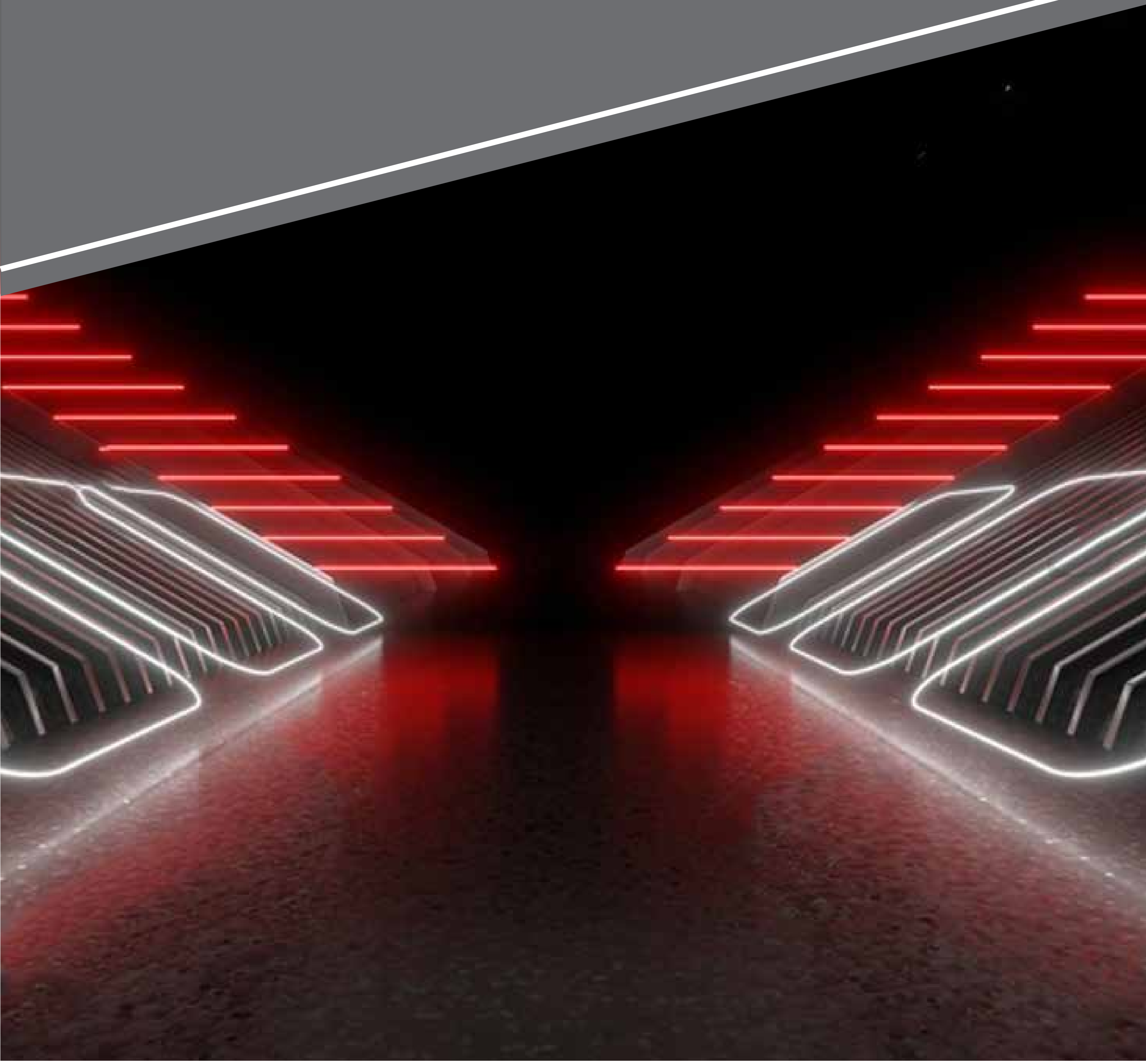
ANNUAL FINANCIAL STATEMENTS



CONTENTS

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.

These annual financial statements have been audited in compliance with the applicable requirements 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 *CA(SA)*, Financial Director and CFO.

