



HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended 31 October 2021

H1 F2022 AT A GLANCE

REVENUE

decreased by 26,4%
to
R481,9 million

(H1 F2021: R654,9 million)

EBITDA

decreased by 141,7%
to a loss of
R19,5 million

(H1 F2021: profit of R46,8 million)

PROFIT AFTER TAX

decreased by 256,5%
to a loss of
R20,2 million

(H1 F2021: profit of R12,9 million)

TOTAL COMPREHENSIVE INCOME

decreased by 258,7%
to a loss of
R20,2 million

(H1 F2021: income of R12,7 million)

EARNINGS PER SHARE

decreased by 219,6%
to a loss of
3,06 cents

(H1 F2021: a profit of 2,56 cents)

HEADLINE EARNINGS PER SHARE

decreased by 283,69%
to a headline loss of
4,36 cents

(H1 F2021: a headline profit of 2,37 cents)

NET ASSET VALUE PER SHARE

decreased by 6,3%
to
19,5 cents

(H1 F2021: R20,8 cents)

NET TANGIBLE ASSET VALUE PER SHARE

decreased by 6,3%
to
19,5 cents

(H1 F2021: R20,8 cents)

NO DIVIDEND DECLARED

Results commentary

INTRODUCTION

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

Ellies Electronics, the Trading and Distribution segment, is the core of the organisation and operates out of 19 branches and trade counters in South Africa. It has a presence in all nine provinces, with a new store opening in December 2021, and wholly owned subsidiaries in Namibia, Botswana and Eswatini (formerly Swaziland).

Ellies Industries, which previously comprised the Manufacturing segment, was placed in liquidation in February 2021. This process has not impacted Ellies' ability to supply products to its retail stores and installer partners. Products previously manufactured by Ellies Industries are currently being procured from alternative suppliers, both locally and internationally.

The Group previously reported on two segments, namely Trading and Distribution, and Manufacturing. Through the Group's implementation of centralised support functions, these segments were historically able to focus on their core competencies. The Trading and Distribution segment distributes a comprehensive range of products, some of which were sourced from the Group's Manufacturing segment prior to it being liquidated. Foreign operations in Namibia, Botswana and Eswatini comprise less than 10% of the total revenue and net profit after tax, consequently, only one segment is being reported.

OVERVIEW

In the integrated annual report issued during August 2021, it was stated that the benefits of the various strategic projects are already visible and showing notable improvements. This included the restructuring and migration of the warehouse and distribution functions in Johannesburg. It is also pleasing to report that insurance-related property issues in Johannesburg were resolved, and the properties have been vacated. The disposal of the investment properties was completed, except for the disposal of the two Johannesburg properties which remain outstanding.

Inventory

During the preceding two years, the Group wrote off substantial amounts of inventory, making the inventory write-off for the first half of FY2022 negligible. This was attributable to the ongoing clean-up as well as the migration to a third-party logistics and warehousing provider.

Accounts receivable

Since the reported interim results in 2020, considerable progress was made in recovering overdue accounts receivable, which had a favourable cash flow impact.

Technology

Last year it was reported that the lack of investment in Ellies' IT technology and infrastructure continued to adversely affect operations. As part of the Group's current information technology remediation plan, the ERP system is being updated. Achievements to date include migration to the cloud; the integration of Ellies' systems with that of Value Logistics, a third-party logistics and warehousing supplier. Ellies has also commissioned a business intelligence system in order to better analyse information and data relating to the revenue cycle.

The Board has appointed a non-executive director to oversee IT Governance. This is to ensure the IT strategic vision is aligned to the business requirements.

Results commentary continued

Trading environment

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. The suspension of social grants for the first three months of this reporting period also placed added pressure on consumers. COVID-19 also had a material impact on global supply chains, as exports out of China remain constrained due to port congestion. In addition, South Africa's weak economy, exacerbated by record (and growing) unemployment, had drastically reduced demand.

The Group's principal revenue generator, satellite dish installations, has shown a declining trend over the past reporting periods. Satellite transmission continues to face increased competition from streaming alternatives, which are gaining momentum in the local market. During the reporting period, there was an intermittent shortage of decoders for three months due to a global shortage of micro-chip sets. 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. Subsequent to this, and as COVID-19-enforced lockdown restrictions have eased, demand for new subscriptions has tapered off.

