



HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended 31 October 2022

H1 F2023

AT A GLANCE

REVENUE

increased by 5,6%
to
R508,9 million

(H1 F2022: R481,9 million)

EBITDA LOSS

increased by 53,8%
to a loss of
R30 million

(H1 F2022: loss of R19,5 million)

LOSS AFTER TAX

increased by 72,8%
to a loss of
R34,9 million

(H1 F2022: loss of R20,2 million)

TOTAL COMPREHENSIVE LOSS

increased by 74,3%
to a loss of
R35,2 million

(H1 F2022: loss of R20,2 million)

LOSS PER SHARE

increased by 41,8%
to a loss of
4,34 cents

(H1 F2022: loss of 3,06 cents)

HEADLINE LOSS PER SHARE

increased by 5,1%
to a headline loss of
4,58 cents

(H1 F2022: headline loss of
4,36 cents)

NET ASSET VALUE PER SHARE

decreased by 36,9%
to
12,3 cents

(H1 F2022: 19,5 cents)

NET TANGIBLE ASSET VALUE PER SHARE

decreased by 36,9%
to
12,3 cents

(H1 F2022: 19,5 cents)

NO DIVIDEND DECLARED

Results commentary

INTRODUCTION

Ellies Holdings Limited is an investment holding company for businesses involved in the trading and distribution of a diverse range of products and services, inclusive of satellite television products and related accessories, electrical, signal distribution, residential and commercial LED lighting solutions, solar power, uninterrupted power supply, fibre connectivity, sound and audio-visual equipment distribution and installation.

As previously reported, with the closure of the Manufacturing segment, the remaining Trading and Distribution segment is the heartbeat of the organisation and operates out of 19 branches and trade counters in Southern Africa, with a presence in all nine provinces and wholly owned subsidiaries in Namibia, Botswana and Eswatini (formerly Swaziland).

OVERVIEW

In the Integrated Annual Report issued during August 2022, it was reported that the Board and management have embarked on an ambitious turnaround strategy to reset the cost base, restructure the business for growth in new categories and are actively pursuing acquisition opportunities, as notified to shareholders in the cautionary announcements issued on 28 September 2022 and 9 November 2022, respectively.

The strategy is intended to position Ellies as a smart infrastructure business, which will include comprehensive solutions for alternative energy, water storage and harvesting, connectivity and smart home technology. These initiatives, including the acquisitions, have been approved in principle by the Board and plans are now in progress to raise the requisite capital to give effect to the strategy.

The Board can report that the section 189, the closure and migration of the warehouse and logistics functions in Cape Town, Polokwane and Nelspruit and, lastly, the outsourcing of the sales and merchandising function, have been completed. The expectation is that these will start to deliver savings in the second half of the current financial year.

Trading environment

The current year has seen continued pressure on consumers on multiple fronts, inflation has been increasing globally and consequently in South Africa. A major driver of this is the war in Ukraine putting inflationary pressure on energy costs, which has hit the South African consumer at the petrol pumps, eating into the consumers' already subdued spending. Interest rates in turn have been increasing steadily during the reporting period, in response to inflation and the increase in interest rates around the world. The South African prime rate has moved from 7,75% in March of 2022 to the rate of 9,75% in September 2022, an increase of 30%. All these factors have negatively affected consumer spend. The continued and increased loadshedding, whilst negatively affecting the economy and the consumer, has benefited the Group with an increased demand for the alternative energy products that Ellies distributes, which has helped offset some of the decline in general demand from consumers, especially in the retail space. Regrettably, Ellies could not take full advantage of this opportunity due to working capital constraints. Steps are being taken to finalise an increased working capital facility with the Group's bankers in order to address these constraints.

Turnaround

The Ellies satellite and installation business has historically been the foundation of the Group and the structure and cost base were built to support this business. However, with the reported decline in the satellite business, the Group has reviewed the current operations against this backdrop and begun a process to right-size the satellite business. Together with that and following the successful implementation of the outsourcing of the warehousing and logistics of the Johannesburg operations (implemented in the 2020 year) and with a number of site leases coming to an end, Ellies, after a detailed review, has concluded an agreement with Value Logistics to take over these warehousing and logistics operations. The Group has concluded the section 189 consultation process, as reported on the JSE Stock Exchange News Service ("SENS"). The Group expects that the various initiatives above will result in substantial savings in operating costs.

