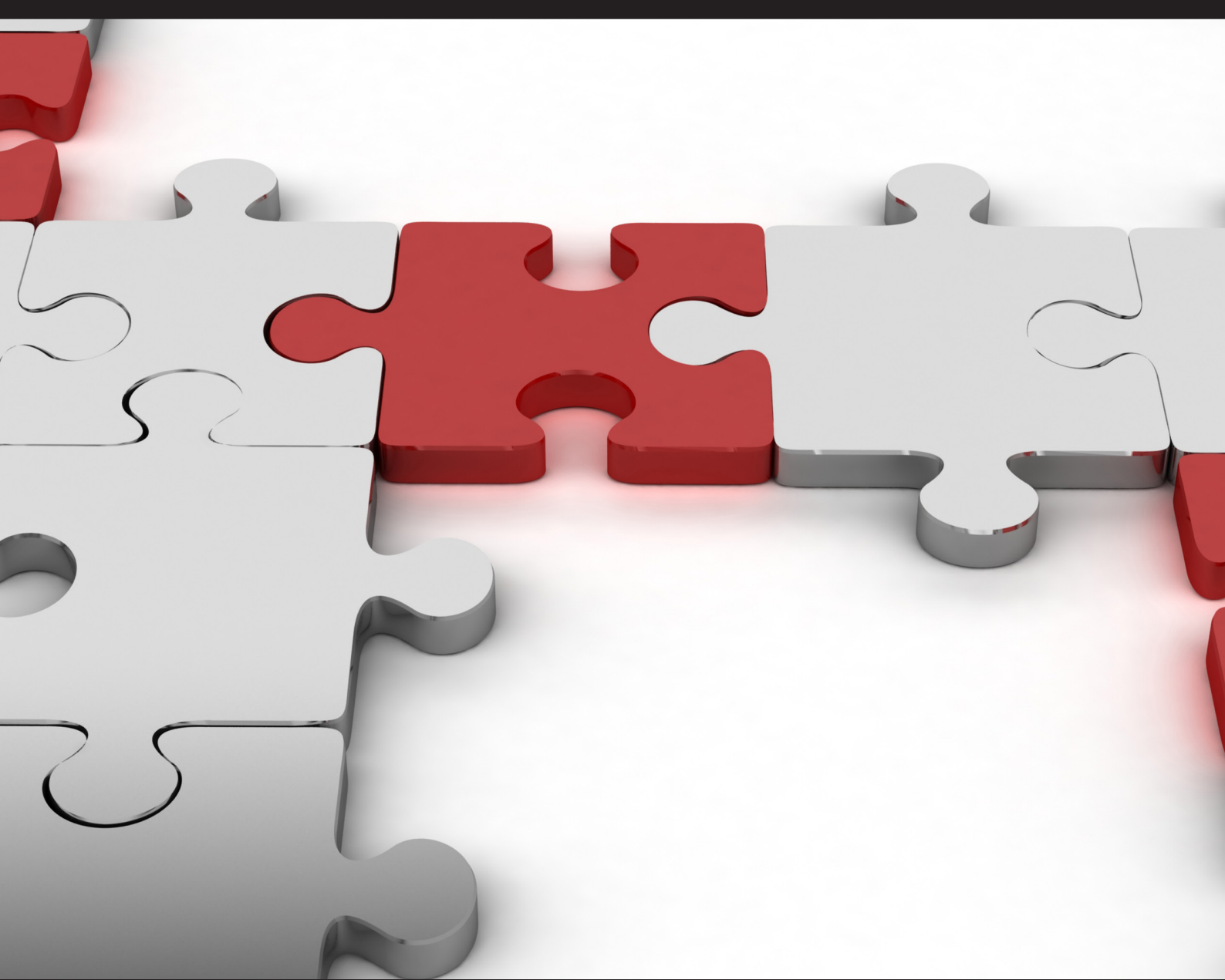




HOLDINGS LIMITED



ANNUAL FINANCIAL STATEMENTS

2023

Supplement to the Integrated Annual Report 2023



INTEGRATED ANNUAL REPORT (to be published by end of August 2023)

The Integrated Annual Report is our primary report to stakeholders. It shows the relationship between the interdependent elements of value creation at Ellies.



ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements provide a comprehensive overview of Ellies' financial position (consolidated and separate) and enables our stakeholders to understand our financial performance.



NOTICE OF ANNUAL GENERAL MEETING (to be published by end of August 2023)

The Notice of Annual General Meeting ("AGM") provides supporting information for shareholders to participate in the AGM and contains a Form of Proxy.



King IV™ Application Register (to be published by end of August 2023)

The King IV™ Application Register contains disclosure on Ellies' application of the King IV™ principles as well as the JSE Listings Requirements.



SUSTAINABILITY REPORT (to be published by end of August 2023)

Our Sustainability Report is a detailed account of our **E**nvironmental, **S**ocial and **G**overnance ("ESG") activities during the reporting period and also includes economic indicators related to sustainability together with alignment to the Ten Principles of the United Nations Global Compact.

The reporting suite is available on the following link:

<https://ellies.co.za/financial-reports>

For quick and easy access, scan the QR code on your smartphone



How to navigate the Annual Financial Statements

For easy navigation and cross-referencing, we have included the following icons within these Annual Financial Statements:



Information available on our website



Information available elsewhere in the Annual Financial Statements

Follow us online at www.ellies.co.za

- Direct access to all the above reports is available on release
- Our website has detailed investor, sustainability, governance and business information

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LEVEL OF ASSURANCE

Ellies Holdings Limited has been established and incorporated in compliance with the provisions of the Companies Act of South Africa and operates in conformity with its Memorandum of Incorporation.

The consolidated and separate financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa.

AUDITORS

BDO South Africa Incorporated
Registered Auditors

Mr Mohamed Zakaria Sadek CA(SA)
Designated auditor

PREPARER

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

PUBLISHED

1 August 2023

STATEMENT BY THE CEO AND FINANCIAL DIRECTOR

In compliance with paragraph 3.84(k) of the JSE Listings Requirements

Each of the directors, whose names are stated below, hereby confirm that –



- (a) the Annual Financial Statements set out on pages 3 to 87, fairly present in all material respects the financial position, financial performance and cash flows of Ellies in terms of IFRS;
- (b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to Ellies Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Ellies Holdings Limited; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- (e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and
- (f) we are not aware of any fraud involving directors.

Signed by the CEO and the Financial Director

Dr Shaun Prithvirajh
Chief Executive Officer

Guy Moretti
Financial Director

STATEMENT OF RESPONSIBILITY AND APPROVAL BY THE BOARD OF DIRECTORS

The directors are required in terms of the Companies Act, No 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Group and the Company as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the requirements of the Companies Act, 2008, of South Africa, Financial pronouncements issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the requirements of the Companies Act, 2008, of South Africa, Financial pronouncements issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited. The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

Controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.



The external auditors are responsible for independently auditing and reporting on the Group and the Company's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 19 to 22.

The directors have made an assessment of the Group's ability to continue as a going concern, the detail of which is disclosed in note 37 to the annual financial statements, and wish to highlight the material uncertainty due to the finalisation of the extension of the term loan. The Group incurred a net loss for the current financial year of R85 million. However, based on the Group's forecasts, including the reduced operating costs and increased revenues, and further based on the additional working capital facilities (refer to note 36, General Banking Facilities) the Group expects a sustained return to profitability. Together with further macroeconomic assumptions including but not limited to no further deterioration in the South African economy, the possible negative impacts of the continued war in Ukraine and potential impact of recent events on South Africa's relationships with its major trading partners, the directors believe that the Group will be commercially solvent and liquid at 30 April 2024 and projects that it will be solvent and liquid on 1 August 2024 (12 months post the expected results release date).



The Annual Financial Statements set out on pages 2 to 87, which have been prepared on the going concern basis, were approved by the Board of Directors on 27 July 2023 and were signed on its behalf by:

Timothy Fearnhead
*Independent Non-Executive
Chairperson of the Board*

Dr Shaun Prithvirajh
Chief Executive Officer

Guy Moretti
Financial Director

CERTIFICATE BY COMPANY SECRETARY

The Company Secretary of Ellies Holdings Limited certifies that in terms of section 88(2) of the Companies Act, the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 30 April 2023.



Acorim Secretarial & Governance Services

Per: Ms Roxanne Cloete (on behalf of Acorim (Pty) Ltd)
Company Secretary

27 July 2023

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (“**the Committee**”) submits this report, describing how it discharged its duties assigned in terms of the Companies Act no 71 of 2008, as amended (“**the Companies Act**”), and additional duties assigned to it by the Board, in respect of the financial year ended 30 April 2023 and met the objectives as set out in the Audit and Risk Committee activities and decisions taken table set out in this report.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The Committee is constituted as a statutory committee of the Company in respect of its statutory duties as stipulated in section 94(7) of the Companies Act and is a committee of the Board in respect of all other duties assigned to it by the Board, as contemplated in the King Code (“**King IV™**”).

At 30 April 2023, the Committee comprised four skilled and experienced independent non-executive members, being Mr Edick Lehapa (Chairperson of the Committee), Ms Sedzani Mudau (appointed on 1 July 2022), Mr Francois Olivier and Mr Edward Raff. Mr Martin Kuscus did not make himself available for reappointment and, therefore, resigned as a member of the Committee at the AGM held on 30 September 2022.

The Committee meets at least three times a year. Four meetings were held during the reporting period and attendance at meetings is shown below.

	20 Jul 2022	12 Oct 2022	9 Dec 2022	22 Mar 2023
Members				
Mr Edick Lehapa (Chairperson)	P	P	P	P
Mr Martin Kuscus ¹	P	N/A	N/A	N/A
Ms Sedzani Mudau ²	P	P	P	P
Mr Francois Olivier	P	P	P	A
Mr Edward Raff	P	A	P	P
Invitees				
Mr Timothy Fearnhead (Chairperson of the Board)	P	P	P	P
Mr Darren Kramer (Independent Non-Executive Director)	P	P	P	P
Mr Martin Kuscus (Independent Non-Executive Director) ¹	N/A	P	N/I	N/I
Ms Maya Makanjee (Independent Non-Executive Director)	N/A	A	N/I	P
Dr Shaun Prithvirajh (Chief Executive Officer)	P	P	P	P
Mr Guy Moretti (Financial Director)	P	P	P	P
Mr Zeyn Agjee (Chief Operating Officer)	P	A	P	A
Mr Johan Klein (Chief Commercial Officer)	P	A	P	P
Mr Zak Sadek (BDO South Africa Inc – External auditor)	P	A	P	P
Ms Priyanka Govender (BDO South Africa Inc – External auditor)	P	P	P	P
Ms Lindie Lategan (LateganMashego Audit & Advisory – Internal auditor)	P	P	P	P
Mr Andre Lategan (LateganMashego Audit & Advisory – Internal auditor)	P	P	P	P
Ms Franset Olivier (LateganMashego Audit & Advisory – Internal auditor)	N/I	N/I	N/I	P
Mr Chris Booyens (Consultant)	P	N/I	N/I	N/I
Company Secretary				
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P	P	P

P – Present

A – Apology

N/A – Not applicable

N/I – Not invited

¹ Retired from the Committee, effective 30 September 2022

² Appointed to the Committee with effect from 1 July 2022

Report of the Audit and Risk Committee

continued


The Board Chairperson has a standing invitation to attend all Committee meetings. The Chief Executive Officer, Chief Financial Officer, a representative of the outsourced internal audit firm and the external audit partner attend all meetings by permanent invitation. Other attendees comprise certain Ellies employees and consultants who are invited to attend meetings, as and when required.

At the AGM to be held on Tuesday, 3 October 2023 shareholders will be presented with resolutions to approve the reappointment of the members of the Audit and Risk Committee, all of whom are independent non-executive directors.

MANDATE OF THE COMMITTEE – DISCHARGE OF DUTIES

The Committee's role and responsibilities are governed by a formal Charter as approved by the Board. The Charter is subject to an annual review by the Board. A copy of the Charter may be requested from the Company Secretary and is available for inspection at Ellies' registered office.

The Committee has discharged all its responsibilities as required by the Companies Act, King IV™, the JSE Listings Requirements and the Board-approved terms of reference, including but not limited to the following:

AUDIT	
External audit	<ul style="list-style-type: none">• In terms of section 90(1) of the Companies Act, the Committee nominated BDO South Africa Incorporated ("BDO") as the independent auditors and Mr Mohamed Zakaria ("Zak") Sadek, a registered independent auditor, as the designated audit partner, for appointment for the 2023 audit. This appointment was approved by shareholders at the AGM held on 30 September 2022.• The Committee has satisfied itself through enquiry that both BDO and Mr Zak Sadek are independent from Ellies, as defined by the Companies Act, and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the external auditor that the internal governance processes within the audit firm support and demonstrate the claim to independence.
External audit scope and budget	<ul style="list-style-type: none">• The Committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2023 reporting period. The budgeted fee was considered for appropriateness and then approved. The final adjusted fee will be agreed on completion of the audit.•  Audit fees are disclosed in note 21 of the 2023 financial statements.• The Committee considers and approves the non-audit services rendered by the external auditor. BDO has not performed any non-audit services to the Group during the reporting period.
Quality of external audit	<ul style="list-style-type: none">• The quality of the audit has been of a high standard with independence and objectivity always at the forefront.

Report of the Audit and Risk Committee

continued

AUDIT continued	
Auditor independence and rotation	<ul style="list-style-type: none"> • The external auditors have unrestricted access to the Committee and its Chairperson with a view to ensuring that their independence is not impaired. • As gazetted on 5 June 2017, mandatory audit firm rotation will be effective for financial year-ends commencing on or after 1 April 2023. An audit firm shall not serve as the appointed auditor of a company for more than ten consecutive financial years. The audit firm will only be eligible for re-appointment as the auditor after the expiry of at least five financial years. • As published in the 2022 Report of the Audit and Risk Committee, a resolution relating to the mandatory rotation of BDO as auditors will be presented to shareholders at the AGM to be held in 2023. • A formal process for the appointment of external auditors has been embarked upon by the Audit and Risk Committee and recommendations are being presented to the Board. • When assessing the suitability of the proposed new audit firm and the audit partner to be appointed, the Committee will request from the audit firm and the audit partner the information as required per paragraph 22.15(h) of the JSE Listings Requirements and will assess the same prior to making recommendations to the Board. • The Committee will consider and confirm the proposed new external auditor's independence as well as ensure that the proposed new external auditor and the designated audit partner are accredited by the JSE. • The Committee will recommend the appointment of a new audit firm and audit partner to the Board prior to the AGM scheduled for 3 October 2023. The Board will advise shareholders on SENS of the proposed appointments and a resolution to approve such appointments will be presented to shareholders at the AGM.
Internal audit	<ul style="list-style-type: none"> • LateganMashego Audit & Advisory has been the Group's internal auditors, on an outsourced basis, since July 2019. • The Committee noted that the internal audit approach is based on the COSO framework and is risk-driven, which focuses on four control objectives. The five components of COSO are Control environment, Risk assessment, Information and communication, Monitoring activities and Existing control activities and are often referred to as C.R.I.M.E. • During the reporting period, the Internal Audit Charter has been reviewed by the internal auditors and has been approved by the Committee, with no changes being made. • An internal audit plan for the period 1 May 2023 to 30 April 2024 has been approved by the Committee, with the primary focus areas being the internal audit of branches with a focus on the effectiveness and efficiency of operations, the reliability of financial and management reporting, compliance with applicable laws and regulations and the adequacy of procedures to safeguard assets as well as the centralised functions rendered at head office. Value Logistics is an outsourced logistics supplier and Internal Audit will review compliance with the agreed service level agreement elements on a rotation basis, with the next review scheduled for FY2025.

