ELLIES

HOLDINGS LIMITED

AUDITED CONDENSED CONSOLIDATED RESULTS

for the year ended 30 April 2021

2021

AT A GLANCE

REVENUE

increased to

R1 206,4 million

(2020: R1 192,9 million) *

EBITDA

increased to

R76,0 million

(2020: loss of R2,6 million) *

OPERATING PROFIT

increased to

R57,1 million

(2020: loss of R21,2 million) *

TOTAL COMPREHENSIVE PROFIT

increased to

R30,4 million

(2020: loss of R196,1 million)

EARNINGS PER SHARE

increased to

7,25 cents

(2020: loss per share of 28,97 cents)

HEADLINE EARNINGS PER SHARE

increased to

9,19 cents

(2020: headline loss per share of 18,66 cents)

NET ASSET VALUE PER SHARE

increased to

25,5 cents

(2020: 18,2 cents)

NET TANGIBLE ASSET VALUE PER SHARE

increased to

25,5 cents

(2020: 18,2 cents)

No dividend declared

* *Restated as required by IFRS 5*

CEO'S REPORT

ELLIES IN THE MACRO-ECONOMIC ENVIRONMENT

During the reporting period, the economic environment remained challenged, as COVID-19 continued to affect markets across the globe. Despite these challenges, Ellies has had an exceptional year taking advantage of opportunities created by more people working and studying from home. In addition, ongoing challenges at Eskom have allowed Ellies to continue to drive its alternative energy strategy with solar and uninterrupted power supply gaining significant momentum. The repositioning and restructuring of Ellies has begun to deliver results and executive management is pleased with the performance even in the midst of a global pandemic. Management further believes that Ellies could have exceeded this performance had it not been for the termination of one of the working capital facilities which forced Ellies to reduce orders of in-demand stock items.

The periodic restrictions placed on the economy to curb the spread of the pandemic and the resulting effects are well documented. This, together with a general reluctance by consumers to spend due to employment uncertainty, resulted in a below expected sales performance over the traditional Black Friday and festive season peaks. Whilst Ellies does not necessarily participate in categories involving 'Back-to-School' campaigns, the delay in the reopening of schools led to fewer customers in store and, therefore, fewer opportunities for impulse purchases of Ellies' products. Retail sales across South Africa struggled with year-on-year sales decreasing by 2,5%.

Late January and February 2021 witnessed a slight increase in sales revenues, however, by March 2021, pent up demand had subsided, and the Group saw a 3,7% month-on-month decrease. The longer-term outlook remains negative, weighed down by rising unemployment and low consumer sentiment. Rising electricity, fuel and food prices contributed further to consumers delaying purchases of big-ticket discretionary items.

The prohibition of on-site consumption of alcohol also affected Ellies, as the Group is a service provider to restaurants, bars and pubs for their DSTV and SuperSport installations, service and upgrades. 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.

Stock hygiene has improved considerably, mainly attributable to the move to Value Logistics and the optimisation of warehouse operations across all locations nationally. Improved procurement processes, systems and qualified personnel ensured that stock management met all governance requirements. Another area of measurable improvement has been debtor collections. Collections have benefited from focused and experienced management and staff, improved IT systems and processes, as well as routine reviews of the debtors' accounts with the executive management.

WHERE HAVE WE COME FROM?

Overview and progress report

The bulk of the historic stock issues experienced at the Johannesburg facility were resolved through the migration of these operations to Value Logistics and the establishment of a process-driven procurement function. The integration into Value Logistics' IT systems resulted in numerous long-outstanding IT changes at Ellies being addressed. The upgrade of the ERP system has been completed and an IT Governance Committee has been constituted to evaluate and oversee further IT-related improvements, including cyber security.

The continued benefit from the work of our internal auditors, LateganMashego Audit & Advisory, as well as the implementation of consequence management, resulted in an overall improvement in accountability levels. Ellies' relocation of its head office as well as the Eloff Street trade counter has been completed with the new premises providing improved security for staff as well as an overall reduction in rental costs and an improved experience for both customers and employees.

CEO's report continued

WHERE WE CURRENTLY ARE?

Review of operations

Trading and Distribution segment

The Trading and Distribution segment performed well in an extremely challenging market. The restructuring of the segment lowered costs and improved the effectiveness of the segment. Improved stock management together with improved governance, processes, accountability and ongoing improvements in technology also contributed positively. Ellies has increased its e-commerce activity on its retail partner portals, offering a wider range of products, to combat the limits imposed on the movement of shoppers by lockdown restrictions.

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 uninterrupted power supply and solar options, entertainment through its distributor partnership with MultiChoice as well as streaming connectivity. However, the Board has noted added pressures on consumers' disposable income as well as lockdown restrictions imposed by government affecting 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 to grow its presence in the solar sector has started bearing fruit. Ellies has broadened its solar offering from just a product to alternative energy solutions, with various packages suited for residential and business applications.

Manufacturing segment

The Manufacturing segment comprised Ellies Industries (Pty) Ltd ("Industries"), a partially-owned subsidiary with Ellies Holdings Limited ("the Company") holding 73,68% of the shares through a wholly owned subsidiary, Ellies Electronics (Pty) Ltd ("Electronics").

The Company has, for a considerable period been monitoring the trading operations of Industries and has made every effort to contain costs and restore a level of profitability to Industries. Of particular concern has been the fact that trading volumes had not been adequate to cover the fixed cost or generate sufficient profit to sustain the business. The lines produced by Industries were mainly associated with satellite connectivity and related metal products that were sold to the Trading and Distribution segment.

During the reporting period, the Company engaged the services of an external consultant to assess the operations of Industries with the objective of improving Industries' viability. This exercise did not yield sufficient positives to persuade the Company that its continued financial support of Industries was justifiable or in the best interests of the Company and its shareholders. Management prepared three scenario forecasts based on aggressive, conservative and cost reduction assumptions. None of these forecasts indicated a return to profitability in the next 24 months.

The Company also attempted to dispose of the business as a going concern. One potential buyer completed a comprehensive due diligence but declined to make a binding offer. The other potential buyer required significantly more security and vendor funding than was currently being provided and thus that potential transaction also did not materialise.

After considerable discussion and thought by the Board and, given the fact that the Board could no longer see a strategic imperative to retain a Manufacturing segment within the Group as well as the fact that Industries was a drain on the resources of Electronics and the Company, it was determined that with effect from 12 February 2021, the Company, through Electronics, would no longer provide financial assistance to Industries. This has resulted in the Electronics Board resolving to commence with an application for the liquidation of Industries.

An order for the provisional liquidation of Industries was granted on 24 February 2021 and, on 12 April 2021, an order for the final liquidation of Industries was granted by the High Court of South Africa, Gauteng Local Division, Johannesburg.

The resolution of the ongoing losses in Industries is expected to have a positive effect on the financial position of Ellies going forward. Electronics can now procure externally at a cost lower than Industries could manufacture.

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. No fatalities have been recorded among the workforce due to COVID-19 and the Group continues to drive safety protocols throughout the business.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Environment

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 and does not collate data on environmental indicators.

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. To this end, ten black females have been identified to participate in a formalised mentorship programme and all the members of the Executive Committee have been appointed as mentors.

Governance

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

WHERE WE ARE GOING?

Strategy

The strategy, which has short- and long-term goals, is based on four pillars:

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.