PUBLISHED

29 July 2022

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 93, fairly present in all material respects the financial position, financial performance and cash flows of Ellies Holdings Limited 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 the issuer;

(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 committee and the auditors any deficiencies in design and operational effectiveness 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 Prithivirajh
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 22 to 25.

The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead as a result of the assumptions used in the forecasts, which include the sustained return to profitability, no further deterioration in the economy, including the effect of COVID-19, and that the funding facilities remain intact. The Group will be commercially solvent and liquid at 30 April 2023 and projects it will be solvent and liquid on 30 July 2023.

The annual financial statements set out on pages 2 to 93, which have been prepared on the going concern basis, were approved by the Board of Directors on 27 July 2022 and were signed on its behalf by:

Timothy Fearnhead
Independent Non-Executive Chairperson of the Board

Dr Shaun Prithivirajh
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 2022.

Acorim Secretarial & Governance Services

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

29 July 2022

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("the Committee") has pleasure in submitting 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 2022 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 2022, the Committee comprised four skilled and experienced independent non-executive members, being Mr Edick Lehapa (Chairperson of the Committee), Mr Edward Raff, Mr Francois Olivier and Mr Martin Kuscus. Subsequent to the reporting date on 1 July 2022, Ms Sedzani Mudau was appointed as an independent non-executive director and member of the Audit and Risk Committee.

The Committee meets at least three times a year. During the reporting period, four meetings were held, attributable to increased corporate activity. Attendance at meetings is shown below.

	21 Jul 2021	27 Oct 2021	10 Dec 2021	30 Mar 2022
Members				
Mr Edick Lehapa (Chairperson)	P	P	P	P
Mr Martin Kuscus	P	P	P	A
Mr Francois Olivier	P	P	P	P
Mr Edward Raff	P	P	P	P
Invitees				
Mr Timothy Fearnhead (Chairperson of the Board)	P	P	P	P
Dr Shaun Prithivirajh (Chief Executive Officer)	P	P	P	P
Mr Chris Booyens (Chief Financial Officer; Consultant) [1]	P	P	P	P
Mr Guy Moretti (Chief Financial Officer) [2]	P	P	P	P
Mr Zak Sadek (BDO South Africa Inc – External auditor)	P	P	P	P
Ms Priyanka Govender (BDO South Africa Inc – External auditor)	P	A	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
Mr Zeyn Agjee	P	P	P	P
Mr Johan Klein	P	P	P	P
Company Secretary				
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P	P	P

P – Present A – Apologies

[1] *Retired with effect from 5 January 2022; thereafter, appointed as a Consultant to the Group*

[2] *Group Financial Manager until 4 January 2022; appointed as Chief Financial Officer with effect from 5 January 2022*

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 Friday, 30 September 2022 shareholders will be presented with resolutions to approve the re-appointment of the members of the Audit and Risk Committee, all of whom are independent non-executive directors, as well as the appointment of Ms Sedzani Mudau as member of the Audit and Risk Committee, subject to her appointment to the Board being ratified by shareholders. Mr Martin Kuscus will not be available for re-appointment.

ROLE AND RESPONSIBILITIES

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's duties and responsibilities are outlined below.

Auditors and external audit

The Committee may be requested to recommend to the Board which firm(s) should be appointed as external auditor(s). Several firms should be put forward for consideration, which process may include written or verbal proposals.

The Committee must, on an annual basis (and more frequently as required):

- evaluate the independence and effectiveness of the external auditor and consider whether any non-audit services rendered by such auditors will be likely to substantively impair their independence;
- evaluate the performance of the external auditor;
- assess the tenure of the external audit firm;
- oversee the rotation of the designated audit partner;
- consider and make recommendations on the appointment and/or retention of the external auditor and/or any questions of resignation or dismissal of the auditor;
- discuss and review with the external auditor, before the audit commences, the audit engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and ensure co-ordination and maintenance of a professional relationship between them (where more than one audit firm is involved);
- negotiate procedures, subject to agreement, beyond minimum statutory and professional duties – there are certain minimum non-negotiable procedures required from the external auditors;
- agree to the timing and nature of reports required to be provided by the external auditor;
- consider any problems identified in going concern or internal control statements;
- make suggestions as to problem areas/areas of focus that the audit should address;
- consider any accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious;
- identify key matters arising in the current year's management letter and satisfy itself that the remedial actions are adequate and effective;
- consider whether any significant ventures, investments or operations are not subject to external audit;
- review the overall audit role, to explore objectives, minimise duplication, ensure "de-cluttering" of financial statements, discuss the implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- agree to the timing and nature of reports from the external auditor;
- obtain assurance from the external auditor that adequate accounting records are being maintained; and
- review the arrangements in place for combined assurance and the effectiveness thereof.