In terms of growing demand for the Group's inverter and solar power product range, the disruptive load-shedding introduced by Eskom late in the reporting period was too late to have a meaningful impact on these interim results. In the comparative period, load-shedding was more prevalent in the first six months. 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. Should more funding for solar be available to the Group, these delays could be mitigated.

Legal legacy matters

The Board is pleased to report that a number of legacy legal issues, which remained outstanding for some time, has been resolved. The remaining outstanding legal issues are:

As Defendant

- Allybay Trading Enterprises is claiming R27,5 million from Ellies for alleged uncontractual termination of agreement; and
- Freightit (Pty) Ltd claiming R9,7 million from Ellies for alleged uncontractual termination of agreement.

Ellies does not believe in the merit of these cases and will defend these actions.

As Plaintiff

- Beyond Platinum has appealed the judgment in Ellies' favour relating to the search and seizure. The appeal was heard on 13 November 2020 and was dismissed with costs. Ellies is claiming R22 million in damages from Beyond Platinum.

CHANGES TO THE BOARD OF DIRECTORS

As previously announced on the JSE Stock Exchange News Service ("SENS"), the following changes to the Board took place in the period under review:

- Mr Darren Kramer was appointed as an independent non-executive director with effect from 19 October 2021.
- Mr Chris Booyens, the Chief Financial Officer, will reach retirement age as per the Ellies Policy and will retire from the Board with effect from 5 January 2022.
- Mr Guy Moretti has been appointed as the Chief Financial Officer from 5 January 2022.

REVIEW OF OPERATIONS

Trading and Distribution segment

The Trading and Distribution segment experienced a disappointing six months in light of the disruption caused by the COVID-19 restrictions, and the civil unrest of July 2021. Stock hygiene and order fill rates have shown marked improvements against prior reporting periods, however, a slowdown in demand for the Group's products further exacerbated the decline in sales volumes and margins achieved.

Approximately half of the revenue of the Trading and Distribution segment is concentrated in a few key customers and their performance within their own industries has had a direct impact on Ellies' performance. Increased competition from imports and the ongoing poor economic conditions in the country have placed additional pressure on margins.

Results commentary continued

Despite the challenges facing this segment, improved demand was evident during the last month of the reporting period. This could be attributed to Eskom load-shedding, the upcoming festive season and Black Friday promotions. Management believes the Ellies brand remains credible and is still recognised and respected across the industry and sectors within which it operates. In this regard, management is pursuing opportunities to ensure that the brand remains relevant in the sector.

Ellies' sales for the month of November 2021 reached R147 million, representing a 38% increase on the prior November, and is the highest sales for any single month over the past 24 months. December 2021 has to date continued on that trend. These sales have been achieved without the optimal inventory levels due to the global supply chain constraints mentioned as a consequence of COVID-19.

Manufacturing segment

The Manufacturing segment was placed in liquidation in February 2021 and the liquidation process is almost complete. An amount of R8,7 million was included in comprehensive income, under discontinued operations, being the first dividend from the liquidation of Ellies Industries.

FINANCIAL REVIEW

The Group experienced a disappointing performance in the first six months of FY2022 and reported a loss per share of 3,06 cents for the period under review (H1 FY2021: earnings of 2,56 cents per share) and a headline loss per share of 4,36 cents (H1 FY2021: headline earnings per share of 2,37 cents).

During the period being reported on, Ellies issued 185,2 million subscription shares in terms of the B-BBEE transaction announced on 6 July 2021 and per the circular dated 10 August 2021 and the EPS and HEPS per share for the six months ended 31 October 2021 are based on the weighted average number of shares in issue.

Influenced by the economic effects of the COVID-19 pandemic and the civil unrest in KwaZulu-Natal and parts of Gauteng in July 2021, the growth of South Africa's economy has remained subdued. However, the difficulties experienced at Eskom have started to contribute positively to the Group's results through the sale of alternative energy solutions.