LateganMashego Audit & Advisory, who were appointed as internal auditors in the previous reporting period, continue to reinforce controls across the business operations, including various head office functions and branches. 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.

Pillar 2: Operational efficiencies

The migration to Value Logistics has improved the order fill rate to the various retail channels and independent customers.

As disclosed above, the Board together with management explored various alternatives to execute on the Manufacturing segment and take the necessary action to stop losses. With insufficient evidence found to continue the financial support to the

Manufacturing segment, the Board determined that filing for liquidation of Ellies Industries (Pty) Ltd was in the best interests of Ellies and its shareholders. With the final liquidation order having been granted on 12 April 2021, the Board is confident that this decision will have a positive effect on Ellies' financial position going forward.

Pillar 3: Cost management

The Section 189A restructuring of the head office resulted in a reduction in the cost of employment. The migration to Value Logistics decreased 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 continues to be 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 and 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 homebound 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.

EVENTS AFTER THE REPORTING DATE

Proposed B-BBEE transaction

As announced on SENS on 6 July 2021, Ellies has entered into an agreement ("Subscription Agreement" or "the Agreement") with Imvula Education Empowerment Fund Trust ("Imvula" or "the Subscriber"), a Broad-Based Black Economic Empowerment ("B-BBEE") partner, in terms of which Ellies will issue to Imvula and Imvula will subscribe for 185 242 070 new ordinary shares of no par value ("Subscription Shares"), ("the Proposed B-BBEE Transaction"), subject to the fulfilment of the conditions precedent as set out therein. The Subscription Shares will be issued at an issue price per ordinary share of 10 cents per share, ("Subscription Price"), for a total cash consideration of R18 524 207,00 ("Subscription Proceeds").

As set out in the Company's Chairperson's Report for 2020, the Company was rated as B-BBEE non-compliant relating to its beneficial shareholding for the period then under review. The non-compliant rating has posed challenges for the Company in, or prevented the Company from, procuring certain business opportunities or even tendering for certain business. The Company proposes, therefore, to implement the Proposed B-BBEE Transaction in order to increase its B-BBEE Status for the reasons set out in the detailed terms announcement on SENS. Ellies has identified and selected Imvula based on Imvula's ability to meet not only the ownership criteria under the B-BBEE Codes of Good Practice, but also Imvula's ability to (i) enable the Company to meet and improve its performance in relation to other B-BBEE scorecard elements, and (ii) provide other strategic benefits including Imvula's access to appropriate potential business networks and opportunities.

In addition, Imvula has agreed to transaction terms that are favourable to Ellies, including:

- a 10-year lock-in period;
- Imvula funding the consideration payable for the Subscription Shares from its own sources with no funding assistance being required from Ellies; and
- Imvula agreeing to a price of 10 cents per Subscription Share which is equal to the prevailing share price of the Company as at 5 July 2021, and a premium of 1,6% to the Company's 30-day volume weighted average price up to and including
5 July 2021.

The Proposed B-BBEE Transaction is regarded as a specific issue of shares for cash in terms of section 5.51(g) of the JSE Listings Requirements and is, therefore, subject to the necessary approval of the shareholders of Ellies, ("the Specific Issue").

The Proposed B-BBEE Transaction will result in an aggregate B-BBEE shareholding in Ellies of approximately 23% on the subscription date. Ellies anticipates achieving a Level 4 B-BBEE Status as a result of the Proposed B-BBEE Transaction.

In addition, the Company intends utilising the Subscription Proceeds, to be raised in terms of the Specific Issue to the Subscriber provided for herein in order to improve its operations and/or financial position in order to endeavour to increase returns for the shareholders of the Company.

The Specific Issue is subject to Ellies' shareholder approval. A circular, containing the full details of the Proposed B-BBEE Transaction, incorporating a notice convening a shareholders meeting to shareholders, will be issued in due course in compliance with the JSE Listings Requirements. The salient dates and times of the Proposed B-BBEE Transaction, including the date of the shareholders meeting, will also be announced on SENS at the time of distributing the circular.

Violence in KwaZulu-Natal and Gauteng

The recent outbreak of violence in KwaZulu-Natal and Gauteng, following former president Zuma's imprisonment, has created deep unease and disruption to economic activity.

Although the facilities of the Group were not directly targeted, the Group closed a number of its outlets in affected areas as precautionary measures and suffered relatively minor damage, mainly to inventory in transit. These outlets have all reopened when things calmed down.

Although not yet quantified, the extensive damage to hundreds of malls and shopping centres is expected to cause considerable business interruption to the business of the Group's customers, which could have a knock-on effect on Ellies.

Executive management is focusing its efforts on trading during the next few months in an attempt to minimise the adverse effects thereof.

PROSPECTS

As outlined in the Chairperson'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 renders the Group's prospects for growth challenging as management believes that the worst of the economic fallout lies ahead for many South Africans. Reduced government grants, reduced special subsidies, future lockdowns and rising unemployment will test Ellies' resolve, but as has already been demonstrated in the past financial year, the strategy and structure are robust enough to ensure optimism. A stringent focus on cost reduction, centralised procurement and diversification into selective innovative opportunities and new product offerings, will be key areas of focus.

The going concern assessment is disclosed on page 16.

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

APPRECIATION

In conclusion, I would like to express my gratitude to our bankers, Standard Bank of South Africa, who understood the turnaround plan and their belief in management to execute; Ellies Board, for their constant guidance and support; Ellies staff, for delivering on the new strategy; and, the executive management team Chris Booyens, Zeyn Agjee and Johan Klein, for their immense effort.

CFO'S REPORT

FINANCIAL REVIEW

Statement of profit or loss and other comprehensive income

As a result of the liquidation of Ellies Industries Proprietary Limited, the current year's performance below is compared to restated prior year figures. IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, requires an entity to re-present the statement of comprehensive income for the prior period in the financial statements.

Revenue amounted to R1,206 billion and, compared to the previous year, increased by 1,1%. The comparative figure includes the COVID-19 hard lockdown for part of March and April 2020. During the lockdown, Ellies achieved only a fraction of its regular revenue, attributable to registering as an essential services provider on generator maintenance and installation of communications equipment.

Revenue derived from business in South Africa amounted to 91,8%, with the remaining revenue coming from Botswana, Namibia and Eswatini, the largest contributor of the external operations being Namibia at 4,1%.

Gross margin improved 4,1 percentage points to 32,8%. In the previous year, gross margins included a write-off of obsolete inventory amounting to R43,8 million compared to R1,6 million in FY2021. In monetary terms, gross margin increased by 15,3% to R395,5 million.

Operating expenses decreased by 4,3% and reflect the effect of the savings attributable to the migration of the Johannesburg warehousing and logistics operations to a third-party service provider for nine months in the fiscal period being reported on.

Depreciation is mainly attributable to right-of-use assets per IFRS 16 and is marginally higher than the previous year, mainly as a result of the move to the new Kramerville offices.

During the previous year, the Group disposed of its investment properties by public auction and impaired properties by R12,3 million. At the reporting date, transfer of the two Johannesburg-based properties sold as a related party transaction, remained outstanding.

In the previous financial year, the Group also impaired the goodwill in its entirety.

Interest paid amounted to R20,0 million, a decrease of R6,7 million compared to the previous year.

The profit before tax amounted to R38,6 million compared to a loss of R111,1 million in 2020.

