HOLDINGS LIMITED

AUDITED CONDENSED CONSOLIDATED RESULTS

for the year ended 30 April 2022

2022

AT A GLANCE

REVENUE

DECREASED by 10,8%

to R1 076,4 million

(F2021: R1 206,4 million)

EBITDA

DECREASED by 148,8%

to a loss of R37,1 million

(F2021: profit of R76,0 million)

PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

DECREASED by 197,1%

to a loss of R43,7 million

(F2021: profit of R45,0 million)

TOTAL COMPREHENSIVE INCOME

DECREASED by 243,4%

to a loss of R43,6 million

(F2021: profit of R30,4 million)

EARNINGS PER SHARE

DECREASED by 182,2%

to a loss of 5,96 cents

(F2021: profit of 7,25 cents)

HEADLINE EARNINGS PER SHARE

DECREASED by 177,6%

to a headline loss of 7,13 cents

(F2021: profit of 9,19 cents)

NET ASSET VALUE PER SHARE

DECREASED by 34,9%

to 16,6 cents

(F2021: 25,5 cents)

NET TANGIBLE ASSET VALUE PER SHARE

DECREASED by 34,9%

to 16,6 cents

(F2021: 25,5 cents)

No dividend declared

LETTER TO SHAREHOLDERS FROM THE CHAIRPERSON AND THE CEO

Dear shareholders

We were appointed to the Board of Ellies in April 2019 and have focussed our efforts on improving governance, strengthening the Board, improving the inventory management, improving financial controls, selling non-core assets, closing unprofitable and unsustainable business units, and moving out of the premises in Eloff Street which were not fit for purpose, all of which were with the intention of providing a platform for Ellies to move forward into a new future. We believe that this phase has been successfully completed.

We regrettably did not anticipate COVID-19 and its impact on the South African economy on top of an already underperforming economy and the major problems we would encounter with logistical issues in obtaining stock from our major suppliers in the East.

We have found that transitioning a forty-two-year-old brand is a significant task, especially a business like Ellies which is entrenched in the South African consumer landscape. From the "bunny aerials" to becoming the largest installer of satellite technology, Ellies had to constantly evolve as technology leapfrogged and consumer needs changed. The growth of "fibre-to-the-home" in the last two years has fundamentally changed the way consumers receive entertainment transmission and this has disintermediated aggregators such as MultiChoice and other traditional broadcasters as well as forcing Multichoice to provide value bundles to their customers, which is not Ellies' main distribution channel.

As a result of the above, Ellies' traditional business of satellite installations has continued to erode at a faster rate than in the past, and frankly, faster than we anticipated and as a result the Board and management have begun to investigate ways to diversify revenue streams. In this letter, we will endeavour to outline some of our future plans and provide you with an overview of the year past.

This extraordinary financial year should be viewed as two 'half years' to accommodate the unusual events that transpired from May 2021 to October 2021. Apart from challenges with social grants, we witnessed a level of unrest, vandalism and theft, unprecedented in South Africa. These events, together with inexplicable regulations under the State of Disaster, left the South African economy battered and struggling households can no longer continue with high levels of discretionary spend. High unemployment, increasing electricity costs and ever-increasing fuel prices paint a challenging picture for the near-term outlook. The satellite installation business contributed 47% of Ellies' revenues and, given competition from streaming alternatives as well as decreased demand for MultiChoice offerings, has been the main contributor to the unsatisfactory performance in this financial year, full details of which are set out in Annual Financial Statements and the report of the CFO.

Revenue for H1 F2022 was 26% down from the comparative period in the prior year. It should be noted that Ellies had a very strong H1 F2021 performance, driven by anomalous buying at the start of the State of Disaster. During the initial lockdown restrictions, Multichoice was deemed an essential services provider and partnered with Ellies to continue delivering its services, which resulted in a surge in new DStv subscriptions as people were home-bound. Subsequently, and as COVID-19-enforced lockdown restrictions have eased, demand for new subscriptions has tapered off. The COVID-19 pandemic together with the civil unrest experienced in July 2021 in KwaZulu-Natal and parts of Gauteng, resulted in a constrained trading environment. Although the facilities of the Group were not directly targeted by the unrest, the Group closed certain outlets in affected areas as precautionary measures and suffered relatively minor damage, mainly to inventory in transit. These outlets all reopened when the situation normalised. The extensive damage to numerous malls and shopping centres caused considerable business interruption to our retail distribution business and the suspension of social grants for the first three months of the reporting period also placed added pressure on consumers.

COVID-19 has had a material impact on global supply chains, as exports out of China remain constrained due to a "zero tolerance" approach by the Chinese authorities. This, together with container shortages and port congestion in both Durban and Richards Bay have rendered just-in-time procurement ineffective and the need for higher levels of working capital is paramount to Ellies' growth ambitions. It is also important to note that due to global micro-chip shortages, Ellies also experienced intermittent stock shortages of decoders during the period under review.

Letter to shareholders from the Chairperson and the CEO continued

Revenue for H2 F2022 was 13% higher when compared to the corresponding period in the prior financial year. The strong performance in the second half of F2022 did, however, not compensate for the performance of H1 F2022, resulting in total revenue for the reporting period being 12% down from R1 171 million in F2021 to R1 036 million for F2022. It is disappointing to report that Ellies was unable to deliver R119 million of orders due to unavailability of stock.

Although the effects of COVID-19 appear to be behind us, the world remains in a state of turmoil, inflation is rising in the major economies, there are fears of recession in the United States, increases in interest rates in the major economies and the continuing political uncertainty in South Africa are all factors that are negatively impacting the consumer. This clearly confirms our views that Ellies needs to move in a different strategic direction from the one on which the business was built.

Ellies' statement of financial position has been weak for some years due to historic debt caused by participation in the activities of Megatron and Bothjeng Water in 2016. This debt is unproductive but burdens the business with paying both the amortising (R37,7 million) and term (R72,6 million) facilities. In F2022 we paid R18,8 million capital and interest of R3,6 million (a total of R22,4 million). Ellies' working capital operates off an overdraft facility of R76 million with a R20 million trade suite for imports, which does not adequately capitalise the business. These constraints mean that Ellies has not been able to meet the stock replenishment volumes demanded by the numerous retail customers. This has resulted in a significant loss of sales (R119 million), mentioned above, in the period and obviously contributed to the losses incurred. The need to increase working capital, in line with Ellies growth ambitions is paramount. While diversification of revenue streams away from MultiChoice to solar, smart homes and water infrastructure has begun, it is important to note that these initiatives place further stress on an already constrained working capital.