Statement of comprehensive income

EBITDA-loss of R19,5 million was the result of a 26,4% revenue decrease, which contributed to a 38,2% decrease in gross profit when compared to the corresponding period in the previous financial year. Gross margin decreased by 4,9 percentage points. The gross margin decrease is a consequence of the deconsolidation of Ellies Industries and the procurement of the inventory at a wholesale cost as opposed to the manufactured cost of Ellies Industries. However, this impact is offset due to the commensurate saving in operating expenses following the closure of Ellies Industries. Operating expenses decreased by 3,4%, reflecting the effect of the efficiency gains associated with the migration to the third-party logistics supplier and associated manpower savings.

The main drivers of operating expenses remain employment costs and logistics expenses.

Total comprehensive loss of R20,2 million represents a considerable deterioration over the profit of R12,7 million in the corresponding period in the previous financial year.

Notwithstanding the above, Ellies is well positioned to accelerate its strategy and business plan in the Solar-Alternative Energy and the Smart-Connected Home/Office and is confident that it can build on the Ellies established supplier and customer relationships.

Ellies is reviewing the market for key strategic acquisitions to take advantage of the Solar-Alternative Energy and the Smart-Connected Home/Office opportunities.

With the improved access that the B-BBEE transaction and the subsequent level 3 rating has provided, Ellies will be ramping up its investment in its Commercial business, that derives its revenue from the sale of solutions predominantly in the solar and lighting space. The Ellies Commercial business is currently focused primarily in Gauteng. Ellies believes there is still a substantial untapped market in the remaining provinces. The Group is one of only a few providers able to service a national footprint, especially in the alternative energy space.

Results commentary continued

Statement of financial position

Capital and reserves increased compared to a year ago, attributable to the profitable second half of FY2021, which also included the recognition of deferred tax assets. The statement of financial position remains strong, ending the half-year with capital and reserves of R156,9 million. Net asset value per share was 19,5 cents (H1 FY2021: 20,8 cents).

IFRS 16 resulted in a right-of-use asset of R25,4 million compared to R32,5 million in the previous year, the decrease is related to property leases amortised.

Inventory decreased considerably compared to 31 October 2020, mainly as a result of the discontinuance of the Manufacturing segment.

The unsatisfactory operating performance reported for FY2020, together with the effect of COVID-19 on the credit guarantee industry, resulted in Ellies' import finance provider withdrawing funding facilities. Standard Bank, as the Group's primary bank, granted a replacement import finance facility. The Board and management are in regular contact with bankers and every effort is being made to maintain adequate facilities going forward. It is pleasing to note that Ellies met its covenants for both reporting periods in the previous financial year, however, it breached its covenant at the end of the current reporting period and has applied for condonation. The Group continues to meet its full repayment obligations in respect of the Standard Bank term loans.

Statement of cash flows

Cash inflow from operating activities since 1 May 2021 amounted to R6,1 million, including an inflow on working capital of R18,0 million. Cash inflow from investing activities amounted to R2,0 million, mainly attributable to the disposal of properties. The repayment of the amortising term loan contributed R9,6 million to the repayment of interest-bearing liabilities.

Proceeds on the subscription shares issued as part of the B-BBEE-transaction resulted in a R18,5 million cash inflow.

GOING FORWARD

Ellies is in the process of adjusting from the difficult trading conditions of a very competitive and challenging economic environment. The Board and management believe that the key areas of focus have been identified and action plans have been developed. Implementation steps are imminent to support and to fund the market opportunity for Solar-Alternative Energy and Smart-Connected Home/Office.

The Group is exploring funding to increase inventories in order to mitigate the impact of COVID-19 on the supply chain; and in turn maximise the opportunities in the solar and alternative energy space that are created by unpredictable shortages.

Ellies will be exploring a fully funded business plan, specifically for its Solar-Alternative Energy business, to take advantage of and grow from the competitive position that Ellies currently has in these categories.

Ellies announced a B-BBEE transaction in August 2021, which was completed in September 2021 and resulted in a level 3 B-BBEE rating. This transaction unlocks opportunities for Ellies to tender for and participate in infrastructure and other contracts, specifically solar, lighting and other alternative energy projects. Ellies' B-BBEE certificate was only received in the last week of the reporting period and management has already engaged on various opportunities which could possibly come to fruition before the financial year-end.