In addition to the above, the Group has also concluded an agreement with Pack n Stack Proprietary Limited to expand the sales and merchandising function, allowing for Ellies to increase its reach and service, specifically of the retail chain stores, which the Board and management believes will lead to an increase in revenue from retail.

Results commentary continued

B-BBEE

As previously reported, the Group embarked on a transformation strategy with the objective of attaining a Level 4 B-BBEE accreditation. Aided by the B-BBEE transaction entered into with Imvula Education Empowerment Fund Trust and approved by shareholders on 8 September 2021, the Group achieved a Level 3 B-BBEE accreditation on 29 October 2021. The Board is pleased to report that the Group has managed to further improve its rating and was awarded a Level 2 B-BBEE accreditation on 19 October 2022.

Legal legacy matters

As previously reported, since the appointment of the new Board in April 2019, the number of legacy legal issues which had remained outstanding for some time, has steadily reduced. As reported in the 30 April 2022 Integrated Annual Report, the matter with Allybay Trading Enterprises Proprietary Limited was withdrawn on 20 July 2022. The final legacy legal issue remaining is with Freightit Proprietary Limited, who instituted legal action against Ellies Electronics Proprietary Limited, relating to an alleged uncontractual termination of agreement. The total amount of the claim is R9,6 million. Ellies Electronics Proprietary Limited is currently defending the claim and, based on the assessment of its legal position, does not believe that the case will result in a loss to the Group.

CHANGES TO THE BOARD OF DIRECTORS

As previously announced on SENS, the following changes to the Board took place in the period under review:

- Ms Maya Makanjee was appointed as an independent non-executive director with effect from 1 July 2022, and was further appointed a member of the Remuneration Committee and the Nomination Committee
- Ms Sedzani Mudau was appointed as an independent non-executive director with effect from 1 July 2022, and was further appointed a member of the Audit and Risk Committee and the Social and Ethics Committee

REVIEW OF OPERATIONS

Trading and Distribution segment

The Trading and Distribution segment experienced a subdued demand on its retail products due to the difficult trading environment and pressure on the consumer as discussed above. However, the power back-up solutions bucked the trend of depressed consumer demand due to the increased loadshedding experienced. The demand for satellite products continues the expected decline because of the previously reported rise of streaming services and increased competition from content providers. The supply chain is still under pressure due to the continuing disruptions emanating from the policies relating to COVID-19 restrictions in China and this has disrupted supply and impacted revenue in the first half of the current financial year. The Group is finalising the restructuring of its working capital facilities and expects to be able to begin increasing its holding of inventory, which should provide some buffer to the impact of the supply chain disruptions.

Manufacturing segment

The Manufacturing segment was placed in liquidation in February 2021 and the liquidation process is nearing completion. The Group has recognised an amount of R8,6 million at October 2021, included in the statement of comprehensive income under discontinued operations, being the first distribution from the liquidation. The Master approved the Second and Final Liquidation and Distribution Account on 7 October 2022 and, in terms thereof, the Group has recognised the final distribution of R1,8 million, which is included in the statement of comprehensive income under discontinued operations.

Results commentary continued

FINANCIAL REVIEW

Statement of comprehensive income

Revenue for the interim period to 31 October 2022 is 5,6% higher than the prior comparative period. Gross profit improved by 7,8% in part due to an increase in sales as well as an improvement in gross margin from 25,9% in the prior year versus a current year gross margin of 26,4%.

Comparative operating expenses, excluding the provision for restructuring costs, were contained and increased by only 1,7% over the prior period. EBITDA for the current period is a loss of R30 million compared to the prior period at a loss of R19,5 million, an increase of 53,8%. However, this contains a provision for restructuring costs of R18 million and, adjusting for this, shows that EBITDA would have improved over the comparative period by 38,6%.

Borrowing costs have increase from R7,3 million to R9,3 million because of higher average borrowings over the prior year and an increase in interest rates as a consequence of inflationary effects in the global economy.

The income from discontinued operations in the prior and current year is due to the first and final distribution on the liquidation, being R8,6 million and R1,8 million, respectively.

Statement of financial position

The interim period ended with capital and reserves of R98,8 million, down from R133,5 million at year-end, and a net asset value per share of 12,3 cents, down from a year-end value of 16,6 cents.