Financial statements

The Committee must examine and review the annual financial statements, prior to submission to the Board for approval, focusing particularly on:

- the integrity of the financial statements;
- the implementation of new systems;
- tax and litigation matters involving uncertainty;
- any changes in accounting policies and practices;
- major judgemental areas;
- significant adjustments arising from the audit;
- the basis on which the Company has been determined a going concern;
- capital adequacy;
- internal controls;
- compliance with accounting standards, the JSE Listings Requirements and all relevant statutory and regulatory requirements;
- the efficiency of major adjustments processed at year-end;
- compliance with the financial conditions of loan covenants; and
- the review of any special documents (such as prospectuses, circulars and trading updates), when applicable.

Financial Director and finance function

On an annual basis, the Committee is tasked with:

- evaluating the appropriateness of the experience and expertise of the Financial Director;
- considering the adequacy of the expertise and resources of the finance function; and
- ensuring that the Group has established appropriate financial reporting procedures and that such procedures are operating satisfactorily.

Internal controls and internal audit

An important function of the Committee is the oversight and monitoring of the effective functioning of the internal auditors, ensuring that the respective roles and functions of the external and internal auditors are sufficiently clarified and coordinated as to provide an objective overview of the operational effectiveness and adequacy of the Company's systems of internal control and reporting. The objective being that Internal Audit is able to provide the Committee with insight, advice and assurances that those systems and controls are in place and are functioning effectively. The processes/activities include:

- identification of areas of significant risks in the business that require focused attention;
- evaluating the performance of the internal audit function;
- reviewing the internal audit function's compliance with its mandate as approved by the Committee;
- reviewing the effectiveness of the Company's systems of internal controls, including internal financial control, business risk management and the maintenance of effective internal control systems;
- considering the performance and/or the appointment and/or dismissal and/or re-assignment of the head of the internal audit function (an outsourced function);
- reviewing and approving the Internal Audit Charter, internal audit plans and internal audit's conclusions with regard to internal control;
- reviewing the adequacy of corrective action taken in response to significant internal audit findings;

- reviewing significant matters reported by the internal audit function;
- reviewing the objectives and the execution of the operations of the internal audit function;
- assessing the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources;
- reviewing the levels of co-operation and co-ordination between the internal and external audit functions and ensuring coordination of the formal internal audit work plan with external auditors to avoid duplications in scope;
- reviewing significant differences of opinion between management and the internal audit function;
- maintaining proper and adequate accounting records;
- evaluating the independence and effectiveness of the internal auditors;
- evaluation of controls in place in the operational and financial reporting environment;
- safeguarding the Company's assets against unauthorised use or disposal; and
- directing and supervising investigations into matters within scope, such as evaluations of the effectiveness of the Company's internal controls, cases of employee fraud, misconduct or conflicts of interest.

Risk management and insurance

A crucial role of the Committee is overall responsibility for the integrity, reliability and efficiency of the Company's risk management strategy/policy and insurance portfolio.

Combined assurance

Effectiveness of internal and external assurance functions and services, including but not limited to:

- Internal audit
- External audit
- Risk management

Policies and procedures

It is desirable that companies have well documented and up-to-date policy manuals in respect of various areas of their operations. The Committee should ensure that policy manuals are in place and are regularly updated as required from time to time, in all areas of the business, including (but not limited to):

- investment-related activities;
- asset management activities;
- operational activities and operational expenses;
- capital expenditure; and
- human resources.