The Board and management have embarked on an ambitious turnaround plan that resets the cost base, restructures the business for growth in new categories, and is actively pursuing acquisition opportunities to return the Group to profitability. We believe that this comprehensive plan will allow us to access more working capital funding that will deliver the desired result. The plan is to decrease costs while simultaneously growing revenues. The entire process is estimated to take 18 months to completion. Thereafter, we believe that the positive performance of the business will allow us to seek alternative solutions to strengthening the statement of financial position.

We are confident of the ultimate success of these plans, which seek to address many of the issues that are impacting the daily lives of most South Africans. The continued inability of Eskom to provide South Africans with reliable energy has created significant demand for alternative energy, as witnessed by the aggressive growth of solar distributors and installers. The challenge for consumers is that many of these businesses are start-ups with no brand reliability. Ellies has the solutions and expertise and, together with the strong brand name, could champion this category. The ongoing conflict in Ukraine has placed further pressure on fuel prices and Eskom's plan to combine loadshedding and diesel turbines to manage demand is no longer viable, which could lead to more pervasive loadshedding. The demand for alternative energy products continues to gain momentum in the South African market but sales are restricted due to the unavailability of stock caused by supply chain delays. This constraint requires holding larger than ideal inventory levels which, as stated above, impacts and stresses our working capital. The Board has tasked management to seek innovative solutions to this problem in order to take advantage of the opportunities available.

While the financial performance has certainly been underwhelming, there are numerous positives upon which the re-engineered Ellies can build on into the future. Ellies has transformed its governance culture significantly. Major risks in all aspects of the business have either been mitigated or identified and more effective controls put in place. The appointment of internal auditors who work closely with management and report to the Board through the Audit and Risk Committee, has assisted considerably in this regard. The move away from our Eloff Street warehouse to Value Logistics continues to deliver value for Ellies. Stock shrinkage is negligible, customer deliveries are rated above 95%, and management of inventory is "best in class" using Value's warehouse management system. The BBBEE transaction concluded with Imvula Empowerment Trust categorised Ellies from Non-Compliant to a Level 3 Contributor. This rating has allowed Ellies to retain its supply to all major retailers as well as commercial customers. Also, with this rating, Ellies is now able to tender for public sector opportunities, especially in the alternative energy and solar space.

Letter to shareholders from the Chairperson and the CEO continued

Ellies is forced to undergo significant change in order to take advantage of the new opportunities discussed in this letter. This will require new skills especially at a leadership level. To this end, two highly skilled and experienced new independent Board members have been appointed and the Board and management look forward to the valuable contributions of Ms Sedzani Mudau and Ms Maya Makanjee.

While it has been a challenging year, we believe that we have the correct strategy and the required motivation to set Ellies on a new course to growth and profitability.

We would like to take this opportunity to sincerely thank the staff, management and Board for their tireless effort and contribution. We also acknowledge the support of our shareholders and our financiers, Standard Bank. Lastly, we would like to thank our customers for their continued faith in the Ellies brand.

Timothy Fearnhead
Independent Non-Executive Chairperson

Dr Shaun Prithivirajh
Chief Executive Officer

29 July 2022

CFO'S REPORT

ANNUAL FINANCIAL STATEMENTS

This report deals with the financial results for the year ended 30 April 2022 and the financial position of the Ellies Group at that date.

Financial review

The Group experienced a challenging year to 30 April 2022 and reported a loss per share of 5,96 cents for the period under review (F2021: earnings of 7,25 cents) and headline loss per share of 7,13 cents (F2021: headline earnings of 9,19 cents).

Growth in the economy remained subdued over the reporting period. This, against a back-drop of a difficult global economic environment. The results reflect the effect of the COVID-19 pandemic, which disrupted the local market and had an adverse impact on employment and consumer spending, but also resulted in supply chain disruptions of imported products when China adopted a zero-tolerance approach and closed ports to curb the spread of new variants of the virus.

Consequently, the results reflect a tale of two halves. The first six months of the financial year convey the outcome of the disruption to the economy; including the widespread rioting and looting in KwaZulu-Natal and parts of Gauteng. The second half of the financial year shows a partial recovery.

Statement of comprehensive income

In the interim results announcement in December 2021, Ellies reported a decrease in revenue of 26,4%. Revenue for the year amounted to R1 076,4 million, of which the South African operations contributed 94,3%. For the full year, revenue declined by 10,8% compared to the previous financial year. Gross profit in monetary terms was 34,3% lower than 2021 for the full year and reflects a recovery over the decline of 38,2% which was reported at the interim stage. The decline to the comparative gross margin is attributable to the liquidation of the manufacturing subsidiary, which reduced the gross margin but resulted in a corresponding operating expense reduction. If the effect of the liquidation of the manufacturing facility is removed, the restated gross margin is in line with that of the previous financial year.

An EBITDA loss of R37,1 million (F2021: profit of R76,0 million) was a result of the decline in the gross margin on the lower revenue, offset by lower operating expenses. Other income in the previous year included a COVID-19-related business interruption insurance claim of R12,1 million. Operating expenses include savings from outsourcing the Johannesburg-based logistics function, and associated staff reduction.

As a result of a lower average borrowings, net finance charges amounted to R14,7 million, compared to R17,8 million in the previous year.

The liquidation dividend received in respect of the manufacturing facility, known as Ellies Industries (Pty) Ltd, amounted to R8,7 million and is accounted for as a profit from discontinued operations. The deregistration of Botjheng Water resulted in income of R5,4 million, mainly attributable to the reversal of provided liabilities which is included as part of discontinued operations.

Statement of financial position

The year ended with capital and reserves of R133,5 million compared to R158,4 million at 30 April 2021. Net asset value per share was 16,6 cents (F2021: 25,5 cents).

Property, plant and equipment and right-of-use assets reduced by R10,6 million. This is partially attributable to depreciation of R19,1 million. During the year, right-of-use assets increased by R9,6 million.

Inventory in monetary terms is at R213,6 million at year-end compared to the 2021 year-end of R195,2 million, an increase of R18,5 million. The quality of the inventory holding is such that the impairment provision marginally reduced in the year under review. Accounts receivable at R147,4 million, is R50,4 million lower than that of the previous year. The change reflects the lower revenue levels as well as an improvement in overdue debtors. The carrying value of outstanding balances 90 days and over, not impaired, amounts to R9,5 million and represents a considerable improvement over that of the previous year of R14,3 million.

Trade and other payables at R133,2 million decreased in monetary terms by R4,8 million.

Interest-bearing borrowings consist mainly of the Standard Bank term loans and an overdraft amounting to R155,8 million. Borrowings increased by R7,7 million, mainly attributable to an increase in the overdraft of R30,4 million. During the year, the Group repaid the term loan instalments on time, and it reduced by R18,9 million.

