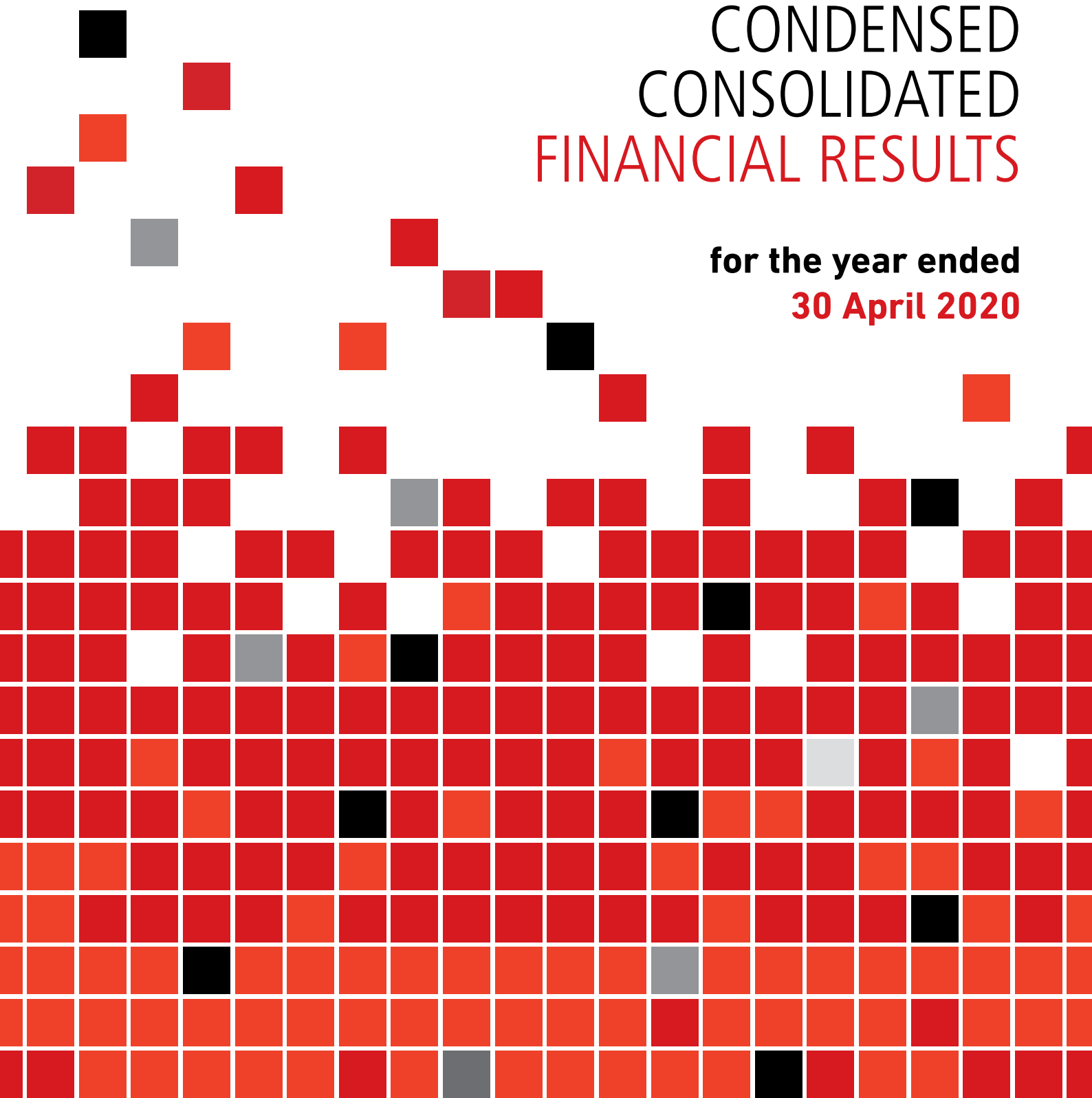




HOLDINGS LIMITED

REVIEWED
CONDENSED
CONSOLIDATED
FINANCIAL RESULTS

for the year ended
30 April 2020



2020 at a glance

<p>REVENUE</p> <p>decreased by 13,8% to</p> <p>R1 169,9 million (2019: R1 357,7 million)</p>	<p>EBITDA-LOSS</p> <p>increased by 212,1% to a loss of</p> <p>R67,1 million (2019: loss of R21,5 million)</p>	<p>OPERATING LOSS</p> <p>increased by 190,5% to a loss of</p> <p>R88,3 million (2019: loss of R30,4 million)</p>	<p>TOTAL COMPREHENSIVE LOSS</p> <p>increased by 538,8% to a loss of</p> <p>R196,1 million (2019: loss of R30,7 million)</p>
<p>LOSS PER SHARE</p> <p>increased by 709,2% to a loss of</p> <p>28,97 cents (2019: loss per share of 3,58 cents)</p>	<p>HEADLINE LOSS PER SHARE</p> <p>increased by 472,4% to a loss of</p> <p>18,66 cents (2019: headline loss per share of 3,26 cents)</p>	<p>NET ASSET VALUE PER SHARE</p> <p>decreased by 61,7% to</p> <p>18,2 cents (2019: 47,5 cents)</p>	<p>NET TANGIBLE ASSET VALUE PER SHARE</p> <p>decreased by 53,6% to</p> <p>18,2 cents (2019: 39,2 cents)</p>

No dividend declared

Chairman's report

Another year of clean-up occurred in FY2020, which adversely affected reported results. It is pleasing to confirm that the business is now well positioned for sustainable revenue and profit growth.

I am pleased to present my second report after being appointed as Chairman in April 2019. It is a privilege to be a part of the Ellies journey.

2020 was another challenging year for business. Growth in the economy remained subdued, in the broader context of a difficult local economic environment. The South African growth rate for 2020 was adversely affected amongst other by electricity capacity pressure that our country continues to endure as well as policy uncertainty, wastage and widespread corruption. This was partly responsible for the Rand weakening against the currencies of its main trading partners. When we thought it could not get any worse, the COVID-19 pandemic happened, with major disruptions in its wake which saw considerable impact on economic activity and negative growth. I do not think that we will see a rapid return to business as usual "post COVID" unless some serious structural changes are made to our economy. 2021 will be a challenging year for SA Inc.

I regret that although last year we believed we had done the major clean up, this has not proved to have been a correct assumption and this year we have seen further significant write-offs and impairments on inventory, properties and goodwill. These are covered in more detail in the reports of the executive directors but suffice to say it has been a disappointment to the whole team but on a more positive note, we believe the actual operating results are starting to show the green shoots of the actions taken.

We believe the Group to now be well positioned to implement key strategic project execution and, with an adjusted portfolio after the Manufacturing segment has been addressed, contribute to a notable performance improvement which will reflect the underlying health of the Group.

The Group continues to execute on its key strategic initiatives. The ERP implementation is underway and, upon completion, will enable the back-office integration strategy and improved efficiencies. Following a consolidation phase which includes the successful completion of the abovementioned initiatives, business growth remains a major focus area going forward.

I am pleased to report that the benefits of the various strategic projects are already visible in the first quarter of fiscal 2021, which is showing notable improvements. This included the restructuring and migration of the warehousing and distribution functions in Johannesburg implemented during the first quarter of fiscal 2021.