Legislation and regulations

The Committee is responsible for:

- monitoring compliance with the requirements of the Memorandum of Incorporation;
- compliance with applicable legislation, regulation and best practice recommendations, including the JSE Listings Requirements, the Companies Act and King IV™; and
- making recommendations in respect of any potential conflict of interest or questionable matters of a material nature.

Reporting and accountability

The Chairperson of the Committee must:

- account to the Board for the activities and execution of functions of the Committee and make recommendations to the Board concerning the adoption of the financial statements and any other matters arising from the above responsibilities;
- attend the AGM to answer questions in respect of matters falling within the ambit of the Committee; and
- receive and (in consultation with the Committee) respond to external complaints regarding the Committee's responsibilities.

AUDIT AND RISK COMMITTEE ACTIVITIES AND DECISIONS TAKEN

AUDIT	
External audit	• 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 2022 audit. This appointment was approved by shareholders at the AGM held on 29 September 2021. • 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	• 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 2022 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 22 of the 2022 annual financial statements. • The Committee considers and approves the non-audit services rendered by the external auditor. The external auditors rendered non-audit services relating to Botswana, Namibia and Eswatini during the reporting period. Non-audit services rendered amounted to 17% (2021: 11,4%) of quoted audit fees.

Report of the Audit and Risk Committee

continued

AUDIT continued	
Auditor independence and rotation	• Grant Thornton Johannesburg was Ellies' appointed external auditor since 2008. In December 2018, Grant Thornton Johannesburg (including satellite offices in Nelspruit, Polokwane and Rustenburg) merged with BDO and was consolidated under BDO, with Mr Rudi Huiskamp being appointed as the designated audit partner at the beginning of the 2019 reporting period. Mr Zak Sadek replaced Mr Rudi Huiskamp as the designated audit partner in March 2020. These changes in designated audit partner mitigate the risk of familiarity between the external auditor and management. • The external auditors have unrestricted access to the Committee and its Chairperson with a view to ensuring that their independence is not impaired. • The Committee considered the external auditors' independence and concluded that the independence remained. • In assessing the suitability of the re-appointment of BDO and the audit partner, Mr Zak Sadek, the Committee has assessed the information provided by BDO, as required per paragraph 22.15(h) of the JSE Listings Requirements. • The Committee confirms that the audit firm and designated audit partner are accredited by the JSE. • The Committee has recommended the re-appointment of BDO South Africa as Ellies' external auditor, and the appointment of Mr Zak Sadek as the designated audit partner, for the ensuing year to shareholders for approval at the AGM to be held on Friday, 30 September 2022. • 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. 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.
Quality of external audit	• The quality of the audit has been of a high standard with independence and objectivity always at the forefront.
Internal audit	• With effect from 29 July 2019, LateganMashego Audit and Advisory has been appointed as internal auditors of the Group on an outsourced basis. • The Internal Audit Charter has been reviewed and updated by the internal auditors and has been approved by the Committee. • An internal audit plan for the period 1 May 2022 to 30 April 2023 has been approved by the Committee, with the primary focus areas being 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.

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. • Incidents of fraud and theft may occur in the business and the internal controls in operation may not timeously detect or prevent them from happening. • The Board has adopted a zero-tolerance approach to fraud and is determined to ensure effective and efficient internal controls are put in place.
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 was considered and found to be adequate. • Adequate resources have been deployed and the finance function is reviewing and developing processes to overcome identified short-comings 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 matters and are satisfied with the manner in which they have been accounted for in the annual financial statements: • **Recoverability of deferred tax assets** – recognition of deferred tax assets: availability of future sufficient taxable income against which deductible temporary differences and tax losses carried forward can be utilised; • **Valuation of inventory, including the completeness of the provision for obsolete stock** – measurement of slow-moving inventory, if items of inventory are still saleable, and key assumptions used on the average usage and expected rate of sale of inventory; and • **Going concern assumption** – underlying fundamentals of cash flow projections and forward-looking economic outlook for South Africa.

Report of the Audit and Risk Committee

continued

REPORTING continued	
Annual financial statements and accounting policies	• 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 2022 for approval to the Board. The Board approved the annual financial statements on Wednesday, 27 July 2022 and the financial statements will be open for discussion at the AGM.
Going concern	• 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 38 on page 93.
Integrated reporting process	The Committee oversaw the integrated reporting process in accordance with its Charter and, in particular, the Committee: • 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	• 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 2021 JSE Report on Proactive Monitoring, issued on 9 November 2021, including Annexure 3, and has taken the appropriate action to apply the findings.