Report of the Audit and Risk Committee

continued

AUDIT continued

Internal control

- The Group maintains systems of internal control, which include financial, operational and compliance controls.
- The Committee is responsible for reviewing the functioning of the internal control system, the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information. In addition, it reviews whether the Group should continue to use the services of the current external auditors, any accounting or auditing concerns identified as a result of the external audit, the Group's compliance with legal and regulatory provisions, its Memorandum of Incorporation, Code of Conduct and by-laws.
- The Board is accountable for establishing appropriate risk and control policies. Executive management is responsible for monitoring, reviewing and communicating these controls and policies through the organisation. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified.
- The Board has adopted a zero-tolerance approach to fraud and is determined to ensure effective and efficient internal controls are put in place.
- The Committee has been advised that management is of the view that all internal controls are adequate and that there has been no breakdown in internal controls.

REPORTING

Evaluation of the Financial Director, finance function and financial reporting


- The Committee has considered the appropriateness of the experience and expertise of the Financial Director, Mr Guy Moretti CA(SA), and confirmed its satisfaction therewith. The evaluation of the Financial Director is undertaken by the Audit and Risk Committee on an annual basis.
- The appropriateness of the expertise of the Company's finance function and the experience of the senior members of management responsible for the finance function were considered and found to be adequate.
- Adequate resources have been deployed and the finance function is reviewing and developing processes to overcome identified shortcomings relating to financial reporting procedures, which processes are ongoing. The Committee is comfortable that appropriate financial reporting procedures are in place and that those procedures are operating satisfactorily.

Key audit matters

- The Committee reviewed the assessment and assumptions for the following key audit matter and is satisfied with the manner in which it has been accounted for in the Annual Financial Statements:
 - **Recognition of deferred tax asset** – recognition of deferred tax assets: availability of future sufficient taxable income against which deductible temporary differences and tax losses carried forward can be utilised.




Report of the Audit and Risk Committee

continued

REPORTING continued	
Annual Financial Statements and accounting policies	<ul style="list-style-type: none"> The Committee has reviewed the accounting treatments and the appropriateness of the accounting policies, and any changes thereto, and the financial statements of the Group and the Company. It is satisfied that they are appropriate and comply with IFRS. There have been no changes in the accounting policies. The Committee met separately with management and the external auditors regarding the short-comings and internal control weaknesses, which were addressed and continued to improve during the period being reported on. The Committee recommended the Annual Financial Statements for the year ended 30 April 2023 for approval to the Board. The Board approved the Annual Financial Statements on Thursday, 27 July 2023 and the financial statements will be open for discussion at the AGM.
Going concern	<div style="display: flex; align-items: flex-start;">  <ul style="list-style-type: none"> The Committee reviewed a documented assessment by management of the going concern premise of the Company and the Group. The going concern assessment appears in note 37 on page 87. </div>
Integrated reporting process	<p>The Committee oversaw the integrated reporting process in accordance with its Charter and, in particular, the Committee:</p> <ul style="list-style-type: none"> regarded all factors and risks that may impact on the integrity of the Integrated Annual Report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, as well as any evidence that brings into question previously published information and forward-looking statements or information; reviewed the annual financial statements; reviewed the disclosure of material sustainability issues in the Sustainability Report and in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information; recommended the Annual Financial Statements for approval by the Board; and reviewed the content of the condensed financial information to determine if it provides a balanced view.
JSE Proactive Monitoring Panel	<ul style="list-style-type: none"> Accounting policies are placed within the relevant notes to the consolidated financial Statements, where possible. This application renders the accounting policies more appropriate and entity-specific, in alignment with the JSE Report on Proactive Monitoring in relation to accounting policies. The Committee considered the 2023 JSE Report on Proactive Monitoring, issued on 4 November 2022, including Annexure 3, and has taken the appropriate action to apply the findings.
RISK	
Policies on risk management	<ul style="list-style-type: none"> A formal risk management framework, risk policy and IT risk policy have been developed and implemented. The risk register has been updated in terms of the ISO3100 guidelines. Information technology risks are discussed and addressed in the IT Governance Committee meetings, which are held bi-annually. <div style="display: flex; align-items: flex-start; margin-top: 10px;">  <ul style="list-style-type: none"> Additional information pertaining to risk management is disclosed in the Integrated Annual Report on Ellies' website, including the top risks pertaining to finance, strategy, human resources, reputation, operations and compliance. </div>

Report of the Audit and Risk Committee

continued

RISK continued	
Legal risk	<ul style="list-style-type: none"> The Committee was satisfied that there has been no material non-compliance with laws and regulations. The Committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the reporting period. During the reporting period, most legacy legal matters have been concluded with one matter remaining.  <ul style="list-style-type: none"> The litigation in which the Group is currently involved is disclosed in note 35 on page 85. Contract management, risk controls and due diligences have been put in place to avoid or minimise unnecessary litigation going forward.
IT risk	<ul style="list-style-type: none"> An IT Governance Committee was established as a sub-Committee of the Audit and Risk Committee, with Mr Edward Raff (Independent Non-Executive Director) as its Chairperson. An independent external IT governance expert, Mr Pragasen Moodley, who is an independent subject matter expert, serves as a consultant to provide high-level guidance to the Committee.  <ul style="list-style-type: none"> The Report of the IT Governance Committee is published in the Integrated Annual Report. The IT roadmap, which is in a developmental phase and for which an external party has been engaged to assist with this process, has been placed on hold pending the finalisation of the restructuring of the Group.
Financial risk	 <ul style="list-style-type: none"> Refer to note 32 on pages 78 to 82 in the financial statements for full disclosure on financial risks.
ASSURANCE	
Combined assurance	The appointment of the internal auditors, LateganMashego Audit & Advisory, has been another step towards building an assurance model, applicable to Ellies. Combined assurance arrangements are continuously being considered and implemented, as appropriate.
COMPLIANCE	
Legal and regulatory compliance	<ul style="list-style-type: none"> The Committee has been assigned the responsibility for ensuring ongoing legal and regulatory compliance. An internal legal advisor submits quarterly reports to the Committee with respect to legal and regulatory compliance.
GOVERNANCE	
Charter and policies	<ul style="list-style-type: none"> The Charter of the Audit and Risk Committee has been reviewed, updated and adopted during the reporting period. The Charter has been updated with the inclusion of the following sentence: "The Chairperson of the Board cannot be a member of the Audit and Risk Committee". The process of aligning policies and procedures with King IV™ is ongoing.
Evaluation of the effectiveness and constitution of the Committee	<ul style="list-style-type: none"> The Committee remained satisfied with the ongoing independence, skills, experience and qualifications of the Committee members. The Committee members noted their roles and responsibilities and remained committed to fulfilling same.

Report of the Audit and Risk Committee

continued

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the consolidated and separate Annual Financial Statements of Ellies for the year ended 30 April 2023, the Committee is of the view that, in all material aspects, it complies with the relevant provisions of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the requirements of the Companies Act, 2008, of South Africa, Financial pronouncements issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited and fairly presents the financial position at that date and the results of its operations and cash flows for the reporting period.

The Committee recommended the consolidated and separate financial statements for the year ended 30 April 2023 for approval to the Board on Thursday, 27 July 2023.

CONCLUSION

The Audit and Risk Committee report was approved by the Board on Thursday, 27 July 2023.



Edick Lehapa (*Independent Non-Executive Director*)
Chairperson of the Audit and Risk Committee

DIRECTORS' REPORT

for the year ended 30 April 2023



The directors present their report, which forms part of the consolidated and separate financial statements for the year ended 30 April 2023. The consolidated and separate financial statements presented on pages 23 to 87 set out fully the financial position, results of operations and cash flows of the Group and the Company for the year ended 30 April 2023.

NATURE OF BUSINESS

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

LISTING INFORMATION

Ellies Holdings Limited is listed in the Electrical and Electronic Equipment sector of the Johannesburg Stock Exchange under the JSE share code: ELI. The Company's ISIN number is ZAE000103081.

REGISTERED ADDRESS

The holding Company's registered address is:

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

PO Box 57076, Springfield, 2137

YEAR UNDER REVIEW

Group results summary

	2023 R'000	2022 R'000	% change
Statement of financial position			
Total assets	419 561	452 885	(7,36)
Total liabilities	371 630	319 365	16,37
Net asset value per share (cents)	6,0	16,6	(63,86)
Net tangible asset value per share (cents)	6,0	16,6	(63,86)
Statement of profit or loss and other comprehensive income			
Revenue	993 000	1 076 351	(7,74)
Loss before interest, taxation, depreciation and amortisation	(46 947)	(37 085)	26,59
Operating loss	(66 581)	(56 158)	18,56
Net finance charges	(20 436)	(14 733)	38,71
Income tax credit	130	13 155	(99,01)
Attributable loss	(85 014)	(43 670)	94,67
Headline loss	(86 796)	(52 267)	66,06
Loss per share (cents)	(10,56)	(5,96)	77,18
Headline loss per share (cents)	(10,78)	(7,13)	51,19



An analysis of the Group's results is disclosed in the CFO's report in the Integrated Annual Report on Ellies' website.

Directors' report continued

for the year ended 30 April 2023

SPECIAL RESOLUTIONS

AGM held on 30 September 2022

At the AGM of the Company held on Wednesday, 30 September 2022, the following special resolutions were presented to shareholders for approval:

- **Special resolution number 1:** Granting the Company a general authority to repurchase its own shares.
- **Special resolution number 2:** Granting the Company the authority for a period of two years or until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company and/or to any financier for the purpose of or in connection with the subscription or purchase of shares or other securities in the Company or any related or interrelated company or corporation in terms of the requirements of section 44 of the Companies Act, No 71 of 2008.
- **Special resolution number 3:** Granting the Company the authority to provide financial assistance for a period of two years or until the next AGM to any company or corporation which is related or inter-related to the Company in terms of the requirements of section 45 of the Companies Act, No 71 of 2008.
- **Special resolution number 4:** Approval of non-executive directors' fees for a period of two years or until the next AGM.

All the above special resolutions were passed by the requisite majority of votes.

AGM to be held on Tuesday, 3 October 2023

At the AGM of the Company to be held on Tuesday, 3 October 2023, the following special resolutions will be presented to shareholders for approval:

- **Special resolution number 1:** Granting the Company a general authority to repurchase its own shares.
- **Special resolution number 2:** Granting the Company the authority for a period of two years or until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company and/or to any financier for the purpose of or in connection with the subscription or purchase of shares or other securities in the Company or any related or interrelated company or corporation in terms of the requirements of section 44 of the Companies Act, No 71 of 2008.
- **Special resolution number 3:** Granting the Company the authority to provide financial assistance for a period of two years or until the next AGM to any company or corporation which is related or inter-related to the Company in terms of the requirements of section 45 of the Companies Act, No 71 of 2008.

DIVIDEND

No dividend (2022: Nil) has been proposed or declared for the reporting period.

STATED CAPITAL

The unissued shares are under the control of the directors until the next AGM, subject to the Listings Requirements of the JSE Limited.



Further details of the authorised and issued stated capital of the Company are provided in note 11 to the consolidated and separate financial statements.

Directors' report continued

for the year ended 30 April 2023

ISSUE AND REPURCHASE OF SECURITIES

During the reporting period, there was no repurchase of shares.

In the prior year in terms of a B-BBEE transaction, Imvula subscribed for 185 242 070 new ordinary shares of no par value at an issue price per ordinary share of 10 cents per share, for a total cash consideration of R18 524 207. The 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 was, therefore, subject to the necessary approval of the shareholders of Ellies. Approval was granted by shareholders at the General Meeting held on 8 September 2021.

DIRECTORS

The directors of the Company during the reporting period are disclosed in the table below.

Name	Designation	Date appointed
Mr Timothy Fearnhead	Independent Non-Executive Chairperson of the Board	4 April 2019
Mr Darren Kramer	Independent Non-Executive Director	19 October 2021
Mr Martin Kuscus	Independent Non-Executive Director	1 June 2015
Mr Edick Lehapa	Independent Non-Executive Director	2 April 2020
Ms Maya Makanjee	Independent Non-Executive Director	1 July 2022
Mr Guy Moretti	Executive Director – Chief Financial Officer	5 January 2022
Ms Sedzani Mudau	Independent Non-Executive Director	1 July 2022
Mr Francois Olivier	Independent Non-Executive Director	4 April 2019
Dr Shaun Prithvirajh	Executive Director – Chief Executive Officer	4 April 2019
Mr Edward Raff	Independent Non-Executive Director	4 April 2019

In terms of clause 24.8 of the Company's Memorandum of Incorporation, Messrs Timothy Fearnhead, Martin Kuscus and Francois Olivier retire by rotation at the forthcoming AGM and, being eligible and available, have offered themselves for re-election.

SECRETARY

Acorim (Pty) Ltd was appointed as Company Secretary on 1 January 2020 and is represented by Ms Roxanne Cloete.

DIRECTORS' SHAREHOLDING



The directors held in aggregate direct and indirect beneficial interests of 0,15% (30 April 2022: 0,12%) in the issued share capital of the Company, the details of which will be disclosed in the Report of the Remuneration Committee in the Integrated Annual Report on Ellies' website.

The Company has not been notified of any material change in directors' interests during the period 30 April 2023 to the date of this report.

DIRECTORS' EMOLUMENTS



Details of the directors' emoluments are set out in note 21 on pages 68 and 69.

Directors' report continued

for the year ended 30 April 2023

DIRECTORS' INTEREST IN CONTRACTS



No material contracts involving directors' interest were entered into during the reporting period, other than as disclosed in the related party note 34 on page 84.

LITIGATION



The Group is currently involved in litigation, the details of which are disclosed in note 35 on page 85.

SHAREHOLDING ANALYSIS

An analysis of ordinary shareholders in the Company as at 28 April 2023 is set out below:

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	11 933	65,88	2 235 993	0,28
1 001 – 10 000	3 826	21,12	13 889 418	1,72
10 001 – 100 000	1 724	9,52	62 240 906	7,73
100 001 – 1 000 000	537	2,97	165 718 367	20,58
Over 1 000 000	93	0,51	561 315 621	69,69
Total	18 113	100,00	805 400 305	100,00

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance Companies	4	0,02	1 390 375	0,17
Close Corporations	34	0,19	22 691 911	2,82
Collective Investment Schemes	2	0,01	5 983 694	0,74
Control Accounts	1	0,01	4	0,00
Custodians	5	0,03	14 041 374	1,74
Foundations and Charitable Funds	11	0,06	5 486 256	0,68
Insurance Companies	1	0,01	4 298 744	0,53
Investment Partnerships	14	0,08	2 554 770	0,32
Managed Funds	4	0,02	94 622	0,01
Medical Aid Funds	1	0,01	1 394 945	0,17
Organs of State	2	0,01	60 651 235	7,53
Private Companies	93	0,51	53 191 880	6,60
Public Companies	1	0,01	81	0,00
Retail Shareholders	17 820	98,38	368 878 162	45,80
Retirement Benefit Funds	20	0,11	47 101 852	5,85
Stockbrokers and Nominees	7	0,04	6 705 708	0,83
Trusts	90	0,50	210 932 792	26,19
Unclaimed Scrip	3	0,02	1 900	0,00
Total	18 113	100,00	805 400 305	100,00

Directors' report continued

for the year ended 30 April 2023

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	4	0,02	186 438 010	23,15
Beneficial Holders > 10%: Imvula Education Empowerment Fund Trust	1	0,01	185 242 070	23,00
Directors of the Company or any of its subsidiaries: Direct	2	0,01	695 940	0,09
Directors of the Company or any of its subsidiaries: Indirect	1	0,01	500 000	0,06
Public shareholders	18 109	99,98	618 962 295	76,85
Total	18 113	100,00	805 400 305	100,00

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Imvula Education Empowerment Fund Trust	185 242 070	23,00
Government Employees Pension Fund	56 277 540	6,99
Total	241 519 610	29,99

BORROWING POWERS

The Group has unlimited borrowing powers permitted in terms of the Company's Memorandum of Incorporation.

SUBSIDIARIES



Details of the holding company's interest in subsidiaries are set out in note 3 on page 39 of the Annual Financial Statements.