Property, plant and equipment and right-of-use assets declined by the depreciation charge per the statement of comprehensive income with a minor increase due to small acquisitions mostly in owned and leased computer equipment. Movements in deferred tax asset are due to temporary timing differences with the increase largely attributable to the increase in the assessed loss.

The balance on current assets has remained flat, with the exception of inventory that has decreased from the year-end balance of R213,6 million to R159 million. The reduction has been due to some delays in inventory due to supply chain disruptions as a consequence of both imports from China as well as local port strikes and the increase in sales into the retail stores, as they move into the year-end trading cycle.

Interest-bearing liabilities continue to decrease with the quarterly repayment of the term loans from Standard Bank, reducing in the current half-year by R9,2 million. In turn, lease liabilities have reduced in line with the amortisation charge in terms of IFRS 16.

Trade and other payables have reduced further from a year-end close of R133,2 million to R121,2 million as at 31 October 2022, including the provision of restructuring costs of R18,1 million.

Statement of cash flows

Cash flows from operating activities for the year to date have increased by R5,1 million attributable mainly to the change in working capital, in turn mostly due to a reduction in inventory, as reported above.

Cash flows from investing activities contributed R1,7 million, mostly attributable to the proceeds on the disposal of one of the two properties that were held for sale.

Cash flows from financing activities resulted in an outflow of R17,8 million, of which R9,2 million was the repayment of the term loan and R8,6 million the repayment of lease liabilities.

GOING CONCERN

The directors have considered the current trading results, profitability and cash flow forecasts for the year ahead, the expected savings as a consequence of the restructure, as well as the continued support of Ellies' bankers and, as a result of all the above factors and the forecasts, believe that Ellies is and will remain a going concern for the foreseeable future, which is for 12 months following the date on which the unaudited consolidated interim results are released.

DIVIDEND

No dividend has been declared for the period under review.

Consolidated statement of **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the six months ended 31 October 2022

	Notes	GROUP		
		Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Revenue	2	508 940	481 867	1 076 351
Cost of sales		(374 383)	(357 077)	(816 472)
Gross profit		134 557	124 790	259 879
Other income		1 169	615	2 922
Operating expenses		(147 531)	(145 090)	(299 598)
Retrenchment costs		(18 055)	–	–
Impairment (loss)/gain on trade receivables		(182)	165	(288)
Depreciation		(9 212)	(9 256)	(19 073)
Loss from operations		(39 254)	(28 776)	(56 158)
Interest received		–	3	10
Interest paid		(9 296)	(7 273)	(14 743)
Loss before taxation		(48 550)	(36 046)	(70 891)
Taxation		11 735	7 163	13 155
Loss for the year: continuing operations		(36 815)	(28 883)	(57 736)
Income: discontinued operations		1 873	8 659	14 066
Loss for the period		(34 942)	(20 224)	(43 670)
<i>Other comprehensive income:</i>				
<i>Items that will be reclassified subsequently to profit or loss</i>				
– Foreign currency translation reserve		(231)	3	62
Total comprehensive loss for the period		(35 173)	(20 221)	(43 608)
<i>Attributable to:</i>				
Equity holders of the parent		(34 942)	(20 224)	(43 670)
Loss after tax		(34 942)	(20 224)	(43 670)
<i>Attributable to:</i>				
Equity holders of the parent		(35 173)	(20 221)	(43 608)
Total comprehensive loss for the period		(35 173)	(20 221)	(43 608)
– Basic loss per share (cents)	3	(4,34)	(3,06)	(5,96)
– Diluted loss per share (cents)	3	(4,34)	(3,06)	(5,96)