Report of the Audit and Risk Committee

continued

RISK	
Policies on risk management	• A formal risk management framework, risk policy and IT risk policy have been developed and implemented. Information technology risks are discussed and addressed in the IT Governance Committee meetings, which are held bi-annually. • On 1 March 2019, Ellies Electronics (Pty) Ltd obtained ISO 9001:2015 Quality Management Systems certification, which certification was valid until 28 February 2022. A surveillance audit was completed on 3 March 2022 and the certification has been confirmed to remain in place until 20 February 2025. • Additional information pertaining to risk management is disclosed in the Integrated Annual Report, including the top risks pertaining to financial, people, IT and process management.
Legal risk	• The Committee was satisfied that there has been no material non-compliance with laws and regulations. • Ellies obtained a binding directive on customs duty from SARS, the outcome of which is that Ellies Electronics Proprietary Limited is required to pay import duties on a 5% commission paid to a specific importer. This amount has been provided for. • The Committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the reporting period. • The Group is currently involved in litigation, the details of which are disclosed in note 36 on page 92. Contract management, risk controls and due diligences have been put in place to avoid or minimise unnecessary litigation going forward.
IT risk	• 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. • An IT roadmap is in developmental phase and an external party has been engaged to assist with this process. • The Committee noted that management took out insurance cover in respect of cyber security for the Group.
Financial risk	• Refer to note 33 on pages 85 to 90 in the financial statements for full disclosure on financial risks.
ASSURANCE	
Combined assurance	• The appointment of the internal auditors, LateganMashego Audit and Advisory, has been another step towards building an assurance model, applicable to Ellies. Combined assurance arrangements are in the process of being developed for implementation during the 2023 reporting period.
COMPLIANCE	
Legal and regulatory compliance	• The Committee has been assigned the responsibility for ensuring ongoing legal and regulatory compliance. • An internal legal advisor has been appointed and quarterly reports are submitted to the Committee with respect to legal and regulatory compliance.
GOVERNANCE	
Charter and policies	• The Charter of the Audit and Risk Committee has been reviewed, updated and adopted during the reporting period. • The process of aligning policies and procedures with King IV™ is ongoing.

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 2022, 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 2022 for approval to the Board on Wednesday, 27 July 2022.

CONCLUSION

The Audit and Risk Committee report was approved by the Board on Wednesday, 27 July 2022.

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

DIRECTORS' REPORT

for the year ended 30 April 2022

The directors present their report, which forms part of the consolidated and separate financial statements for the year ended 30 April 2022. The consolidated and separate financial statements presented on pages 26 to 93 set out fully the financial position, results of operations and cash flows of the Group and the Company for the year ended 30 April 2022.

NATURE OF BUSINESS

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

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

	2022 R'000	2021 R'000	% change
Statement of financial position			
Total assets	**452 885**	478 013	(5,26)
Total liabilities	**319 364**	319 640	(0,09)
Net asset value per share (cents)	**16,6**	25,5	(34,99)
Net tangible asset value per share (cents)	**16,6**	25,5	(34,99)
Statement of profit or loss and other comprehensive income			
Revenue	**1 076 351**	1 206 358	(10,78)
(Loss)/earnings before interest, taxation, depreciation and amortisation	**(37 085)**	76 046	(148,77)
Operating (loss)/profit before impairments	**(56 158)**	57 138	(198,28)
Impairments	**–**	(730)	(100,00)
Operating (loss)/profit	**(56 158)**	56 408	(199,56)
Net finance charges	**(14 733)**	(17 809)	(17,27)
Income tax credit	**13 155**	20 350	(35,36)
Attributable (loss)/profit	**(43 670)**	44 972	(197,10)
Headline (loss)/profit	**(52 267)**	57 011	(191,68)
(Loss)/earnings per share (cents)	**(5,96)**	7,25	(182,19)
Headline (loss)/earnings per share (cents)	**(7,13)**	9,19	(177,61)

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

SPECIAL RESOLUTIONS

AGM held on 29 September 2021

At the AGM of the Company held on Wednesday, 29 September 2021, 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 Friday, 30 September 2022

At the AGM of the Company to be held on Friday, 30 September 2022, 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.
- Special resolution number 4: Approval of non-executive directors' fees for a period of two years or until the next AGM.