CORPORATE ACTIVITY DURING THE REPORTING PERIOD

CATEGORY 1 ACQUISITION

1 Introduction

On 1 February 2023, shareholders were advised that Ellies had entered into a sale of shares agreement ("**Agreement**") with Heidi von Broembsen; Nicholas von Broembsen; Suzanne von Broembsen and Colin Sykes, being the sole members of Magetz Electrical cc and Power On Wheels cc (collectively trading as Bundu Power ("**Bundu Power**")) in terms of which Ellies will, with effect from the date of fulfilment or waiver of the conditions precedent set out in paragraph 6 below, purchase 100% of the members' interests in Magetz Electrical cc and Power On Wheels cc ("**Acquisition**") for a maximum consideration of R202,6 million ("**Consideration**").

2 Description of assets

Bundu Power, founded in 2005, specialises in the distribution and rental of generators as well as the distribution and installation of solar and ancillary products, providing alternative energy solutions for residential, commercial, industrial, hospitality, agricultural and recreational users.

Directors' report continued

for the year ended 30 April 2023

3 Rationale for the acquisition

As previously disclosed in the Company's results for the six months ended 31 October 2022, Ellies is repositioning itself as a smart infrastructure business which will include comprehensive solutions for alternative energy, water storage and harvesting, connectivity and smart home technology. The acquisition of Bundu Power is the first building block of the new strategy and will expand the Ellies portfolio of alternative energy solutions. Ellies, in turn, provides Bundu Power with an expanded Southern African distribution network and access to a group with a level 2 BBBEE status.

4 Consideration

The Consideration shall be settled as follows:

- an initial payment of R72,6 million to be paid on the date of fulfilment or waiver of the conditions precedent detailed in paragraph 6 below; and
- the balance payable through three earn out payments not exceeding in aggregate R130 million in respect of the 2023, 2024 and 2025 financial years.

Ellies intends to fund the Consideration through a combination of equity and debt.

5 Financial information

The financial information is extracted from the latest Annual Financial Statements of Bundu Power as at 28 February 2022, which financial statements were prepared in terms of IFRS for SMEs and are not audited or reviewed:

- the value of the net assets of Bundu Power is R48,7 million;
- the after-tax profits attributable to Bundu Power for the year ended 28 February 2022 was R11,2 million; and
- the estimated profit after tax of Bundu Power for the year ended 28 February 2023 is R20,4 million. This information has not been audited or reviewed and reported on by either the Company's auditors or a reporting accountant in accordance with ISAE 3000.

6 Conditions precedent

The Acquisition is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent ("Conditions Precedent"):

- the approval of the directors and shareholders of Ellies to the extent required;
- Magetz cc and Power On Wheels cc being converted to private companies;
- Ellies having completed to its satisfaction a due diligence investigation and the delivery of written notice in this regard to the members of Bundu Power;
- each of the members of Bundu Power entering into employment agreements with Bundu Power prior to 30 April 2023;
- each of the members of Bundu Power entering into non-competition agreements; and
- unconditional approval by the Competition Authorities or conditional approval accepted by both parties.

The Conditions Precedent must be fulfilled by 30 April 2023, unless extended by the parties in writing.

7 Significant terms of the agreement

Ellies has granted the Sellers a call option, exercisable in the Sellers' absolute discretion, to repurchase all of the members' interest at an agreed valuation should Ellies fail to pay any amount due and payable to the Sellers in terms of the Agreement within 60 business days of such amount falling due.

The Agreement furthermore contains representations and warranties by Bundu Power and its members in favour of Ellies that are standard for a transaction of this nature.

Directors' report continued

for the year ended 30 April 2023

8 Categorisation of transaction and shareholder circular

The Acquisition constitutes a category 1 transaction in terms of the JSE Listings Requirements and requires the approval of Ellies shareholders in general meeting. A circular containing full details of the Acquisition and incorporating a notice of general meeting of shareholders of Ellies, is in the process of being prepared and will be distributed to shareholders in due course.

9 Renewal of cautionary

Shareholders were referred to the cautionary announcement and renewals thereof released on SENS on 28 September 2022, 9 November 2022, 22 December 2022, 1 February 2023 and 15 March 2023, respectively, and were advised that the negotiations referred to therein were still ongoing. Shareholders were, therefore, advised to continue to exercise caution when dealing in their Ellies shares.

As announced on SENS on 31 March 2023, shareholders were referred to the announcement released on SENS on 1 February 2023 with regard to the proposed Category 1 acquisition outlined above. Shareholders were advised that, in order to allow sufficient time for the preparation of the financial disclosures, the JSE had granted Ellies an extension to finalise and distribute the circular. As such, the circular was expected to be distributed to shareholders on or about 31 May 2023.

Further developments in relation to the Category 1 acquisition, cautionary announcements and the proposed fully underwritten renounceable rights offer are disclosed in note 36 – Events after the reporting date.

EVENTS AFTER THE REPORTING DATE

Events after the reporting date are disclosed in note 36 on pages 85 and 86.

GOING CONCERN ASSESSMENT



The going concern assessment is disclosed in note 37 on page 87.

AUDITORS

As gazetted on 5 June 2017, mandatory audit firm rotation will be effective for financial year-ends commencing on or after 1 April 2023. As published in the 2022 Report of the Audit and Risk Committee, a resolution relating to the mandatory rotation of BDO South Africa Incorporated as auditors will be presented to shareholders at the AGM to be held in 2023.

A formal process for the appointment of external auditors has been embarked upon by the Audit and Risk Committee and recommendations are being presented to the Board. In assessing the suitability of the appointment of the proposed audit firm and audit partner, the Committee will assess the information provided by the proposed audit firm, as required per paragraph 22.15(h) of the JSE Listings Requirements. The Committee will, furthermore, consider and confirm the proposed external auditor's independence as well as the external auditor and the designated audit partner's accreditation by the JSE.

The Committee will recommend the appointment of a new audit firm and audit partner to the Board prior to the AGM scheduled for 3 October 2023. The Board will advise shareholders on SENS of the proposed appointments and a resolution to approve such appointments will be presented to shareholders at the AGM.

DATE OF AUTHORISATION FOR ISSUE OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been authorised by the Board for issue on 1 August 2023. No authority was given to anyone to amend the Annual Financial Statements after the date of issue.

REPORT OF THE INDEPENDENT AUDITOR

for the year ended 30 April 2023

TO THE SHAREHOLDERS OF ELLIES HOLDINGS LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Ellies Holdings Limited (the group and company) set out on pages 23 to 87, which comprise the consolidated and separate statements of financial position as at 30 April 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ellies Holdings Limited as at 30 April 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Material Uncertainty Related to Going Concern

We draw attention to Note 37 in the financial statements, which indicates that the group incurred a net loss of R85 million during the year ended 30 April 2023. As mentioned in note 37 a key assumption in the going concern assessment is the continued support of the Group's bankers and that the Term loan as detailed in note 36 for repayment due on the 30 April 2024 will be extended. As indicated in note 37, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that the matters described below to the key audit matters to be communicated in our report.

Report of the independent auditor continued

for the year ended 30 April 2023

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of Deferred Tax Assets (Note 4) <i>Consolidated Financial Statements</i></p> <p>The Group has incurred significant taxable losses in the current year, which was an indicator that the group may not be able to utilise its deferred tax assets in future years. A significant portion of the deferred tax assets results from Ellies Electronics Proprietary Limited, the main trading entity within the group.</p> <p>Management's assessment of the recoverability of the deferred tax assets required significant judgement and estimates, particularly in respect of the expected growth rates and input data into the budgets and forecasts used for purposes of the assessment.</p> <p>The assessment of recoverability of the deferred tax asset was considered to be a matter of most significance to our audit of the consolidated financial statements due to the significant judgement and estimates involved in the assessment.</p>	<p>We obtained management's assessment of the recoverability of the deferred tax asset and performed the following procedures:</p> <ul style="list-style-type: none"> • We discussed with management the basis of calculating these budgets and forecasts and evaluated whether it is reasonable by comparing to the current year actuals; • We assessed management's assumptions relating to revenue growth, inflation forecast and operating margins against historical performance; • We assessed whether the underlying assumptions applied are reasonable and adequately supported with reference to underlying data; • We performed sensitivity analyses of the key assumptions in the model; • We assessed the utilisation of the deferred tax asset against the budgeted future taxable profits of the group taking, in to consideration the proposed Tax amendments to the set-off of assessed losses against taxable income; and • We considered the adequacy of the disclosures made in the consolidated financial statements with reference to the disclosure requirements of IAS 12 <i>Income Taxes</i>.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Ellies Holdings Limited Annual Financial Statements for the year ended 30 April 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report of the independent auditor continued

for the year ended 30 April 2023

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and /or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report of the independent auditor continued

for the year ended 30 April 2023

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Ellies Holdings Limited for 15 years.

BDO South Africa Inc.

BDO South Africa Incorporated

Registered Auditors

MZ Sadek

Director

Registered Auditor

1 August 2023

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 30 April 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Non-current assets		59 023	71 370	1	1
Property, plant and equipment	1	8 274	10 473	–	–
Right-of-use assets	2	14 162	24 487	–	–
Investments in subsidiaries	3	–	–	1	1
Deferred taxation	4	36 587	36 410	–	–
Current assets		358 938	377 965	106	117
Inventories	5	171 199	213 646	–	–
Trade and other receivables	6	182 527	147 352	–	–
Taxation receivable		1 606	8 065	–	9
Bank and cash balances	8	3 606	8 902	106	108
		1 600	3 550	–	–
Non-current assets held for sale	9	1 600	3 550	–	–
Total assets		419 561	452 885	107	118
EQUITY AND LIABILITIES					
Total shareholders' interests		47 931	133 520	(21 670)	(12 723)
Stated capital	11	855 736	855 736	855 736	855 736
Non-distributable reserves	12	(175 803)	(175 228)	–	–
Accumulated loss		(632 002)	(546 988)	(877 406)	(868 459)
Equity attributable to equity holders of the parent		47 931	133 520	(21 670)	(12 723)
Non-current liabilities		6 947	104 261	–	–
Interest-bearing liabilities	14	306	91 518	–	–
Lease liabilities	15	5 953	12 101	–	–
Deferred taxation	4	688	642	–	–
Current liabilities		364 683	215 104	21 777	12 841
Interest-bearing liabilities	14	91 488	18 895	–	–
Lease liabilities	15	11 155	17 481	–	–
Loans from subsidiary	7	–	–	5 544	64
Financial guarantee liability	16	–	–	16 153	12 505
Provisions	17	142	142	–	–
Taxation payable		5	4	–	–
Trade and other payables	18	183 840	133 166	80	272
Bank overdrafts	8	78 053	45 416	–	–
Total equity and liabilities		419 561	452 885	107	118

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 April 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Continuing operations					
Revenue	19	993 000	1 076 351	–	–
Cost of sales	20	(744 195)	(816 472)	–	–
Gross profit		248 805	259 879	–	–
Other income		1 812	2 922	–	10 324
Operating expenses		(296 892)	(299 598)	(8 945)	(4 163)
Impairment loss on trade receivables	21	(672)	(288)	–	–
Depreciation	21	(19 634)	(19 073)	–	–
(Loss)/profit from operations	21	(66 581)	(56 158)	(8 945)	6 161
Interest income	22	862	10	2	–
Interest expense	23	(21 298)	(14 743)	–	–
(Loss)/profit before taxation		(87 017)	(70 891)	(8 943)	6 161
Taxation	24	130	13 155	(4)	–
(Loss)/profit for the year: continuing operations		(86 887)	(57 736)	(8 947)	6 161
Profit from discontinued operations	10	1 873	14 066	–	–
(Loss)/profit for the year		(85 014)	(43 670)	(8 947)	6 161
<i>Other comprehensive income:</i>					
Items that will be reclassified subsequently to profit or loss					
– Foreign currency translation reserve		(394)	62	–	–
Total comprehensive (loss)/profit for the year		(85 408)	(43 608)	(8 947)	6 161
<i>Attributable to:</i>					
Equity holders of the parent		(85 014)	(43 670)	(8 947)	6 161
Net (loss)/profit after tax		(85 014)	(43 670)	(8 947)	6 161
<i>Attributable to:</i>					
Equity holders of the parent		(85 408)	(43 608)	(8 947)	6 161
Total comprehensive (loss)/profit for the year		(85 408)	(43 608)	(8 947)	6 161
– Basic loss per share (cents)	25	(10,56)	(5,96)	–	–
– Diluted basic loss per share (cents)	25	(10,56)	(5,96)	–	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 April 2023

	Stated capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Arising from common control transactions R'000	Accumulated loss R'000	Total equity R'000
Group						
Balances as at 1 May 2021	837 212	2 222	450	(178 194)	(503 318)	158 372
Issue of share capital	18 524	–	–	–	–	18 524
Total comprehensive loss for the year	–	62	–	–	(43 670)	(43 608)
Equity-settled share-based payment expense	–	–	232	–	–	232
Balances as at 30 April 2022	855 736	2 284	682	(178 194)	(546 988)	133 520
Total comprehensive loss for the year	–	(394)	–	–	(85 014)	(85 408)
Equity-settled share-based payment expense	–	–	(181)	–	–	(181)
Balances as at 30 April 2023	855 736	1 890	501	(178 194)	(632 002)	47 931

Notes

11

12

Company						
Balances as at 1 May 2021	837 212	–	–	–	(874 620)	(37 408)
Issue of share capital	18 524	–	–	–	–	18 524
Total comprehensive loss for the year	–	–	–	–	6 161	6 161
Balances as at 30 April 2022	855 736	–	–	–	(868 459)	(12 723)
Total comprehensive loss for the year	–	–	–	–	(8 947)	(8 947)
Balances as at 30 April 2023	855 736	–	–	–	(877 406)	(21 670)

Notes

11

STATEMENTS OF CASH FLOWS

for the year ended 30 April 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash flows utilised in operating activities		(1 822)	(10 987)	(5 482)	(3 975)
Cash generated from/(utilised by) operations	26	12 158	4 743	(5 489)	(3 975)
Interest received	27	862	10	2	–
Interest paid	27	(21 298)	(14 743)	–	–
Taxation refunded/(paid)	28	6 456	(997)	5	–
Cash flows generated from investing activities		1 138	988	–	–
Acquisitions of property, plant and equipment	1	(2 034)	(1 997)	–	–
Proceeds on disposal of property, plant and equipment	1	3 172	2 985	–	–
Cash flows (utilised in)/from financing activities		(37 146)	(16 648)	5 480	3 973
Repayment of interest-bearing liabilities	29	(18 619)	(18 999)	5 480	(14 551)
Repayment of lease liability	15	(18 527)	(16 173)	–	–
Proceeds from the issue of share capital	11	–	18 524	–	18 524
Net (decrease)/increase in cash and cash equivalents		(37 830)	(26 647)	(2)	(2)
Foreign currency translation reserve – net movement on cash and cash equivalents		(103)	(20)	–	–
Cash and cash equivalents at beginning of year		(36 514)	(9 847)	108	110
Cash and cash equivalents at the end of the year	8	(74 447)	(36 514)	106	108

SEGMENT ANALYSIS

for the year ended 30 April 2023

ACCOUNTING POLICIES

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Executive Committee, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. Inter-segment revenue is revenue raised by one segment relating to sales to other segments within the Group, which is eliminated.

Reportable segments

In prior years, the Group reported on two segments, namely Trading and Distribution, and Manufacturing. These segments leveraged off common pools of expertise, allowing each segment to focus on its core competencies. The Trading and Distribution segment sources and markets, both locally and internationally. The Manufacturing segment, which manufactured primarily for the Trading and Distribution segment, was discontinued in 2021.

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.

General

Intersegment transactions were entered into under the normal commercial terms and conditions. The revenue from external parties is measured in a manner consistent with that in the statement of profit or loss.

Segment assets consist primarily of property, plant and equipment, investments in associates, deferred tax assets, inventory, trade and other receivables, cash and cash equivalents and intercompany loans.

Segment liabilities comprise borrowings, deferred tax liabilities, trade and other payables, income tax liabilities and intercompany loans.