Due to the return to profitability and based on the forecast, the Group raised a deferred tax asset to the amount of R22,6 million, attributable to the assessed loss and other temporary differences in Ellies Electronics Proprietary Limited ("Ellies Electronics") expected to be utilised in the foreseeable future.

The profit after tax amounted to R58,9 million compared to a loss in the previous financial year of R129,1 million.

Earnings per share for FY2021 amounted to 7,25 cents compared to a loss per share in the previous year of 28,97 cents. Headline earnings per share amounted to 9,19 cents per share compared to a headline earnings loss of 18,66 cents per share in 2020.

The financial results of Ellies Industries to the date of the granting of the provisional liquidation order are reported as part of discontinued operations. The operating results are disclosed as discontinued operations and amount to a loss of R69,9 million, set off by the reversal of the loan liability for Botjheng Water Proprietary Limited ("Botjheng") of R41,6 million. No recovery has been assumed against Ellies Industries' assets or loans as the liquidation process is underway.

Statement of financial position

Plant and equipment remaining after disposing of investment properties and Ellies Industries' plant and equipment amounted to R15,2 million. The right-of-use assets related wholly to leased properties and are reported in terms of IFRS 16 at R30,3 million.

Deferred tax includes the creation of a deferred tax asset in respect of assessable losses and temporary differences in Ellies Electronics amounting to R22,6 million. This is based on the forecast in Ellies Electronics, which expects to utilise the asset in the foreseeable future.

Inventories at R195,2 million represent a significant reduction over the past three years. Gross inventory is comprised of finished goods of 94,5%, with work-in-progress and goods in transit making up the balance. Inventory write-off over the preceding three years amounted to R46,5 million in 2018, R82,8 million in 2019 and R43,8 million in 2020. During the reporting period, the inventory write-off amounted to R1,6 million, indicating that the inventory clean-up has been completed.

Trade and other receivables increased considerably from that reported in 2020. The 2020 reported figure was preceded by a six-week hard COVID-19 lockdown, during which only a fraction of the normal revenue was earned. In 2021, revenue levels normalised. During the reporting period, a concerted effort was made to collect long-outstanding debts and, apart from the cash collected, this resulted in a reduction of the required IFRS 9 provision. To date, since October 2020, collections on 90- and 120-days balances outstanding amounted to R26,8 million.

Taxation receivable of R8,1 million relates mainly to provisional tax overpaid by Ellies Electronics in prior periods.

Cash and cash equivalents amounted to R5,2 million and bank overdraft totalled R15,0 million.

Total shareholders' funds amounted to R158,4 million and is comprised of share capital of R837,2 million, reduced by accumulated losses. The deconsolidation of Ellies Industries reversed the non-controlling interest.

Long-term liabilities of R110,5 million represent the long-term portions of the bullet and amortising profile Standard Bank loans. These term loans reduced by R18,9 million during the reporting period.

Ellies complied with the Standard Bank covenants at both the interim and year-end reporting dates.

Lease liabilities are reflected at R36,1 million, including a short-term portion of R15,7 million, reported in terms of IFRS 16.

Trade and other payables include trade payables of R137,9 million, which are substantially lower than the R207,4 million at the end of FY2020.

Third-party loans in the previous year comprised the Botjheng liability to Megatron, which was extinguished in line with the impending Botjheng deregistration and resulted in a non-cash profit of R41,6 million in discontinued operations.

DIVIDEND

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 April 2021

	Note	Group 2021 R'000	Group 2020 R'000
ASSETS			
Non–current assets		**68 224**	46 055
Property, plant and equipment	2	**15 245**	26 638
Right-of-use assets	3	**30 339**	18 641
Goodwill	4	**–**	–
Investments in subsidiaries		**–**	–
Deferred taxation	5	**22 640**	776
Current assets		**406 239**	435 390
Inventories	6	**195 198**	243 129
Trade and other receivables	7	**197 777**	150 221
Taxation receivable		**8 065**	8 118
Loan to subsidiaries		**–**	–
Bank and cash balances		**5 199**	33 922
		3 550	19 511
Non-current assets held for sale		**3 550**	19 511
Total assets		**478 013**	500 956
EQUITY AND LIABILITIES			
Total shareholders' interests		**158 372**	76 281
Stated capital		**837 212**	837 212
Non-distributable reserves		**(175 522)**	(175 684)
Accumulated loss		**(503 318)**	(548 290)
Equity attributable to equity holders of the parent		**158 372**	113 238
Non-controlling interests		**–**	(36 957)
Non-current liabilities		**130 902**	141 698
Interest-bearing liabilities	9	**110 517**	129 401
Lease liabilities		**20 385**	12 297
Current liabilities		**188 739**	282 977
Interest-bearing liabilities		**18 895**	18 972
Lease liabilities		**15 681**	9 066
Loans from subsidiary		**–**	–
Financial guarantee liability		**–**	–
Provisions		**142**	5 277
Taxation payable		**1 030**	470
Third-party loans	11	**–**	41 607
Trade and other payables		**137 945**	207 399
Bank overdrafts		**15 046**	186
Total equity and liabilities		**478 013**	500 956

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 April 2021

	Note	Group 2021 R'000	Group 2020 * R'000
Continuing operations			
Revenue	12	**1 206 358**	1 192 873
Cost of sales		**(810 819)**	(849 932)
Gross profit		**395 539**	342 941
Other income		**19 760**	4 856
Operating expenses		**(332 529)**	(347 578)
Impairment loss on trade receivables		**(6 724)**	(2 825)
Depreciation		**(18 908)**	(18 524)
Operating profit/(loss) before impairment of intangible assets		**57 138**	(21 130)
Impairment of non-current assets held for sale		**–**	(12 330)
Impairment of goodwill		**–**	(51 438)
Impairment/write-off of loan		**(730)**	(224)
Impairment of investment in subsidiary		**–**	–
Profit/(loss) from operations		**56 408**	(85 122)
Interest received		**2 179**	797
Interest paid		**(19 988)**	(26 734)
Profit/(loss) before taxation		**38 599**	(111 059)
Taxation		**20 350**	(18 052)
Profit/(loss) for the year: continuing operations		**58 949**	(129 111)
Loss: discontinued operations		**(28 299)**	(67 580)
Profit/(loss) for the year		**30 650**	(196 691)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Continuing operations			
– Foreign currency translation reserve		**(288)**	552
Total comprehensive income/(loss) for the year		**30 362**	(196 139)
Attributable to:			
Equity holders of the parent		**44 972**	(179 652)
Non-controlling interests		**(14 322)**	(17 039)
Net profit/(loss) after tax		**30 650**	(196 691)
Attributable to:			
Equity holders of the parent		**44 684**	(179 100)
Non-controlling interests		**(14 322)**	(17 039)
Total comprehensive income/(loss) for the year		**30 362**	(196 139)
– Basic earnings/(loss) per share (cents)	13	**7,25**	(28,97)
– Diluted basic earnings/(loss) per share (cents)	13	**7,25**	(28,97)

* *Restated as required by IFRS 5*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2021