TRANSFORMATION

Empowerment initiatives continued as planned, however, during the period under review, Ellies was rated as non-compliant related to its beneficial shareholding. Ellies will continue to focus on key transformation focus areas within the ambit of the B-BBEE Codes in order to achieve our transformation targets over time. I would like to think that when I report back next year that significant progress will have been made in this area.

APPRECIATION

My sincere thanks to our banks for their continued support and to the Ellies staff and my Board colleagues for their valuable input and support in guiding Ellies through the challenges of the past year.

CEO's report

ELLIES IN THE MACRO-ECONOMIC ENVIRONMENT

The financial year under review was a period of considerable change at Ellies, with significant decisions being taken to improve governance, cost management and operational efficiencies of the business. After a lengthy due diligence process, a decision was taken to migrate the Johannesburg warehouse and distribution function to Value Logistics, an integrated customised supply-chain solutions company. This migration triggered a staff reduction exercise, both in the Johannesburg warehousing and distribution function as well as a restructuring of several head office functions. With a strong focus on core activities, the operations and support functions' restructuring stand it in good stead to deliver value into the future.

Matters of stock hygiene that have plagued Ellies for many years have been fully addressed in this past financial year. Obsolete and unsaleable stock which has accumulated over many years has been fully provided for. While the new Board and management did address this issue at the end of the last financial year, in the absence of a Warehouse Management System, it was only when stock was physically moved that the full quantum of the unsaleable stock could be addressed. With the move to Value Logistics, Ellies does not see a repeat of such an obsolescent stock build-up in the future. Further, while this addresses the main contributor, being the Johannesburg facility, Ellies plans on rolling out a Warehouse Management System across all locations nationally to further enforce stock hygiene. Correct procurement processes, systems and qualified personnel will ensure that stock management meets all governance requirements so as to ensure future growth. Ellies now has a "clean" stock book and such issues should not negatively affect the performance in the future.

While the South African economic landscape continued to be challenging, Ellies' strategy has evolved to better assist consumers during these difficult times. Electricity supply is often disrupted due to system constraints or possible infrastructure collapse and Ellies has increased its capacity to assist consumers with innovative, affordable solutions.

The last quarter of the reporting period saw the introduction of numerous restrictive regulations to South African businesses due to the COVID-19 pandemic and this had an impact on the overall performance of the Group in the last month of the financial year and into the first quarter of FY2021.

Global political and economic volatility continued, with uncertainty and unpredictability affecting raw material prices and foreign exchange rates, exacerbated by ongoing trade conflict between the US and China, and more significantly by the global spread of COVID-19. With approximately 40% of Ellies' products being imported, the impact on both stock availability as well as the overall financial performance has been material. Business confidence in South Africa continues to remain at low levels, with a significant increase in unemployment and deteriorating consumer spend.

Corporate governance and ethical leadership remain under scrutiny in South Africa with the exposé of investigations into corporate governance failures and unethical behaviour at some well-known institutions in recent years. This has reinvigorated shareholder activism and the focus on good corporate governance has intensified.

The new Board and executive directors, appointed in April 2019, have made significant progress in addressing various legacy issues to ensure better governance and operational improvements, which augers positively for Ellies' future. Interaction between the Board and executive management occurs on a far more frequent basis than the mandated Board meetings, which ensures guidance, information sharing, oversight and early warnings of potential risks. The overall attitude of staff is extremely positive and there is a collective commitment to the success of the business.

WHERE HAVE WE COME FROM?

Overview and progress report

The historic stock issues have been addressed and have contributed to the negative financial performance of the business. This decision was necessary, as to continue carrying stock that was unsaleable would have continued to affect the performance of the business. The bulk of these losses were experienced at the Johannesburg facility. The migration of these operations to Value Logistics, together with a process-driven procurement function, will address these historic challenges. The integration into Value Logistics' IT systems will result in numerous long-outstanding IT changes at Ellies. There are still a number of IT upgrades to be implemented in the next financial year, which have already been approved by the Board.

Overall accountability has improved, especially with the appointment of internal auditors as well as the implementation of consequence management.

CEO's report continued

Due to insurance and OHASA requirements, Ellies has relocated its head office as well as the trade counter from 94 Eloff Street to alternate premises. The new location of the head office provides improved security for staff as well as an overall reduction in rental costs.

WHERE WE CURRENTLY ARE?

Review of operations

Trading and Distribution segment

Improved stock management together with improved governance, processes, accountability and ongoing improvements in technology will have a positive effect on the Trading and Distribution segment. With these changes, Ellies has already experienced order fill rates that have improved, stock hygiene will ensure that the segment has the correct stock delivered to customers and early warning mechanisms will ensure that stock is at the correct levels. The restructuring of the Trading and Distribution segment will lower costs and improve the effectiveness of the segment.

Ellies' procurement and sales departments have identified the top performing products and new processes will ensure maximum returns on procurement spend. New products are being procured in test quantities and, if viable, quantities will increase. Obsolete and slow-moving products are not being reordered and a monthly eradication exercise will ensure that these products are sold out.

While the full effects of the COVID-19 pandemic will only be felt over a prolonged period, Ellies will take advantage of opportunities presented by more consumers being home based. This includes entertainment through its distributor partnership with MultiChoice, connectivity supported by Vox as well as uninterrupted power supply and solar options. However, the Board has noted that consumers could experience added pressures on disposable income which could affect some of Ellies' trading categories.

Ellies has investigated various alternate products and services to diversify its revenue streams within the Trading and Distribution segment. Due to the ongoing challenges consumers face with Eskom, Ellies' strategy is to grow its presence in the solar sector. Ellies has already approved innovative new products in this space but due to the pandemic, availability has been delayed and Ellies expects greater traction in the new financial year. The growth of solar will become a significant contributor and Ellies aims to be a major player in the domestic market.

Manufacturing segment

The Manufacturing segment provides product to the Trading and Distribution segment. The Manufacturing segment's performance continues to be impacted by the lack of traction on the Digital Terrestrial Television (DTT) programme by government. There has been insufficient throughput to recover the costs on a monthly basis and, as such, a detailed review of the strategy of the Manufacturing segment has been undertaken. Due to the amount of activity over the last year in the Trading and Distribution segment, the focus of the Board and Ellies management in the coming year is on the Manufacturing segment.

A key focus area for improving the Manufacturing segment's performance is cost reduction and management will begin to execute on this in the new financial year.

COVID-19 PANDEMIC

Ellies is fully committed to preventing the spread of the COVID-19 virus. Ensuring the safety of the Group's employees and their families, customers, business partners and the communities in which Ellies operate remains our priority. Ellies has implemented stringent measures to protect its people from infection and save the lives of many more.

CEO's report continued

ENVIRONMENT, SOCIAL AND GOVERNANCE

Environment

The Group currently does not collate data on environmental indicators. Data collation will commence after determining materiality in respect of the Global Reporting Standards 2018 in terms of environmental standards applicable to Ellies.

Ellies is mainly a distributor of finished goods and services with finished and semi-finished goods being procured from a variety of vendors, both locally and internationally. No materials used in operations have a significant impact on the environment. As such, Ellies is regarded as having an overall low environmental impact.