OTHER MATTERS

Botjheng Water

Botjheng Water (Pty) Ltd was deregistered on 3 May 2022 by the CIPC in terms of section 82(3) of the Companies act. An amount of R5,4 million was taken to income disclosed under discontinued operations and represents the net of assets and liabilities remaining in Botjheng.

DIVIDENDS

No dividend was declared or is being recommended.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 April 2022

		Group	
	Note	2022 R'000	2021 R'000
ASSETS			
Non-current assets		**71 370**	68 224
Property, plant and equipment	2	**10 473**	15 245
Right-of-use assets	3	**24 487**	30 339
Deferred taxation	4	**36 410**	22 640
Current assets		**377 965**	406 239
Inventories	5	**213 646**	195 198
Trade and other receivables	6	**147 352**	197 777
Taxation receivable		**8 065**	8 065
Bank and cash balances		**8 902**	5 199
		3 550	3 550
Non-current assets held for sale		**3 550**	3 550
Total assets		**452 885**	478 013
EQUITY AND LIABILITIES			
Total shareholders' interests		**133 520**	158 372
Stated capital		**855 736**	837 212
Non-distributable reserves		**(175 228)**	(175 522)
Accumulated loss		**(546 988)**	(503 318)
Equity attributable to equity holders of the parent		**133 520**	158 372
Non-current liabilities		**104 261**	130 902
Interest-bearing liabilities	8	**91 518**	110 517
Lease liabilities	9	**12 101**	20 385
Deferred taxation	4	**642**	–
Current liabilities		**215 104**	188 739
Interest-bearing liabilities	8	**18 895**	18 895
Lease liabilities	9	**17 481**	15 681
Provisions		**142**	142
Taxation payable		**4**	1 030
Trade and other payables		**133 166**	137 945
Bank overdrafts		**45 416**	15 046
Total equity and liabilities		**452 885**	478 013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 April 2022

	Note	Group 2022 R'000	Group 2021 R'000
Continuing operations			
Revenue		**1 076 351**	1 206 358
Cost of sales	10	**(816 472)**	(810 819)
Gross profit		**259 879**	395 539
Other income		**2 922**	19 760
Operating expenses		**(299 598)**	(332 529)
Impairment loss on trade receivables		**(288)**	(6 724)
Depreciation		**(19 073)**	(18 908)
Loans written off		**–**	(730)
(Loss)/profit from operations		**(56 158)**	56 408
Interest received		**10**	2 179
Interest paid		**(14 743)**	(19 988)
(Loss)/profit before taxation		**(70 891)**	38 599
Taxation		**13 155**	20 350
(Loss)/profit for the year: continuing operations		**(57 736)**	58 949
Profit/(loss) from discontinued operations	7	**14 066**	(28 299)
(Loss)/profit for the year		**(43 670)**	30 650
Other comprehensive income/(loss):			
Items that will be reclassified subsequently to profit or loss			
– Foreign currency translation reserve		**62**	(288)
Total comprehensive (loss)/income for the year		**(43 608)**	30 362
Attributable to:			
Equity holders of the parent		**(43 670)**	44 972
Non-controlling interests		**–**	(14 322)
Net (loss)/profit after tax		**(43 670)**	30 650
Attributable to:			
Equity holders of the parent		**(43 608)**	44 684
Non-controlling interests		**–**	(14 322)
Total comprehensive (loss)/income for the year		**(43 608)**	30 362
– Basic (loss)/earnings per share (cents)	11	**(5,96)**	7,25
– Diluted (loss)/earnings per share (cents)	11	**(5,96)**	7,25

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2022

	Stated capital R'000	Foreign currency trans-lation reserve R'000	Share-based payment reserve R'000	Arising from common control transactions R'000	Accumu-lated loss R'000	Equity attri-butable to equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Group								
Balances as at 1 May 2020	837 212	2 510	–	(178 194)	(548 290)	113 238	(36 957)	76 281
Total comprehensive income for the year	–	(288)	–	–	44 972	44 684	(14 322)	30 362
Loss of control	–	–	–	–	–	–	51 279	51 279
Equity-settled share-based payment expense	–	–	450	–	–	450	–	450
Balances 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**
Total comprehensive loss for the year	**–**	**62**		**–**	**(43 670)**	**(43 608)**	**–**	**(43 608)**
Equity-settled share-based payment expense	**–**	**–**	**232**	**–**	**–**	**232**	**–**	**232**
Balances as at 30 April 2022	**855 736**	**2 284**	**682**	**(178 194)**	**(546 988)**	**133 520**	**–**	**133 520**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 April 2022

	Note	Group 2022 R'000	Group 2021 R'000
Cash flows utilised in operating activities		**(10 987)**	(26 626)
Cash generated from/(utilised by) operations	12	**4 743**	(7 691)
Interest received		**10**	2 179
Interest paid		**(14 743)**	(19 991)
Taxation paid		**(997)**	(1 123)
Cash flows generated from investing activities		**988**	14 813
Acquisitions of property, plant and equipment	2	**(1 997)**	(5 708)
Proceeds on disposal of property, plant and equipment	2	**2 985**	821
Proceeds on disposal of non-current assets held for sale		**–**	19 700
Cash flows (utilised in)/generated from financing activities		**(16 648)**	(32 482)
(Payment)/receipt of interest-bearing liabilities		**(18 999)**	(18 961)
Repayment of lease liability		**(16 173)**	(13 521)
Proceeds from the issue of share capital		**18 524**	–
Net (decrease)/increase in cash and cash equivalents		**(26 647)**	(44 295)
Foreign currency translation reserve – net movement on cash and cash equivalents		**(20)**	712
Cash and cash equivalents at beginning of year		**(9 847)**	33 736
Cash and cash equivalents at the end of the year		**(36 514)**	(9 847)

SEGMENT ANALYSIS

for the year ended 30 April 2022

STATEMENT OF FINANCIAL POSITION	Trading and Distribution R'000	Total R'000
2022		
Total assets	**452 885**	**452 885**
Property, plant and equipment	**10 473**	**10 473**
Right-of-use asset	**24 487**	**24 487**
Trade and other receivables	**147 352**	**147 352**
Taxation receivable	**8 065**	**8 065**
Inventories	**213 646**	**213 646**
Bank and cash balances	**8 902**	**8 902**
Deferred tax	**36 410**	**36 410**
Non-current asset held for sale	**3 550**	**3 550**
Total liabilities	**319 365**	**319 365**
Interest-bearing liabilities	**110 413**	**110 413**
Lease liability	**29 582**	**29 582**
Deferred tax	**642**	**642**
Trade and other payables	**133 166**	**133 166**
Taxation payable	**4**	**4**
Bank overdraft	**45 416**	**45 416**
Other liabilities	**142**	**142**
Net assets	**133 520**	**133 520**