As announced earlier in the period, Ellies has been appointed as the sole distributor for Nokia multimedia products in southern Africa. These include smart television sets, streaming boxes, sound bars, gaming products, etc. These products are currently undergoing legislated certification processes and, although it will not be available to consumers for Christmas, the launch date is expected in February 2022.

The economic outcomes for the Nokia and Solar-Alternative Energy businesses have not been realised in this reporting period. The real impact of these exciting opportunities should start to become evident in the next financial year.

The ability of Eskom to meet electricity demand will continue to be a challenge for the foreseeable future. Further, Eskom has won its litigation against NERSA to implement a 20% tariff increase from April 2022. Ellies is well positioned with technologically advanced products to alleviate this burden on consumers. From uninterrupted power supply products to solar energy solutions, the Ellies brand is well respected and will provide a competitive advantage. This, together with stronger marketing activity and increased stock holding to alleviate supply chain constraints, is expected to result in an increase in revenues.

Results commentary continued

Satellite installations have decreased in line with the market, however, there are large parts of the country that are still to receive fibre, making streaming an unattractive alternative to the traditional satellite solution. Ellies will target these areas through their extensive installer footprint to generate new installations. Strategically, Ellies is also evaluating alternative installations in the streaming space through both air fibre and fixed line fibre to the home.

Management remains confident that despite the various challenges in the trading environment, the Group is well positioned, through its diversified offering, to deliver a better performance in the second half of the year. Early indications are positive with November sales reaching an all-time high.

Ellies is exploring a more systemic technology strategy, including an integrated e-commerce platform. The e-commerce business will be set up to support the Ellies business plan around Solar-Alternative Energy and Smart-Connected Home/Office.

In addition, various cost and operational efficiencies will continue to have a positive effect on the Group's performance in the second half of the year, as will a normalisation of global supply chain processes after the many challenges experienced in the last reporting period.

GOING CONCERN

The effects of the COVID-19 pandemic continue to create uncertainty across the globe and within the South African economy. The directors have considered this uncertainty as well as the trading results for the period to 31 October 2021, the profitability and cash flow forecasts for the year ahead and the continued support of Ellies' bankers. As a result of all of the above, the directors believe that Ellies is and will remain a going concern in the foreseeable future.

DIVIDEND

No dividend has been declared for the period under review.

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

for the six months ended 31 October 2021

	Notes	GROUP		
		Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 * R'000	Audited 12 months ended 30 Apr 2021 R'000
Revenue	2	481 867	654 902	1 206 358
Cost of sales		(357 077)	(452 946)	(810 819)
Gross profit		124 790	201 956	395 539
Other income		615	781	19 760
Operating expenses		(145 090)	(150 386)	(332 529)
Impairment gain/(loss) on trade receivables		165	(5 550)	(6 724)
Depreciation		(9 256)	(8 570)	(18 908)
Operating (loss)/profit before impairment of non-current assets		(28 776)	38 231	57 138
Impairment/write-off of loan		–	(258)	(730)
(Loss)/profit from operations		(28 776)	37 973	56 408
Interest received		3	1 543	2 179
Interest paid		(7 273)	(10 221)	(19 988)
(Loss)/profit before taxation		(36 046)	29 295	38 599
Taxation		7 163	(415)	20 350
(Loss)/profit for the period: continuing operations		(28 883)	28 880	58 949
Income/(loss) from discontinued operations		8 659	(15 957)	(28 299)
(Loss)/profit for the period		(20 224)	12 923	30 650
<i>Other comprehensive income:</i>				
<i>Items that will be reclassified subsequently to profit or loss</i>				
– Foreign currency translation reserve		3	(181)	(288)
Total comprehensive (loss)/profit for the period		(20 221)	12 742	30 362
<i>Attributable to:</i>				
Equity holders of the parent		(20 224)	15 858	44 972
Non-controlling interests		–	(2 935)	(14 322)
Net (loss)/profit after tax		(20 224)	12 923	30 650
<i>Total comprehensive income/(loss) attributable to:</i>				
Equity holders of the parent		(20 221)	15 677	44 684
Non-controlling interests		–	(2 935)	(14 322)
Total comprehensive (loss)/profit for the period		(20 221)	12 742	30 362
– Basic (loss)/earnings per share (cents)	3	(3,06)	2,56	7,25
– Diluted basic (loss)/earnings per share (cents)	3	(3,06)	2,56	7,25

* Restated as required by IFRS 5.