Social

Ellies' human capital is an important priority. The Group's goal remains to build and maintain a diverse, loyal, performance-driven workforce that is innovative and effective, and which reflects Ellies' collaborative values and culture. Transformation, human resources and Company culture are key matters that are addressed throughout all operations.

At a Group level, each business entity's operational objectives and requirements are being reviewed to ensure effective investment in appropriate training and skills development initiatives to ensure that employees are well positioned to meet the Group's strategic objectives.

Governance

The Board is fully committed to the highest standards of governance and accountability, as recommended by King IV™, and the delivery of outcomes such as an ethical culture, good performance, effective control and legitimacy. The Board's approach to governance is founded on the premise that a successful business requires strong controls, meaningful structures and unwavering commitment to ethical conduct in order to reach its full potential.

The Board plays a pivotal role in strategic planning and establishing benchmarks to measure the Group's strategic objectives.

WHERE WE ARE GOING?

Strategy

The first year of Ellies' turnaround strategy has positioned the Group for future growth. The issues of leadership uncertainty were addressed and the new Board together with executive management have paved the way for future growth. The strategy, which has short- and long-term goals, is based on four pillars and work in all four areas has begun in earnest.

Pillar 1: Compliance, risk and governance

The degradation in the control environment was due mainly to a lack of processes and procedures and under-investment in technology. In the past year, numerous processes have been documented and executed across the business, based on a risk matrix.

In order to reinforce controls across the business operations, including various head office functions and branches, consultant internal auditors, LateganMashego Audit & Advisory, have been appointed. Inefficiencies and recommendations are highlighted to executive management, who take the necessary steps to address these matters. This has resulted in a greater sense of accountability and consequence management.

Due to insurance requirements, migration of the warehouse facility and a reduction in the number of staff at the head office, Ellies has relocated its head office and the adjacent trade counter to new locations.

CEO's report continued

Pillar 2: Operational efficiencies

A section 189 process was implemented at the Johannesburg facility, together with a restructuring of the head office functions. This has resulted in fewer senior executives, who have the necessary authority over synergistic departments, leading to greater efficiencies. The migration to Value Logistics will improve the order fill rate to the various retail channels and independent customers. With Value Logistics, Ellies would be able to track orders in real time and notification of delivery (proof of delivery) on an electronic portal, which create greater efficiencies for the billing processes.

The next step is to execute on the Manufacturing segment and take the necessary action to stop losses. While the DTT programme has not gained traction, the Board together with management will explore various alternatives.

Pillar 3: Cost management

The section 189 restructuring of the head office will result in a reduction in the cost of employment. The migration to Value Logistics will also decrease the operating costs for warehousing and distribution in Johannesburg. Other wasteful expenditure has been eradicated by centralising authorisation of operating expenditure at head office. The focus for the new financial year is on cost management at the branch and trade counter level and centralised procurement of consumables and other non-saleable services.

A critical area of cost management is the procurement of stock. New processes as well as upgrades to existing technology have already had a significant influence on stock hygiene. In addition, the procurement of new merchandise to Ellies is subject to a collaborative effort between sales, procurement and operations. Quantities are managed at a test level and only after proof of market penetration, is stock ordered in larger volumes.

Pillar 4: Profitable growth

With the continued degradation of the South African economy, prospects for growth are challenging. However, there are selective opportunities that are well suited to the Ellies business. The increase in the number of consumers that are home-bound has spiked a demand for home entertainment. Ellies' association with MultiChoice will deliver growth in this category. However, increasing unemployment and negative demand for durable goods will start to impact the performance of this category over time.

Challenges with the supply of electricity have provided another opportunity for Ellies. Ellies' initial offering of inverter trolleys as well as a limited solar offering have gained momentum. Ellies, in conjunction with overseas manufacturers, have brought significant innovation to this category and are awaiting the arrival of new products, which have been delayed due to the current pandemic. Solar is a strategic imperative of the business and will be a growth category.

Another area of focus is connectivity due to more people working and socialising virtually. Ellies' installer base is being upskilled to offer these products and services in the communities in which they operate.

CFO's report

FINANCIAL REVIEW

The Group experienced a challenging operating environment coupled with challenges imposed by the COVID-19 pandemic and reported a loss per share of 28,97 cents for the reporting period (2019: loss per share of 3,58 cents) and a headline loss per share of 18,66 cents (2019: headline loss per share of 3,26 cents).

An analysis of the major contributors to loss is as follows:

- A decline in revenue attributable to the COVID-19 related lockdown in March and April of 2020 of approximately R97,7 million with an associated gross profit decrease of R26,4 million.
- The impairment of goodwill of R51,4 million.
- Restructuring cost incurred related to the migration of the Johannesburg warehouse to a third-party logistics supplier of R20,6 million, including retrenchment costs of R18,3 million.
- Additional write off of obsolete inventory of R49, 0 million.
- The impairment of investment properties of R12,3 million.
- A write-off of previously recognised deferred tax assets of R16,3 million.

Statement of profit or loss and other comprehensive income

Revenue for the reporting period amounted to R1 169,9 million (2019: R1 357,7 million), a reduction of 13,8% of which approximately 7,2% was attributable to the COVID-19 hard lockdown in March and April 2020, the last month of the financial year.

Gross margin in percentage terms improved over that reported in the previous financial year, from 25,7% in 2019 to 26,4% in 2020, however, in monetary terms reduced by 11,5% to R308,5 million. Included in costs of sales is R49,0 million of inventory write-offs, compared to R82,8 million in the prior year.

Operating expenses increased by 4,3% year-on-year, excluding depreciation which included R15,6 million in respect of IFRS 16 depreciation. The Group adopted IFRS 16: Leases during the period under review.

The Group disposed of its investment properties by public auction and, although transfers had not been effected due to the COVID-19-related backlogs at the deeds office during the reporting period, an impairment of R12,3 million was required. The properties are disclosed as held for sale.

Goodwill that arose on the acquisition of the branches was fully impaired by R51,4 million at the reporting date.

Interest paid amounted to R27,0 million, an increase of R6,7 million over the prior year.

The loss before tax amounted to R178,5 million (2019: R61,9 million). The loss after tax increased to R196,7 million due to the reversal of deferred tax assets of R16,3 million and compares with the prior year's loss of R31,4 million.

Statement of financial position

Total shareholders' interests amounted to R76,3 million (2019: R274,6 million), with share capital of R837,2 million, reduced by accumulated losses.

IFRS 16 resulted in a right-of-use asset of R18,6 million. A corresponding lease liability of R21,4 million was raised, of which R9,0 million has been disclosed as current.

Inventory at R243,1 million represents a significant reduction over the past three years, with write-offs over the past three years amounting to R46,5 million in 2018, R82,8 million in 2019 and R49,0 million in 2020, resulting from the identification of slow-moving and obsolete inventory which has either been written off, or provisioned against.

Long-term liabilities of R129,4 million comprise the long-term portion of the bullet profile and amortising profile of the Standard Bank loans. Due to the upfront condonation of the year-end covenant breach, it remains as long-term.

Net gearing deteriorated from 57% at 30 April 2019 to 205% at 30 April 2020, due to losses which reduced the equity value.