Segment analysis continued

for the year ended 30 April 2022

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Manufac-turing discontinued R'000	Total Trading and Distribution and Manufac-turing – discontinued R'000	Total R'000
2022						
External revenue	**1 076 351**	**1 076 351**	**–**	**–**	**–**	**1 076 351**
Gross profit	**259 879**	**259 879**	**–**	**–**	**–**	**259 879**
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)**
Operating (loss)/profit before impairment	**(56 158)**	**(56 158)**	**5 401**	**8 665**	**14 066**	**(42 092)**
(Loss)/profit from operations	**(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)**

Segment analysis continued

for the year ended 30 April 2022

STATEMENT OF FINANCIAL POSITION	Trading and Distribution R'000	Total R'000
2021		
Total assets	478 013	478 013
Property, plant and equipment	15 245	15 245
Right-of-use asset	30 339	30 339
Trade and other receivables	197 777	197 777
Taxation	8 065	8 065
Inventories	195 198	195 198
Bank and cash balances	5 199	5 199
Deferred tax	22 640	22 640
Non-current asset held for sale	3 550	3 550
Total liabilities	319 642	319 642
Interest-bearing liabilities	129 412	129 412
Lease liabilities	36 066	36 066
Trade and other payables	137 945	137 945
Bank overdraft	15 046	15 046
Taxation payable	1 030	1 030
Other liabilities	142	142
Net assets	158 372	158 372

Segment analysis continued

for the year ended 30 April 2022

STATEMENT OF PROFIT OR LOSS	Continuing operations: Trading and Distribution R'000	Continuing operations: Total continuing operations R'000	Discontinued operations: Trading and Distribution discontinued R'000	Discontinued operations: Manufac-turing discontinued R'000	Discontinued operations: Total Trading and Distribution and Manufac-turing – discontinued R'000	Total R'000
2021						
External revenue	1 206 358	1 206 358	–	2 204	2 204	1 208 562
Revenue	1 275 248	1 275 248	–	85 141	85 141	1 360 389
Intersegment revenue	(68 890)	(68 890)	–	(82 937)	(82 937)	(151 827)
Gross profit/(loss)	395 539	395 539	–	(29 564)	(29 564)	365 975
Other income	19 760	19 760	–	–	–	19 760
Operating expenses	(332 529)	(332 529)	(17)	(23 245)	(23 262)	(355 791)
Impairment loss on trade receivables	(6 724)	(6 724)	–	–	–	(6 724)
Depreciation	(18 908)	(18 908)	–	(3 658)	(3 658)	(22 566)
Operating profit/(loss) before impairment	57 138	57 138	(17)	(56 467)	(56 484)	654
Impairment of loans	(730)	(730)	–	–	–	(730)
Gain as a result of release of liability	–	–	41 607	–	41 607	41 607
Loss as a result of loss of control	–	–	–	(13 419)	(13 419)	(13 419)
Profit/(loss) from operations	56 408	56 408	41 590	(69 886)	(28 296)	28 112
Interest received	10 873	10 873	–	–	–	10 873
Interest paid	(19 988)	(19 988)	–	(8 697)	(8 697)	(28 685)
Interest intersegment	(8 694)	(8 694)	–	8 694	8 694	–
Profit/(loss) before taxation	38 599	38 599	41 590	(69 889)	(28 299)	10 300
Taxation	20 350	20 350	–	–	–	20 350
Profit/(loss) for the year	58 949	58 949	41 590	(69 889)	(28 299)	30 650

NOTES TO THE CONDENSED CONSOLIDATED AUDITED RESULTS

for the year ended 30 April 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa applicable to condensed financial statements. The JSE Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 – *Interim Financial Reporting*. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

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

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 14.

Independent auditor's opinion

These condensed financial results were extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the condensed financial results and that the financial information has been correctly extracted from the underlying audited annual financial statements.

The annual financial statements were audited by BDO South Africa Incorporated and an unmodified audit opinion has been issued on the annual financial statements for the financial year ended 30 April 2022. The auditor's report does not necessarily report on all of the information contained in this announcement.

The annual financial statements including the audit opinion of the external auditor, BDO South Africa Incorporated, which sets out the key audit matters and the basis for its unmodified opinion, is available on the Company's website on https://elliesholdings.com/AFS2022.pdf. The audit report on the annual financial statements in respect of which an unmodified opinion was expressed, notes as key audit matters:

- **Recoverability of deferred tax assets** – recognition of deferred tax assets: availability of future sufficient taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- **Valuation of inventory**, including the completeness of the provision for obsolete stock, measurement of slow-moving inventory, if items of inventory are still saleable, and key assumptions used on the average usage and expected rate of sale of inventory; and
- **Going concern assumption** – underlying fundamentals of cash flow projections and forward-looking economic outlook for South Africa.

Any forward-looking statements have neither been reviewed nor reported on by the Group's auditors, BDO South Africa Incorporated.

Going concern assessment

In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Group can continue as a going concern for the foreseeable future, which is for 12 months following the date on which the annual financial statements are released.

To determine if the Group will be a going concern for the next year-end at 30 April 2023, management prepared cash flow forecasts based on the FY2023 budget. These forecasts were subjected to sensitivity tests. It was compared to available funding facilities to determine the available headroom.

Based on the assumptions used in the forecasts, which include the sustained return to profitability, no further deterioration in the economy, including the effect of COVID-19 and that the funding facilities remain intact, the directors believe the Group will be commercially solvent and liquid at 30 April 2023 and projects it will be solvent and liquid on 30 July 2023 (12 months post the expected results release date).

2. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment R'000	Motor vehicles R'000	Computer equipment R'000	Office equipment/ furniture and fittings R'000	Land and buildings/ leasehold improve-ments R'000	Total R'000
As at 30 April 2022						
Cost	**12 146**	**10 727**	**12 393**	**25 234**	**4 547**	**65 047**
Accumulated depreciation and impairments	**(8 946)**	**(9 344)**	**(11 360)**	**(22 222)**	**(2 702)**	**(54 574)**
Net carrying value	**3 200**	**1 383**	**1 033**	**3 012**	**1 845**	**10 473**
Movement summary						
Carrying value at 30 April 2021	**5 596**	**1 542**	**1 085**	**4 296**	**2 726**	**15 245**
Additions	**702**	**623**	**530**	**95**	**47**	**1 997**
Disposals	**(2 796)**	**(284)**	**–**	**–**	**–**	**(3 080)**
Depreciation	**(302)**	**(498)**	**(585)**	**(1 379)**	**(928)**	**(3 692)**
Foreign translation	**–**	**–**	**3**	**–**	**–**	**3**
Carrying value at 30 April 2022	**3 200**	**1 383**	**1 033**	**3 012**	**1 845**	**10 473**
As at 30 April 2021						
Cost	15 694	11 719	11 863	25 146	5 356	69 778
Accumulated depreciation and impairments	(10 098)	(10 177)	(10 778)	(20 850)	(2 630)	(54 533)
Net carrying value	5 596	1 542	1 085	4 296	2 726	15 245
Movement summary						
Carrying value at 1 May 2020	15 860	2 194	1 146	5 549	1 889	26 638
Additions	2 225	11	726	984	1 762	5 708
Disposals	(81)	(9)	(11)	(283)	(264)	(648)
Depreciation	(4 284)	(652)	(755)	(1 744)	(951)	(8 386)
– Depreciation: continuing operations	(861)	(652)	(755)	(1 732)	(951)	(4 951)
– Depreciation: discontinued operations	(3 423)	–	–	(12)	–	(3 435)
Disposal – loss of control	(7 955)	–	(21)	(59)	–	(8 035)
Transfers between categories	(169)	–	4	(144)	309	–
Foreign translation	–	(2)	(4)	(7)	(19)	(32)
Carrying value at 30 April 2021	5 596	1 542	1 085	4 296	2 726	15 245

3. RIGHT-OF-USE ASSETS

Group	Land and buildings R'000	Motor vehicles R'000	Computer equipment R'000	Total R'000
As at 30 April 2022				
Cost	**56 478**	**1 652**	**605**	**58 735**
Accumulated depreciation	**(33 917)**	**(256)**	**(75)**	**(34 248)**
Net carrying value	**22 561**	**1 396**	**530**	**24 487**
Movement summary				
Carrying value at 30 April 2021	**30 339**	**–**	**–**	**30 339**
Additions	**5 111**	**1 652**	**605**	**7 368**
Modification as result of lease extensions	**2 219**	**–**	**–**	**2 219**
Depreciation	**(15 050)**	**(256)**	**(75)**	**(15 381)**
Foreign currency translation	**(58)**	**–**	**–**	**(58)**
Carrying value at 30 April 2022	**22 561**	**1 396**	**530**	**24 487**

All right-of-use assets are encumbered as security for respective lease liabilities. The maturity profile of the lease obligations and details about encumbered assets are presented in note 9. The average remaining lease term of all leases is 3,4 years (2021: 2,2 years).

Most lease contracts are concluded for fixed periods but, in some instances, lease agreements include options to renew. When the exercise of renewal options are considered probable, usually where there is an economic incentive to exercise the option, the lease term includes the period of the option.

Lease obligations do not impose any covenants on the Group whilst the leased assets are not provided as security for the Group's interest-bearing borrowings.

Potential future increases in variable lease payments based on an index or rate are included in the lease liability when they become effective. Amendments to lease payments, which are based on an index or a rate, are adjusted to the lease obligation and the right-of-use assets.

Notes to the condensed consolidated audited results

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4. DEFERRED TAXATION

	Group	
	2022 R'000	**2021 R'000**
The balance consists of:		
Capital allowance – right-of-use assets	**3 646**	4 542
Accrual for employee benefits	**3 206**	8 232
Prepaid expenses	**(422)**	(429)
Impairments against receivables	**2 200**	2 933
Lease obligations	**538**	546
Income received in advance	**71**	1 040
Estimated tax losses	**28 655**	6 433
Unutilised temporary difference	**(5 859)**	(7 744)
Provisions	**4 229**	7 087
Unrealised foreign exchange gains and losses	**(496)**	–
	35 768	22 640
Movement summary		
Balance at the beginning of the year	**22 640**	776
Foreign translation	**2**	(221)
Temporary differences per statement of comprehensive income	**13 126**	22 085
Capital allowances	**(329)**	725
Provision for employee benefits	**(4 835)**	5 852
Prepaid expenses	**(9)**	(70)
Impairments against receivables	**(9)**	(2 376)
Lease obligations	**(591)**	(2 094)
Income in advance	**(1 545)**	878
Estimated tax losses	**21 811**	8
Unutilised temporary difference	**1 885**	19 811
Unearned profit on inventory	**–**	1 516
Provisions	**(2 653)**	(2 881)
Unrealised foreign exchange gains and losses	**(1 286)**	716
Change in South African corporate tax rate	**687**	–
Balance at the end of the year	**35 768**	22 640
Disclosed as:		
Deferred taxation – non-current asset	**36 410**	22 640
Deferred taxation – non-current liability	**(642)**	–
	35 768	22 640

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable in the near future.

4. DEFERRED TAXATION continued

There are computed temporary tax differences of R24 million (2021: R29,7 million) for Ellies Botswana and Ellies Properties for which no deferred tax asset has been recognised. Should a deferred tax asset be recognised, a further R5,8 million (2021: R7,6 million) deferred tax asset will be recognised. The directors decided not to raise the full deferred tax asset at this stage due to losses incurred by these entities in the current financial year.

The deferred tax asset for the operations in Namibia was retained as that business is expected to be profitable and no reasonable possible change in any of the key assumptions would result in a material reduction in the forecast headroom of taxable profits so that the recognised deferred tax assets will not be realised.

5. INVENTORIES

	Group	
	2022 R'000	2021 R'000
Merchandise	**235 415**	207 872
Goods in transit	**–**	5 935
Work in progress	**2 391**	6 226
Gross inventories	**237 806**	220 033
Impairment allowance raised against inventories	**(24 160)**	(24 835)
	213 646	195 198
Movement in impairment allowance raised against inventories		
Balance at the beginning of the year	**24 835**	31 662
Impairment allowances raised	**(529)**	41 190
Impairment allowances utilised	**(145)**	–
Reversal on loss of control	**–**	(47 632)
Foreign currency translation reserve	**(1)**	(385)
Balance at the end of the year	**24 160**	24 835

During the year R8,5 million (2021: R1,6 million) worth of inventory was written off as obsolete, damaged or unsaleable.

Inventory has been pledged as security against certain banking facilities. Refer to note 8.

6. TRADE AND OTHER RECEIVABLES

	Group	
	2022 R'000	**2021 R'000**
Gross trade receivables	**152 132**	177 116
Expected credit loss allowances	**(13 629)**	(14 192)
Selected material exposures	**(126)**	(1 365)
General debtors with expected credit losses	**(13 503)**	(12 827)
Net trade receivables	**138 503**	162 924
Prepayments	**2 697**	19 186
Deposits	**1 287**	1 256
Value added tax	**3 889**	579
Financed receivables	**551**	551
Other receivables – (prior year – insurance business interruption claim)	**425**	13 281
	147 352	197 777

Trade receivables in South Africa have been encumbered to Standard Bank of South Africa to secure certain banking facilities.