Consolidated statement of FINANCIAL POSITION

as at 31 October 2022

	Notes	GROUP		
		Unaudited 31 Oct 2022 R'000	Unaudited 31 Oct 2021 R'000	Audited 30 Apr 2022 R'000
ASSETS				
Non-current assets		74 762	66 419	71 370
Property, plant and equipment		9 378	11 216	10 473
Right-of-use assets		17 239	25 411	24 487
Deferred taxation		48 145	29 792	36 410
Current assets		326 407	361 800	377 965
Inventory		159 036	187 514	213 646
Trade and other receivables		147 853	153 839	147 352
Taxation receivable		8 065	7 320	8 065
Bank and cash balances		11 453	13 127	8 902
Non-current assets held for sale		1 600	3 550	3 550
Non-current assets held for sale	4	1 600	3 550	3 550
Total assets		402 769	431 769	452 885
EQUITY AND LIABILITIES				
Total shareholders' interest		98 768	156 900	133 520
Stated capital		855 736	855 736	855 736
Non-distributable reserves		(175 038)	(175 294)	(175 228)
Accumulated loss		(581 930)	(523 542)	(546 988)
Equity attributable to equity holders of the parent		98 768	156 900	133 520
Non-current liabilities		91 351	117 305	104 261
Interest-bearing liabilities	5	82 367	100 971	91 518
Lease liabilities		8 340	16 334	12 101
Deferred taxation		644	–	642
Current liabilities		212 650	157 564	215 104
Interest-bearing liabilities	5	18 818	18 889	18 895
Lease liabilities		13 201	14 909	17 481
Provisions		142	142	142
Taxation payable		4	4	4
Trade and other payables		121 249	110 347	133 166
Bank overdrafts		59 236	13 273	45 416
Total equity and liabilities		402 769	431 769	452 885

Consolidated statement of CHANGES IN EQUITY

for the six months ended 31 October 2022

	Stated capital R'000	Foreign currency trans- lation reserve R'000	Share- based payment reserve R'000	Arising from common control transac- tion R'000	Accumu- lated loss R'000	Equity attri- butable to equity holders of the parent R'000	Total equity R'000
GROUP							
Balance as at 30 April 2021	837 212	2 222	450	(178 194)	(503 318)	158 372	158 372
Issue of share capital	18 524	-	-	-	-	18 524	18 524
Equity-settled share-based payment expense	-	-	225	-	-	225	225
Total comprehensive loss for the period	-	3	-	-	(20 224)	(20 221)	(20 221)
Balance as at 31 October 2021	855 736	2 225	675	(178 194)	(523 542)	156 900	156 900
Equity-settled share-based payment expense	-	-	7	-	-	7	7
Total comprehensive loss for the period	-	59	-	-	(23 446)	(23 387)	(23 387)
Balance as at 30 April 2022	855 736	2 284	682	(178 194)	(546 988)	133 520	133 520
Equity-settled share-based payment expense	-	-	421	-	-	421	421
Total comprehensive loss for the period	-	(231)	-	-	(34 942)	(35 173)	(35 173)
Balance as at 31 October 2022	855 736	2 053	1 103	(178 194)	(581 930)	98 768	98 768

Consolidated statement of CASH FLOWS

for the six months ended 31 October 2022

	Notes	GROUP		
		Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Cash flow from/(utilised in) operating activities	6	5 078	6 076	(10 987)
Cash generated from operations		14 374	13 616	4 743
Interest received		–	3	10
Interest paid		(9 296)	(7 273)	(14 743)
Taxation paid		–	(270)	(997)
Cash flow from investing activities		1 690	1 954	988
Acquisitions of property, plant and equipment		(330)	(1 010)	(1 997)
Proceeds on disposal of property, plant and equipment		24	2 964	2 985
Proceeds on disposal of non-current assets held for sale		1 996	–	–
Cash flows (utilised in)/from financing activities		(17 805)	1 664	(16 648)
Repayment of interest-bearing liabilities		(9 228)	(9 552)	(18 999)
Receipt from issue of share capital		–	18 524	18 524
Repayment of lease liabilities		(8 578)	(7 308)	(16 173)
Net (decrease)/increase in cash and cash equivalents		(11 038)	9 695	(26 647)
Foreign currency translation reserve – net movement on cash and cash equivalents		(231)	6	(20)
Cash and cash equivalents at beginning of period		(36 514)	(9 847)	(9 847)
Cash and cash equivalents at the end of the period		(47 783)	(146)	(36 514)
<i>Cash and cash equivalents consist of:</i>				
Bank and cash balances		11 453	13 127	8 902
Bank overdrafts		(59 236)	(13 273)	(45 416)
		(47 783)	(146)	(36 514)

SEGMENT analysis

for the six months ended 31 October 2022

In prior years the Group reported on two segments, namely Trading and Distribution, and Manufacturing. As a result of the liquidation of Ellies Industries Proprietary Limited on 23 February 2021, the date of loss of control, the statement of financial position is NIL at 31 October 2021, 31 October 2022 and 30 April 2022, respectively, for the Manufacturing segment. The current period only reflects the statement of financial position for the Trading and Distribution segment.