The Group's net asset value decreased by 61,6% to 18,2 cents per share at 30 April 2020 compared to 47,5 cents per share at 30 April 2019. With the impairment of intangibles to a nil value, there are no intangible assets remaining.

CFO's report continued

Statement of cash flows

Cash utilised in operating activities before working capital changes decreased to R18,9 million (2019: R74,6 million generated), mainly due to lower revenue as a result of the national lockdown due to the COVID-19 pandemic and retrenchment-related costs.

Working capital showed an inflow of R60,1 million (2019: outflow of R9,3 million). This excludes the reduction due to impairments and additional provisioning. Net finance and tax payments amounted to R27,6 million (2019: R28,3 million).

Cash generated from investing activities of R0,97 million (2019: cash utilised by investing activities R3,4 million) related mainly to property, plant and equipment.

Cash utilised by financing activities amounted to R28,6 million (2019: generated from financing activities R56,9 million) attributable to the lease liabilities raised on the first-time adoption of IFRS 16.

The Group closed with net borrowings of R114,6 million at 30 April 2020 compared to net borrowings of R115,5 million at 30 April 2019.

Commentary

SIGNIFICANT CORPORATE ACTIVITY

Long-term incentive plan

At the General Meeting held on 28 November 2019, shareholders adopted a new employee share incentive scheme, The Ellies Holdings Limited Long-Term Incentive Plan (LTIP). The LTIP is intended to retain key employees in leadership and critical roles and to drive a long-term focus on the results of the Company and its subsidiaries. The LTIP replaced the Group's previous and unused Long-Term Incentive Option Plan. The LTIP will be implemented during the 2021 financial year.

Disposal of properties

The Company's strategy is to return to sustainable profitability and, as part of its strategy, the Company resolved to dispose of its investment properties and lease back only those required for operations.

Disposal of warehouse and industrial property in East London

As announced on SENS on 29 January 2020, Ellies, through its wholly-owned subsidiary Ellies Properties Proprietary Limited, concluded an agreement on 28 January 2020 to sell the rental enterprise comprising the warehouse and industrial property situated on the corner of Bowls Road and Dyer Place in Arcadia, East London to Ironvest Properties Proprietary Limited.

The rental enterprise includes the immovable property land and buildings together with all other aspects of the business necessary for carrying on the rental enterprise, including all existing lease agreements pertaining to the property and any tenant deposits.

Ironvest Properties Proprietary limited acquired the property for a purchase price of R5 million, settled in cash.

Disposal of properties at public auction

As announced on SENS on Wednesday, 26 February 2020, Ellies through its wholly owned subsidiary, Ellies Properties has concluded various agreements to sell by way of a public auction as a going concern, five rental enterprises owned by the Group.

Two of the properties were used to store the Company's inventory in Johannesburg. However, due to the structural shortcomings in the Johannesburg properties as a result of the deterioration in the municipal water infrastructure, which has led to a non-functional sprinkler system, these buildings were vacated by the Company post the year-end. As a result of the non-functional sprinkler system, the Company's insurance cover on these properties was initially withdrawn and then reinstated subject to a R50 million deductible for fire insurance. After the installation of bladders and pumps on site, the insurer reduced the deductible to R3 million, subject to Ellies vacating the premises no later than August 2020.

Commentary continued

Two of the properties namely, Erf 236, situated at 23 Bitcon Road, Village Deep, Johannesburg and Erf 264, situated at 5 Inglestone Road, Village Deep, Johannesburg were sold to Vegtu for R1 650 000 and R2 000 000, respectively.

Vegtu is an associate of Elliot Salkow, who has been a director of Ellies within the 12 months preceding the property disposals and is a material shareholder of the Company. Accordingly, the disposal of the two properties was considered to be a related party transaction in accordance with the JSE Listings Requirements and shareholders were required to approve the disposal of the properties to Vegtu.

Shareholders approved the transactions at the General Meeting held on 28 July 2020, the details of which are disclosed in note 14, Events after the reporting date.

Section 189 process

As announced on SENS on 2 March 2020, Ellies Electronics (Pty) Ltd, a wholly-owned subsidiary of Ellies Holdings Limited, entered into a formal consultation process with relevant stakeholders in terms of Section 189A of the Labour Relations Act, no 66 of 1995, regarding the restructuring of its goods receiving, warehousing, distribution, logistics and head office functions ("the affected operations"), pursuant to ongoing financial losses experienced by Ellies Electronics.

Through the Section 189A process, Ellies Holdings Limited and affected stakeholders together considered measures to avoid and mitigate possible retrenchments and seek alternatives to the potential cessation or downscaling of the affected operations. The Section 189A process followed a detailed review of the affected operations, which included the simulation of alternative scenarios to minimise job losses.

PROSPECTS

As outlined in the CEO's report, the Board and management remain committed to ensuring a future for the Group.

The continued onslaught of the COVID-19 pandemic on the South African economy render the Group's prospects for growth challenging.

A stringent focus on cost reduction and centralised procurement and diversification into selective innovative opportunities and new product offerings will be key focus areas.

However, the Board believes that the strategy for the next financial year will create the platform for future revenue growth, while driving long-term sustainability.

The going concern assessment is disclosed below.

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

GOING CONCERN ASSESSMENT

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 annual financial statements. The analysis considered the current challenging market conditions and management's turnaround plan being executed, including a return to sustainable profitability, cost management and efficiencies as well as the optimisation of working capital. The effect of the post COVID-19 economy on the Group's operations was also considered.

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 Group anticipates to comply.

The effect of a further deterioration in the economic outlook and its potential impact on the Group's cash flow and funding facilities were also considered. The Group's ability to fund its short-term liquidity requirements is dependent on adequate funding facilities.

Commentary continued

The directors believe that the Group is a going concern, however, COVID-19 creates a material uncertainty around going concern, which creates significant doubt. However, the effect of a slow economic recovery or a further deterioration in the economic outlook of South Africa post the COVID-19 pandemic and its potential impact were considered as an uncertainty. If the economy and as a result, the performance of Ellies, deteriorate and management is unable to stem the losses incurred in a major subsidiary, these present a material uncertainty to Ellies remaining as a going concern.

These matters indicate that there is a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

CHANGES TO THE BOARD OF DIRECTORS

Mr Elliot Salkow resigned as a non-executive director of Ellies with effect from 29 February 2020 to pursue other interests. The Board thanks Mr Salkow for his 40 years of dedication and contributions to the Company and wishes him well in his future endeavours.

As announced on SENS on 2 April 2020, Mr Sefenya Edick (Edick) Lehapa has been appointed as an independent non-executive director from 2 April 2020. The Board welcomes Edick and looks forward to his contribution to the Company.

EVENTS AFTER THE REPORTING DATE

Refer to note 14.

DIVIDEND

No dividend has been proposed or declared for the reporting period.