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

	Group	
	2022 R'000	**2021 R'000**
Movement in impairment allowance raised against receivables		
Balance at the beginning of the year	**14 192**	18 725
Impairment allowance decreased	**(380)**	(3 010)
Impairment allowance utilised	**(183)**	(1 186)
Reversal on Loss of control – (Ellies Industries Proprietary Limited)	**–**	(337)
Balance at the end of the year	**13 629**	14 192

Basis of raising specific impairment allowances against receivables

All trade and other receivables are continuously reviewed on an individual basis. 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.

6. TRADE AND OTHER RECEIVABLES continued

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses (ECL) on trade receivables, which requires a lifetime loss allowance. To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and into common ageing buckets.

The ECL rates are calculated based on historical loss rates (default rate multiplied by loss given default rate) over a 5-year period. Default rates are calculated on the proportion of balances from each ageing bucket that age past 90 days. Loss given default rates include actual amounts written off and all balances at year-end that have been in default for more than 6 months. The resultant rates are benchmarked to downside loss given default rate estimates in the South African economy.

The default rates per ageing bucket multiplied by the overall loss given default rate provide the through-the cycle loss rates.

These historical loss rates are converted into a forward-looking measure of an ECL using Moody's Analytics credit models, which incorporates their macro-economic estimates and scenarios.

Material exposures with different credit risk characteristics are measured separately. The likelihood of a default occurring, and resultant loss, is determined using credit risk ratings (where available) or Moody's Analytics risk models which measure credit risk based on the customer's credit default information. Suitable forward-looking information is incorporated as an economic overlay.

Management may make further adjustments to the ECL to take into account specific event risk where there is uncertainty in respect to the model's ability to capture conditions due to inherent limitations of modelling. This is done by way of an additional overlay via post-model adjustments made. In the current year additional adjustments were made for certain debtors in which there is an increased credit risk that was not adequately catered for by the model. Changes to the credit risk of these debtors are assessed based on the industry in which the customers operate as well as reviewing various media platforms and customer communications received to ascertain whether there are any matters that may negatively impact certain debtors' ability to pay.

The manner in which the ECL has been calculated in the current year differs to that of the prior year in order to facilitate a better understanding of the credit risks the various businesses are exposed to. The same level of information is not available for the prior year.

On the above basis the expected credit loss allowance for trade receivables as at 30 April 2022 was determined as follows:

Default

Debtors are generally transferred from current receivables to collection and under-performing receivables when contractual payments are more than 75 days past due. This is considered a default and these debtors are considered to be credit impaired. Debtors are transferred from collection and under-performing receivables to legal receivables and when legal process is initiated to collect an account, the debtor is placed under administration or debt review.

Write-off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty, there is no realistic prospect of recovery, has absconded or become untraceable. Any recoveries made are recognised in profit or loss. Debtors in the legal book are written off when there is no realistic prospect of recovery.

Bad debt recovered

In the event that debt which has been written off is recovered the bad debt recovered is recognised directly in the profit or loss statement.

6. TRADE AND OTHER RECEIVABLES continued

On the above basis the expected credit loss allowance for trade receivables as at 30 April 2022 was determined as follows:

Group	Trade receivables days past due					
	Not yet due R'000	30 days overdue R'000	60 days overdue R'000	90 days overdue R'000	120+ days overdue R'000	Total R'000
2022						
Selected material exposures						**63 565**
– Massmart Group						**52 354**
– Multichoice						**11 211**
Lifetime expected credit losses on selected exposures						**(126)**
Carrying value of remaining general debtors with expected credit losses	**37 081**	**20 800**	**7 639**	**1 609**	**7 935**	**75 064**
Gross amount	**37 148**	**21 068**	**7 847**	**1 697**	**20 807**	**88 567**
Expected credit loss rate (%)	**0,18**	**1,27**	**2,65**	**5,19**	**61,86**	**15,24**
Lifetime expected credit losses *	**(67)**	**(268)**	**(208)**	**(88)**	**(12 872)**	**(13 503)**
						138 503
Gross amount of trade receivables						**152 132**
Allowance for expected credit losses						**(13 629)**
Net carrying value of trade receivables						**138 503**

** The 120+ day ageing bucket includes R11,7 million of trade receivables which have been fully provided for.*

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6. TRADE AND OTHER RECEIVABLES continued

Group	Not yet due R'000	30 days overdue R'000	60 days overdue R'000	90 days overdue R'000	120+ days overdue R'000	Total R'000
	Trade receivables days past due					
2021						
Selected material exposures						57 005
– Massmart Group						35 991
– Multichoice						21 014
Lifetime expected credit losses on selected exposures						(1 365)
Carrying value of remaining general debtors with expected credit losses	78 366	9 740	4 858	10 186	4 134	107 284
Gross amount	78 833	10 107	5 185	11 243	14 743	120 111
Expected credit loss rate (%)	0,59	3,63	6,31	9,40	71,95*	10,67
Lifetime expected credit losses	(467)	(367)	(327)	(1 057)	(10 609)	(12 827)
						162 924
Gross amount of trade receivables						177 116
Allowance for expected credit losses						(14 192)
Net carrying value of trade receivables						162 924

** The 120+ days ageing bucket includes R9 million of trade receivables which have been fully provided for.*

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE/DISTRIBUTION AND LOSS ON LOSS OF CONTROL

Ellies Industries Proprietary Limited was placed into provisional liquidation with effect from 12 February 2021 after the Group, through Ellies Electronics Proprietary Limited, took that decision that it would no longer be able to provide financial assistance. The final liquidation order was granted on 12 April 2021. A liquidation distribution of R8,6 million was received in February 2022.

Following the release of Botjheng Water Proprietary Limited's loan obligations in the prior financial year, the decision was taken to wind up and deregister the company. The date of deregistration was 3 May 2022. The other income and operating expenses related to the release of credit balances which have prescribed and receivables which were written off.