As a result of the liquidation of Ellies Industries Proprietary Limited in the 2021 financial year, which was the only entity in the Manufacturing segment, the Group now only reports on the Trading and Distribution segment.

The Group's largest customer contributed R146 million (15%) (2022: R211 million (20%)) of the Group's revenue. The revenue forms part of the Trading and Distribution segment's external revenue.

Segment analysis continued

for the year ended 30 April 2023

	Trading and Distribution R'000	Total R'000
STATEMENT OF FINANCIAL POSITION		
2023		
Total assets	419 561	419 561
Property, plant and equipment	8 274	8 274
Right-of-use asset	14 162	14 162
Trade and other receivables	182 527	182 527
Taxation receivable	1 606	1 606
Inventories	171 199	171 199
Bank and cash balances	3 606	3 606
Deferred tax	36 587	36 587
Non-current asset held for sale	1 600	1 600
Total liabilities	371 630	371 630
Interest-bearing liabilities	91 794	91 794
Lease liability	17 108	17 108
Deferred tax	688	688
Trade and other payables	183 840	183 840
Taxation payable	5	5
Bank overdraft	78 053	78 053
Other liabilities	142	142
Net assets	47 931	47 931

	Continuing operations		Discontinued operations		Total R'000
	Trading and Distribution R'000	Total continuing operations R'000	Manufac- turing R'000	Total discontinued operations R'000	
STATEMENT OF PROFIT OR LOSS					
2023					
External revenue	993 000	993 000	–	–	993 000
Gross profit	248 805	248 805	–	–	248 805
Other income	1 812	1 812	1 873	1 873	3 685
Operating expenses	(296 892)	(296 892)	–	–	(296 892)
Impairment loss on trade receivables	(672)	(672)	–	–	(672)
Depreciation	(19 634)	(19 634)	–	–	(19 634)
(Loss)/profit from operations	(66 581)	(66 581)	1 873	1 873	(64 708)
Interest received	862	862	–	–	862
Interest paid	(21 298)	(21 298)	–	–	(21 298)
(Loss)/profit before taxation	(87 017)	(87 017)	1 873	1 873	(85 144)
Taxation	130	130	–	–	130
(Loss)/profit for the year	(86 887)	(86 887)	1 873	1 873	(85 014)

Segment analysis continued

for the year ended 30 April 2023

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

Segment analysis continued

for the year ended 30 April 2023

STATEMENT OF PROFIT OR LOSS	Continuing operations		Discontinued operations			Total R'000
	Trading and Distribution R'000	Total continuing operations R'000	Trading and Distribution discontinued R'000	Manufacturing discontinued R'000	Total Trading and Distribution and Manufacturing – discontinued R'000	
2022						
External revenue	1 076 351	1 076 351	–	–	–	1 076 351
Gross profit	259 879	259 879	–	–	–	259 879
Other income	2 922	2 922	6 560	8 665	15 225	18 147
Operating expenses	(299 598)	(299 598)	(1 159)	–	(1 159)	(300 757)
Impairment loss on trade receivables	(288)	(288)	–	–	–	(288)
Depreciation	(19 073)	(19 073)	–	–	–	(19 073)
Operating (loss)/profit before impairment	(56 158)	(56 158)	5 401	8 665	14 066	(42 092)
(Loss)/profit from operations	(56 158)	(56 158)	5 401	8 665	14 066	(42 092)
Interest received	10	10	–	–	–	10
Interest paid	(14 743)	(14 743)	–	–	–	(14 743)
(Loss)/profit before taxation	(70 891)	(70 891)	5 401	8 665	14 066	(56 825)
Taxation	13 155	13 155	–	–	–	13 155
(Loss)/profit for the year	(57 736)	(57 736)	5 401	8 665	14 066	(43 670)

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 April 2023

BASIS OF PREPARATION

These Annual Financial Statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the requirements of the Companies Act of South Africa, Financial Pronouncements issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited, on the historic cost basis except in the case of financial instruments which are measured using the amortised cost model. The Annual Financial Statements are prepared on the going concern basis. The preparation of Annual Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the Annual Financial Statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the Annual Financial Statements are disclosed under management estimates in the respective notes.

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.

Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets and liabilities acquired. Any goodwill that arises is tested at least annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in which case they are adjusted against the cost of the debt on initial recognition or recognised within equity, respectively.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised profit arising from intragroup transactions, are eliminated.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Rands, which is the Company's functional currency and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances are translated into the functional currency using the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss within operating expenses.

Significant accounting policies^{continued}

for the year ended 30 April 2023

BASIS OF PREPARATION^{continued}

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. If a foreign entity were to be sold, such exchange differences would be recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of Directors.

Use of judgements and estimates

In preparing these consolidated and separate financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Significant judgements and estimates

Information about assumptions and estimation uncertainties at 30 April 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Significant judgements

- Note 1 – Property, plant and equipment – estimation of useful lives of assets is based on historic performances as well as expectations about the future use, and requires a significant degree of judgement as well as, determining the fair value less costs to sell property, plant and equipment;
- Note 3 – Investment in subsidiaries – impairment test on investments: key assumptions underlying recoverable amounts;
- Note 5 – Inventories – measurement of slow-moving inventory, whether items of inventory are still saleable, and key assumptions used on the average usage and expected rate of sale of inventory; and
- Note 16 – Financial guarantee liability – recognition and measurement of financial guarantee liability: key assumptions about the likelihood and magnitude of an outflow of resources.

Significant estimates

- Note 4 – Deferred tax – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Note 6 – Trade and other receivables – measurement of estimated credit loss allowance as well as specific impairment allowance for trade receivables: key assumptions in determining the weighted-average loss rate;
- Note 35 – Guarantee and contingent liabilities – by their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events; and
- Note 37 – Going concern – underlying fundamentals of cash flow projections and forward-looking economic outlook for South Africa.

Significant accounting policies continued

for the year ended 30 April 2023

STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

There are various amendments and interpretations which have been issued, which are set out below. None of these are expected to have a significant impact on the Group.

Standard	Details of amendment	Annual periods beginning on or after
IAS 1 <i>Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)</i>	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic. At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.	1 January 2024
IAS 1 <i>Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies)</i>	The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2023
IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)</i>	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	1 January 2023
IAS 12 <i>Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)</i>	The amendment clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g., a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.	1 January 2023

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Standard	Details of amendment	Annual periods beginning on or after
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. In the South African context transition provisions have not yet been finalised and the impact on the Group is unknown at this stage.	1 January 2022
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)</i>	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is, therefore, recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IAS 16 <i>Property, Plant and Equipment (Amendment – Proceeds before Intended Use)</i>	In May 2020, IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 April 2023

1. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in supply of goods or for administrative purposes and are expected to be used during more than one period and are initially recorded at cost. Other than land, depreciation is calculated on the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. Subsequently, property, plant and equipment are carried at cost less accumulated depreciation and impairment. Useful lives and residual values are reassessed at the end of each financial period. The useful life applicable to each category of property, plant and equipment is estimated as follows:

Leasehold improvements	Shorter of the lease term and the asset's economic life (2 to 4 years)
Plant and equipment	10 to 20 years
Motor vehicles	4 to 5 years
Computer equipment	2 to 4 years
Office equipment	10 years
Furniture and fittings	6 to 10 years

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are tested for impairment when there is an indication of impairment. When such indication exists, and where the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. Impairment losses and reversals are recognised directly in profit or loss. Reversals of impairments are limited to the carrying amount of the asset had no impairment been recognised previously.

Disposal of property, plant and equipment

The profit or loss arising on the disposal or scrapping of an asset is the difference between the sales proceeds and the carrying amount of the asset and is recognised as gains or losses in profit or loss.

MANAGEMENT ESTIMATES

Residual values and useful lives of items of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

In reassessing assets' lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Notes to the annual financial statements continued

for the year ended 30 April 2023

1. PROPERTY, PLANT AND EQUIPMENT continued

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 2023						
Cost	11 550	10 736	12 158	23 707	8 139	66 290
Accumulated depreciation and impairments	(8 333)	(9 634)	(11 476)	(21 923)	(6 650)	(58 016)
Net carrying value	3 217	1 102	682	1 784	1 489	8 274
Movement summary						
Carrying value at 30 April 2022	3 200	1 383	1 033	3 012	1 845	10 473
Additions	282	374	284	108	986	2 034
Disposals	(82)	(166)	(113)	(428)	(387)	(1 176)
Depreciation	(183)	(420)	(525)	(920)	(955)	(3 003)
Impairments	–	(69)	–	–	–	(69)
Foreign translation	–	–	3	12	–	15
Carrying value at 30 April 2023	3 217	1 102	682	1 784	1 489	8 274
As at 30 April 2022						
Cost	12 146	10 727	12 393	25 234	4 547	65 047
Accumulated depreciation and impairments	(8 946)	(9 344)	(11 360)	(22 222)	(2 702)	(54 574)
Net carrying value	3 200	1 383	1 033	3 012	1 845	10 473
Movement summary						
Carrying value at 30 April 2021	5 596	1 542	1 085	4 296	2 726	15 245
Additions	702	623	530	95	47	1 997
Disposals	(2 796)	(284)	–	–	–	(3 080)
Depreciation	(302)	(498)	(585)	(1 379)	(928)	(3 692)
Foreign translation	–	–	3	–	–	3
Carrying value at 30 April 2022	3 200	1 383	1 033	3 012	1 845	10 473

Company

The Company has no property, plant and equipment.

Notes to the annual financial statements continued

for the year ended 30 April 2023

2. RIGHT-OF-USE ASSETS

ACCOUNTING POLICIES

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Subsequent to initial measurement of right-of-use-assets, an equivalent adjustment is made to the carrying value of the right-of-use asset equal to that of the corresponding lease to the extent it is modified with the revised carrying amount being depreciated over the remaining (revised) lease term.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Group	Land and buildings R'000	Motor vehicles R'000	Computer equipment R'000	Total R'000
As at 30 April 2023				
Cost	49 393	1 652	872	51 917
Accumulated depreciation and impairments	(36 899)	(578)	(278)	(37 755)
Net carrying value	12 494	1 074	594	14 162
Movement summary				
Carrying value at 30 April 2022	22 561	1 396	530	24 487
Additions	2 980	–	268	3 248
Modification as a result of lease extensions	2 968	–	–	2 968
Depreciation	(16 105)	(322)	(204)	(16 631)
Foreign translation	90	–	–	90
Carrying value at 30 April 2023	12 494	1 074	594	14 162

Notes to the annual financial statements continued

for the year ended 30 April 2023

2. RIGHT-OF-USE ASSETS continued

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

All right-of-use assets are encumbered as security for respective lease liabilities. The maturity profile of the lease obligations and details about encumbered assets are presented in note 15. The average remaining lease term of all leases is 3,4 years (2022: 3,4 years).

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

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

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

Company

The Company has no right-of-use assets.

Notes to the annual financial statements continued

for the year ended 30 April 2023

3. INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICIES

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Subsidiaries in the separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses.

MANAGEMENT ESTIMATES

Investments are tested for impairment at each reporting date to determine if there is an indication of impairment. The recoverable amounts of the impairment are estimated based on the value-in-use calculations.

	Country of incorporation	Segment	Ownership percentage		Shares at cost	
			2023 %	2022 %	2023 R'000	2022 R'000
Company						
Shares held directly:						
Ellies Infrastructure Holdings Proprietary Limited	RSA	Trading and Distribution	100	100	**	**
Ellies Electronics Holdings Proprietary Limited	RSA	Trading and Distribution	100	100	565 234	565 234
Accumulated impairment of investment					(565 233)	(565 233)
					1	1

** Amount is less than R1 000.

The Company recognised an impairment of Nil (2022: Rnil).

Notes to the annual financial statements continued

for the year ended 30 April 2023

3. INVESTMENTS IN SUBSIDIARIES continued

	Country of incorporation	Segment	Ownership percentage	
			2023 %	2022 %
Shares held indirectly:				
Botjheng Water Proprietary Limited *	RSA	Trading and Distribution	–	100
Ellies Electronics Proprietary Limited	RSA	Trading and Distribution	100	100
Ellies Electronics (Namibia) Proprietary Limited	Namibia	Trading and Distribution	100	100
Ellies Electronics (Botswana) Proprietary Limited	Botswana	Trading and Distribution	100	100
Elsat (Botswana) Proprietary Limited	Botswana	Trading and Distribution	100	100
Ellies Electronics Swaziland Proprietary Limited	Eswatini	Trading and Distribution	100	100
Ellies Properties Proprietary Limited	RSA	Trading and Distribution	100	100
Megatron SA Proprietary Limited **	RSA	Trading and Distribution	100	100

* Botjheng Water Proprietary Limited was deregistered on 15 May 2022.

** Megatron SA Proprietary Limited was placed in business rescue during the 2017 reporting period, however, Ellies Holdings Limited remains the 100% shareholder.

Notes to the annual financial statements continued

for the year ended 30 April 2023

4. DEFERRED TAXATION

ACCOUNTING POLICIES

Deferred taxation

Deferred tax is provided, using the statement of financial position liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Currently substantively enacted taxation rates (rate expected to be enforced when the asset is realised or liability settled) are used to calculate deferred taxation. Deferred taxation assets relating to deductible temporary differences are only recognised to the extent that it is probable that they will result in future economic benefits, in the form of reductions in the future taxable income, for the Group. Deferred taxation is charged to profit or loss, except to the extent that it relates to transactions recognised directly in other comprehensive income or equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to transactions recognised directly in other comprehensive income and equity. The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and that such deferred tax assets are expected to be utilised within the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

MANAGEMENT ESTIMATES

Deferred tax assets

The Group recognises a deferred tax asset when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of taxable temporary differences and that such deferred tax assets are expected to be utilised within the foreseeable future; and
- the entity has suffered a tax loss in either the current or preceding period in that tax jurisdiction to which the deferred tax asset relates.

A deferred tax asset was created in previous financial years in respect of assessable losses and temporary differences in relation to Ellies Electronics Proprietary Limited. This was based on forecasts and projections of Ellies Electronics Proprietary Limited, which asset is expected to be utilised against future taxable income in the foreseeable future. During the current financial year, management took the prudent decision not to provide for further deferred tax assets in respect of current year losses and temporary differences arising in the current financial year.

Notes to the annual financial statements continued

for the year ended 30 April 2023

4. DEFERRED TAXATION continued

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
The balance consists of:				
Capital allowance – Right-of-use assets	1 845	3 646	–	–
Accrual for employee benefits	1 200	3 206	–	–
Prepaid expenses	(6)	(422)	–	–
Impairments against receivables	2 027	2 200	–	–
Lease obligations	71	538	–	–
Income received in advance	71	71	–	–
Estimated tax losses	46 767	28 655	–	–
Unutilised temporary difference	(24 221)	(5 859)	–	–
Provisions	8 145	4 229	–	–
Unrealised foreign exchange gains and losses	–	(496)	–	–
	35 899	35 768	–	–
Movement summary				
Balance at the beginning of the year	35 768	22 640	–	–
Foreign translation	(5)	2	–	–
Temporary differences per statement of comprehensive income	136	13 126	–	–
Capital allowance – Right-of-use assets	(1 801)	(329)	–	–
Accrual for employee benefits	(2 006)	(4 835)	–	–
Prepaid expenses	416	(9)	–	–
Impairments against receivables	(173)	(9)	–	–
Lease obligations	(467)	(591)	–	–
Income in advance	–	(1 545)	–	–
Estimated tax losses	18 112	21 811	–	–
Unutilised temporary difference	(18 362)	1 885	–	–
Provisions	3 916	(2 653)	–	–
Unrealised foreign exchange gains and losses	501	(1 286)	–	–
Change in South African corporate tax rate	–	687	–	–
Balance at the end of the year	35 899	35 768	–	–
Disclosed as:				
Deferred taxation – non-current asset	36 587	36 410	–	–
Deferred taxation – non-current liability	(688)	(642)	–	–
	35 899	35 768	–	–

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

Ellies Electronics incurred tax losses of R75,7 million for the 2023 year, directors decided not to raise a further tax asset in the amount of R20,4 million as the realisation of the asset would likely extend beyond three years.