For and on behalf of the Board of Directors

Timothy Fearnhead

*Independent Non-Executive
Chairperson*

Johannesburg

1 October 2020

Dr Shaun Prithivirajh

Chief Executive Officer

Chris Booyens

*Financial Director and
Chief Financial Officer*

Consolidated statement of financial position

as at 30 April 2020

	Notes	GROUP	
		Reviewed 2020 R'000	Audited 2019 R'000
ASSETS			
Non-current assets		46 055	132 555
Property, plant and equipment	2	26 638	64 029
Right-of-use assets	3	18 641	–
Goodwill	4	–	51 438
Investment in associates		–	–
Deferred taxation		776	17 088
Current assets		435 390	527 646
Inventories	5	243 129	300 009
Trade and other receivables		150 221	174 543
Taxation receivable		8 118	7 713
Bank and cash balances		33 922	45 381
		19 511	–
Non-current assets held for sale		19 511	–
Total assets		500 956	660 201
EQUITY AND LIABILITIES			
Total shareholders' interests		76 281	274 634
Stated capital		837 212	837 212
Non-distributable reserves		(175 684)	(176 236)
Accumulated loss		(548 420)	(366 554)
Equity attributable to equity holders of the parent		113 108	294 422
Non-controlling interests		(36 827)	(19 788)
Non-current liabilities		141 698	148 300
Interest-bearing liabilities		129 401	148 300
Lease liability		12 297	–
Current liabilities		282 977	237 267
Interest-bearing liabilities		18 972	9 656
Lease liability		9 066	–
Trade and other payables		207 399	177 094
Provisions	6	5 277	5 186
Taxation payable		470	786
Third-party loans		41 607	41 607
Bank overdrafts		186	2 938
Total equity and liabilities		500 956	660 201

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 April 2020

	Notes	GROUP	
		Reviewed 2020 R'000	Audited 2019 R'000
Revenue	7	1 169 867	1 357 739
Cost of sales		(861 361)	(1 009 244)
Gross profit		308 506	348 495
Other income		4 856	4 497
Operating expenses		(377 656)	(362 144)
Impairment loss on trade receivables		(2 827)	(12 323)
Depreciation		(21 223)	(8 944)
Operating loss before impairments of non-current assets		(88 344)	(30 419)
Impairment of non-current assets held for sale		(12 330)	–
Impairment of property plant and equipment		–	(7 873)
Impairment of loans to associate		–	(3 902)
Impairment of goodwill		(51 438)	–
Impairment of loans		(224)	–
Loss from operations		(152 336)	(42 194)
Interest received		797	2 816
Interest paid		(26 985)	(20 298)
Share of losses from associates		–	(2 269)
Loss before taxation		(178 524)	(61 945)
Taxation		(18 052)	5 832
Loss for the year: continuing operations	8	(196 576)	(56 113)
Loss: discontinued operations		(115)	24 718
Loss for the year		(196 691)	(31 395)
<i>Other comprehensive income:</i>			
Items that will be reclassified subsequently to profit or loss			
– Foreign currency translation reserve		552	735
Total comprehensive loss for the year		(196 139)	(30 660)
<i>Attributable to:</i>			
Equity holders of the parent		(179 652)	(22 183)
Non-controlling interests		(17 039)	(9 212)
Net loss after tax		(196 691)	(31 395)
<i>Attributable to:</i>			
Equity holders of the parent		(179 100)	(21 448)
Non-controlling interests		(17 039)	(9 212)
Total comprehensive loss for the year		(196 139)	(30 660)
Basic loss per share (cents)	10	(28,97)	(3,58)
Headline loss per share (cents)	10	(18,66)	(3,26)

Consolidated statement of changes in equity

for the year ended 30 April 2020

	Stated capital R'000	Foreign currency translation reserve R'000	Non-distributable reserves R'000	Retained earnings R'000	Equity attributable to equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
GROUP							
Audited							
Balances as at 1 May 2018	837 212	1 223	(176 490)	(340 172)	321 772	(11 343)	310 429
Adjustments on first-time adoption of IFRS 9, net of tax	–	–	–	(4 198)	(4 198)	–	(4 198)
Total comprehensive income/(loss) for the year	–	735	–	(22 183)	(21 448)	(9 212)	(30 660)
Loss of control (non-controlling interests)	–	–	–	–	–	767	767
Share-based payment reserve	–	–	(1 704)	–	(1 704)	–	(1 704)
Reviewed							
Balances as at 30 April 2019	837 212	1 958	(178 194)	(366 553)	294 422	(19 788)	274 634
First-time adoption of IFRS 16	–	–	–	(2 215)	(2 215)	–	(2 215)
Total comprehensive loss for the year	–	552	–	(179 652)	(179 100)	(17 039)	(196 139)
Balances as at 30 April 2020	837 212	2 510	(178 194)	(548 420)	113 107	(36 827)	76 281

Consolidated statement of cash flows

for the year ended 30 April 2020

	Note	GROUP	
		Reviewed 2020 R'000	Audited 2019 R'000
Cash flows from operating activities		18 923	63 822
Cash generated from operations	9	46 521	65 419
Interest received		797	265
Interest paid		(26 985)	(20 249)
Taxation paid		(1 410)	(8 345)
Cash flows – continuing operations		18 923	37 090
Cash flows – discontinued operations		–	26 732
Cash flows from investing activities		976	(3 387)
Acquisitions of property, plant and equipment		(2 119)	(5 041)
Proceeds on disposal of property, plant and equipment		3 095	982
Proceeds on disposal of non-current assets held for sale		–	4 250
Loss of control		–	(29)
Loan to associate		–	(3 620)
Cash flows – continuing operations		976	(3 458)
Cash flows – discontinued operations		–	71
Cash flows from financing activities		(28 606)	56 898
Receipt of interest-bearing liabilities		–	67 245
Repayment of interest-bearing liabilities		(9 583)	(10 347)
Repayment of lease liabilities		(19 023)	–
Cash flows utilised by continuing operations		(28 606)	56 898
Cash flows utilised by discontinued operations		–	–
Net (decrease)/increase in cash and cash equivalents		(8 707)	117 333
Foreign currency translation reserve – net movement on cash and cash equivalents		–	(91)
Cash and cash equivalents at beginning of year		42 443	(74 799)
Cash and cash equivalents at end of year		33 736	42 443
<i>Cash and cash equivalents consist of:</i>			
Bank and cash balances		33 922	45 381
Bank overdrafts		(186)	(2 938)
		33 736	42 443

Segment analysis

for the year ended 30 April 2020

	Trading and Distribution R'000	Manufac- turing R'000	Total R'000
STATEMENT OF FINANCIAL POSITION			
2020			
Total assets	1 249 396	70 724	1 320 120
Property, plant and equipment	7 398	19 240	26 638
Right-of-use asset	18 418	223	18 641
Goodwill	–	–	–
Trade and other receivables	149 294	927	150 221
Taxation receivable	8 118	–	8 118
Inventories	192 795	50 334	243 129
Bank and cash balances	33 922	–	33 922
Intercompany loans	819 164	–	819 164
Deferred tax	776	–	776
Non-current assets held for sale	19 511	–	19 511
Total liabilities	1 032 282	211 556	1 243 838
Long-term liabilities	148 373	–	148 373
Lease liability	21 084	279	21 363
Trade and other payables	150 190	57 679	207 869
Bank overdraft	–	186	186
Intercompany loans	666 285	152 878	819 163
Other liabilities	4 742	535	5 277
Third-party liabilities	41 607	–	41 607
Net assets	217 115	(140 832)	76 281