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:

	Botjheng Water		Ellies Industries		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Group						
Revenue	**–**	–	**–**	2 204	**–**	2 204
Cost of sales	**–**	–	**–**	(31 768)	**–**	(31 768)
Gross profit	**–**	–	**–**	(29 564)	**–**	(29 564)
Other income	**6 560**	–	**–**	–	**6 560**	–
Operating expenses	**(1 159)**	(17)	**–**	(23 245)	**(1 159)**	(23 262)
Depreciation	**–**	–	**–**	(3 658)	**–**	(3 658)
Profit/(loss) before impairment of intangibles assets	**5 401**	(17)	**–**	(56 467)	**5 401**	(56 484)
Gain on release of loan payable	**–**	41 607	**–**	–	**–**	41 607
Profit/(loss) before interest and taxation ("PBIT")	**5 401**	41 590	**–**	(56 467)	**5 401**	(14 877)
Interest paid	**–**	–	**–**	(3)	**–**	(3)
Net profit/(loss) before taxation ("PBT")	**5 401**	41 590	**–**	(56 470)	**5 401**	(14 880)
Net profit/(loss) after taxation ("PAT")	**5 401**	41 590	**–**	(56 470)	**5 401**	(14 880)
Profit/(loss) for the year from discontinued operations attributable to equity holders of the parent	**5 401**	41 590	**–**	(42 148)	**5 401**	(558)
Loss for the year from discontinued operations attributable to non-controlling interests	**–**	–	**–**	(14 322)	**–**	(14 322)
Profit/(loss) for the year from discontinued operations	**5 401**	41 590	**–**	(56 470)	**5 401**	(14 880)
Loss on loss of control – Ellies Industries Proprietary Limited					**–**	(13 419)
Liquidation distribution received – Ellies Industries Proprietary Limited					**8 665**	–
Profit/(loss) from discontinued operations					**14 066**	(28 299)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE/DISTRIBUTION AND LOSS ON LOSS OF CONTROL continued

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

	Total	
	2022 R'000	2021 R'000
Operating activities	**8 665**	(110 210)
Investing activities	**–**	8 035
Financing activities	**–**	–
Cash flows from discontinued operations	**8 665**	(102 175)

	Ellies Industries		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Analysis of assets and liabilities lost as a result of loss of control				
Assets	**–**	22 203	**–**	22 203
Property, plant and equipment	**–**	8 035	**–**	8 035
Trade and other receivables	**–**	178	**–**	178
Inventories	**–**	13 784	**–**	13 784
Bank and cash balances	**–**	206	**–**	206
Liabilities	**–**	60 063	**–**	60 063
Trade and other payables	**–**	59 641	**–**	59 641
Other liabilities	**–**	422	**–**	422
Net liabilities	**–**	(37 860)	**–**	(37 860)

	Group	
	2022 R'000	2021 R'000
Loss on loss of control		
Net liabilities lost	**–**	37 860
Non-controlling interest	**–**	(51 279)
	–	(13 419)
The loss on loss of control relates to the following company:		
Ellies Industries Proprietary Limited (placed into liquidation on 12 February 2021)	**–**	(13 419)
Loss as a result of loss of control	**–**	(13 419)

8. INTEREST-BEARING LIABILITIES

	Group	
	2022 R'000	**2021 R'000**
Non-current portion	**91 518**	110 517
Instalment sale liabilities	**30**	101
Term loan	**91 488**	110 416
Current portion	**18 895**	18 895
Instalment sale liabilities	**6**	7
Term loan – payable within 12 months	**18 889**	18 888
	110 413	129 412
Maturity of interest-bearing liabilities at year-end		
1 year	**27 631**	28 606
2 to 3 years	**98 718**	125 535
	126 349	154 141
Less: Finance cost component	**(15 936)**	(24 729)
	110 413	129 412

Instalment sale liabilities

The instalment sale agreements bear interest at rates between 9% and 11,5% and are repayable in instalments of R15 000 per month with one year remaining.

Term loans

The Group's banking facilities consist of the following:

Standard Bank of South Africa – Amortising Facility A (R85 million)

The loan bears interest at Jibar plus a margin of 4%, and is repayable in equal quarterly instalments of R4,72 million with the final payment being made on 30 April 2024. The instalments of capital and interest are paid quarterly.

Standard Bank of South Africa – Bullet Facility B (R80 million)

The loan bears interest at Jibar plus a margin of 4,5%, and is repayable on 30 April 2024. Interest on the loan is paid quarterly.

The Standard Bank of South Africa loans are secured as follows:

- General notarial bond over all moveable assets (note 2) of R500 million (2021: R500 million); and
- Cession of trade and other receivables and amounts due from contract customers (note 6).

The Group did not meet the EBITDA levels on which the facilities' covenants are based. The Group requested and received condonation from Standard Bank of South Africa for the current financial year. The Group's borrowings cannot exceed 3 times EBITDA. The actual for the year was -4,06 and 1,92 for the previous financial year.

9. LEASE LIABILITIES

	Group 2022 R'000	Group 2021 R'000
Lease liabilities		
Non-current	**12 101**	20 385
Current	**17 481**	15 681
	29 582	36 066
Movement summary		
Opening balance at 1 May 2021	**36 066**	21 363
Additions	**5 159**	26 657
Modification as result of lease extensions	**4 534**	1 604
Interest	**2 826**	3 071
Lease payments	**(18 999)**	(16 592)
Foreign currency translation	**(4)**	(37)
Carrying value at 30 April 2022	**29 582**	36 066
Deprecation right-of-use asset		
Land and buildings	**15 050**	13 957
Motor vehicles	**256**	–
Computer equipment	**75**	–
	15 381	13 957
Lease liability payments		
Principal paid on lease liabilities	**16 173**	13 521
Interest paid on lease liabilities	**2 826**	3 071
	18 999	16 592
Other disclosure		
Lease of low value assets included in operating expenses	**255**	310

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity. The amounts disclosed are contractual undiscounted cash flows.

	Group 2022 R'000	Group 2021 R'000
Reconciliation of interest-bearing liabilities at year-end		
1 year	**19 180**	17 869
2 to 4 years	**13 163**	22 675
	32 343	40 544
Less: Finance cost component	**(2 761)**	(4 478)
	29 582	36 066

9. LEASE LIABILITIES continued

The Group leases various offices, warehouses and commercial spaces. Rental contracts are typically made for fixed periods of 2 years to 5 years, but may have extension options. The average remaining lease term of all the leases is 3,4 years (2021: 2,2 years). The corresponding right-of-use assets are reflected in note 3.

Most lease contracts are concluded for fixed periods but, in some instances, lease agreement include options to renew. When the exercise of renewal options are considered probable, usually where there is an economic incentive to exercise the option, the lease term includes the period of the option.

Lease obligations do not impose any covenants on the Group whilst the leased assets are not provided as security for the Group's interest-bearing borrowings.

Potential future increases in variable lease payments based on an index or rate are included in the lease liability when they become effective. Amendments to lease payments, which are based on an index or a rate, are adjusted to the lease obligation and the right-of-use assets.

10. REVENUE

	Group	
	2022 R'000	2021 R'000
Revenue from contracts with customers	**1 076 351**	1 206 358
	1 076 351	1 206 358

Revenue is measured based on the consideration specified in a contract with a customer and is recognised at a point in time.