The only item reflected in the Manufacturing segment statement of comprehensive income for the current period is R1,8 million (2021: R8,6 million), being a liquidation distribution from Ellies Industries Proprietary Limited.

Geographic segment information has not been provided as the foreign operations in Namibia, Eswatini and Botswana comprise less than 10% of total revenue and net profit after tax.

STATEMENT OF FINANCIAL POSITION	Trading and Distribution R'000	Total R'000
Unaudited as at 31 October 2022		
Total assets	402 769	402 769
Total liabilities	304 001	304 001
Net assets	98 768	98 768
Unaudited as at 31 October 2021		
Total assets	431 769	431 769
Total liabilities	274 869	274 869
Net assets	156 900	156 900
Audited as at 30 April 2022		
Total assets	452 885	452 885
Total liabilities	319 365	319 365
Net assets	133 520	133 520

SEGMENT analysis continued

for the six months ended 31 October 2022

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			Total R'000
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Manufacturing discontinued R'000	Total Trading and Distribution and Manufacturing discontinued R'000	
Unaudited six months ended 31 October 2022						
Revenue	508 940	508 940	–	–	–	508 940
Other income – liquidation distribution	–	–	–	1 873	1 873	1 873
Operating expenses	(147 531)	(147 531)	–	–	–	(147 531)
Segment (loss)/profit before interest and taxation	(39 254)	(39 254)	–	1 873	1 873	(37 381)
Interest paid	(9 296)	(9 296)	–	–	–	(9 296)
(Loss)/profit before taxation	(48 550)	(48 550)	–	1 873	1 873	(46 677)
Unaudited six months ended 31 October 2021						
Revenue	481 867	481 867	–	–	–	481 867
Other income – liquidation distribution	–	–	–	8 665	8 665	8 665
Operating expenses	(145 090)	(145 090)	(6)	–	(6)	(145 096)
Segment (loss)/profit before interest and taxation	(28 776)	(28 776)	(6)	8 665	8 659	(20 117)
Interest received	3	3	–	–	–	3
Interest paid	(7 273)	(7 273)	–	–	–	(7 273)
(Loss)/profit before taxation	(36 046)	(36 046)	(6)	8 665	8 659	(27 387)
Audited for the year ended 30 April 2022						
Revenue	1 076 351	1 076 351	–	–	–	1 076 351
Other income	2 922	2 922	6 560	8 665	15 225	18 147
Operating expenses	(299 598)	(299 598)	(1 159)	–	(1 159)	(300 757)
Impairment loss on trade receivables	(288)	(288)	–	–	–	(288)
Depreciation	(19 073)	(19 073)	–	–	–	(19 073)
Segment (loss)/profit before interest and taxation	(56 158)	(56 158)	5 401	8 665	14 066	(42 092)
Interest received	10	10	–	–	–	10
Interest paid	(14 743)	(14 743)	–	–	–	(14 743)
(Loss)/profit before taxation	(70 891)	(70 891)	5 401	8 665	14 066	(56 825)
Taxation	13 155	13 155	–	–	–	13 155
(Loss)/profit for the year	(57 736)	(57 736)	5 401	8 665	14 066	(43 670)

Notes to the **UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS**

for the six months ended 31 October 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial results for the six months ended 31 October 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS), the disclosure requirements of IAS 34, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008, the Listings Requirements of the JSE Limited (JSE Listings Requirements) and Circular 1/2021: Headline Earnings as issued by SAICA.

The unaudited condensed consolidated interim financial results were compiled by Mr Jacques Liebenberg AGA(SA), Group Reporting Financial Manager under the supervision of Mr Guy Moretti CA(SA), Financial Director and Chief Financial Officer.

The directors take full responsibility for the preparation of this condensed report. The directors are not aware of any matters or circumstances arising subsequent to the reporting date that require any additional disclosure or adjustment to the financial statements, other than as disclosed in note 7.

Accounting policies

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 April 2022. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 April 2022.