	Stated capital R'000	Foreign currency trans-lation reserve R'000	Share-based payment reserve R'000	Arising from common control transactions R'000	Accumulated loss R'000	Equity attri-butable to equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Group								
Balances as at 1 May 2019	837 212	1 958	–	(178 194)	(368 638)	292 338	(19 918)	272 420
Total comprehensive income/(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)**	**(548 290)**	**113 238**	**(36 957)**	**76 281**
Total comprehensive (loss)/income for the year	**–**	**(288)**	**–**	**–**	**44 972**	**44 684**	**(14 322)**	**30 362**
Loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**51 279**	**51 279**
Equity-settled share-based payment expense	**–**	**–**	**450**	**–**	**–**	**450**	**–**	**450**
Balances as at 30 April 2021	**837 212**	**2 222**	**450**	**(178 194)**	**(503 318)**	**158 372**	**–**	**158 372**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 April 2021

		Group	
	Note	2021 R'000	2020 R'000
Cash flows from operating activities		**(26 626)**	19 748
Cash (utilised by)/from operations	14	**(7 691)**	47 346
Interest received		**2 179**	797
Interest paid		**(19 991)**	(26 985)
Taxation (refunded)/paid		**(1 123)**	(1 410)
Cash flows from investing activities		**14 813**	(2 007)
Acquisitions of property, plant and equipment		**(5 708)**	(2 119)
Proceeds on disposal of property, plant and equipment		**821**	112
Proceeds on disposal of non-current assets held for sale		**19 700**	–
Cash flows from financing activities		**(32 482)**	(26 135)
Receipt of interest-bearing liabilities		**–**	–
Repayment of interest-bearing liabilities		**(18 961)**	(9 583)
Repayment of lease liability		**(13 521)**	(16 552)
Net (decrease)/increase in cash and cash equivalents		**(44 295)**	(8 394)
Foreign currency translation reserve – net movement on cash and cash equivalents		**712**	(313)
Cash and cash equivalents at beginning of year		**33 736**	42 443
Cash and cash equivalents at the end of the year		**(9 847)**	33 736
Cash and cash equivalents consist of:			
Bank and cash balances		**5 199**	33 922
Bank overdrafts		**(15 046)**	(186)
		(9 847)	33 736

SEGMENT ANALYSIS

for the year ended 30 April 2021

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

Segment analysis continued

for the year ended 30 April 2021

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Manufac-turing discontinued R'000	Total Trading and Distribution and Manufac-turing – discontinued R'000	Total R'000
2021						
External revenue	1 206 358	1 206 358	–	2 204	2 204	1 208 562
Revenue	1 275 248	1 275 248	–	85 141	85 141	1 360 389
Intersegment revenue	(68 890)	(68 890)	–	(82 937)	(82 937)	(151 827)
Gross profit/(loss)	395 539	395 539	–	(29 564)	(29 564)	365 975
Other income	19 760	19 760	–	–	–	19 760
Operating expenses	(332 529)	(332 529)	(17)	(23 245)	(23 262)	(335 791)
Impairment loss on trade receivables	(6 724)	(6 724)	–	–	–	(6 724)
Depreciation	(18 908)	(18 908)	–	(3 658)	(3 658)	(22 566)
Operating profit/(loss) before impairment	57 138	57 138	(17)	(56 467)	(56 484)	654
Impairment of loans	(730)	(730)	–	–	–	(730)
Gain as a result of release of liability	–	–	41 607	–	41 607	41 607
Loss as a result of loss of control	–	–	–	(13 419)	(13 149)	(13 419)
Profit/(loss) from operations	56 408	56 408	41 590	(69 886)	(28 296)	28 112
Interest received	10 873	10 873	–	–	–	10 873
Interest paid	(19 988)	(19 988)	–	(8 697)	(8 697)	(28 685)
Interest intersegment	(8 694)	(8 694)	–	8 694	8 694	–
Profit/(loss) before taxation	38 599	38 599	41 590	(69 889)	(28 299)	10 300
Taxation	20 350	20 350	–	–	–	20 350
Profit/(loss) for the year	58 949	58 949	41 590	(69 889)	(28 299)	30 650

Segment analysis continued

for the year ended 30 April 2021

STATEMENT OF FINANCIAL POSITION	Trading and Distribution R'000	Manufacturing R'000	Total R'000
2020			
Total assets	1 249 396	70 724	1 320 120
Property, plant and equipment	7 398	19 240	26 638
Right-of-use assets	18 418	223	18 641
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	1 032 281	211 558	1 243 839
Long-term liabilities	148 373	–	148 373
Lease liabilities	21 084	279	21 363
Trade and other payables	150 190	57 679	207 869
Bank overdraft	–	186	186
Intercompany loans	666 285	152 879	819 164
Other liabilities	4 742	535	5 277
Third-party loan	41 607	–	41 607
Net assets	217 115	(140 832)	76 281

Segment analysis continued

for the year ended 30 April 2021

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Manufac-turing discontinued R'000	Total Trading and Distribution and Manufac-turing – discontinued R'000	Total R'000
2020						
External revenue	1 192 873	1 192 873	–	(23 006)	(23 006)	1 169 867
Revenue	1 237 272	1 237 272	–	47 671	47 671	1 284 943
Intersegment revenue	(44 399)	(44 399)	–	(70 677)	(70 677)	(115 076)
Gross profit/(loss)	342 941	342 941	–	(30 361)	(30 361)	312 580
Other income	4 856	4 856	–	–	–	4 856
Operating expenses	(347 578)	(347 578)	(115)	(30 081)	(30 196)	(377 774)
Impairment loss on trade receivables	(2 825)	(2 825)	–	–	–	(2 825)
Depreciation	(18 524)	(18 524)	–	(6 772)	(6 772)	(25 296)
Operating (loss)/profit before other impairments	(21 130)	(21 130)	(115)	(67 214)	(67 329)	(88 459)
Impairment of non-current asset 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	(85 122)	(85 122)	(115)	(67 214)	(67 329)	(152 451)
Interest received	13 315	13 315	–	–	–	13 315
Interest paid	(26 734)	(26 734)	–	(12 769)	(12 769)	(39 503)
Intersegment revenue	(12 518)	(12 518)	–	12 518	12 518	–
Loss before taxation	(111 059)	(111 059)	(115)	(67 465)	(67 580)	(178 639)
Taxation	(18 052)	(18 052)	–	–		(18 052)
Loss for the year	(129 111)	(129 111)	(115)	(67 465)	(67 580)	(196 691)

NOTES TO THE CONDENSED CONSOLIDATED AUDITED RESULTS

for the year ended 30 April 2021

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements were compiled by Mr Jacques Liebenberg *BCompt (Hons), AGA(SA),* 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 the CEO's Report on pages 4 and 5.

Independent auditor's opinion

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

The annual financial statements were audited by BDO South Africa Incorporated and an unmodified audit opinion has been issued on the annual financial statements for the financial year ended 30 April 2021. The auditor's report does not necessarily report on all of the information contained in this announcement.

The annual financial statements including the audit opinion of the external auditor, BDO South Africa Incorporated, which sets out the key audit matters and the basis for its unmodified opinion, is available on the Company's website on https://ellies holdings.com/AFS2021.pdf. The audit report on the annual financial statements in respect of which an unmodified opinion was expressed, notes as key audit matters the calculation of expected credit losses ("ECL") raised against trade receivables, the valuation of inventories, the recognition of deferred tax assets and the calculation of the ECL raised against financial guarantees.

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

Going concern assessment

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

To determine if the Group will be a going concern for the next year and at 30 April 2022, management prepared cash flow forecasts based on the FY2022 budget. These forecasts were subjected to sensitivity tests. It was compared to available funding facilities to determine the available headroom.