There are computed tax losses of R30,5 million (2022: R24 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 R8,2 million (2022: R5,8 million) deferred tax asset will be recognised. The directors decided not to raise the full deferred tax asset at this stage due to losses incurred by these entities in the current financial year.

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

Notes to the annual financial statements continued

for the year ended 30 April 2023

5. INVENTORIES

ACCOUNTING POLICIES

Inventories are stated at the lower of cost or net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity.

Costs of ordinary interchangeable items are assigned using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

MANAGEMENT ESTIMATES

Inventory impairments

Impairment of inventory is calculated on a line-by-line basis with reference to the average rate of sale to identify slow-moving, defective or obsolete items. Slow-moving items identified relative to its rate of sale and its selling price are then discounted in an endeavour to accelerate its disposal.

Defective products are products which cannot be sold for its original intended use due to damage or defects. Obsolete items are items which are technologically out of date and, therefore, have no or very limited demand.

The carrying value of identified items is reduced to its expected net realisable value, which in certain instances may be a nil value.

	Group	
	2023 R'000	2022 R'000
Merchandise	167 697	235 415
Goods in transit	19 611	–
Work in progress	7 952	2 391
Gross inventories	195 260	237 806
Impairment allowance raised against inventories	(24 061)	(24 160)
	171 199	213 646
Movement in impairment allowance raised against inventories		
Balance at the beginning of the year	24 160	24 835
Impairment allowances raised	579	(529)
Impairment allowances utilised	(784)	(145)
Foreign currency translation reserve	106	(1)
Balance at the end of the year	24 061	24 160

During the year R4 million (2022: R8,7million) worth of inventory was written off as obsolete, damaged or unsaleable. Refer to note 20.

Inventory has been pledged as security against certain banking facilities. Refer to notes 8 and 14.

Notes to the annual financial statements continued

for the year ended 30 April 2023

6. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade receivables

Trade receivables excluding, when applicable, value added tax, deposits and prepayments, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

In order to mitigate the risk of financial loss from defaults, each new customer is analysed individually for creditworthiness before terms and conditions are offered. The Group makes use of information submitted by customers as well as external bureau data. Where possible, guarantees or another form of collateral are obtained.

Managing the exposure within the approved limit is continuously monitored.

Significant financial difficulties of the debtor, probability that the debtor will enter financial reorganisation or bankruptcy and default or delinquency on payments are considered indications that the trade receivable is impaired.

Before accepting any new customer, the Group performs credit checks utilising external credit bureaus. 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

Due to the short-term nature of other financial receivables measured at amortised cost, their carrying amount is considered to be the same as their fair value.

MANAGEMENT ESTIMATES

Impairment

IFRS 9

Trade receivables are stratified into identifiable categories based on the revenue streams of the business and the risk profile of the customers. The identified categories are retailers, independent customers and COD customers. The age analyses were reviewed and the historic losses identified were allocated to the respective category. The reviews resulted in the requirement for specific impairments and credit note provisions being identified. Further, an expected loss ratio was determined based on historic losses as well as forward-looking information incorporated in the Moody's Analytics risk models. A provision matrix was used to determine the lifetime expected credit loss for these customers.

In determining the utilisation of loss allowances and write-offs, the Group considered, *inter alia*, disputes with customers, untraceable debtors, long-overdue account balances, customers handed over to attorneys for collection and customers placed under liquidation.

Other trade receivables are immaterial and do not expose the Group to significant credit risk and no expected credit losses are, therefore, raised on these balances.

Notes to the annual financial statements continued

for the year ended 30 April 2023

6. TRADE AND OTHER RECEIVABLES continued

	Group	
	2023 R'000	2022 R'000
Gross trade receivables	144 441	152 132
Expected credit loss allowances	(9 930)	(13 629)
Selected material exposures	(111)	(126)
General debtors with expected credit losses	(9 819)	(13 503)
Net trade receivables	134 511	138 503
Prepayments	38 008	2 697
Deposits	1 623	1 287
Value added tax	2 920	3 889
Financed receivables	529	551
Sundry other receivables	4 936	425
	182 527	147 352

Trade receivables in South Africa have been encumbered to Standard Bank of South Africa to secure certain banking facilities. Refer to note 14.

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

	Group	
	2023 R'000	2022 R'000
Movement in impairment allowance raised against receivables		
Balance at the beginning of the year	13 629	14 192
Impairment allowance raised/(decreased)	(3 612)	(380)
Impairment allowance utilised	(87)	(183)
Balance at the end of the year	9 930	13 629

Basis of raising specific impairment allowances against receivables

All trade and other receivables are continuously reviewed on an individual basis. Allowances for impairment raised against receivables are reversed when a receivable amount is either written off as bad debt, or when a previous allowance is received.

Notes to the annual financial statements continued

for the year ended 30 April 2023

6. TRADE AND OTHER RECEIVABLES continued

Exposure to credit risk

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

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

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

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

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

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

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

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

On the above basis the expected credit loss allowance for trade receivables as at 30 April 2023 was determined as follows:

Default

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

Write-off policy

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

Bad debt recovered

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

Notes to the annual financial statements continued

for the year ended 30 April 2023

6. TRADE AND OTHER RECEIVABLES continued

On the above basis the expected credit loss allowance for trade receivables as at 30 April 2023 was determined as follows:

Group	Trade receivables days past due					Total R'000
	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	
2023						
Selected material exposures						55 843
– Massmart Group						42 817
– Multichoice						13 026
Lifetime expected credit losses on selected exposures						(111)
Carrying value of remaining general debtors with expected credit losses	15 374	30 575	13 907	5 880	13 043	78 779
Gross amount	15 493	31 057	14 393	6 279	21 376	88 598
Expected credit loss rate (%)	0,77	1,55	3,38	6,35	38,98	11,08
Lifetime expected credit losses *	(119)	(482)	(486)	(399)	(8 333)	(9 819)
						134 511
Gross amount of trade receivables						144 441
Allowance for expected credit losses						(9 930)
Net carrying value of trade receivables						134 511

* The 120+ day ageing bucket includes R6,8 million of trade receivables, which have been fully provided for. The reduction of the 120+ days lifetime credit losses, when compared to the prior year, is due to process improvements implemented around the management and collection of outstanding receivables.

Notes to the annual financial statements continued

for the year ended 30 April 2023

6. TRADE AND OTHER RECEIVABLES continued

Group	Trade receivables days past due					Total R'000
	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	
2022						
Selected material exposures						63 565
– Massmart Group						52 354
– Multichoice						11 211
Lifetime expected credit losses on selected exposures						(126)
Carrying value of remaining general debtors with expected credit losses	37 081	20 800	7 639	1 609	7 935	75 064
Gross amount	37 148	21 068	7 847	1 697	20 807	88 567
Expected credit loss rate (%)	0,18	1,27	2,65	5,19	61,86	15,25
Lifetime expected credit losses *	(67)	(268)	(208)	(88)	(12 872)	(13 503)
						138 503
Gross amount of trade receivables						152 132
Allowance for expected credit losses						(13 629)
Net carrying value of trade receivables						138 503

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

Notes to the annual financial statements continued

for the year ended 30 April 2023

7. LOANS TO/(FROM) SUBSIDIARIES

ACCOUNTING POLICIES

Loans to/(from) subsidiaries

Loans to subsidiaries are classified as financial assets recognised at amortised cost. Loans from subsidiaries are classified as financial liabilities recognised at amortised cost.

Impairment of financial assets – IFRS 9

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses, termed 'the expected credit loss (ECL) model'. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- financial assets that have objective evidence of impairment and are considered in default at the reporting date (Stage 3).

12-month expected credit losses are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. When a loan is in default, interest is accrued on the net impaired balance.

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. The Group defines a significant increase in credit risk as when there is an indication that the subsidiary is financially distressed, and may not be able to meet its obligations as they fall due in the normal course of business and when there is a going concern impediment. The Group defines a default event as non-payment of debts on due date, when a subsidiary becomes insolvent, and when it ceases business due to a going concern issue. The Group's write-off policy is to impair loan accounts or where the amount owing is considered irrecoverable, to write it off.

	Company	
	2023 R'000	2022 R'000
Current		
Ellies Electronics Holdings Proprietary Limited *	–	–
– Loan	4 523	4 523
– Impairment	(4 523)	(4 523)
Ellies Electronics Proprietary Limited *	(5 544)	(64)
	(5 544)	(64)

* These amounts are unsecured and interest-free and repayable on demand.

Notes to the annual financial statements continued

for the year ended 30 April 2023

8. BANK AND CASH BALANCES

ACCOUNTING POLICIES

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are included within cash and cash equivalents in the statement of cash flows as they form an integral part of the Group's cash management.

Cash and cash equivalents are initially recognised at fair value. After initial recognition, these are measured at amortised cost using the effective interest method.

Impairment (IFRS 9)

The same policy applies as per note 7 (loans to/from subsidiaries).

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash on hand	118	565	–	–
Bank accounts	3 488	6 542	106	108
CFC Bank accounts	(421)	1 795	–	–
Bank overdrafts	(77 632)	(45 416)	–	–
	(74 447)	(36 514)	106	108
Disclosed as				
Current asset	3 606	8 902	106	108
Current liability	(78 053)	(45 416)	–	–
	(74 447)	(36 514)	106	108

Banking facilities

The Group's banking facilities comprise of:

- R85 million, A amortising facility;
- R80 million, B bullet facility; and
- R80 million general banking facility.

The banking facilities of the Company and its subsidiaries are secured as follows:

- general notarial bond over all moveable assets, which include inventory of the South African entities (note 1), restricted to R500 million (2022: R500 million); and
- cession of trade and other receivables (note 6).

Refer to note 14 for further details.

Notes to the annual financial statements continued

for the year ended 30 April 2023

9. NON-CURRENT ASSETS HELD FOR SALE

ACCOUNTING POLICIES

Non-current assets classified as held for sale

Items classified as non-current assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. Once classified as held-for-sale property, plant and equipment are no longer depreciated.

Such assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from date of classification.

ERF 236 Village Deep continues to be marketed to potential buyers.

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

	Group	
	2023 R'000	2022 R'000
Erf 264 Village Deep, Johannesburg	–	1 950
Erf 236 Village Deep, Johannesburg	1 600	1 600
Non-current assets held for sale	1 600	3 550
Profit on disposal on non-current assets held for sale		
Proceeds on disposal of non-current assets held for sale	1 996	–
Carrying value of non-current assets held for sale	(1 950)	–
Profit on disposal included in other income	46	–

Notes to the annual financial statements continued

for the year ended 30 April 2023

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

ACCOUNTING POLICIES

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
- or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative year.

Measurement

Discontinued operations and disposal groups held for sale/distribution are measured at the lower of the carrying value and fair value less costs to sell.

Following the release of Botjheng Water Proprietary Limited's loan obligations in the 2021 financial year, the decision was taken to wind up and deregister the company. The date of deregistration was 15 May 2022.

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

	Botjheng Water		Total	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Group				
Other income	–	6 560	–	6 560
Operating expenses	–	(1 159)	–	(1 159)
Profit before interest and taxation ("PBIT")	–	5 401	–	5 401
Profit before taxation ("PBT")	–	5 401	–	5 401
Taxation	–	–	–	–
Profit after taxation ("PAT")	–	5 401	–	5 401
Profit for the year from discontinued operations attributable to equity holders of the parent	–	5 401	–	5 401
Profit for the year from discontinued operations	–	5 401	–	5 401
Liquidation distribution received – Ellies Industries Proprietary Limited	–	–	1 873	8 665
Profit for the year from discontinued operations	–	5 401	1 873	14 066

Notes to the annual financial statements continued

for the year ended 30 April 2023

10. 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	
	2023 R'000	2022 R'000
Operating activities	1 873	8 665
Investing activities	–	–
Financing activities	–	–
Cash flows from discontinued operations	1 873	8 665

11. STATED CAPITAL

ACCOUNTING POLICIES

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from proceeds.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Authorised				
850 000 000 (2022: 850 000 000) no par value shares				
Issued				
805 400 305 (2022: 805 400 305) no par value shares	855 736	855 736	855 736	855 736
	Number of shares	Number of shares	Number of shares	Number of shares
Shares in Issue at the beginning of the year	805 400 305	620 158 235	805 400 305	620 158 235
Shares issued for cash *	–	185 242 070	–	185 242 070
Shares in issue at the end of the year	805 400 305	805 400 305	805 400 305	805 400 305

* Refer to Directors' Report for details on transaction.

Notes to the annual financial statements continued

for the year ended 30 April 2023

12. NON-DISTRIBUTABLE RESERVES

ACCOUNTING POLICIES

Foreign subsidiaries – translation

Once-off items in the statement of comprehensive income and statement of cash flows of foreign subsidiaries expressed in currencies other than the South African Rand are translated to South African Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. The difference that arises due to the above translations is recognised in the statement of changes in equity as a foreign currency translation reserve. For these purposes, net assets include loans between Group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in equity are recycled through profit or loss as part of the gain or loss on disposal.

Common control transactions

The predecessor values method is used to account for common control transactions. The predecessor values method requires financial statements to be prepared using predecessor book values without any step up to fair value. The difference between any consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity as a common control reserve. No additional goodwill is created by the transaction.

Share-based compensation reserve

The Group operates equity- and cash-settled share-based compensation plans. The costs of these arrangements are measured by reference to their fair value at the dates on which they were granted. The fair values are charged as an expense with a corresponding credit to equity (equity-settled) and liabilities (cash-settled), over the vesting period of each grant. The costs take into account the best estimate of the number of rights that are expected to vest, taking into account non-market conditions such as exits from the schemes prior to vesting and operating performance compared to target for vesting, where applicable. These estimates are revised at each reporting date and the impact of the revision is recognised in the statement of profit or loss.

	Group	
	2023 R'000	2022 R'000
Arising from common control transactions	(178 194)	(178 194)
Foreign currency translation reserve	1 890	2 284
Share-based payment reserve (note 13)	501	682
	(175 803)	(175 228)
Movement summary for foreign currency translation reserve		
Balance at the beginning of the year	2 284	2 222
Translation of foreign entity	(394)	62
Balance at the end of the year	1 890	2 284
Movement summary for share-based payment reserve (note 13)		
Balance at the beginning of the year	682	450
Share-based payment cost recognised during the year	892	341
Share-based payment forfeited during the year	(1 073)	(109)
Balance at the end of the year	501	682

Notes to the annual financial statements continued

for the year ended 30 April 2023

13. SHARE-BASED PAYMENTS

ACCOUNTING POLICIES

Share-based compensation

The Group operates equity- and cash-settled share-based compensation plans. The costs of these arrangements are measured by reference to their fair value at the dates on which they were granted. The fair values are charged as an expense with a corresponding credit to equity (equity-settled) and liabilities (cash-settled), over the vesting period of each grant. The costs take into account the best estimate of the number of rights that are expected to vest, taking into account non-market conditions such as exits from the schemes prior to vesting and operating performance compared to target for vesting, where applicable. These estimates are revised at each reporting date and the impact of the revision is recognised in the statement of profit or loss.

Share-based payments – equity-settled

On 26 April 2021, the Group offered a combined total of 13 487 002 forfeitable options to the CEO, CFO and prescribed officers with effect from 1 May 2020 with the requirement that they remain in employment for the duration of the vesting period and achieve certain performance criteria upon which time the options shall vest.

C Booyens (CFO) retired on 5 January 2022 and forfeitable options related to this award were forfeited.

The performance criteria are:

- cumulative diluted headline earnings per share greater than 19 cents per share over the measurement period with a minimum terminal value;
- return on invested capital greater than 15% each year; and
- new business revenue streams of at least 33% as a percentage of total revenue.

As at 30 April 2023, which was the end of the 3-year period, the performance criteria were not met and these options were forfeited.

	Vesting period	Fair value at grant date (cents)
13 487 002 options at a strike price of nil	3 years	10

The shares were valued at issue date using the Black Scholes model.

Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model takes into account all inputs to determine the fair value of the options as follows:

Share price at grant date (cents)	10
Exercise price (cents)	Nil
Volatility (%) *	166,87
Expected life (years)	3
Expected dividends (%)	–
Risk-free rate (%)	7,30

* Expected volatility has been based on an evaluation of the historical volatility of the Company's share price for the preceding year.

Notes to the annual financial statements continued

for the year ended 30 April 2023

13. SHARE-BASED PAYMENTS continued

The equity-settled payment is recognised over the applicable period of each option.

	R'000
The fair value of the option award was realised as follows:	1 072
2021	450
2022	232
2023	390

On 29 April 2022, the Group offered a combined total of 13 672 988 forfeitable options to the CEO, CFO and prescribed officers with the requirement that they remain in employment for the duration of the vesting period and achieve certain performance criteria upon which time the options shall vest on 29 April 2025.

The performance criteria are:

- Ellies Holdings Limited share price of \geq 45 cents; and
- new revenue streams of at least 33% as a percentage of total revenue.

	Vesting period	Fair value at grant date (cents)
13 672 988 options at a strike price of nil	3 years	22

The shares were valued at issue date using the Black Scholes model.

Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model takes into account all inputs to determine the fair value of the options as follows:

Share price at grant date (cents)	22
Exercise price (cents)	Nil
Volatility (%) *	113,43
Expected life (years)	3
Expected dividends (%)	-
Risk-free rate (%)	7,31

* Expected volatility has been based on an evaluation of the historical volatility of the Company's share price for the preceding year.

Notes to the annual financial statements continued

for the year ended 30 April 2023

13. SHARE-BASED PAYMENTS continued

The equity-settled payment is recognised over the applicable period of each option.

	R'000
The fair value of the units of participation is expected to be realised as follows:	3 008
2023	1 003
2024	1 003
2025	1 002

Share-based payments – cash-settled

On 26 April 2021, the Group offered a combined total of 13 487 002 units of participation to the CEO, CFO and prescribed officers with effect from 1 May 2020 with the requirement that they remain in employment for the duration of the vesting period and achieve certain performance criteria upon which time the units shall vest. It is the Group's intention to settle in cash.

C Booyens (CFO) retired on 5 January 2022 and units of participation related to this offer were forfeited.

The performance criteria are:

- cumulative diluted headline earnings per share greater than 19 cents per share each year over the measurement period with a minimum terminal value;
- return on invested capital greater than 15% each year; and
- new revenue streams of at least 33% as a percentage of total revenue.

Non-market performance assumptions made are that at all participants will remain in employment over the term of the scheme and that at a minimum 92,5% of the target will be achieved, which will result in a 50% vesting in terms of the scheme.

As at 30 April 2023, which was the end of the 3-year period, the performance criteria were not met and these participation rights were forfeited.

	Vesting period	Fair value at grant date (cents)	Fair value at 30 April 2022 (cents)
13 487 002 options at a strike price of nil	3 years	10	22

The units of participation were valued at issue date using the Black Scholes model.

Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model takes into account all inputs to determine the fair value of the options as follows:

Share price at grant date (cents)	10
Exercise price (cents)	Nil
Volatility (%) *	166,87
Expected life (years)	3
Expected dividends (%)	–
Risk-free rate (%)	7,30%

* Expected volatility has been based on an evaluation of the historical volatility of the Company's share price for the preceding year.

Notes to the annual financial statements continued

for the year ended 30 April 2023

13. SHARE-BASED PAYMENTS continued

The cash-settled payment is recognised over the applicable period of each option.

	R'000
The fair value of the units of participation was realised as follows:	358
2021	225
2022	524
2023	(391)

On 29 April 2022, the Group offered a combined total of 13 762 988 units of participation to the CEO, CFO and prescribed officers with the requirement that they remain in employment for the duration of the vesting period and achieve certain performance criteria upon which time the units shall vest. It is the Group's intention to settle in cash.

The performance criteria are:

- Ellies Holdings Limited share price of \geq 45 cents; and
- new revenue streams of at least 33% as a percentage of total revenue.

Non-market performance assumptions made are that at all participants will remain in employment over the term of the scheme and that at a minimum 92.5% of the target will be achieved, which will result in a 50% vesting in terms of the scheme.

	Vesting period	Fair value at grant date (cents)
13 487 002 options at a strike price of nil	3 years	22

The units of participation were valued at issue date using the Black Scholes model.

Measurement of fair value

The fair value of the options has been measured using the Black Scholes model. The model takes into account all inputs to determine the fair value of the options as follows:

Share price at grant date (cents)	22
Exercise price (cents)	Nil
Volatility (%) *	113,43
Expected life (years)	3
Expected dividends (%)	–
Risk-free rate (%)	7,31

* *Expected volatility has been based on an evaluation of the historical volatility of the Company's share price for the preceding year.*

The equity-settled payment is recognised over the applicable period of each option.

	R'000
The fair value of the units of participation is expected to be realised as follows:	3 008
2023	1 003
2024	1 003
2025	1 002

Notes to the annual financial statements continued

for the year ended 30 April 2023

14. INTEREST-BEARING LIABILITIES

ACCOUNTING POLICIES

Interest-bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest-bearing liabilities are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

	Group	
	2023 R'000	2022 R'000
Non-current portion	306	91 518
Instalment sale liabilities	306	30
Term loan	–	91 488
Current portion	91 488	18 895
Instalment sale liabilities	–	6
Term loan – payable within 12 months	91 488	18 889
	91 974	110 413
Reconciliation of interest-bearing liability at year-end:		
1 year	101 868	27 631
2 to 3 years	–	98 718
	101 868	126 349
Less: Finance cost component	(10 074)	(15 936)
	91 974	110 413

Instalment sale liabilities

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

Term loans

The Group's banking facilities consist of the following:

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

The loan bears interest at Jibar plus a margin of 4%, 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 of South Africa – Facility B (R80 million)

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

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

- General notarial bond over all moveable assets (note 2) of R500 million (2022: R500 million); and
- Cession of trade and other receivables and amounts due from contract customers (note 6).

The Group did not meet the EBITDA levels on which the facilities' covenants are based. The Group requested and received condonation from Standard Bank of South Africa for the current financial year, which was received post the financial year-end on 3 May 2023. In terms of the covenant, the Group's borrowings may not exceed 3 times EBITDA. The actual for the year was (-3,54) and (-4,06) for the previous financial year.

15. LEASE LIABILITIES

ACCOUNTING POLICIES

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the group's incremental borrowing rate at the time of entering into lease agreement.

To determine the incremental borrowing rate for a specific lease, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; and
- makes adjustments specific to the lease, e.g., term, currency and security, where applicable.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Notes to the annual financial statements continued

for the year ended 30 April 2023

15. LEASE LIABILITIES continued

	Group	
	2023 R'000	2022 R'000
Lease liabilities		
Non-current	5 953	12 101
Current	11 155	17 481
	17 108	29 582
Movement summary		
Opening balance at 1 May 2022	29 582	36 066
Additions	3 498	5 159
Modifications – lease renewals	2 460	4 534
Interest	2 171	2 826
Lease payments	(20 698)	(18 999)
Foreign currency translation	95	(4)
Carrying value at 30 April 2023	17 108	29 582
Depreciation right-of-use asset		
Land and buildings	16 105	15 050
Motor vehicles	322	256
Computer equipment	204	75
	16 631	15 381
Lease liability payments		
Principal paid on lease liabilities	18 527	16 173
Interest paid on lease liabilities	2 171	2 826
	20 698	18 999
Other disclosure		
Lease of low value assets included in operating expenses:		
Plant and equipment	4 255	5 845
Premises	276	255
	4 531	6 100

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

	Group	
	2023 R'000	2022 R'000
Reconciliation of lease liabilities at year-end		
0 to 6 months	7 175	9 928
6 to 12 months	5 077	9 252
2 to 4 years	6 356	13 163
	18 608	32 343
Less: Finance cost component	(1 500)	(2 761)
	17 108	29 582

Notes to the annual financial statements continued

for the year ended 30 April 2023

15. LEASE LIABILITIES continued

The Group leases various offices, warehouses and commercial spaces. Rental contracts are typically made for fixed periods of 2 years to 5 years, but may have extension options. The average remaining lease term of all the leases is 3,4 years (2022: 3,4 years). The corresponding right-of-use assets are reflected in note 2.

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

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

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

16. FINANCIAL GUARANTEE LIABILITY

ACCOUNTING POLICIES

Company – Financial guarantee liability

Financial guarantees comprise the expected credit loss ("ECL") provision for Group guarantees. This is based on the guarantees issued as part of facilities agreements entered into with financial institutions. The guarantees are valued based on the risk of the counterparty whose obligations have been guaranteed. The initial recognition is valued at the time of origination and subsequently reflected at the higher of the ECL based on the banking facilities being guaranteed as at year-end, and the amortised cost of the ECL on the banking facility at the time of origination. The fair value of the liability on initial recognition is recognised in the statement of financial position – investment in subsidiaries. The annual movement in the financial guarantee value is recognised as an income or expense in the statement of comprehensive income.

MANAGEMENT ESTIMATES

Guarantees are valued based on the risk of the counterparty whose obligations have been guaranteed. The ECL on the guarantee is limited by the fair value of the guarantor. The net asset value has been used as the indicator of fair value.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Guarantee provision				
Balance at the beginning of the year	–	–	12 505	22 829
Provisions raised/(released)	–	–	3 648	(10 324)
Balance at the end of the year	–	–	16 153	12 505

Notes to the annual financial statements continued

for the year ended 30 April 2023

16. FINANCIAL GUARANTEE LIABILITY continued

Company

Guarantee provisions are calculated in terms of IFRS 9 as the Company is party to a loan facility agreement with Standard Bank of South Africa as an obligator for the borrowings of Ellies Electronics Holdings Proprietary Limited, Ellies Properties Proprietary Limited and Ellies Electronics Proprietary Limited.

Basis of valuation

Guarantees were valued based on the risk of the counterparty whose obligations have been guaranteed. Financial guarantee contracts are subsequently measured at the higher of:

- The fair value on initial recognition less any accumulated amortisation, if any.
- The expected credit loss allowance.

Methodology

On initial recognition, the fair value of the financial guarantee liability was determined by estimating the probability of default and the loss given default (the loss in the event of default) and applying these to the amount which the Company has guaranteed.

Subsequent to initial recognition the amortised cost is compared to the ECL measured on a one year or lifetime basis depending on the stage and the higher of the two is recognised at each financial year-end.

For the fair value on the initial recognition, the future value of the guarantee on date of issuance was determined by measuring the expected credit loss on the guarantee based on the amount and term of the facilities.

The Moody's RiskCalc solution was utilised with inputs being the historical audited financial statements. The output of this being a historic PD (Probability of Default) and LGD (Loss Given Default).

The resultant PDs and LGDs were then put through the Moody's Analytics ImpairmentCalc to convert these historical credit losses into forward-looking ECLs.

The ECL calculation also took the following Company-specific information into account:

- The original facilities agreement was entered into on November 2018 and was renegotiated in April 2020.
 - A 60-month behavioural term was assumed on all non-amortising facilities. The agreement with Standard Bank does not set a renewal date and it is assumed that these will be renewed in 5 years.
 - RiskCalc calculates an annual PD for 5 years. Where the term of the PD is not an exact number of years, the PDs have been apportioned between years on a straight-line basis. This is strictly not accurate but the difference between this result and the 18-month PD using the true term structure is not material.
 - It has been assumed that the guarantees are in stage 2 and as a result the ECL is based on lifetime losses as the Group is in breach of its covenants. The LGD is based on a default with recovery scenario.
-
-

Notes to the annual financial statements continued

for the year ended 30 April 2023

17. PROVISIONS

ACCOUNTING POLICIES

Provisions are recognised in terms of IAS 37 when there is a legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, with the exception of the Company which has raised an ECL guarantee provision in terms of IFRS 9. Provisions are not recognised for future operating losses.

Specific provisions raised include provisions for warranties on products that are sold, provision for employee benefits as well as provision for royalties.

MANAGEMENT ESTIMATES

Costs of warranty include the cost of labour, material and related overhead necessary to repair a product during the warranty period. Management accrues for the estimated cost of the warranty on products sold. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty. The actual warranty costs may differ from estimated warranty costs.

	Group	
	2023 R'000	2022 R'000
Provision for warranty		
Balance at the beginning of the year	121	121
Balance at the end of the year	121	121
Other provisions		
Balance at the beginning of the year	21	21
Balance at the end of the year	21	21
Total provisions	142	142

The provision for warranty relates to goods sold for which there are warranties attached.

The Company has no provisions.

Notes to the annual financial statements continued

for the year ended 30 April 2023

18. TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	131 784	105 013	–	–
Accrued expenses	19 976	12 228	80	272
Inventory accruals (including goods-in-transit)	19 955	1 251	–	–
Income received in advance	7 206	6 062	–	–
Payroll accruals	4 630	8 612	–	–
Value added tax	289	–	–	–
	183 840	133 166	80	272

The directors consider the carrying amount of trade and other payables to approximate their fair value.

Notes to the annual financial statements continued

for the year ended 30 April 2023

19. REVENUE

ACCOUNTING POLICIES

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or services to a customer.

The entity enters into contracts for the sale of goods in the form of Digital Terrestrial Television (DTT), satellite television products and related accessories, electrical, signal distribution, residential and commercial LED lighting solutions, solar power, sound and audio-visual equipment.

Each contract has one performance obligation, namely the transfer of the control over the specified goods. This obligation is satisfied at a point in time, usually being on date of delivery. The entity also provides warranties for a two-year period on certain products. No element of financing is deemed present as the sales are made generally by cash or negotiated credit terms of 30 to 120 days.

Ellies is a distributor of products procured from other suppliers. Due to approximately 30% of products being imported, Ellies is often not able to return losses associated with returned product to manufacturers. Ellies will accept from its customers all reasonable returns of products including faulty product and out-of-box failures within a reasonable or guarantee period for full credit, but is not in a position to accept liability for failure by the operators of networks as that is outside Ellies' control.

	Group	
	2023 R'000	2022 R'000
Revenue from contracts with customers	993 000	1 076 351
	993 000	1 076 351

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

Notes to the annual financial statements continued

for the year ended 30 April 2023

19. REVENUE continued

Disaggregation of revenue from contracts with customers

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

	Group	
	2023 R'000	2022 R'000
South Africa	932 357	1 015 243
Botswana	15 190	18 868
Namibia	39 450	32 819
Eswatini	6 003	9 421
	993 000	1 076 351
Revenue generated in South Africa can be further disaggregated into the following customers groups:		
Cash on delivery	43 015	37 057
Independent customers	299 128	312 973
Satellite television service providers	145 511	210 512
Major retailers	444 703	454 701
	932 357	1 015 243

20. COST OF SALES

ACCOUNTING POLICIES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The amount of any reversal of any writedown of inventories is limited to the original carrying amount had no write-down been recognised.