Consolidated statement of FINANCIAL POSITION

as at 31 October 2021

	Notes	GROUP		
		Unaudited 31 Oct 2021 R'000	Unaudited 31 Oct 2020 R'000	Audited 30 Apr 2021 R'000
ASSETS				
Non-current assets		66 419	59 123	68 224
Property, plant and equipment		11 216	25 947	15 245
Right-of-use assets		25 411	32 476	30 339
Deferred taxation		29 792	700	22 640
Current assets		361 800	460 742	406 239
Inventory		187 514	226 836	195 198
Trade and other receivables		153 839	217 356	197 777
Taxation receivable		7 320	8 118	8 065
Bank and cash balances		13 127	8 432	5 199
Non-current assets held for sale		3 550	6 839	3 550
Non-current assets held for sale	4	3 550	6 839	3 550
Total assets		431 769	526 704	478 013
EQUITY AND LIABILITIES				
Total shareholders' interests		156 900	89 023	158 372
Stated capital		855 736	837 212	837 212
Non-distributable reserves		(175 294)	(175 865)	(175 522)
Accumulated loss		(523 542)	(532 432)	(503 318)
Equity attributable to equity holders of the parent		156 900	128 915	158 372
Non-controlling interests		–	(39 892)	–
Non-current liabilities		117 305	146 224	130 902
Interest-bearing liabilities	5	100 971	119 860	110 517
Lease liabilities		16 334	26 364	20 385
Current liabilities		157 564	291 457	188 739
Interest-bearing liabilities	5	18 889	18 889	18 895
Lease liabilities		14 909	11 000	15 681
Provisions		142	13 121	142
Taxation payable		4	474	1 030
Third-party loan		–	41 607	–
Trade and other payables		110 347	195 346	137 945
Bank overdrafts		13 273	11 020	15 046
Total equity and liabilities		431 769	526 704	478 013

Consolidated statement of CHANGES IN EQUITY

for the six months ended 31 October 2021

	Stated capital R'000	Foreign currency trans- lation reserve R'000	Share- based payment reserve R'000	Arising from common control transac- tion R'000	Accum- 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								
Balance as at 30 April 2020	837 212	2 510	–	(178 194)	(548 290)	113 238	(36 957)	76 281
Total comprehensive income for the period	–	(181)	–	–	15 858	15 677	(2 935)	12 742
Balance as at 31 October 2020	837 212	2 329	–	(178 194)	(532 432)	128 915	(39 892)	89 023
Equity-settled share-based payment expense	–	–	450	–	–	450	–	450
Loss of control	–	–	–	–	–	–	51 279	51 279
Total comprehensive income for the period	–	(107)	–	–	29 114	29 007	(11 387)	17 620
Balance as at 30 April 2021	837 212	2 222	450	(178 194)	(503 318)	158 372	–	158 372
Issue of share capital	18 524	–	–	–	–	18 524	–	18 524
Equity-settled share-based payment expense	–	–	225	–	–	225	–	225
Total comprehensive loss for the period	–	3	–	–	(20 224)	(20 221)	–	(20 221)
Balance as at 31 October 2021	855 736	2 225	675	(178 194)	(523 542)	156 900	–	156 900