DIVIDEND

No dividend (2021: 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.

The authorised shares of the Company increased by 50 million shares from 800 000 000 no par value ordinary shares to 850 000 000 no par value ordinary shares, necessitated by the B-BBEE transaction entered into by Ellies, as more fully disclosed on page 21, and for which increase shareholder approval was obtained on 8 September 2021.

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

ISSUE AND REPURCHASE OF SECURITIES

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

In terms of the B-BBEE transaction (refer page 21), 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	Date retired
Mr Chris Booyens	Executive Director - Chief Financial Officer	4 April 2019	5 January 2022
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 Prithivirajh	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. Resolutions to ratify the appointment to the Board of Mr Darren Kramer as an independent non-executive director on 19 October 2021 and of Ms Maya Makanjee and Ms Sedzani Mudau as independent non-executive directors on 1 July 2022 will also be presented to shareholders at the AGM.

SECRETARY

Acorim Secretarial & Governance Services 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 0,12% (30 April 2021: 0,16%) 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.

The Company has not been notified of any material change in directors' interests during the period 30 April 2022 to the date of this report.

DIRECTORS' EMOLUMENTS

Details of the directors' emoluments are set out in note 22 on pages 74 and 75.

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 on page 91.

LITIGATION

The Group is currently involved in litigation, the details of which are disclosed in note 36 on page 92.

SHAREHOLDING ANALYSIS

An analysis of ordinary shareholders in the Company as at 30 April 2022 is set out below:

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	11 602	64,21	2 439 063	0,30
1 001 – 10 000	4 071	22,53	14 623 401	1,82
10 001 – 100 000	1 773	9,81	64 739 652	8,04
100 001 – 1 000 000	540	2,99	161 622 098	20,07
Over 1 000 000	83	0,46	561 976 091	69,77
Total	**18 069**	**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	21 387 402	2,66
Collective Investment Schemes	2	0,01	6 483 694	0,81
Control Accounts	1	0,01	4	0,00
Custodians	4	0,02	11 009 513	1,37
Foundations & Charitable Funds	11	0,06	4 782 336	0,59
Insurance Companies	1	0,01	4 155 851	0,52
Investment Partnerships	16	0,09	804 014	0,10
Managed Funds	4	0,02	1 046 966	0,13
Medical Aid Funds	1	0,01	1 394 945	0,17
Organs of State	2	0,01	60 651 235	7,53
Private Companies	108	0,60	60 046 115	7,46
Public Companies	1	0,01	381	0,00
Retail Shareholders	17 754	98,26	368 137 255	45,71
Retirement Benefit Funds	19	0,11	49 597 520	6,16
Stockbrokers & Nominees	7	0,04	3 269 853	0,41
Trusts	97	0,54	211 240 946	26,23
Unclaimed Scrip	3	0,02	1 900	0,00
Total	**18 069**	**100,00**	**805 400 305**	**100,00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	3	0,02	186 242 070	23,12
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	1	0,01	500 000	0,06
Directors of the Company or any of its subsidiaries: Indirect	1	0,01	500 000	0,06
Public Shareholders	18 066	99,98	619 158 235	76,88
Total	**18 069**	**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
Estate of the late Elliot Ralph Salkow	66 937 364	8,31
Government Employees Pension Fund	56 277 540	6,99
Total	**308 456 974**	**38,30**

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 on page 43 of the annual financial statements. Details of indebtedness to the holding Company are set out in note 3 on page 42 of the annual financial statements.

IMPACT OF THE COVID-19 PANDEMIC

During the reporting period, the widespread local and global uncertainty associated with the COVID-19 pandemic continued. Initially, during March and April 2020, a National State of Disaster was declared in South Africa. Commencing in May 2020, a risk-adjusted phased-in approach of economic activity was implemented, depending on the severity of infections. Measures aimed at preventing the spread of the disease were either relaxed or intensified, with restrictions being lifted on 5 April 2022.