Based on the assumptions used in the forecasts, which include the sustained return to profitability, no further deterioration in the economy, including the effect of COVID-19 and that the funding facilities remain intact, the directors believe the Group will be commercially solvent and liquid at 30 April 2022 and projects it will be solvent and liquid on 30 July 2022 (12 months post the expected results release date).

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

2. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment R'000	Motor vehicles R'000	Computer equipment R'000	Office equipment/ furniture and fittings R'000	Land and buildings/ leasehold improve-ments R'000	Total R'000
As at 30 April 2021						
Cost	**15 694**	**11 719**	**11 863**	**25 146**	**5 356**	**69 778**
Accumulated depreciation and impairments	**(10 098)**	**(10 177)**	**(10 778)**	**(20 850)**	**(2 630)**	**(54 533)**
Net carrying value	**5 596**	**1 542**	**1 085**	**4 296**	**2 726**	**15 245**
Movement summary						
Carrying value at 30 April 2020	**15 860**	**2 194**	**1 146**	**5 549**	**1 889**	**26 638**
Additions	**2 225**	**11**	**726**	**984**	**1 762**	**5 708**
Disposals	**(81)**	**(9)**	**(11)**	**(283)**	**(264)**	**(648)**
Depreciation	**(4 284)**	**(652)**	**(755)**	**(1 744)**	**(951)**	**(8 386)**
– Depreciation: continuing operations	**(861)**	**(652)**	**(755)**	**(1 732)**	**(951)**	**(4 951)**
– Depreciation: discontinued operations	**(3 423)**	**–**	**–**	**(12)**	**–**	**(3 435)**
Disposal – loss of control	**(7 955)**	**–**	**(21)**	**(59)**	**–**	**(8 035)**
Transfers between categories	**(169)**	**–**	**4**	**(144)**	**309**	**–**
Foreign translation	**–**	**(2)**	**(4)**	**(7)**	**(19)**	**(32)**
Carrying value at 30 April 2021	**5 596**	**1 542**	**1 085**	**4 296**	**2 726**	**15 245**
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)
– Depreciation: continuing operations	(585)	(828)	(886)	(2 378)	(900)	(5 577)
– Depreciation: discontinued operations	(2 089)	–	–	(20)	–	(2 109)
Transfer (to)/from assets held for sale	–	–	–	–	(19 511)	(19 511)
Impairments *	–	–	–	–	(12 330)	(12 330)
Foreign currency translation reserve	–	4	(14)	7	27	24
Carrying value at 30 April 2020	15 860	2 194	1 146	5 549	1 889	26 638

* *Properties held under land and buildings were auctioned off in February and March 2020. Properties were impaired where the proceeds less cost to sell were lower than the carrying value of the aforementioned properties prior to being reclassified as non-current assets held for sale.*

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

3. RIGHT-OF-USE ASSETS

Group	Land and buildings R'000	Total R'000
As at 30 April 2021		
Cost	**52 585**	**52 585**
Accumulated depreciation	**(22 246)**	**(22 246)**
Net carrying value	**30 339**	**30 339**
Movement summary		
Carrying value at 30 April 2020	**18 641**	**18 641**
Additions	**25 040**	**25 040**
Modifications	**860**	**860**
Depreciation	**(14 180)**	**(14 180)**
– Depreciation: continuing operations	**(13 957)**	**(13 957)**
– Depreciation: discontinued operations	**(223)**	**(223)**
Foreign currency translation	**(22)**	**(22)**
Carrying value at 30 April 2021	**30 339**	**30 339**

4. GOODWILL

	Group	
	2021 R'000	**2020 R'000**
Cost	**53 672**	53 672
Accumulated impairments	**(53 672)**	(53 672)
Net carrying value	**–**	–
Movement summary		
Carrying value at the beginning of the year	**–**	51 438
Impairment	**–**	(51 438)
Carrying value at the end of the year	**–**	–

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

Impairment review

In accordance with IAS 36 impairment of assets, goodwill and intangible assets with indefinite useful lives are reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired.

In the prior year the recoverable amount of goodwill relating to the Trading and Distribution segment cash-generating units was determined on the basis of value-in-use calculations. All these cash-generating units operate in the same economic environment for which the same key assumptions have been used. Management made use of a discounted cash flow model over a period of five years: the following assumptions were applied in determining the value in use.

Goodwill was fully impaired in the prior financial year and the following factors were used in the assessment:

- An average growth rate of 4,1% was applied and cash flows were discounted at a pre-tax rate of 16,28% for South Africa and 16,07% for Namibia, which is the estimated cost of capital.
- Asset values were based on the carrying amounts for the financial period.
- Future profits were estimated historical information and approved budgets.
- Sales growth/gross margins were based on historical achievements/known future prospects.
- Costs were assumed to grow in line with expected inflation.
- Cash flows have been extended into perpetuity at the growth rates noted above as management have no reason to believe the company will not continue past the budget period.

Management believes that the growth rate does not exceed the long-term average growth rate for the market in which the business operates. Any changes in revenue or costs are based on past practice and expectations of future changes in the market. Reasonable changes to the inputs of the model would not lead to material impairments.

Assumptions were based on management's past experience and best estimates regarding market forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. The discount rate used are pre-tax and reflects appropriate risk associated with the industry and respective business.

Following the review of the value-in-use calculations and the material uncertainty factors to the going concern assessment disclosed in the prior year, the decision was taken by management to fully impair the remaining goodwill in the previous financial year.

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

5. DEFERRED TAXATION

	Group	
	2021 R'000	2020 R'000
The balance consists of:		
Capital allowances	**4 542**	3 817
Provision for employee benefits	**8 232**	2 380
Prepaid expenses	**(429)**	(359)
Impairments against receivables	**2 933**	5 309
Lease obligations	**546**	2 640
Income received in advance	**1 040**	162
Assessed tax losses	**6 433**	6 646
Unutilised temporary differences – deferred tax assets raised	**(7 744)**	(27 555)
Unearned profit on inventory	**–**	(1 516)
Provisions	**7 087**	9 968
Other	**–**	(716)
	22 640	776
Movement summary		
Balance at the beginning of the year	**776**	17 758
Foreign translation	**(221)**	155
Temporary differences per statement of comprehensive income	**22 085**	(17 137)
Capital allowances	**725**	5 298
Provision for employee benefits	**5 852**	(931)
Prepaid expenses	**(70)**	(308)
Impairments against receivables	**(2 376)**	(38)
Lease obligations	**(2 094)**	1 689
Income in advance	**878**	993
Assessed tax losses	**8**	(3 552)
Unutilised temporary differences – prior year deferred tax not raised	**19 811**	(26 249)
Unearned profit on inventory	**1 516**	(2 499)
Provisions	**(2 881)**	7 790
Other	**716**	670
Balance at the end of the year	**22 640**	776
Disclosed as:		
Deferred taxation – non-current asset	**22 640**	776
Deferred taxation – non-current liability	**–**	–
	22 640	776

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Due to the return to profitability and based on the forecast, the Group has taken the decision to raise the deferred tax asset attributable to Ellies Electronics which was not recognised in the prior year.

There are computed temporary tax differences of R29,7 million (2020: R37,8 million) for Ellies Botswana and Ellies Properties for which no deferred tax asset has been recognised. Should a deferred tax asset be recognised, a further R7,6 million (2020: R10,1 million) deferred tax asset will be recognised. The directors consider it prudent not to raise the full deferred tax asset at this stage.