Segment analysis continued

for the year ended 30 April 2020

STATEMENT OF PROFIT OR LOSS	Trading and Distribution R'000	Manufacturing R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Total R'000
2020					
External revenue	1 192 873	(23 006)	1 169 867	-	1 169 867
Revenue	1 237 273	47 671	1 284 944	-	1 284 944
Intersegment revenue	(44 399)	(70 677)	(115 076)	-	(115 076)
Gross profit/(loss)	327 129	(18 623)	308 506	-	308 506
Other income	4 856	-	4 856	-	4 856
Operating expenses	(347 575)	(30 081)	(377 656)	(115)	(377 771)
Impairment loss on trade receivables	(2 827)	-	(2 827)	-	(2 827)
Depreciation	(18 525)	(2 698)	(21 223)	-	(21 223)
Operating loss before impairment	(36 942)	(51 402)	(88 344)	(115)	(88 459)
Impairment of non-current assets held for sale	(12 330)	-	(12 330)	-	(12 330)
Impairment of goodwill	(51 438)	-	(51 438)	-	(51 438)
Impairment of loans	(224)	-	(224)	-	(224)
Loss from operations	(100 934)	(51 402)	(152 336)	(115)	(152 451)
Interest received	797	-	797	-	797
Interest paid	(26 985)	-	(26 985)	-	(26 985)
Interest intersegment	12 518	(12 518)	-	-	-
Loss before taxation	(114 604)	(63 920)	(178 524)	(115)	(178 639)
Taxation	(18 052)	-	(18 052)	-	(18 052)
Share of losses from associates	-	-	-	-	-
Loss for the year	(132 656)	(63 920)	(196 576)	115)	(196 691)

Segment analysis continued

for the year ended 30 April 2020

STATEMENT OF FINANCIAL POSITION	Trading and Distribution R'000	Manufac- turing R'000	Total R'000
2019			
Total assets	1 325 533	83 905	1 409 438
Property, plant and equipment	41 540	22 489	64 029
Goodwill	51 438	–	51 438
Trade and other receivables	124 159	50 384	174 543
Taxation receivable	7 713	–	7 713
Inventories	288 979	11 030	300 009
Bank and cash balances	45 379	2	45 381
Intercompany loans	749 237	–	749 237
Deferred tax	17 088	–	17 088
Total liabilities	974 481	160 323	1 134 804
Interest-bearing liabilities	157 956	–	157 956
Trade and other payables	133 814	44 066	177 880
Bank overdraft	–	2 938	2 938
Intercompany loans	636 649	112 588	749 237
Provisions	4 455	731	5 186
Third-party liabilities	41 607	–	41 607
Net assets	351 052	(76 418)	274 634

Segment analysis continued

for the year ended 30 April 2020

STATEMENT OF PROFIT OR LOSS	Trading and Distribution R'000	Manufacturing R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Total R'000
2019					
External revenue	1 356 897	842	1 357 739	611	1 358 350
Revenue	1 396 892	92 233	1 489 125	611	1 489 736
Intersegment revenue	(39 995)	(91 391)	(131 386)	-	(131 386)
Gross profit/(loss)	335 209	13 286	348 495	(119)	348 376
Other income	4 497	-	4 497	20 768	25 265
Operating expenses	(332 733)	(29 411)	(362 144)	(5 194)	(367 338)
Impairment loss on trade receivables	(12 323)	-	(12 323)	-	(12 323)
Depreciation	(4 471)	(4 473)	(8 944)	(6)	(8 950)
Operating (loss)/profit before other impairments	(9 821)	(20 598)	(30 419)	15 449	(14 970)
Impairment of property, plant and equipment	-	(7 873)	(7 873)	-	(7 873)
Impairment of net investment in associates	(3 902)	-	(3 902)	-	(3 902)
Profit on loss of control	-	-	-	9 269	9 269
(Loss)/profit from operations	(13 723)	(28 471)	(42 194)	24 718	(17 476)
Interest received	2 816	-	2 816	-	2 816
Interest paid	(20 298)	-	(20 298)	-	(20 298)
Interest intersegment	10 180	(10 180)	-	-	-
(Loss)/profit before taxation	(21 025)	(38 651)	(59 676)	24 718	(34 958)
Taxation	2 076	3 756	5 832	-	5 832
Share of losses from associates	(2 269)	-	(2 269)	-	(2 269)
(Loss)/profit for the year	(21 218)	(34 895)	(56 113)	24 718	(31 395)

Notes to the reviewed condensed consolidated financial statements

for the year ended 30 April 2020

1. BASIS OF PREPARATION

The reviewed 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, except for the first-time adoption of IFRS 16 – *Leases*.

The reviewed condensed consolidated financial statements were compiled by Mr Jacques Liebenberg (*BCompt (Hons), AGA(SA)*), Interim Finance Executive/Consultant, under the supervision of Mr Chris Booyens *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 12.

Independent auditor's review

The condensed consolidated financial statements were reviewed by BDO South Africa Incorporated and an unmodified review conclusion has been issued on the condensed consolidated financial statements for the financial year ended 30 April 2020. The review report, however, includes an emphasis of matter paragraph regarding the going concern as a result of the material uncertainty relating to COVID-19. The auditor's report does not necessarily report on all of the information contained in this announcement.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying reviewed condensed consolidated financial statements, both of which are available for inspection at Ellies' registered office.

Any forward-looking financial information disclosed in this results announcement has not been reviewed or audited or otherwise reported on by the Company's auditors.

Going concern assessment

In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Group will be a going concern for the next financial year and up to 30 September 2021.

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 annual financial statements. The analysis considered the current challenging market conditions and management's turnaround plan being executed, including a return to sustainable profitability, cost management and efficiencies as well as the optimisation of working capital. The effect of the post COVID-19 economy on the Group's operations was also considered.

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 Group anticipates to comply.

The effect of a further deterioration in the economic outlook and its potential impact on the Group's cash flow and funding facilities were also considered. The Group's ability to fund its short-term liquidity requirements is dependent on adequate funding facilities.

The directors believe that the Group is a going concern, however, COVID-19 creates a material uncertainty around going concern, which creates significant doubt. However, the effect of a slow economic recovery or a further deterioration in the economic outlook of South Africa post the COVID-19 pandemic and its potential impact were considered as an uncertainty. If the economy and as a result, the performance of Ellies, deteriorate and management is unable to stem the losses incurred in a major subsidiary, these present a material uncertainty to Ellies remaining as a going concern.

