than 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

**Ordinary resolution number 7.1: Approval of remuneration policy (non-binding advisory vote)**

“It is hereby resolved, through a non-binding advisory vote, that the company’s remuneration policy (excluding the remuneration of non-executive directors and the members of board committees for their services as directors and members of committees) which is not to remunerate its executive directors for attendance at meetings, but rather to remunerate them in terms of an employment contract, be and is hereby approved.”

**Ordinary resolution number 7.2: Approval of implementation report (non-binding advisory)**

“It is hereby resolved, through a non-binding advisory vote, that the company’s remuneration implementation report be and is hereby approved.”

The remuneration report and implementation policy can be found on pages 41 and 42 of the Integrated Annual Report.

The above non-binding resolutions allow for shareholders to express their views on the company’s remuneration structures and policies. In the event that 25% or more of the shareholders vote against resolutions 7.1 or 7.2 or both, the board will publish on SENS how it intends to engage with shareholders to address their concerns at the time at which the AGM results are released on SENS.

**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 and 2 and 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.

**Notice to owners of dematerialised shares**

Please note that if you are the owner of dematerialised shares held through a Central Securities Depository Participant (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. Ask for letter of representation.

**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 AGM. 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, Computershare Investor Services (Pty) Limited (15 Biermann Avenue, Rosebank, Johannesburg, 2196), for the purposes of being entitled to attend, participate in and vote at the AGM is Friday, 30 November 2018.

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 transfer secretaries, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 or email to proxy@computershare.co.za. Shareholders are requested to furnish such forms of proxy to the company at least 48 hours prior to the date of the meeting in order to allow for processing of the forms of proxy. Alternatively, the form of proxy may be handed to the chairman of the AGM or to the transfer secretaries present at the AGM at any time prior to the commencement of the AGM or prior to voting on any resolution proposed at 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

# Notice of Annual General Meeting (continued)

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 AGM (including the aforementioned representative) must provide satisfactory identification before they may so participate. Acceptable forms of identification include valid identity documents, driver's licences and passports.

## 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, Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za. Shareholders are requested to furnish such forms of proxy to the company at least 48 hours prior to the date of the meeting in order to allow for processing of the forms of proxy. Alternatively, the form of proxy may be handed to the chairman of the meeting or the transfer secretaries present at the AGM at any time prior to the commencement of the AGM or prior to voting on any resolution proposed at 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 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, Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by 11:00 on Wednesday, 5 December 2018 or handed to the chairman of the AGM at any time prior to the commencement of the meeting.

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 AGM. 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 AGM. Such shareholders must not complete the attached form of proxy.

Accordingly, in these circumstances, and 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 transfer secretaries.

## 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 AGM via the teleconference facility will be required to advise the company thereof by no later than 6 December 2018 by submitting, by email to Future.Bhonkwane@computershare.co.za or by fax to be faxed to 011 688 5279, for the attention of Future Bhonkwane, 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 AGM.

Shareholders who wish to participate in the AGM by way of telephone conference call must note that they will not be able to vote during the AGM. Such shareholders, should they wish to have their votes counted at the AGM, 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) Limited**  
Company Secretary

30 July 2018

# 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, 30 November 2018, at the AGM of the company to be held on Friday, 7 December 2018 at 94 Eloff Street Ext, Village Deep, Johannesburg at 11:00, 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 AGM 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 AGM in order for the CSDP or broker to vote in accordance with their instructions at the AGM.

I/We \_\_\_\_\_ (please PRINT names in full)  
of \_\_\_\_\_ (Address)

being the 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 AGM, as my/our proxy to act for me/us on my/our behalf at the AGM, 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 AGM, 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*
<b>To pass special resolutions:</b>			
1. Share repurchases			
2. Financial assistance to related or inter-related companies			
<b>To pass ordinary resolutions:</b>			
1. Confirmation of appointment of S Prithvirajh as executive director and CEO			
2. To re-elect FS Mkhize as a director of the company			
3. Appointment of the members of the Audit and Risk Committee:			
3.1 FS Mkhize (Chairperson)			
3.2 S Goldberg			
4. Reappointment of auditors			
5. Unissued ordinary shares			
6. General authority for directors to allot and issue ordinary shares for cash			
7.1 Approval of remuneration policy (non-binding advisory)			
7.2 Approval of remuneration implementation report (non-binding advisory)			
8. 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 at \_\_\_\_\_ on \_\_\_\_\_ 2018

Signature \_\_\_\_\_

(State capacity and full name) \_\_\_\_\_

**A shareholder entitled to attend and vote at the AGM 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 AGM.**

Shareholders are requested to furnish such forms of proxy to the company at least 48 hours prior to the date of the meeting in order to allow for processing of the forms of proxy. Alternatively, the form of proxy may be handed to the chairman of the meeting or the transfer secretaries present at the AGM at any time prior to the commencement of the AGM or prior to voting on any resolution proposed at 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.

Please read the notes on the reverse side hereof.

# Notes to form of proxy

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",

on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited, in order to vote at the AGM being Friday, 30 November 2018, and who wish to appoint another person to represent them at the AGM.
2. Certificated shareholders wishing to attend the AGM have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services Proprietary Limited) 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 proxy form, 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 AGM.
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 initialled by the shareholder(s). The person whose name stands first on this form of proxy and who is present at the AGM 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 Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107 South Africa) to be received by 48 hours prior to the AGM. Alternatively, proxy forms may be handed in at the meeting.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM 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 initialled 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 AGM 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 Computershare Investor Services (Pty) Ltd, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107 South Africa), so as to arrive by 48 hours before the date of the AGM. Alternatively, proxy forms may be handed in at the meeting.
15. This form of proxy may be used at any adjournment or postponement of the AGM, 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) Cancelling 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 MOI, 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) Subsections (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."

# Corporate information

## Ellies Holdings Limited

(Registration number 2007/007084/06)  
JSE share code: ELI  
ISIN: ZAE000103081  
("Ellies" or "the Company" or "the Group")

### Executive directors

ER Salkow (Chairman and Joint CEO)  
AL Bock (Joint CEO and CFO)

### Lead independent non-executive:

FS Mkhize

### Independent non-executive:

S Goldberg

### Non-executive:

MJ Kuscus

### The following director resigned during the year:

WMG Samson (Chief Executive Officer)  
OD Fortuin (Lead independent non-executive\*)  
*\*Resignation post year end*

### Registered office

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

### Sponsor

Java Capital

### Auditors

Grant Thornton Johannesburg Partnership

### Company Secretary

CIS Company Secretaries Proprietary Limited

### Transfer secretaries

Computershare Investor Services Proprietary Limited

[www.elliesholdings.com](http://www.elliesholdings.com)

[www.ellies.co.za](http://www.ellies.co.za)