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

5. DEFERRED TAXATION continued

In evaluating whether it is probable that taxable profits will be earned in future accounting periods, the following evidence was considered, including approved budgets, forecasts and business plans. In the prior financial year, there was material uncertainty resulting from the effects of the COVID-19 pandemic on the South African economy in the foreseeable future, and no deferred tax asset was raised for the South African operations. As a result of the performance of the current year and the outlook going forward, management has assessed that there will be sufficient taxable profits going forward to raise the deferred tax asset related to Ellies Electronics (Proprietary) Limited in the current year. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes.

The deferred tax assets for the operations in Namibia and Eswatini were retained as those businesses were profitable and no reasonable possible change in any of the key assumptions would result in a material reduction in the forecast headroom of taxable profits so that the recognised deferred tax assets will not be realised.

6. INVENTORIES

	Group	
	2021 R'000	2020 R'000
Raw materials	–	34 278
Merchandise	**207 872**	187 559
Goods in transit	**5 935**	39 060
Work in progress	**6 226**	13 894
Gross inventories	**220 033**	274 791
Impairment allowance raised against inventories	**(24 835)**	(31 662)
	195 198	243 129
Movement in impairment allowance raised against inventories		
Balance at the beginning of the year	**31 662**	45 712
Impairment allowances raised	**41 190**	13 696
Impairment allowances utilised	–	(27 746)
Reversal on loss of control	**(47 632)**	–
Foreign currency translation reserve	**(385)**	–
	24 835	31 662

During the year a further R1,6 million (2020: R42 million) worth of inventory was written off as obsolete, damaged or unsaleable.

Inventory has been pledged as security against certain banking facilities.

7. TRADE AND OTHER RECEIVABLES

	Group	
	2021 R'000	2020 R'000
Gross trade receivables	**177 116**	148 178
Expected credit loss allowances	**(14 192)**	(18 725)
Material trade receivable exposures	**(1 365)**	(2 174)
General debtors with expected credit losses	**(12 827)**	(16 551)
Net trade receivables	**162 924**	129 453
Prepayments	**19 186**	14 301
Deposits	**1 256**	3 510
Value added tax	**579**	1 571
Retention debtors – infrastructure	**–**	607
Financed receivables	**551**	551
Other receivable – business interruption insurance claim	**13 281**	228
	197 777	150 221

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

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

Before accepting any new customer, the Group performs credit checks utilising external credit bureaus and banks. Industry knowledge and visits to potential customer premises assist in the decision to accept a new customer and the setting of credit limits.

Credit limits are continuously monitored through payment history checks and industry information.

Other receivables do not contain significant credit risk and no expected credit losses are therefore raised on these balances.

	Group	
	2021 R'000	2020 R'000
Movement in impairment allowance raised against receivables		
Balance at the beginning of the year	**18 725**	20 441
Impairment allowance reversed	**(3 010)**	(417)
Impairment allowance utilised	**(1 186)**	(1 299)
Reversal on loss of control – (Ellies Industries Proprietary Limited)	**(337)**	–
Balance at the end of the year	**14 192**	18 725

Basis of raising specific impairment allowances against receivables

All trade and other receivables are continuously reviewed on an individual basis. When all reasonable measures have been taken, without success, in recovering a receivable amount and when reasonable doubt exists as to the recoverability of any such individual receivable amount, a corresponding allowance for impairment is raised. Allowances for impairment raised against receivables are reversed when a receivable amount is either written off as bad debt, or when a previous allowance is received.

7. TRADE AND OTHER RECEIVABLES continued

Exposure to credit risk

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

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

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

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

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

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

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

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

On the above basis, the expected credit loss allowance for trade receivables as at 30 April 2021 was determined as follows:

Default

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

Write-off policy

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

Bad debt recovered

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

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

7. TRADE AND OTHER RECEIVABLES continued

On the above basis the expected credit loss allowance for trade receivables as at 30 April 2021 was determined as follows:

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

** The 120+ days ageing bucket includes R9 million of trade receivables which have been fully provided for. This accounts for the majority of the increase of the 120+ days lifetime expected credit losses when compared to the prior year.*

7. TRADE AND OTHER RECEIVABLES continued

Group	Not yet due R'000	30 Days R'000	60 Days R'000	90 Days R'000	120+ Days R'000	Total R'000
	Trade receivables days past due					
2020						
Selected material exposures						47 276
– Massmart Group						36 836
– Multichoice						10 440
Lifetime expected credit losses on selected exposures						(2 174)
Carrying value of remaining general debtors with expected credit losses	46 020	12 808	4 787	1 593	19 143	84 351
Gross amount	47 442	14 828	6 121	2 145	30 366	100 902
Expected credit loss rate (%)	3,00	13,62	21,79	25,74	36,96	16,39
Lifetime expected credit losses	(1 422)	(2 020)	(1 334)	(552)	(11 223)	(16 551)
						129 453
Gross amount of trade receivables						148 178
Allowance for expected credit losses						(18 725)
Net carrying value of trade receivables						129 453

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

In the 2019 financial year, the Group finalised the measurement of Megatron's losses/gains on disposal/deconsolidation. The Group intends to liquidate Botjheng Water Proprietary Limited. No formal process has been inititated yet. This note should be read in conjuction with note 11 in relation to Botjheng Water Proprietary Limited.

After considerable discussion and thought by the Board, and given the fact that the Board was no longer able see a strategic imperative to retain a Manufacturing segment within the Group as well as the fact that Ellies Industries Proprietary Limited was a drain on the resources of Ellies Electronics Proprietary Limited and the Company, it determined that with effect from 12 February 2021, the Group through Ellies Electronics Proprietary Limited would no longer provide financial assistance to Ellies Industries Proprietary Limited. This has resulted in the Electronics Board resolving to commence with an application for the liquidation of Ellies Industries Proprietary Limited; which was granted on 23 February 2021, date of loss of control, and the final liquidation order was granted on 12 April 2021.

Operating profit of the disposal groups until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale are summarised as follows:

	Botjheng Water		Ellies Industries		Total	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Group						
Revenue	**–**	–	**2 204**	(23 006)	**2 204**	(23 006)
Cost of sales	**–**	–	**(31 768)**	(7 355)	**(31 768)**	(7 355)
Gross loss	**–**	–	**(29 564)**	(30 361)	**(29 564)**	(30 361)
Operating expenses	**(17)**	(115)	**(23 245)**	(30 081)	**(23 262)**	(30 196)
Depreciation	**–**	–	**(3 658)**	(6 772)	**(3 658)**	(6 772)
Operating loss before impairment of intangibles assets	**(17)**	(115)	**(56 467)**	(67 214)	**(56 484)**	(67 329)
Gain on release of loan payable	**41 607**	–	**–**		**41 607**	–
Profit/(loss) before interest and taxation ("PBIT")	**41 590**	(115)	**(56 467)**	(67 214)	**(14 877)**	(67 329)
Interest paid	**–**	–	**(3)**	(251)	**(3)**	(251)
Net profit/(loss) before taxation ("PBT")	**41 590**	(115)	**(56 470)**	(67 465)	**(14 880)**	(67 580)
Net profit/(loss) after taxation ("PAT")	**41 590**	(115)	**(56 470)**	(67 465)	**(14 880)**	(67 580)
Profit/(loss) for the year from discontinued operations attributable to Equity holders of the parent	**41 590**	(115)	**(42 148)**	(50 426)	**(558)**	(50 541)
Profit for the year from discontinued operations attributable to non-controlling interests	**–**	–	**(14 322)**	(17 039)	**(14 322)**	(17 039)
Profit/(loss) for the year from discontinued operations	**41 590**	(115)	**(56 470)**	(67 465)	**(14 880)**	(67 580)
Loss on loss of control control - Ellies Industries Proprietary Limited					**(13 419)**	–
Loss from discontinued operations					**(28 299)**	(67 580)