These matters indicate that there is a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

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 improvements R'000	Total R'000
As at 30 April 2020						
Cost	69 926	14 943	11 462	34 432	11 966	142 729
Accumulated depreciation and impairments	(54 066)	(12 749)	(10 316)	(28 883)	(10 077)	(116 091)
Net carrying value	15 860	2 194	1 146	5 549	1 889	26 638
Movement summary						
Carrying value at 30 April 2019	17 508	2 939	1 945	7 049	34 588	64 029
Additions	1 026	79	108	891	15	2 119
Disposals	–	–	(7)	–	–	(7)
Depreciation	(2 674)	(828)	(886)	(2 398)	(900)	(7 686)
Transfer (to)/from assets held for sale	–	–	–	–	(19 511)	(19 511)
Impairments	–	–	–	–	(12 330)	(12 330)
Foreign translation	–	4	(14)	7	27	24
Carrying value at 30 April 2020	15 860	2 194	1 146	5 549	1 889	26 638
As at 30 April 2019						
Cost	68 901	14 475	11 336	33 437	47 560	175 709
Accumulated depreciation and impairments	(51 393)	(11 536)	(9 391)	(26 388)	(12 972)	(111 680)
Net carrying value	17 508	2 939	1 945	7 049	34 588	64 029
Movement summary						
Carrying value at 30 April 2018	26 754	2 497	2 261	8 865	35 602	75 979
Additions	1 565	1 632	749	1 080	15	5 041
Disposals	–	(205)	–	–	–	(205)
Depreciation	(2 938)	(988)	(1 067)	(2 902)	(1 049)	(8 944)
Impairments	(7 873)	–	–	–	–	(7 873)
Foreign currency translation reserve	–	3	2	6	20	31
Carrying value at 30 April 2019	17 508	2 939	1 945	7 049	34 588	64 029

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

3. RIGHT-OF-USE ASSETS

	Land and buildings R'000	Total R'000
GROUP		
As at 30 April 2020		
Cost	34 266	34 266
Accumulated depreciation and impairments	(15 625)	(15 625)
Net carrying value	18 641	18 641
Movement summary		
Raise right-of-use assets in terms of IFRS 16	34 266	34 266
Depreciation	(15 625)	(15 625)
Carrying value at 30 April 2020	18 641	18 641
As at 30 April 2019		
Cost	–	–
Accumulated depreciation and impairments	–	–
Net carrying value	–	–
Movement summary		
Carrying value at 30 April 2018	–	–
Carrying value at 30 April 2019	–	–

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

4. GOODWILL

	GROUP	
	2020 R'000	2019 R'000
Cost	53 672	53 672
Accumulated impairments	(53 672)	(2 234)
	–	51 438
Net carrying value		
<i>Arising on acquisition of companies/business of:</i>		
Trading and Distribution segment	–	51 438
Closing net carrying value	–	51 438
Movement summary		
Carrying value at the beginning of the year	51 438	51 438
Impairment	(51 438)	–
Carrying value at the end of the year	–	51 438
The net book value of goodwill has been allocated to the following cash-generating units (CGU):		
Bloemfontein (Ellies Electronics branch)	–	13 911
Cape Town (Ellies Electronics branch)	–	23 431
Ellies Namibia Proprietary Limited	–	6 596
Other smaller branches (Ellies Electronics branches)	–	7 500
	–	51 438

Following a review of the value-in-use calculations and factors related to the going concern assessment disclosed in note 1, the Board decided to fully impair goodwill at year-end.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

5. INVENTORIES

	GROUP	
	2020 R'000	2019 R'000
Raw materials	34 278	34 617
Merchandise	187 559	290 716
Goods in transit	39 060	9 158
Work in progress	13 894	11 231
Gross inventories	274 791	345 722
Impairment allowance raised against inventories	(31 662)	(45 713)
	243 129	300 009
Movement in impairment allowance raised against inventories		
Balance at the beginning of the year	45 712	48 709
Impairment allowances raised	13 696	17 851
Impairment allowances utilised	(27 746)	(20 847)
Balance at the end of the year	31 662	45 713

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

6. PROVISIONS

	GROUP	
	2020 R'000	2019 R'000
Provision for warranty		
Balance at the beginning of the year	656	677
Provisions raised	4 098	97
Provision utilised	-	(118)
Balance at the end of the year	4 754	656
The provision relates to warranty periods on goods sold.		
Guarantee provision		
Balance at the beginning of the year	-	65 540
Provisions raised	-	23 818
Guarantee converted into debt on 2019 financial year-end	-	(89 358)
Balance at the end of the year	-	-
Other provisions		
Balance at the beginning of the year	4 530	1 013
Provisions raised	226	3 837
Provision utilised/reversed	(4 233)	(320)
Balance at the end of the year	523	4 530
Total provisions	5 277	5 186

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

7. REVENUE

	GROUP	
	2020 R'000	2019 R'000
Revenue from contracts with customers	1 169 867	1 357 739
	1 169 867	1 357 739

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

Disaggregation of revenue from contracts with customers

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

	GROUP	
	2020 R'000	2019 R'000
South Africa	1 071 265	1 271 245
Botswana	20 695	16 623
Namibia	59 807	55 083
Swaziland	18 100	14 788
	1 169 867	1 357 739
Revenue generated in South Africa can be further disaggregated into the following customers groups:		
Cash on delivery	200 980	204 208
Independent customers	216 356	217 690
Satellite television service providers	246 166	353 017
Major retailers	407 763	496 330
	1 071 265	1 271 245

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

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

	Total	
	2020 R'000	2019 R'000
GROUP		
Revenue	–	611
Cost of sales	–	(730)
Gross loss	–	(119)
Other income	–	20 768
Operating expenses	(115)	(5 194)
Depreciation	–	(6)
Amortisation of intangible assets	–	–
Operating loss before impairment of intangibles assets	(115)	15 449
Impairment of intangible assets	–	–
Impairment of goodwill	–	–
(Loss)/profit before interest and taxation ("PBIT")	(115)	15 449
Interest received	–	–
Interest paid	–	–
Net (loss)/profit before taxation ("PBT")	(115)	15 449
Taxation	–	–
Net (loss)/profit after taxation ("PAT")	(115)	15 449
Loss for the year from discontinued operations attributable to equity holders of the parent	(115)	15 588
Loss for the year from discontinued operations attributable to non-controlling interests	–	(139)
(Loss)/profit for the year from discontinued operations	(115)	15 449
Profit on loss of control – Megatron SA Proprietary Limited	–	9 924
Loss on loss of control – African Solar Power Proprietary Limited	–	(655)
Loss for the year from discontinued operations	(115)	15 449
Profit on loss of control – Megatron SA Proprietary Limited	–	9 924
Loss on loss of control – African Solar Power Proprietary Limited	–	(655)
(Loss)/profit from discontinued operations	(115)	24 718

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

9. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	GROUP	
	2020 R'000	2019 R'000
Profit (loss) before taxation	(178 639)	(61 945)
<i>Adjusted for:</i>		
– Interest received	(797)	(2 816)
– Interest paid	26 985	20 298
Impairment on inventory	49 011	82 798
Impairment on trade receivables	2 827	12 323
Impairment of loans	–	3 902
Impairment of non-current assets held for sale	12 330	–
Impairment of goodwill	51 438	–
Impairment of property, plant and equipment	–	7 873
Depreciation	23 311	8 944
Share-based payments	–	(1 704)
Loss/(profit) on disposal of non-current assets	(105)	(767)
Share of losses from associates	–	2 269
(Decrease)/increase in provisions	91	3 496
	(13 548)	74 671
Changes in working capital	60 069	(9 252)
Decrease in inventories	7 869	57 762
Decrease/(increase) in trade and other receivables	21 495	(59 198)
Increase/(decrease) in trade and other payables	31 538	(7 816)
	46 521	65 419