	Group	
	2023 R'000	2022 R'000
Cost of goods sold	740 368	807 733
Inventory write-offs	3 827	8 739
	744 195	816 472

Notes to the annual financial statements continued

for the year ended 30 April 2023

21. PROFIT/(LOSS) FROM OPERATIONS

ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employees' entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of the employee's services rendered to the reporting date.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
(Profit)/loss from operations is stated after taking the following items into account:				
Foreign exchange loss	2 473	468	-	-
Included in other income				
- Financial guarantee liability release	-	-	-	10 324
Financial guarantee raised	-	-	3 648	-
Depreciation	19 634	19 073	-	-
- Property, plant and equipment (operating expenses)	3 003	3 692	-	-
- Right-of-use asset (operating expenses)	16 631	15 381	-	-
Legal fees	1 161	2 577	-	-
Consulting fees	8 773	9 874	-	-
Audit fees	2 482	(373)	-	-
Delivery costs	46 825	44 426	-	-
Impairment loss on trade receivables	672	288	-	-
- Trade receivables written off	4 284	668	-	-
- Expected credit loss provision increase/(decrease)	(3 612)	(380)	-	-
Short-term leases				
Plant and equipment	4 255	5 845	-	-
Premises	276	255	-	-
	4 531	6 100	-	-
Premises – utility charges	4 525	5 366	-	-
Profit on sale of non-current assets				
Loss on disposal of property, plant and equipment	124	95	-	-
Employee costs				
Directors	9 305	14 064	-	-
Prescribed officers	4 818	7 936	-	-
Other staff	143 132	147 651	-	-
	157 255	169 651	-	-

Notes to the annual financial statements continued

for the year ended 30 April 2023

21. PROFIT/(LOSS) FROM OPERATIONS continued

Details of directors and key management's remuneration are disclosed as follows:

2023	Fees for services as directors R'000	Basic salary R'000	Allowances R'000	Medical aid and provident fund R'000	Bonus [^] R'000	Share-based payments [#] R'000	Total R'000
Executive directors							
Dr Shaun Prithvirajh	–	3 345	–	535	–	235	4 115
Guy Moretti	–	2 250	–	248	–	108	2 606
	–	5 595	–	783	–	343	6 721
Non-executive directors							
Timothy Fearnhead	600	–	–	–	–	–	600
Martin Kuscus	350	–	–	–	–	–	350
Francois Olivier	–	–	–	–	–	–	–
Darren Kramer	350	–	–	–	–	–	350
Edward Raff	350	–	–	–	–	–	350
Edick Lehapa	350	–	–	–	–	–	350
Maya Makanjee *	292	–	–	–	–	–	292
Sedzani Mudau *	292	–	–	–	–	–	292
	2 584	–	–	–	–	–	2 584
Prescribed officers							
Johan Klein	–	2 022	72	265	–	68	2 427
Zeyn Agjee	–	2 041	34	226	–	90	2 391
	–	4 063	106	491	–	158	4 818
	2 584	9 658	106	1 274	–	501	14 123

* Appointed on 1 July 2022.

[^] Bonus payments are performance-related for the previous financial year.

[#] Share-based payments have not yet vested, i.e., employees have become participants but have not yet received the benefits.

Notes to the annual financial statements continued

for the year ended 30 April 2023

21. PROFIT/(LOSS) FROM OPERATIONS continued

2022	Fees for services as directors R'000	Basic salary R'000	Allowances R'000	Medical aid and provident fund R'000	Bonus [^] R'000	Share-based payments [#] R'000	Total R'000
Executive directors							
Dr Shaun Prithvirajh	–	3 372	–	511	2 767	562	7 212
Guy Moretti *	–	750	–	83	–	–	833
Chris Booyens **	–	2 119	27	121	2 020	–	4 287
	–	6 241	27	715	4 787	562	12 332
Non-executive directors							
Timothy Fearnhead	558	–	–	–	–	–	558
Martin Kuscus	329	–	–	–	–	–	329
Francois Olivier	–	–	–	–	–	–	–
Darren Kramer ***	187	–	–	–	–	–	187
Edward Raff	329	–	–	–	–	–	329
Edick Lehapa	329	–	–	–	–	–	329
	1 732	–	–	–	–	–	1 732
Prescribed officers							
Johan Klein	–	2 020	72	267	1 480	185	4 024
Zeyn Agjee	–	2 058	22	210	1 449	174	3 913
	–	4 078	94	477	2 929	358	7 936
	1 732	10 319	121	1 192	7 716	920	22 000

* Appointed on 5 January 2022.

** Retired on 5 January 2022.

*** Appointed on 19 October 2021.

[^] Bonus payments are performance-related for the previous financial year.

[#] Share-based payments have not yet vested, i.e., employees have become participants but have not yet received the benefits.

All emoluments are paid by Ellies Electronics Proprietary Limited with the exception of the non-executive directors, who are paid by Ellies Holdings Limited.

Notes to the annual financial statements continued

for the year ended 30 April 2023

22. INTEREST INCOME

ACCOUNTING POLICY

Finance income

The Group's finance income includes interest income.

Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Funds and deposits with banks	–	10	–	–
Interest received from overpayment of taxation	812	–	–	–
Other	50	–	2	–
	862	10	2	–

23. INTEREST EXPENSE

ACCOUNTING POLICIES

Finance costs

The Group's finance costs include interest expense.

Interest expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the amortised cost of the liability.

	Group	
	2023 R'000	2022 R'000
Bank overdraft and trade finance facility	8 346	3 687
Interest-bearing liabilities	10 625	8 181
Interest on lease liability	2 171	2 826
Other	156	49
	21 298	14 743

Notes to the annual financial statements continued

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24. TAXATION

ACCOUNTING POLICIES

Current taxation

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates and legislation substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
South African normal taxation				
Prior year under/(over) provision	4	(29)	4	-
Deferred taxation				
Current year	(134)	(12 439)	-	-
Taxation rate change	-	(687)	-	-
	(130)	(13 155)	4	-
	%	%	%	%
Reconciliation of rate of taxation				
South African normal taxation rate	27,00	28,00	27,00	28,00
Exempt income (liquidation distribution)	0,60	16,44	-	-
Disallowable expenses	(0,04)	(0,02)	-	-
Legal fees	(0,04)	(0,98)	-	-
Disallowable capital allowances	(0,31)	(0,33)	-	-
Impairment of loans	-	(13,67)	-	-
Estimated losses utilised	(1,06)	(8,74)	(28,00)	(28,00)
Unutilised temporary differences	(26,13)	(2,90)	-	-
Foreign tax rate differential	0,13	(0,24)	-	-
South African Tax rate change	-	0,97	-	-
Prior year under/(over) provision of tax	-	-	(0,05)	-
Effective taxation rate	0,15	18,53	(1,05)	-

Notes to the annual financial statements continued

for the year ended 30 April 2023

25. (LOSS)/EARNINGS PER SHARE

ACCOUNTING POLICIES

Earnings/(loss) per share

Earnings/(loss) per share is based on the profit/(loss) attributable to equity holders for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on the earnings/(loss) per share, more specifically related to share options in issue.

Headline earnings/(loss) per share

Headline earnings/(loss) per share is based on the same calculation as above, except that the attributable profit specifically excludes items as set out in Circular 01/2021: "Headline Earnings" issued by the South African Institute of Chartered Accountants.

	Group	
	2023	2022
Basic loss per share (cents)	(10,56)	(5,96)
– Basic loss – continuing operations	(10,79)	(7,88)
– Basic earnings – discontinued operations	0,23	1,92
Headline loss per share (cents)	(10,78)	(7,13)
The calculation of loss per ordinary share for the Group is based on the following:		
– Basic loss (R'000)	(85 014)	(43 670)
– Headline loss (R'000)	(86 796)	(52 267)
Diluted basic loss per share (cents)	(10,56)	(5,96)
– Diluted basic loss – continuing operations	(10,79)	(7,88)
– Diluted basic earnings – discontinued operations	0,23	1,92
Diluted headline loss per share (cents)	(10,78)	(7,13)
– Weighted average number of shares in issue	805 400 305	732 826 015
– Diluted weighted average number of shares	805 400 305	732 826 015
Shares in issue (number of shares):		
At the beginning of the year	805 400 305	620 158 235
Share issued during the year	–	185 242 070
At the end of the year	805 400 305	805 400 305
Impact of weighting of shares issues	–	(72 574 290)
Diluted weighted average shares at end of year	805 400 305	732 826 015

Notes to the annual financial statements continued

for the year ended 30 April 2023

25. (LOSS)/EARNINGS PER SHARE continued

Group	2023			2022		
	Gross R'000	Tax R'000	Net R'000	Gross R'000	Tax R'000	Net R'000
Reconciliation of headline earnings						
Net loss for the year attributable to equity holders of the parent	(85 014)	–	(85 014)	(43 670)	–	(43 670)
<i>Adjusted for:</i>						
Profit/(loss) on sale of property, plant and equipment	124	(33)	91	95	(27)	68
Profit as a result of loss of control	(1 873)	–	(1 873)	(8 665)	–	(8 665)
Headline loss attributable to ordinary shareholders	(86 763)	(33)	(86 796)	(52 240)	(27)	(52 267)

	Group	
	2023 R'000	2022 R'000
Net asset value per share (cents)	6,0	16,6
Net tangible asset value per share (cents)	6,0	16,6
The calculation of net asset value per share and net tangible asset value per share is based on the following:		
Net tangible asset value	47 931	133 520

Notes to the annual financial statements continued

for the year ended 30 April 2023

26. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Notes	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Loss before taxation		(85 144)	(56 825)	(8 943)	6 161
<i>Adjusted for:</i>					
Interest received	27	(862)	(10)	(2)	–
Interest paid	27	21 298	14 743	–	–
Impairment on Inventory	20	3 827	8 739	–	–
Impairment on trade receivables	21	672	288	–	–
Depreciation	1; 2	19 634	19 073	–	–
Share-based payments	13	(181)	232	–	–
Loss/(profit) on disposal of non-current assets	21	(124)	95	–	–
(Decrease)/Increase in financial guarantee liability		–	–	3 648	(10 324)
		(40 880)	(13 665)	(5 297)	(4 163)
Changes in working capital		53 038	18 408	(192)	188
Decrease/(increase) in inventories		38 620	(27 187)	–	–
(Increase)/decrease in trade and other receivables		(35 847)	50 137	–	–
Increase/(decrease) in trade and other payables		50 265	(4 542)	(192)	188
Cash generated from/(utilised in) operations		12 158	4 743	(5 489)	(3 975)

Notes to the annual financial statements continued

for the year ended 30 April 2023

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
27. INTEREST PAID/(RECEIVED) (IN CASH)				
Interest paid				
Total interest paid (refer to note 23)	21 298	14 743	–	–
Total interest paid (in cash)	21 298	14 743	–	–
Interest received				
Total interest received (refer to note 22)	(862)	(10)	(2)	–
Total interest received (in cash)	(862)	(10)	(2)	–
Total interest paid/(received) (in cash)	20 436	14 733	(2)	–
28. TAXATION PAID				
Balance at beginning of year	(8 061)	(7 035)	(9)	(9)
Charged to the statement of comprehensive income	4	(29)	4	–
Balance at the end of the year	1 601	8 061	–	9
	(6 456)	997	(5)	–
29. REPAYMENT OF LOANS				
Cash flow from financing activities				
Interest-bearing liabilities				
Balance at the beginning of the year	110 413	129 412	64	14 615
Interest accrued	10 625	8 181	–	–
Interest paid	(10 625)	(8 181)	–	–
Repayment of interest-bearing liabilities	(18 619)	(18 999)	5 480	(14 551)
Balance at the end of the year	91 794	110 413	5 544	64

Notes to the annual financial statements continued

for the year ended 30 April 2023

30. RETIREMENT BENEFITS

ACCOUNTING POLICIES

Employee benefit

Pension obligations

The Group pays fixed contributions into defined contribution plans (a defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund)). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

The Group pays the contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the statement of profit or loss when they are incurred.

	Group	
	2023 R'000	2022 R'000
Contributions to funds	3 561	3 951

All contributions on behalf of employees are charged to the statement of comprehensive income as they are made. The Company has no liability towards any pension or provident fund, apart from normal recurring monthly contributions deducted from employees to be paid to relevant funds.

Notes to the annual financial statements continued

for the year ended 30 April 2023

31. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Financial assets at amortised cost		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Group								
Current assets	143 582	148 381	–	–	42 551	7 873	186 133	156 254
Trade and other receivables	139 976	139 479	–	–	42 551	7 873	182 527	147 352
Bank and cash balances	3 606	8 902	–	–	–	–	3 606	8 902
Total assets	143 582	148 381	–	–	42 551	7 873	186 133	156 254
Non-current liabilities	–	–	6 259	103 619	–	–	6 259	103 619
Interest-bearing liabilities	–	–	306	91 518	–	–	306	91 518
Lease liabilities	–	–	5 953	12 101	–	–	5 953	12 101
Current liabilities	–	–	332 456	199 033	32 080	15 925	364 536	214 958
Interest-bearing liabilities	–	–	91 488	18 895	–	–	91 488	18 895
Lease liabilities	–	–	11 155	17 481	–	–	11 155	17 481
Trade and other payables	–	–	151 760	117 241	32 080	15 925	183 840	133 166
Bank overdrafts	–	–	78 053	45 416	–	–	78 053	45 416
Total equity and liabilities	–	–	338 715	302 652	32 080	15 925	370 795	318 577

	Financial assets at amortised cost		Financial liabilities at amortised cost		Total	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Company						
Current assets	106	108	–	–	106	108
Bank and cash balances	106	108	–	–	106	108
Total assets	106	108	–	–	106	108
Current liabilities	–	–	5 624	336	5 624	336
Trade and other payables	–	–	80	272	80	272
Loan to subsidiary	–	–	5 544	64	5 544	64
Total equity and liabilities	–	–	5 624	336	5 624	336

Financial instruments are carried at amortised cost, which approximates their fair value.

Notes to the annual financial statements continued

for the year ended 30 April 2023

32. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a number of financial risks. The Group's objective with financial risk management is to protect the underlying business operations against those financial risks which may influence its income negatively.

32.1 Currency risk management

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities and net investments are denominated in a currency that is not the entity's functional currency, which is the South African Rand. Exposures consist primarily of exposures with respect to the US Dollar as well as exposure to foreign exchange due to operations in Botswana.

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the group's policy is to enter into forward exchange contracts to cover the net foreign currency exposure. Refer to the sensitivity note, note 32.2.

32.2 Interest rate risk

The Company and Group are exposed to interest rate risk through their variable rate cash balances, as well as their interest-bearing liabilities. The Group's interest rate risk arises mainly from long- and short-term borrowings from its main banker, Standard Bank of South Africa. The Group's borrowings are denominated in South African Rand at variable rates. To date, the Group has not hedged against changes in interest rates.

The interest rate sensitivity analysis is set out below. The analysis indicates the financial assets and liabilities which are sensitive to interest rate fluctuations and the profit or loss and taxation effects of possible changes in interest rates to which the financial assets are linked.

	Carrying value R'000	Foreign exchange risk Profit/(loss) should the Rand exchange rate change by 2%			Interest rate risk Profit/(loss) should the interest rate change by 2%		
		Amount subject to risk R'000	Rand apprecia- tion R'000	Rand deprecia- tion R'000	Amount subject to risk R'000	Rate increase R'000	Rate decrease R'000
Group							
30 April 2023							
Financial assets							
Trade and other receivables	139 976	2 087	(42)	42	–	–	–
Bank and cash balances	3 606	691	(14)	14	3 606	72	(72)
<i>Impact of financial assets on:</i>							
– profit before taxation	–	–	(56)	56	–	72	(72)
– profit after taxation	–	–	(40)	40	–	52	(52)
Financial liabilities							
Interest-bearing liabilities	(91 794)	–	–	–	(91 794)	(1 836)	1 836
Trade and other payables	(151 760)	14 910	298	(298)	–	–	–
Bank overdrafts	(78 053)	–	–	–	(78 053)	(1 561)	1 561
<i>Impact of financial liabilities on:</i>							
– profit before taxation	–	–	298	(298)	–	(3 397)	3 397
– profit after taxation	–	–	215	(215)	–	(2 446)	2 446
Overall impact on profit after taxation	–	–	175	(175)	–	(2 394)	2 394

Notes to the annual financial statements continued

for the year ended 30 April 2023

32. FINANCIAL RISK MANAGEMENT continued

32.2 Interest rate risk continued

	Carrying value R'000	Foreign exchange risk Profit/(loss) should the Rand exchange rate change by 2%			Interest rate risk Profit/(loss) should the interest rate change by 2%		
		Amount subject to risk R'000	Rand apprecia- tion R'000	Rand deprecia- tion R'000	Amount subject to risk R'000	Rate increase R'000	Rate decrease R'000
Group							
30 April 2022							
Financial assets							
Trade and other receivables	139 479	2 599	(52)	52	–	–	–
Bank and cash balances	8 902	3 925	(78)	78	8 902	178	(178)
<i>Impact of financial assets on:</i>							
– profit before taxation	–	–	(130)	130	–	178	(178)
– profit after taxation	–	–	(94)	94	–	128	(128)
Financial liabilities							
Interest-bearing liabilities	(110 413)	–	–	–	(110 413)	(2 208)	2 208
Trade and other payables	(117 241)	16 855	337	(337)	–	–	–
Bank overdrafts	(45 416)	–	–	–	(45 416)	(908)	908
<i>Impact of financial liabilities on:</i>							
– profit before taxation	–	–	337	(337)	–	(3 117)	3 117
– profit after taxation	–	–	243	(243)	–	(2 244)	2 244
Overall impact on profit after taxation	–	–	149	(149)	–	(2 116)	2 116

Company

No Company sensitivity analysis is presented as there were no balances exposed to foreign exchange risk and its only interest rate risk would relate to bank and call deposits of R106 000 (2022): R108 000 at year-end, on which the after-tax impact on profit or loss would be R2 160 (2022: R1 555) should the interest rate changes by 2% (2022: 2%).