Consolidated statement of CASH FLOWS

for the six months ended 31 October 2021

		GROUP		
	Notes	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 R'000	Audited 12 months ended 30 Apr 2021 R'000
Cash flow from/(utilised by) operating activities	6	6 076	(32 149)	(26 626)
Cash generated from/(utilised by) operations		13 616	(23 057)	(7 691)
Interest received		3	1 543	2 179
Interest paid		(7 273)	(10 224)	(19 991)
Taxation paid		(270)	(411)	(1 123)
Cash flow from investing activities		1 954	10 689	14 813
Acquisitions of property, plant and equipment		(1 010)	(4 824)	(5 708)
Proceeds on disposal of property, plant and equipment		2 964	113	821
Proceeds on disposal of non-current assets held for sale		–	15 400	19 700
Cash flows from/(utilised in) financing activities		1 664	(14 744)	(32 482)
Repayment of interest-bearing liabilities		(9 552)	(9 624)	(18 961)
Receipt from issue of share capital		18 524	–	–
Repayment of lease liabilities		(7 308)	(5 120)	(13 521)
Net increase/(decrease) in cash and cash equivalents		9 695	(36 204)	(44 295)
Foreign currency translation reserve – net movement on cash and cash equivalents		6	(120)	712
Cash and cash equivalents at beginning of period		(9 847)	33 736	33 736
Cash and cash equivalents at the end of the period		(146)	(2 588)	(9 847)
<i>Cash and cash equivalents consist of:</i>				
Bank and cash balances		13 127	8 432	5 199
Bank overdrafts		(13 273)	(11 020)	(15 046)
		(146)	(2 588)	(9 847)

SEGMENT analysis

for the six months ended 31 October 2021

Previously the Group reported on two segments, namely Trading and Distribution and Manufacturing. As a result of the liquidation of Ellies Industries Proprietary Limited on 23 February 2021, date of loss of control, there is no statement of financial position at 31 October 2021 and 30 April 2021, respectively, for the Manufacturing segment. The current period only reflects the statement of financial position for the Trading and Distribution segment.

The only item reflected in the Manufacturing segment statement of comprehensive income for the current period is R8,7 million, being the first dividend from the liquidation of Ellies Industries Proprietary Limited.

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

	Trading and Distribution R'000	Manufac- turing R'000	Total R'000
STATEMENT OF FINANCIAL POSITION			
Unaudited as at 31 October 2021			
Total assets	431 769	–	431 769
Total liabilities	274 869	–	274 869
Net assets	156 900	–	156 900
Unaudited as at 31 October 2020			
Total assets	462 393	64 311	526 704
Total liabilities	221 405	216 276	437 681
Net assets	240 988	(151 965)	89 023
Audited as at 30 April 2021			
Total assets	478 013	–	478 013
Total liabilities	319 641	–	319 641
Net assets	158 372	–	158 372

SEGMENT analysis continued

for the six months ended 31 October 2021

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			Total R'000
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution R'000	Manufacturing discontinued R'000	Total Trading and Distribution and Manufacturing discontinued R'000	
Unaudited six months ended 31 October 2021						
	481 867	481 867	–	–	–	481 867
Revenue	481 867	481 867	–	–	–	481 867
Intersegment revenue	–	–	–	–	–	–
Other income – liquidation dividend	–	–		8 665	8 665	8 665
Operating expenses	(145 090)	(145 090)	(6)	–	(6)	(145 096)
Segment profit/(loss) before interest and taxation	(28 776)	(28 776)	(6)	8 665	8 659	(20 117)
Interest received	3	3	–	–	–	3
Interest paid	(7 273)	(7 273)	–	–	–	(7 273)
Interest intersegment	–	–	–	–	–	–
(Loss)/profit before taxation	(36 046)	(36 046)	(6)	8 665	8 659	(27 387)
Unaudited six months ended 31 October 2020						
	654 902	654 902	–	1 749	1 749	656 651
Revenue	708 251	708 251	–	70 089	70 089	778 340
Intersegment revenue	(53 349)	(53 349)	–	(68 340)	(68 340)	(121 689)
Operating expenses	(150 386)	(150 386)	(7)	(13 203)	(13 210)	(163 596)
Segment profit/(loss) before interest and taxation	37 973	37 973	(7)	(15 947)	(15 954)	22 019
Interest received	6 939	6 939	–	–	–	6 939
Interest paid	(10 221)	(10 221)	–	(5 399)	(5 399)	(15 620)
Interest intersegment	(5 396)	(5 396)	–	5 396	5 396	–
(Loss)/profit before taxation	29 295	29 295	(7)	(15 949)	(15 957)	13 338
Audited for the year ended 30 April 2021						
	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)
Other income	19 760	19 760	–	–	–	19 760
Operating expenses	(332 529)	(332 529)	(17)	(23 245)	(23 262)	(355 791)
Gain as a release of liability	–	–	41 607	–	41 607	41 607
Loss as a result of loss of control	–	–	–	(13 419)	(13 419)	(13 419)
Segment profit/(loss) before interest and taxation	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

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

for the six months ended 31 October 2021

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial results were compiled by Mr Jacques Liebenberg AGA(SA), Interim Finance Executive under the supervision of Mr Chris Booyens CA(SA), Financial Director and Chief Financial Officer.