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

10. (LOSS)/EARNINGS PER SHARE

	GROUP	
	2020	2019
Basic earnings/(loss) per share (cents)	(28,97)	(3,58)
– Trading and Distribution continuing operations	(21,39)	(3,42)
– Trading and Distribution discontinued operations	(0,02)	3,99
– Manufacturing	(7,56)	(4,15)
Headline earnings/(loss) per share (cents)	(18,66)	(3,26)
– Trading and Distribution continuing operations	(11,08)	(2,88)
– Trading and Distribution discontinued operations	(0,02)	2,49
– Manufacturing	(7,56)	(2,87)
The calculation of (loss)/earnings per ordinary share for the Group is based on the following:		
– Basic (loss)/earnings (R'000)	(179 652)	(22 183)
– Headline (loss)/earnings (R'000)	(115 736)	(20 230)
– Weighted average number of shares in issue	620 158 235	620 158 235
Reconciliation of headline earnings		
Net (loss)/profit for the year attributable to equity holders of the parent	(179 652)	(22 183)
<i>Adjusted for:</i>		
Profit on sale of property, plant and equipment	(105)	(767)
Impairment of goodwill – Infrastructure continuing operations	51 438	–
Loss as a result of loss of control	–	(9 269)
Impairment of non-current assets held for sale	12 554	7 873
Impairment of loans to associates	–	3 902
Share of losses from associates	–	–
Tax effect on adjustments	29	215
Headline (loss)/earnings attributable to ordinary shareholders	(115 736)	(20 230)

There are no dilutionary instruments.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

11. FIRST-TIME ADOPTION OF IFRS 16

The Group applied IFRS16 by adjusting the opening balances at 1 May 2019. The impact of the adoption on the financial statements are summarised below:

	GROUP
	2020
	R'000
Minimum lease commitments at 30 April 2019	35 859
<i>Less: short-term leases not recognised under IFRS 16</i>	<i>(2 218)</i>
Undiscounted lease payments	33 641
<i>Less: effect of discounting using the incremental borrowing rate at the date of initial application</i>	<i>(4 094)</i>
Lease liability at 1 May 2019	29 548

12. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Loans and receivables at amortised cost		Financial liabilities at amortised cost		Total	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
GROUP						
Current assets	164 150	206 311	–	–	164 150	206 311
Trade and other receivables	130 228	160 930	–	–	130 228	160 930
Bank and cash balances	33 922	45 381	–	–	33 922	45 381
Total assets	164 150	206 311	–	–	164 150	206 311
Non-current liabilities	–	–	129 401	148 300	129 401	148 300
Interest-bearing liabilities	–	–	129 401	148 300	129 401	148 300
Current liabilities	–	–	231 177	204 805	231 177	204 805
Interest-bearing liabilities	–	–	18 972	9 656	18 972	9 656
Trade and other payables	–	–	170 412	150 604	170 412	150 604
Third-party loans	–	–	41 607	41 607	41 607	41 607
Bank overdrafts	–	–	186	2 938	186	2 938
Total equity and liabilities	–	–	360 578	353 105	360 578	353 105

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

13. GUARANTEES AND CONTINGENT LIABILITIES

- Unlimited suretyship given by Ellies Holdings Limited to Blue Strata Trading Proprietary Limited, a supplier, for facilities of R60 million (2019: R60 million).
- Lombards Insurance Company Limited have issued various "Performance Guarantees" and "Bid Security Guarantees" (denoted in South African Rands) as follows:

	GROUP	
	2020 R'000	2019 R'000
South African Rands	–	8 472
US Dollars	–	3 065

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

	GROUP	
	2020 R'000	2019 R'000
30 April 2020	–	11 537

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

	GROUP	
	2020 R'000	2019 R'000
The Standard Bank of South Africa Limited has issued the following guarantees on behalf of the Group	2 500	2 215

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

The two cases, Ellies Electronics Proprietary Limited v Increspec Proprietary Limited and Ellies Electronics Proprietary Limited v NV Properties Proprietary Limited, remain pending. Both Increspec Proprietary Limited and NV Properties Proprietary Limited have filed counterclaims wherein they seek damages against Ellies Electronics Proprietary Limited in the sum of R21,5 million and R5 million, respectively. Ellies Electronics Proprietary Limited is defending the claim and, based on assessment of its legal position, does not believe the case will result in a loss to the Group. These cases are still ongoing.

Beyond Platinum Proprietary Limited

Beyond Platinum Proprietary Limited instituted civil legal action and laid criminal charges against Ellies Electronics Proprietary Limited and certain of its directors for the alleged sale of counterfeit remote-control devices. The criminal case against the directors has since been withdrawn. The civil claims are not quantified. The value at risk in terms of assets is R5,1 million, all duly impaired. During July 2019, the court delivered judgement in the civil case in favour of Ellies Electronics Proprietary Limited. Beyond Platinum subsequently appealed the court judgement. Ellies Electronics Proprietary Limited is defending the case and, based on the assessment of its legal position, does not believe the case will result in a loss to the Group.

Super Group Limited

Super Group Limited instituted legal action against Ellies Electronics Proprietary Limited relating to performance and cancellation of contract and loss of profits. The total amount of the claim is R42 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.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 30 April 2020

13. GUARANTEES AND CONTINGENT LIABILITIES (continued)

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 R11 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 the result of the cancellation of a purported delivery service agreement. The total amount of the claim is R7 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.

14. EVENTS AFTER THE REPORTING DATE

Disposal of properties

On 30 June 2020, a circular seeking approval for the disposal of the properties for R3,6 million was posted to shareholders. At the General Meeting held on 28 July 2020, shareholders approved the sale of the properties to Vegtu. The proceeds from the sale of the properties will be utilised to reduce the Company's debt, strengthen the Company's balance sheet and assist in compliance with bank covenants. Ellies' intention was not to continue its lease agreement on the properties after 31 August 2020 and, therefore, the corporate office was relocated to Sandton and the Johannesburg warehouse and distribution function has been migrated to a third-party logistics service provider.

Section 189 process

The CCMA Section 189A hearing took place on 4 May 2020 and, due to the COVID-19 pandemic, the process facilitated by the CCMA was only concluded on 1 June 2020. The restructuring process impacted 183 positions due to operational requirements and a provision of R18,3 million has been raised in respect of retrenchment costs. The union subsequently challenged the section 189 ruling. Management believes that it has complied with all legal requirements.

Other than as disclosed above, there were no events material to the understanding of the financial statements that occurred in the period between the reporting date and the publication date of the annual financial statements, except the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

For and on behalf of the Board

Timothy Fearnhead

*Independent Non-Executive
Chairperson*

Dr Shaun Prithvirajh

Chief Executive Officer

Chris Booyens

*Financial Director and
Chief Financial Officer*

Johannesburg

1 October 2020

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:

Messrs Timothy Fearnhead (Chairperson) *, Dr Shaun Prithvirajh (CEO), Chris Booyens (CFO), Martin Kuscus *, Edick Lehapa *, Francois Olivier *, Edward Raff *

* *Independent non-executive*

Preparer:

Prepared by Mr Jacques Liebenberg (*BCompt (Hons), AGA(SA)*), Interim Finance Executive/Consultant, under the supervision of Mr Chris Booyens *CA(SA)*, Financial Director and CFO

Company Secretary: Acorim Secretarial & Governance Services

Registered office:

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

Transfer secretaries: Computershare Investor Services Proprietary Limited

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