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

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

	Total	
	2021 R'000	2020 R'000
Operating activities	(110 210)	26 732
Investing activities	8 035	71
Financing activities	–	–
Cash flows from discontinued operations	**(102 175)**	**26 803**

	Ellies Industries		Total	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Analysis of assets and liabilities lost as a result of loss of control				
Assets	**22 203**	–	**22 203**	–
Property, plant and equipment	8 035	–	8 035	–
Trade and other receivables	178	–	178	–
Inventories	13 784	–	13 784	–
Bank and cash balances	206	–	206	–
Liabilities	**60 063**	–	**60 063**	–
Trade and other payables	59 641	–	59 641	–
Other liabilities	422	–	422	–
Net liabilities	**(37 860)**	–	**(37 860)**	–

	Group	
	2021 R'000	2020 R'000
Loss on loss of control		
Net liabilities lost	37 860	–
Non-controlling interest	(51 279)	–
	(13 419)	–
The loss on loss of control relates to the following companies:		
Ellies Industries Proprietary Limited (placed into liquidation on 23 February 2021)	(13 419)	–
Loss as a result of loss of control	**(13 419)**	–

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

9. INTEREST-BEARING LIABILITIES

	Group	
	2021 R'000	**2020 R'000**
Non-current portion	**110 517**	129 401
Instalment sale liabilities	**101**	96
Term loan	**110 416**	129 305
Current portion	**18 895**	18 972
Instalment sale liabilities	**7**	84
Term loan – payable within 12 months	**18 888**	18 888
	129 412	148 373
Reconciliation of interest-bearing liabilities at year-end		
1 year	**28 606**	34 152
2 to 3 years	**125 535**	163 114
	154 141	197 266
Less: Finance cost component	**(24 729)**	(48 893)
	129 412	148 373

Instalment sale liabilities

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

Term loans

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%, 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.

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.

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

- General notarial bond over all moveable assets (note 3) of R500 million (2020: R500 million); and
- Cession of trade and other receivables and amounts due from contract customers (note 7).

The Group complied with the required EBITDA covenant of 3 times borrowings at the interim and year-end reporting dates and was able to obtain condonation from Standard Bank for the breach at the end of the first and third quarters. Ellies also obtained condonation in the event of a breach at the year-end. However, the Group complied with the covenant at the 30 April 2021 measurement date.

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

10. PROVISIONS

	Group	
	2021 R'000	2020 R'000
Provision for warranty		
Balance at the beginning of the year	**4 754**	656
Provisions (reversed)/raised	**(4 637)**	4 098
Provision utilised	**4**	–
Balance at the end of the year	**121**	4 754
Other provisions		
Balance at the beginning of the year	**523**	4 530
Provisions raised	**21**	226
Provision utilised	**(100)**	(4 233)
Reversal on loss of control (Ellies Industries Proprietary Limited)	**(423)**	–
Balance at the end of the year	**21**	523
Total provisions	**142**	5 277

The provision for warranty relates to goods sold for which there are warranties attached. The reduction of the provision for warranty is as a result of low customer uptake as they are required to register their surge protection product purchased and the appliance connected to it.

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

11. THIRD-PARTY LOAN

	Group	
	2021 R'000	2020 R'000
Megatron SA Proprietary Limited	–	41 607
	–	41 607

The loan is unsecured, interest free and has no fixed terms of repayment.

Third-party liabilities comprise the amount owing by Botjheng Water Proprietary Limited, a subsidiary of the Company, to Megatron SA Proprietary Limited, previously a subsidiary. The latter was deconsolidated when the Ellies Group lost control following Megatron SA Proprietary Limited going into business rescue. The Group guaranteed Megatron SA Proprietary Limited's debts to Standard Bank and all receipts flowing to Megatron SA Proprietary Limited were ceded in terms of a cession and pledge.

The Business Rescue Practitioner has confirmed to the Group that they will not be pursuing their claim on behalf of Megatron SA Proprietary Limited and the loan has been released at year-end.

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

12. REVENUE

	Group	
	2021 R'000	**2020 R'000**
Revenue from contracts with customers	**1 206 358**	1 192 873
	1 206 358	1 192 873

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

Disaggregation of revenue from contracts with customers

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

	Group	
	2021 R'000	**2020 R'000**
South Africa	**1 107 588**	1 094 271
Botswana	**24 660**	20 695
Namibia	**49 346**	59 807
Eswatini	**24 764**	18 100
	1 206 358	1 192 873
Revenue generated in South Africa can be further disaggregated into the following customer groups:		
Cash on delivery	**104 297**	205 297
Independent customers	**310 593**	221 001
Satellite television service providers	**248 928**	251 453
Major retailers	**443 770**	416 520
	1 107 588	1 094 271

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

13. EARNINGS/(LOSS) PER SHARE

	Group	
	2021	**2020**
Basic earnings/(loss) per share (cents)	**7,25**	(28,97)
– Basic earnings/loss - continuing operations	**9,51**	(20,82)
– Basic earnings/loss – discontinued operations	**(2,26)**	(8,15)
Headline earnings/(loss) per share (cents)	**9,19**	(18,66)
– Headline earnings/(loss) – continuing operations	**11,45**	(10,51)
– Headline earnings/(loss) – discontinued operations	**(2,26)**	(8,15)
The calculation of loss per ordinary share for the Group is based on the following:		
– Basic (loss)/earnings (R'000)	**44 972**	(179 652)
– Headline (loss)/earnings (R'000)	**57 011**	(115 736)
Diluted basic earnings/(loss) per share (cents)	**7,25**	(28,97)
– Diluted basic earnings/(loss) – continuing operations	**9,51**	(20,82)
– Diluted basic earnings/(loss) – discontinued operations	**(2,26)**	(8,15)
Diluted headline earnings/(loss) per share (cents)	**9,19**	(18,66)
– Diluted headline earnings/(loss) – continuing operations	**11,45**	(10,51)
– Diluted headline earnings/(loss) – discontinued operations	**(2,26)**	(8,15)
– Weighted average number of shares in issue	**620 158 235**	620 158 235
– Diluted weighted average number of shares	**620 158 235**	620 158 235
Shares in issue (number of shares)		
At the end of the year	**620 158 235**	620 158 235
Weighted average shares at end of year	**620 158 235**	620 158 235