Audit opinion

The Group's external auditors, BDO South Africa Inc, have not reviewed the unaudited condensed consolidated interim financial results.

Any reference to future financial performance included in this announcement has neither been reviewed nor is it reported on by the Group's external auditors.

Going concern assessment

In determining the appropriate basis of preparation of the unaudited condensed consolidated interim financial results, the directors are required to determine if the Group will be a going concern for the next year. Management prepared cash flow forecasts for each of the subsidiaries. These forecasts were subjected to sensitivity tests. Management also considered the businesses' ability to meet its financial obligations for the 12 months following approval of the unaudited condensed consolidated interim financial results. The analysis considered the current challenging market conditions and management's turnaround plan being executed including a return to sustainable profitability, cost reductions and the optimisation of working capital. The resulting cash flow projections were compared to available funding facilities. The forecast indicated that the banking facilities should be adequate. There are specific banking covenants with which the Company has to comply.

The Group's ability to fund its short-term liquidity requirements is dependent on adequate funding facilities.

The directors have considered the current trading results, profitability and cash flow forecasts for the year ahead, the expected savings as a consequence of the restructure, as well as the continued support of Ellies' bankers and, as a result of all the above factors and the forecasts, believe that Ellies is and will remain a going concern in the foreseeable future.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2022

2. REVENUE

Revenue from contracts with customers

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Revenue from contracts with customers	508 940	481 867	1 076 351

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographic market.

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
South Africa	476 992	449 772	1 015 243
Botswana	8 511	10 842	18 868
Namibia	20 578	15 249	32 819
Eswatini	2 859	6 004	9 421
	508 940	481 867	1 076 351

Revenue generated in South Africa can be further disaggregated into the following customers:

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Cash on delivery customers	20 922	26 606	37 057
Independent customers	159 470	138 732	312 973
Satellite television service providers	74 371	73 393	210 512
Major retailers	222 229	211 041	454 701
	476 992	449 772	1 015 243

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2022

3. LOSS PER SHARE

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Basic loss per share (cents)	(4,34)	(3,06)	(5,96)
– Basic loss – continuing operations	(4,57)	(4,37)	(7,88)
– Basic earnings – discontinued operations	0,23	1,31	1,92
Headline loss per share (cents)	(4,58)	(4,36)	(7,13)
The calculation of loss per ordinary share for the Group is based on the following:			
– Basic loss (R'000)	(34 942)	(20 224)	(43 670)
– Headline loss (R'000)	(36 878)	(28 807)	(52 267)
Diluted basic loss per share (cents)	(4,34)	(3,06)	(5,96)
– Diluted basic loss – continuing operations	(4,57)	(4,37)	(7,88)
– Diluted basic earnings – discontinued operations	0,23	1,31	1,92
Diluted headline loss per share (cents)	(4,58)	(4,36)	(7,13)
– Weighted average number of shares in issue	805 400 305	661 435 001	732 826 015
– Diluted weighted average number of shares in issue	805 400 305	661 435 001	732 826 015
Shares in issue (number of shares)			
– At the beginning of the period	805 400 305	620 158 235	620 158 235
– Shares issued during the period	–	185 242 070	185 242 070
At the end of the period	805 400 305	805 400 305	805 400 305
Impact of weighting of shares	–	(143 965 304)	(72 574 290)
Weighted and diluted weighted average number of shares in issue	805 400 305	661 435 001	732 826 015
Reconciliation of headline loss			
Net loss for the period attributable to equity holders of the parent	(34 942)	(20 224)	(43 670)
<i>Adjusted for:</i>			
– (Profit)/loss on sale of held for sale assets	(46)	–	95
– (Profit)/loss on sale of non-current assets	(24)	114	–
– Liquidation distribution (discontinued operations – Ellies Industries (Pty) Ltd)	(1 873)	(8 665)	(8 665)
– Tax effect on adjustments *	7	(32)	(27)
Headline loss attributable to ordinary shareholders	(36 878)	(28 807)	(52 267)

* Tax effect on adjustments relates only to profit on sale of property, plant and equipment.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2022

4. NON-CURRENT ASSETS HELD FOR SALE

The properties designated as held for sale were auctioned off in February 2020 and March 2020 but subject to the fulfilment of conditions precedent which later lapsed as the buyer was unable to secure funding. The initial deposit paid was forfeited to the seller. Erf 264 Village Deep, Johannesburg was subsequently sold to a new buyer with an offer to purchase being signed on 22 March 2022 and sale proceeds were received in October 2022. Erf 236 Village Deep continues to be marketed to potential buyers.