The directors take full responsibility for the preparation of this condensed report. The directors are not aware of any matters or circumstances arising subsequent to the reporting date that require any additional disclosure or adjustment to the financial statements, other than as disclosed in note 8.

Accounting policies

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 April 2021. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 April 2021.

Audit opinion

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

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

Going concern assessment

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

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

The effects of the COVID-19 pandemic continue to create uncertainty across the globe and within the South African economy. The directors have considered this uncertainty as well as the trading results for the period to 31 October 2021, the profitability and cash flow forecasts for the year ahead, the continued support of our bankers and, as a result of all of the above, believe that Ellies is and will remain a going concern in the foreseeable future.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2021

2. REVENUE

Revenue from contracts with customers

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 * R'000	Audited 12 months ended 30 Apr 2021 R'000
Revenue from contracts with customers	481 867	654 902	1 206 358

Disaggregation of revenue from contracts with customers

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

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 * R'000	Audited 12 months ended 30 Apr 2021 R'000
South Africa	449 772	609 221	1 107 588
Botswana	10 842	12 719	24 660
Namibia	15 249	22 208	49 346
Eswatini	6 004	10 754	24 764
	481 867	654 902	1 206 358

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

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 * R'000	Audited 12 months ended 30 Apr 2021 R'000
Cash on delivery customers	26 606	103 985	104 297
Independent customers	138 732	100 685	310 593
Satellite television service providers	73 393	128 223	248 928
Major retailers	211 041	276 328	443 770
	449 772	609 221	1 107 588

* Restated as required by IFRS 5.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2021

3. (LOSS)/EARNINGS PER SHARE

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 R'000	Audited 12 months ended 30 Apr 2021 R'000
Basic (loss)/earnings per share (cents)	(3,06)	2,56	7,25
– Basic (loss)/earnings – continuing operations	(4,37)	4,36	9,51
– Basic earnings/(loss) – discontinued operations	1,31	(1,80)	(2,26)
Headline (loss)/earnings per share (cents)	(4,36)	2,37	9,19
– Headline (loss)/earnings – continuing operations	(5,67)	4,17	11,45
– Headline earnings/(loss) – discontinued operations	1,31	(1,80)	(2,26)
The calculation of (loss)/earnings per ordinary share for the Group is based on the following:			
– Basic (loss)/earnings (R'000)	(20 224)	15 858	44 972
– Headline (loss)/earnings (R'000)	(28 807)	14 704	57 011
Diluted basic (loss)/earnings per share (cents)	(3,06)	2,56	7,25
– Diluted basic (loss)/earnings – continuing operations	(4,37)	4,36	9,51
– Diluted basic earnings/(loss) – discontinued operations	1,31	(1,80)	(2,26)
Diluted headline (loss)/earnings per share (cents)	(4,36)	2,37	9,19
– Diluted headline (loss)/earnings – continuing operations	(5,67)	4,17	11,45
– Diluted headline earnings/(loss) – discontinued operations	1,31	(1,80)	(2,26)
– Weighted average number of shares in issue	661 435 001	620 158 235	620 158 235
– Diluted weighted average number of shares in issue	661 435 001	620 158 235	620 158 235
Shares in issue (number of shares)			
– At the beginning of the period	620 158 235	620 158 235	620 158 235
– Issued during the period	185 242 070	–	–
At the end of the period	805 400 305	620 158 235	620 158 235
Reconciliation of headline (loss)/earnings			
Net (loss)/profit for the period attributable to equity holders of the parent	(20 224)	15 858	44 972
<i>Adjusted for:</i>			
– Profit on sale of held for sale assets	–	–	(1 916)
– Loss on sale of non-current assets	114	480	–
– Loss as a result of loss of control	–	–	13 419
– Liquidation dividend (discontinued operations – Ellies Industries (Pty) Ltd)	(8 665)	–	–
– Impairment of non-current assets held for sale	–	(1 634)	–
– Tax effect on adjustments *	(32)	–	536
Headline (loss)/earnings attributable to ordinary shareholders	(28 807)	14 704	57 011

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

All amounts presented are net of non-controlling interests, where applicable. The tax effect was considered and determined to be not material.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2021

4. NON-CURRENT ASSETS HELD FOR SALE

The properties designated as held for sale were auctioned off in February 2020 and March 2020 but subject to the fulfillment of conditions precedent, which were all fulfilled by April 2021 with the exception of the two Village Deep Properties, which remain outstanding.