Disaggregation of revenue from contracts with customers

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

	Group	
	2022 R'000	2021 R'000
South Africa	**1 015 243**	1 107 588
Botswana	**18 868**	24 660
Namibia	**32 819**	49 346
Eswatini	**9 421**	24 764
	1 076 351	1 206 358
Revenue generated in South Africa can be further disaggregated into the following customer groups:		
Cash on delivery	**37 057**	104 297
Independent customers	**312 973**	310 593
Satellite television service providers	**210 512**	248 928
Major retailers	**454 701**	443 770
	1 015 243	1 107 588

11. (LOSS)/EARNINGS PER SHARE

	Group	
	2022	**2021**
Basic (loss)/earnings per share (cents)	**(5,96)**	7,25
– Basic (loss)/earnings – continuing operations	**(7,88)**	9,51
– Basic earnings/(loss) – discontinued operations	**1,92**	(2,26)
Headline (loss)/earnings per share (cents)	**(7,13)**	9,19
The calculation of loss per ordinary share for the Group is based on the following:		
– Basic (loss)/earnings (R'000)	**(43 670)**	44 972
– Headline (loss)/earnings (R'000)	**(52 267)**	57 011
Diluted basic (loss)/earnings per share (cents)	**(5,96)**	7,25
– Diluted basic (loss)/earnings – continuing operations	**(7,88)**	9,51
– Diluted basic earnings/(loss) – discontinued operations	**1,92**	(2,26)
Diluted headline (loss)/earnings per share (cents)	**(7,13)**	9,19
– Weighted average number of shares in issue	**732 826 015**	620 158 235
– Diluted weighted average number of shares	**732 826 015**	620 158 235
Shares in issue (number of shares):		
At the beginning of the year	**620 158 235**	620 158 235
Share issued during the year	**185 242 070**	–
At the end of the year	**805 400 305**	620 158 235
Impact of weighting of shares issues	**(72 574 290)**	–
Diluted weighted average shares at end of year	**732 826 015**	620 158 235

11. (LOSS)/EARNINGS PER SHARE continued

Group	2022 Gross R'000	2022 Tax R'000	2022 Net R'000	2021 Gross R'000	2021 Tax R'000	2021 Net R'000
Reconciliation of headline earnings						
Net (loss)/profit for the year attributable to equity holders of the parent	**(43 670)**	**–**	**(43 670)**	44 972	–	44 972
Adjusted for:						
Profit/(loss) on sale of property, plant and equipment	**95**	**(27)**	**68**	(1 916)	536	(1 380)
(Profit)/loss as a result of loss of control	**(8 665)**	**–**	**(8 665)**	13 419	–	13 419
Headline (loss)/earnings attributable to ordinary shareholders	**(52 240)**	**(27)**	**(52 267)**	56 475	536	57 011

	Group 2022 R'000	Group 2021 R'000
Net asset value per share (cents)	**16,6**	25,5
Net tangible asset value per share (cents)	**16,6**	25,5
The calculation of net asset value per share and net tangible asset value per share is based on the following:		
Net tangible asset value	**133 520**	158 372

12. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Group	
	2022 R'000	**2021 R'000**
(Loss)/profit before taxation	**(56 825)**	10 300
Adjusted for:		
Interest received	**(10)**	(2 179)
Interest paid	**14 743**	19 991
Impairment on inventory	**8 739**	1 621
Impairment on trade receivables	**288**	6 724
Impairment of investments	**–**	–
Depreciation	**19 073**	22 566
Share-based payments	**232**	450
Release of loan payable	**–**	(41 607)
Loss on loss of control	**–**	13 419
Profit/(loss) on disposal of property, plant and equipment	**95**	(1 916)
Decrease in financial guarantee liability	**–**	–
Decrease in provisions	**–**	(4 713)
	(13 665)	24 656
Changes in working capital	**18 408**	(32 347)
(Increase)/decrease in inventories	**(27 187)**	32 526
Decrease/(increase) in trade and other receivables	**50 137**	(54 664)
Decrease in trade and other payables	**(4 542)**	(10 209)
Cash (utilised by)/generated from operations	**4 743**	(7 691)

13. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Financial assets at amortised cost		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Group								
Current assets	**148 381**	181 955	**–**	–	**7 873**	21 021	**156 254**	202 976
Trade and other receivables	**139 479**	176 756	**–**	–	**7 873**	21 021	**147 352**	197 777
Bank and cash balances	**8 902**	5 199	**–**	–	**–**	–	**8 902**	5 199
Total assets	**148 381**	181 955	**–**	–	**7 873**	21 021	**156 254**	202 976
Non-current liabilities	**–**	–	**91 518**	110 517	**–**	–	**91 518**	110 517
Interest-bearing liabilities	**–**	–	**91 518**	110 517	**–**	–	**91 518**	110 517
Current liabilities	**–**	–	**181 552**	121 473	**15 925**	50 413	**197 477**	171 886
Interest-bearing liabilities	**–**	–	**18 895**	18 895	**–**	–	**18 895**	18 895
Trade and other payables	**–**	–	**117 241**	87 532	**15 925**	50 413	**133 166**	137 945
Bank overdrafts	**–**	–	**45 416**	15 046	**–**	–	**45 416**	15 046
Total equity and liabilities	**–**	–	**273 070**	231 990	**15 925**	50 413	**288 995**	282 403

14. GUARANTEES AND CONTINGENT LIABILITIES

	Group	
	2022 R'000	**2021 R'000**
Standard Bank of South Africa has issued the following guarantees on behalf of the Group	**2 500**	2 500

The Group has contingent liabilities in respect of bank guarantees per the above. It is not expected that any material liabilities will arise from these.

Freightit Proprietary Limited

Freightit Proprietary Limited instituted legal action against Ellies Electronics Proprietary Limited relating to performance and cancellation of contract. The total amount of the claim is R9,6 million. Ellies Electronics Proprietary Limited is 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.

Allybay Trading Enterprises Proprietary Limited

Allybay Trading Enterprises Proprietary Limited instituted legal action against Ellies Electronics Proprietary Limited relating to damages suffered as a result of the cancellation of a purported delivery service agreement. The total amount of the claim was R28,5 million.

On 20 July 2022 Allybay Trading Enterprises Proprietary Limited informed the Group that it formally withdrew the legal proceedings instituted.

For and on behalf of the Board

Timothy Fearnhead
Independent Non-Executive Chairperson of the Board

Dr Shaun Prithivirajh
Chief Executive Officer

Guy Moretti
Financial Director and Chief Financial Officer

Johannesburg

29 July 2022

HOLDINGS LIMITED

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 Prithivirajh (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 director*

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:

Brooklyn Place, 3 Centex Close, Kramerville, Sandton, 2090

(PO Box 57076, Springfield, 2137)

Auditors:

BDO South Africa Incorporated, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196

Sponsor:

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

Transfer secretaries:

Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196