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

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
ERF 264 Village Deep, Johannesburg	–	1 950	1 950
ERF 236 Village Deep, Johannesburg	1 600	1 600	1 600
	1 600	3 550	3 550

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2022

5. INTEREST-BEARING LIABILITIES

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
Non-current portion	82 367	100 971	91 518
Instalment sale liabilities	–	–	30
Term loans	82 367	100 971	91 488
Current portion	18 818	18 889	18 895
Instalment sale liabilities	–	–	6
Term loans – payable within 12 months	18 818	18 889	18 889
	101 185	119 860	110 413

The Group's banking facilities consist of the following:

- Standard Bank of South Africa – Facility A (R85 million)
The loan bears interest at Jibar plus a margin of 4,5%, and is repayable in equal quarterly instalments of R4,72 million with the final payment being made on 30 April 2024. The capital and interest are paid quarterly.
- Standard Bank of South Africa – Facility B (R80 million)
The loan bears interest at Jibar plus a margin of 4%, and is repayable on 30 April 2024. Interest on the loan is paid quarterly.
- R80 million general banking facility.

The Standard Bank of South Africa Limited loans are secured by general notarial bond over all moveable assets of R500 million (2021: R500 million) and cession of trade and other receivables and amounts due from contract customers.

In terms of the bank covenant the Group's borrowings cannot exceed 3 times EBITDA. The Group did not meet the covenant's requirements at the end of the current reporting period and has received condonation. The Group continues to meet its repayment obligations in respect of the Standard Bank term loans in full.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2022

6. CASH GENERATED FROM OPERATIONS

	GROUP		
	Unaudited 6 months ended 31 Oct 2022 R'000	Unaudited 6 months ended 31 Oct 2021 R'000	Audited 12 months ended 30 Apr 2022 R'000
(Loss)/profit before taxation	(46 677)	(27 387)	(56 825)
<i>Adjusted for:</i>			
Interest received	–	(3)	(10)
Interest paid	9 296	7 273	14 743
Impairment of inventory	961	6 306	8 739
Impairment of trade receivables	182	(165)	288
Depreciation	9 212	9 256	19 073
Equity-settled share-based payments expense	421	225	232
Loss/(profit) on disposal of property, plant and equipment	(24)	114	95
Profit on disposal of held for sale assets	(46)	–	–
	(26 675)	(4 382)	(13 665)
Changes in working capital	41 049	17 998	18 408
Decrease/(increase) in inventories	53 649	1 378	(27 187)
(Increase)/decrease in trade and other receivables	(683)	44 103	50 137
Increase in trade and other payables	(11 917)	(27 483)	(4 542)
	14 374	13 616	4 743

7. EVENTS AFTER THE REPORTING DATE

The Board is not aware of any material events which occurred subsequent to the reporting date and which needed adjustment or disclosure.

For and on behalf of the Board

Dr Shaun Prithvirajh

Chief Executive Officer

14 December 2022

Guy Moretti

Financial Director and
Chief Financial Officer



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") or ("the Group")

Directors:

Mr Timothy Fearnhead (Chairperson)*, Dr Shaun Prithvirajh (CEO), Mr Guy Moretti (CFO), Mr Darren Kramer*, Mr Martin Kuscus*, Mr Edick Lehapa*, Ms Maya Makanjee*, Ms Sedzani Mudau*, Mr Francois Olivier*, Mr Edward Raff*

** Independent non-executive*

Preparer:

Prepared by Mr Jacques Liebenberg BCompt (Hons), AGA(SA), Group Reporting Financial Manager, under the supervision of Mr Guy Moretti CA(SA), Financial Director and CFO.

Company Secretary:

Acorim Secretarial & Governance Services

Registered office:

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(PO Box 57076, Springfield, 2137)

Auditors:

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Sponsor:

Java Capital, 6th Floor, 1 Park Lane, Wierda Valley, Sandown, Sandton, 2196

Transfer secretaries:

Computershare Investor Services Proprietary Limited

www.elliesholdings.com