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

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 R'000	Audited 12 months ended 30 Apr 2021 R'000
ERF 28416 Bloemfontein	–	3 225	–
ERF 1671 Bloemfontein	–	64	–
ERF 264 Village Deep, Johannesburg	1 950	1 950	1 950
ERF 236 Village Deep, Johannesburg	1 600	1 600	1 600
	3 550	6 839	3 550

5. INTEREST-BEARING LIABILITIES

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 R'000	Audited 12 months ended 30 Apr 2021 R'000
Non-current portion	100 971	119 860	110 517
Current portion	18 889	18 889	18 895
	119 860	138 749	129 412

The Group's banking facilities consist of the following:

- Standard Bank – Facility A (R85 million) – The loan bears interest at Jibar plus a margin of 4,5%, and is repayable in equal quarterly instalments of R4,72 million with the final payment being made on 30 April 2024. The instalment comprises payment of capital. Balance outstanding at period-end was R47,3 million.
- Standard Bank – Facility B (R80 million) – The loan bears interest at Jibar plus a margin of 4%, and is repayable on 30 April 2024. Interest on the loan is paid quarterly. Balance outstanding at period-end was R72,6 million.

The Standard Bank of South Africa Limited loans are secured by general notarial bond over all moveable assets of R500 million (2020: R500 million) and cession of trade and other receivables and amounts due from contract customers.

The Group is required to comply with an EBITDA covenant of 3 times borrowings. Ellies met its covenants for both reporting periods in the previous financial year, however, it breached its covenant at the end of the current reporting period and has applied for condonation. The Group continues to meet its repayment obligations in respect of the Standard Bank term loans in full.

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2021

6. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	GROUP		
	Unaudited 6 months ended 31 Oct 2021 R'000	Unaudited 6 months ended 31 Oct 2020 R'000	Audited 12 months ended 30 Apr 2021 R'000
(Loss)/profit before taxation	(27 387)	13 338	10 300
<i>Adjusted for:</i>			
Interest received	(3)	(1 543)	(2 179)
Interest paid	7 273	10 224	19 991
Impairment of inventory	6 306	381	1 621
Impairment of trade receivables	(165)	5 920	6 724
Depreciation	9 256	11 081	22 566
Equity-settled share-based payments expense	225	–	450
Loss on loss of control	–	–	13 419
Release of third-party loan payable	–	–	(41 607)
Loss /(profit) on disposal of non-current assets	114	480	(1 916)
(Profit) on disposal of held for sale assets	–	(1 634)	–
Increase/(decrease) in provisions	–	7 844	(4 713)
	(4 382)	46 091	24 656
Changes in working capital	17 998	(69 148)	(32 347)
Decrease in inventories	1 378	15 912	32 526
Decrease/(increase) in trade and other receivables	44 103	(73 007)	(54 664)
(Decrease) in trade and other payables	(27 483)	(12 053)	(10 209)
	13 616	(23 057)	(7 691)

Notes to the unaudited condensed consolidated interim results continued

for the six months ended 31 October 2021

7. GUARANTEES AND CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of bank and other guarantees. 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 R27,5 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 R9,7 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.

8. EVENTS AFTER THE REPORTING DATE

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

For and on behalf of the Board

Dr Shaun Prithivirajh

CEO

Chris Booyens

CFO

14 December 2021



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 Prithivirajh (CEO), Chris Booyens (CFO), Darren Kramer*, Martin Kuscus*, Edick Lehapa*, Francois Olivier*, Edward Raff*

** Independent non-executive*

Preparer:

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

Company Secretary:

Acorim Secretarial & Governance Services

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Sponsor:

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Transfer secretaries:

Computershare Investor Services Proprietary Limited

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