Notes to the annual financial statements continued

for the year ended 30 April 2023

32. FINANCIAL RISK MANAGEMENT continued

32.3 Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and availability of funding through and adequate amount of committed credit facilities and funding sources.

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring adequate borrowing facilities are maintained. Repayments of term borrowing are structured to match the expected cash flows from the operations to which they relate, where possible. The Group utilises the credit facilities of The Standard Bank of South Africa and has been able to operate with these facilities.

The funding of growth in the Group for working capital requirements will continue to use credit facilities from financial institutions as well as other feasible corporate market funding mechanisms for working capital. The funding of growth in the Group of a capital nature will utilise suitable funding sources available in the corporate market and from financial institutions.

	Carrying value of financial liabilities R'000	Expected settlement period of financial liabilities				Total R'000
		No terms R'000	Less than 6 months R'000	6 to 12 months R'000	1 to 3 years R'000	
Group						
30 April 2023						
Non-current liabilities						
Interest-bearing liabilities	306	–	172	163	–	335
Lease liabilities	5 953	–	–	–	6 352	6 352
Current liabilities						
Interest-bearing liabilities	91 488	–	10 340	91 528	–	101 868
Lease liabilities	11 155	–	7 175	5 077	–	12 252
Trade and other payables	151 760	–	151 760	–	–	151 760
Bank overdrafts	78 053	–	78 053	–	–	78 053
	338 715	–	247 500	96 768	6 352	350 620
30 April 2022						
Non-current liabilities						
Interest-bearing liabilities	91 518	–	–	–	98 718	98 718
Lease liabilities	12 101	–	–	–	13 163	13 163
Current liabilities						
Interest-bearing liabilities	18 895	–	13 816	13 816	–	27 632
Lease liabilities	17 481	–	9 928	9 252	–	19 180
Trade and other payables	117 241	–	117 241	–	–	117 241
Bank overdrafts	45 416	–	45 416	–	–	45 416
	302 652	–	186 401	23 068	111 881	321 350

Notes to the annual financial statements continued

for the year ended 30 April 2023

32. FINANCIAL RISK MANAGEMENT continued

32.3 Liquidity risk continued

	Carrying value of financial liabilities R'000	Expected settlement period of financial liabilities			
		No terms R'000	Less than 6 months R'000	6 to 12 months R'000	1 to 3 years R'000
Company					
30 April 2023					
Current liabilities					
Trade and other payables	80	–	80	–	–
Loan from subsidiary	5 544	5 544	–	–	–
	5 624	5 544	80	–	–
30 April 2022					
Current liabilities					
Trade and other payables	272	–	272	–	–
Loan from subsidiary	64	64	–	–	–
	336	64	272	–	–

32.4 Credit risk

Credit risk is managed on a Group basis. Credit risk consists of cash equivalent, trade and loans receivable. The Company only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty.

Credit risk is the risk of financial losses the Group will suffer if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for exposure other than those arising on cash and cash equivalent are managed by making use of credit approvals, limits and monitoring.

The Company only deals with reputable counterparties with consistent payment histories. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external credit bureau data, where available. Counterparty credit limits are in place and are reviewed and approved by management. The exposure to credit risk and the creditworthiness of counterparties are continuously monitored.

Trade receivables consist of a large number of customers in various industries.

Credit risk exposure arising on cash and cash equivalent is managed by the Group through dealing with well-established financial institutions with high credit ratings.

The maximum exposure to credit risk is presented in the table below:

	2023			2022		
	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000
Group						
Trade and other receivables (note 6)	144 441	(9 930)	134 511	152 132	(13 629)	138 503
Cash and cash equivalents (note 8)	3 606	–	3 606	8 902	–	8 902
	148 047	(9 930)	138 117	161 034	(13 629)	147 405

Notes to the annual financial statements continued

for the year ended 30 April 2023

32. FINANCIAL RISK MANAGEMENT continued

32.4 Credit risk continued

The maximum exposure to credit risk is presented in the table below:

	2023			2022		
	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000
Company						
Loans to subsidiaries (note 7)	4 523	(4 523)	–	4 523	(4 523)	–
Cash and cash equivalents (note 8)	106	–	106	108	–	108
Financial guarantee liability (note 16)	(16 153)	–	(16 153)	(12 505)	–	(12 505)
	(11 524)	(4 523)	(16 047)	(7 874)	(4 523)	(12 397)

These ratings were obtained from Standard and Poor's and Moody's and these relate only to cash and cash equivalents.

Counterparty	2023		2022	
	Long-term ratings	Rating definition	Long-term ratings	Rating definition
Standard Bank of South Africa	Ba2	Non-investment	Ba2	Non-investment
Nedbank Limited	Ba2	Non-investment	Ba2	Non-investment

Notes to the annual financial statements continued

for the year ended 30 April 2023

33. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings, as disclosed in notes 15 and 3, cash and cash equivalents as disclosed in note 10, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the Group monitors capital on the basis of the debt : equity ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The debt : equity ratios are as follows:

	Group	
	2023 R'000	2022 R'000
Total borrowings		
Interest-bearing liabilities	91 794	110 413
Lease liabilities	17 108	29 582
	108 902	139 995
<i>Add:</i> Cash and cash equivalents (net borrowings)	74 447	36 514
Net debt	183 349	176 509
Total equity	47 931	133 520
Total capital	231 280	310 029
Debt as a % of equity	3,83 : 1	1.32 : 1

Notes to the annual financial statements continued

for the year ended 30 April 2023

34. RELATED PARTY INFORMATION

Group

Related parties include transactions with directors and key management or entities where directors or key management have an interest or control. During the year, the Group entered into various transactions with related parties. The related parties are:

Related parties

Entities with common shareholders – Invula Education Empowerment Fund Trust

Invincible Outsourcing Proprietary Limited

Invincible IT Proprietary Limited

Maharishi Education for Invincibility Trust

Maharishi Invincibility Institute NPC

Related party transactions

	Group	
	2023 R'000	2022 R'000
Skills development spend (B-BBEE)		
Invincible Outsourcing Proprietary Limited	3 645	761
Maharishi Education for Invincibility Trust	3 421	44
Maharishi Invincibility Institute NPC	–	6 414
Supplier development spend (B-BBEE)		
Invincible Outsourcing Proprietary Limited	378	626
Enterprise development spend (B-BBEE)		
Invincible IT Proprietary Limited	203	313
Socio-economic development spend (B-BBEE)		
Maharishi Education for Invincibility Trust	–	215

Directors' remuneration details can be found in note 21.

Related party balances

There are no related party balances.

Company

Related parties include the subsidiary companies, shareholders and directors. During the year, the Company entered into various transactions with related parties on an arm's length basis.

Related parties

Subsidiaries of the Company are listed in note 3.

Related party transactions

There are no related party transactions.

Related party balances

All related party balances at year-end are disclosed in note 7.

Notes to the annual financial statements continued

for the year ended 30 April 2023

35. GUARANTEES AND CONTINGENT LIABILITIES

	Group	
	2023 R'000	2022 R'000
Standard Bank of South Africa has issued the following guarantees on behalf of the Group	2 500	2 500

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

Freightit Proprietary Limited

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

36. EVENTS AFTER THE REPORTING DATE

Category 1 acquisition

On 2 May 2023, shareholders were referred to the SENS announcement released on 1 February 2023 with regard to the signature of a sale of shares agreement (the "**Agreement**") regarding the acquisition by Ellies of 100% of the members' interests in Magetz Electrical cc and Power On Wheels cc (collectively, "**Bundu Power**") for a maximum consideration of R202,6 million (the "**Acquisition**"). The Acquisition was subject to certain conditions precedent (the "**Conditions Precedent**"), which Conditions Precedent were required to be fulfilled or waived, as the case may be, by 30 April 2023, unless extended by Ellies and Bundu Power in writing. Shareholders were advised that an addendum to the Agreement has been signed, in terms of which the date by which the Conditions Precedent must be fulfilled has been extended to 31 August 2023.

Shareholders are, in addition, referred to the cautionary announcement and renewals thereof released on SENS on 28 September 2022, 9 November 2022, 22 December 2022, 1 February 2023, 15 March 2023, 31 March 2023, 2 May 2023 and 25 July 2023, respectively, and are advised that the negotiations referred to therein are still in progress. Shareholders should, therefore, continue to exercise caution when dealing in their Ellies shares until a further announcement in this regard is made.

Proposed rights offer and further cautionary announcement

1 Introduction

Shareholders are referred to the SENS announcement released on 1 February 2023 (the "**1 February Announcement**") with regard to the signature of a sale of shares agreement (the "**Agreement**") regarding the acquisition by Ellies of 100% of the members' interests in Magetz Electrical cc and Power On Wheels cc (collectively, "**Bundu Power**") (the "**Acquisition**") for a maximum consideration of R202,6 million (the "**Consideration**"), together with the most recent renewal of cautionary announcement which was released on SENS on 25 July 2023.

2 Consideration

In terms of the Agreement, the Consideration will be settled as follows:

- an initial payment of R72.6 million to be paid on the date of fulfilment or waiver of the conditions precedent to the Acquisition, as detailed in the 1 February 2023 Announcement; and
- the balance will be payable through three earn out payments not exceeding in aggregate R130 million in respect of the 2023, 2024 and 2025 financial years.

36. EVENTS AFTER THE REPORTING DATE continued

3 Proposed fully underwritten rights offer

In order to fund the initial payment, together with the earn out for the 2023 financial year, the board of directors of Ellies has resolved to undertake a fully underwritten renounceable rights offer in the amount of R120 million (the “**Proposed Rights Offer**”), through the issue of new Ellies shares at an issue price of R0,07 per share.

Mazi Assets Management Proprietary Limited and Imvula Education Empowerment Trust (“**Imvula**”) (together, the “**Underwriters**”) have agreed to underwrite the Proposed Rights Offer on an equal basis, in consideration for an underwriting fee of 1,5% of the value of new Ellies shares, if any, subscribed for by each Underwriter.

The Proposed Rights Offer is conditional on, *inter alia*, the approval by Ellies shareholders of:

- an increase in authorised share capital of the Company;
- the issue of shares for cash pursuant to the Proposed Rights Offer with a combined voting power that will exceed 30% of all Ellies shares in issue, as contemplated in section 41(3) of the Companies Act, No. 71 of 2008;
- a waiver of mandatory offer in terms of regulation 86(4) of the Companies Regulations, 2011; and
- the Acquisition.

A further announcement containing the salient dates with regard to the Proposed Rights Offer will be released in due course.

4 Related party transaction

Shareholders are advised that the underwriting agreement contains a reference to the provision by Imvula of certain paid advisory services to Ellies. The terms and conditions of these advisory services are still to be agreed between the parties, whereafter the provisions of the relevant JSE Listings Requirements dealing with transactions between related parties, will be complied with. A further announcement in this regard will be made in due course.

5 Further cautionary announcement

Further to the information set out above, shareholders are advised to continue to exercise caution when dealing in their Ellies shares until a further detailed announcement in this regard is made.

Other than as disclosed above, there were no events material to the understanding of the financial statements that occurred in the period between the reporting date and the publication date of the Annual Financial Statements.

Covenant condonation

In terms of the borrowing facilities with Standard Bank of South Africa, the covenant is that the Group's borrowings may not exceed 3 times EBITDA.

Condonation for the breach at 30 April 2023 was received from the bank on 3 May 2023.

Term loan

The Group currently has term loans, as disclosed in the Statement of Financial Position under current liabilities and further in note 14. The current amortising facility is repayable quarterly, the remaining capital balance on the Facility A of R18,9 million is expected to be repaid by 30 April 2024. The Group is currently finalising an extension with the Group's bankers on extending the repayment of the remaining Facility B with an outstanding capital balance of R72,6 million, currently due by 30 April 2024. The Group's bankers have indicated they are willing to extend, and that the finalisation is just pending administrative processes.

General banking facilities

The Group, with a current general banking facility as disclosed in note 8, has signed a term sheet with its bankers and is in the process of finalising a new borrowing base facility, secured against debtors and stock, with a maximum of R150 million, which would replace the current general banking facility. The finalisation is largely administrative and is expected in August of 2023.

Notes to the annual financial statements continued

for the year ended 30 April 2023

37. GOING CONCERN

Group

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

To determine if the Group will be a going concern for the next year-end at 30 April 2024, management prepared cash flow forecasts based on the FY2024 budget. These forecasts were subjected to sensitivity tests. It was compared to current and expected funding facilities to determine the available headroom. A key assumption in the going concern assessment is the continued support of the Group's bankers and that the Term loan as detailed in note 36, for repayment by 30 April 2024, will be extended. The Group is in discussion with its bankers and does not foresee that the extension should not be granted, given that the only outstanding item to finalise is the passing of resolutions by Group companies. If the extension is not obtained and the loan remains due by 30 April 2024, the events and conditions represents a material uncertainty that exists that may cast significant doubt about the entity's ability to continue as a going concern.

The Group incurred a net loss for the current financial year of R85 million. However, based on the Group's forecasts, including the reduced operating costs and increased revenues, and further based on the additional working capital facilities (refer to note 36, General Banking Facilities) the Group expects a sustained return to profitability. Together with further macro-economic assumptions including but not limited to no further deterioration in the economy, the possible negative impacts of the continued war in Ukraine and potential impact of recent events on South Africa's relationships with its major trading partners, the directors believe that the Group will be commercially solvent and liquid at 30 April 2024 and projects that it will be solvent and liquid on 1 August 2024 (12 months post the expected results release date).

Company

In determining the appropriate basis of preparation of the Company Annual Financial Statements, the directors are required to consider whether the Company 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.

The primary purpose of the Company is that of a holding company and does not generate income or have any third-party creditors. While the Company is in a negative net asset position at the financial year-end, this is primarily as a result of a guarantee provision liability required to be raised in terms of IFRS 9 – *Financial Instruments*. If the financial guarantee liability is excluded in addition to the loan subordination agreement provided by Ellies Electronics Proprietary Limited, it would result in the Company being in a positive net asset position. As the Company's prospects are tied directly to its largest investment, being Ellies Electronics Proprietary Limited, the directors believe that the Company will remain a going concern for the foreseeable future.

CORPORATE INFORMATION

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")

SPONSOR

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

REGISTERED OFFICE

Brooklyn Place
3 Centex Close
Kramerville
Sandton, 2090
PO Box 57076, Springfield, 2137

AUDITORS

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

COMPANY SECRETARY

Acorim Proprietary Limited
13th Floor, Illovo Point, 68 Melville Road
Illovo, 2196

TRANSFER SECRETARIES

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

BOARD OF DIRECTORS AS AT 27 JULY 2023

Mr Timothy Fearnhead (Chairperson) *
Dr Shaun Prithvirajh (Chief Executive Officer)
Mr Guy Moretti (Chief Financial Officer)
Mr Darren Kramer *
Mr Martin Kuscus *
Mr Edick Lehapa *
Ms Maya Makanjee *
Ms Sedzani Mudau *
Mr Francois Olivier *
Mr Edward Raff *

** Independent Non-Executive Director*



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