Notes to the condensed consolidated audited results

continued

for the year ended 30 April 2021

13. EARNINGS/(LOSS) PER SHARE continued

	Group	
	2021 R'000	**2020 R'000**
Reconciliation of headline earnings		
Net profit/(loss) for the year attributable to equity holders of the parent	**44 972**	(179 652)
Adjusted for:		
Profit on sale of property, plant and equipment	**(1 916)**	(105)
Impairment of goodwill	**–**	51 438
Loss as a result of loss of control	**13 419**	–
Impairment of non-current assets held for sale	**–**	12 554
Tax effect on adjustments *	**536**	29
Headline earnings/(loss) attributable to ordinary shareholders	**57 011**	(115 736)
Net asset value per share (cents)	**25,5**	18,3
Net tangible asset value per share (cents)	**25,5**	18,3
The calculation of net asset value per share and net tangible asset value per share is based on the following:		
Net asset value	**158 373**	113 238
Less: Goodwill	**–**	–
	158 373	113 238

* *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 condensed consolidated audited results

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for the year ended 30 April 2021

14. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit/(loss) before taxation	**10 300**	(178 639)	**4 470**	(162 277)
Adjusted for:				
Interest received	**(2 179)**	(797)	**–**	–
Interest paid	**19 991**	26 985	**–**	–
Impairment on inventory	**1 621**	49 011	**–**	–
Impairment on trade receivables	**6 724**	2 827	**–**	–
Impairment of loan	**–**	–	**–**	4 523
Impairment of Investments	**–**	–	**559**	153 503
Impairment of non-current assets held for sale	**–**	12 330	**–**	–
Impairment of goodwill	**–**	51 438	**–**	–
Depreciation	**22 566**	23 311	**–**	–
Share-based payments	**450**	–	**–**	–
Loss on loss of control	**13 419**	–	**–**	–
Release of third-party loan payable	**(41 607)**	–	**–**	–
Loss on disposal of non-current assets	**(1 916)**	(105)	**–**	–
Decrease in financial guarantee liability	**–**	–	**(8 728)**	–
(Decrease)/increase in provisions	**(4 713)**	91	**–**	–
	24 656	(13 548)	**(3 699)**	(4 251)
Changes in working capital	**(32 347)**	60 894	**(1)**	(788)
Decrease in inventories	**32 526**	7 869	**–**	–
(Increase)/decrease in trade and other receivables	**(54 664)**	21 495	**–**	–
(Decrease)/increase in trade and other payables	**(10 209)**	31 530	**–**	(788)
	(7 691)	47 346	**(3 700)**	(5 039)

15. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Financial assets at amortised cost		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Group								
Current assets	**181 955**	164 150	**–**	–	**21 021**	19 993	**202 976**	184 143
Trade and other receivables	**176 756**	130 228	**–**	–	**21 021**	19 993	**197 777**	150 221
Bank and cash balances	**5 199**	33 922	**–**	–	**–**	–	**5 199**	33 922
Total assets	**181 955**	164 150	**–**	–	**21 021**	19 993	**202 976**	184 143
Non-current liabilities	**–**	–	**110 517**	129 401	**–**	–	**110 517**	129 401
Interest-bearing liabilities	**–**	–	**110 517**	129 401	**–**	–	**110 517**	129 401
Current liabilities	**–**	–	**121 473**	231 177	**50 413**	36 987	**171 886**	268 164
Interest-bearing liabilities	**–**	–	**18 895**	18 972	**–**	–	**18 895**	18 972
Trade and other payables	**–**	–	**87 532**	170 412	**50 413**	36 987	**137 945**	207 399
Third-party loans	**–**	–	**–**	41 607	**–**	–	**–**	41 607
Bank overdrafts	**–**	–	**15 046**	186	**–**	–	**15 046**	186
Total equity and liabilities	**–**	–	**231 990**	360 578	**50 413**	36 987	**282 403**	397 565

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

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

16. RESTATEMENT AND ADDITIONAL DISCLOSURE

Group

Restatement of the April 2020 Group financial statements relates to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* which requires an entity to re-present the statement of comprehensive income for the prior period presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

After considerable discussion and thought by the Board, and given the fact that the Board was no longer able see a strategic imperative to retain a Manufacturing segment within the Group as well as the fact that Ellies Industries Proprietary Limited was a drain on the resources of Ellies Electronics Proprietary Limited and the Company, it determined that with effect from 12 February 2021, the Group through Ellies Electronics Proprietary Limited would no longer provide financial assistance to Ellies Industries Proprietary Limited. This resulted in the Electronics Board resolving to commence with an application for the liquidation of Ellies Industries Proprietary Limited and the final liquidtion order was granted on 12 April 2021.

Group statement of financial postion

There is no impact on the 2020 statement of financial postion

Group statement of comprehensive income	Reported 2020 R'000	Discontinued operations R'000	Restated 2020 R'000
Revenue	1 169 867	23 006	1 192 873
Cost of sales	(861 361)	11 429	(849 932)
Gross profit	308 506	34 435	342 941
Other income	4 856	–	4 856
Operating expenses	(377 656)	30 078	(347 578)
Impairment loss on trade receivables	(2 827)	2	(2 825)
Depreciation	(21 223)	2 699	(18 524)
Operating loss before impairment of non-current assets	(88 344)	67 214	(21 130)
Impairment of non-current assets held for sale	(12 330)	–	(12 330)
Impairment of goodwill	(51 438)	–	(51 438)
Impairment of loans	(224)	–	(224)
Loss from operations	(152 336)	67 214	(85 122)
Interest received	797	–	797
Interest paid	(26 985)	251	(26 734)
Loss before taxation	(178 524)	67 465	(111 059)
Taxation	(18 052)	–	(18 052)
Loss for the year: continuing operations	(196 576)	67 465	(129 111)
Loss: discontinued operations	(115)	(67 465)	(67 580)
Loss for the year	(196 691)	–	(196 691)
Other comprehensive income			
– foreign currency translation reserve	552	–	552
Total comprehensive loss	(196 139)	–	(196 139)
Attributable to:			
Equity holders of the parent	(179 652)	–	(179 652)
Non-controlling interests	(17 039)	–	(17 039)
Net loss after tax	(196 691)	–	(196 691)
Attributable to:			
Equity holders of the parent	(179 100)	–	(179 100)
Non-controlling interests	(17 039)	–	(17 039)
Total comprehensive loss for the year	(196 139)	–	(196 139)

Notes to the condensed consolidated audited results

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for the year ended 30 April 2021

16. RESTATEMENT AND ADDITIONAL DISCLOSURE (continued)

Group statement of cash flows

There is no impact on the 2020 statement of cash flows.

Group statement of changes in equity

There is no impact on the 2020 statement of changes in equity.

17. GUARANTEES AND CONTINGENT LIABILITIES

	Group	
	2021 R'000	2020 R'000
The Standard Bank of South Africa Limited has issued the following guarantees on behalf of the Group	**8 500**	2 500

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

Freightit Proprietary Limited

Freightit Proprietary Limited instituted legal action against Ellies Electronics Proprietary Limited relating to performance and cancellation of contract. The total amount of the claim is R9,6 million. Ellies Electronics Proprietary Limited is defending the claim and, based on the assessment of its legal position, does not believe that the case will result in a loss to the Group.

Allybay Trading Enterprises Proprietary Limited

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

For and on behalf of the Board

Timothy Fearnhead
Independent Non-Executive Chairperson

Dr Shaun Prithivirajh
Chief Executive Officer and Managing Director

Chris Booyens
Financial Director and Chief Financial Officer

Johannesburg

30 July 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), 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:

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

(PO Box 57076, Springfield, 2137)

Auditors:

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Sponsor:

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Transfer secretaries:

Computershare Investor Services Proprietary Limited

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