The coronavirus pandemic continues to have an impact across the world and negatively affected the lives of the Group's suppliers, service providers, supply chains, customers and its employees. It is uncertain how the latest upsurge in infections will affect South Africa.

The effect of the pandemic during the financial year being reported on, are as follows: –

COVID-19	Assessment	Impact	Related note
Financial asset impairment	The increased risk is mitigated by the Group in relation to the continued enforcement of a stringent credit approval process. The overall ECL ratings model for the impact was eased based on the default indicators set out in the accounting policies. A concerted effort was made to collect outstanding debt from customers and considerable progress was made in this regard.	Low	6
Foreign currency exchange rates	Significant movements in currencies expose the Group to foreign currency gains and losses and also impact the Group's translation of its results into its Rand (ZAR) presentation currency. Although the Group manages the risk against the exposure due to fluctuations in currencies by means of FEC contracts on imported products, it is still exposed to long-term increases.	Medium	32
Inventories	Supply chain scheduling was disrupted due to delayed imports from China.	Medium	5
Leases	There has been no major impact on the related accounting treatment of leases.	Low	16
Events after the reporting date	The pandemic did not result in any adjusting events after the reporting date which had an impact on the statement of financial position as at the reporting date.	Insignificant	37
Going concern	The reported results were adversely affected by disruptions in the supply chain and reduced consumer spending. The Group maintains a level of solvency and liquidity and implemented a stringent liquidity management process. Cash flow projections are compared weekly to available funding facilities. The directors believe that the Group is and will continue to be a going concern for the foreseeable future.	Medium	38
Recoverability of deferred tax assets	In the previous financial year the Group recognised the deferred tax assets relating to both temporary differences and assessed losses. The directors consider that this will be utilised in the foreseeable future.	Low	4
Interest-bearing liabilities	The Group performed in full and on time on all payments required on its term loan facilities.	Low	15
Trade and other payables	The Group performed in full and on time on all payments required on its trading terms with suppliers.	Low	19
Short-term borrowings facilities	The Group maintained sufficient headroom on its short-term overdraft facilities, although ideally it would prefer a higher working capital facility.	Low	8

CORPORATE ACTIVITY DURING THE REPORTING PERIOD

B-BBEE transaction

On 6 July 2021 Ellies announced via SENS that it has entered into an agreement with Imvula Education Empowerment Fund Trust ("Imvula"), a Broad-Based Black Economic Empowerment partner, in terms of which Imvula will subscribe for 185 242 070 at an issue price per ordinary share of 10 cents per share, for a total cash consideration of R18 524 207.

Ellies was rated as B-BBEE non-compliant relating to its beneficial shareholding and this B-BBEE transaction contributed to Ellies achieving a level 3 rating. The previous non-compliant rating posed challenges or prevented the Company from procuring certain business opportunities or even tendering for certain business.

Ellies believes the agreement with Imvula is favourable to Ellies, including:

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

The B-BBEE transaction was regarded as a specific issue of shares for cash in terms of section 5.51(g) of the JSE Listings Requirements and approval was granted by shareholders at the general meeting held on 8 September 2021.

The B-BBEE transaction was implemented in accordance with its terms on 21 September 2021.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any material events which occurred subsequent to the year ended 30 April 2022 and which need adjustment or disclosure.

GOING CONCERN ASSESSMENT

The going concern assessment is disclosed in note 38 on page 93.

AUDITORS

The auditors, BDO South Africa Incorporated, have indicated their willingness to continue in office for the 2023 financial year.

The Audit and Risk Committee has satisfied itself of the independence of the auditors and the designated audit partner. A resolution to re-appoint BDO South Africa Incorporated as auditors, and Mr Mohamed Zakaria ("Zak") Sadek as designated audit partner, will be proposed at the next AGM scheduled to take place on Friday, 30 September 2022.

As gazetted on 5 June 2017, mandatory audit firm rotation will be effective for financial year-ends commencing on or after 1 April 2023. 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.

DATE OF AUTHORISATION FOR ISSUE OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been authorised by the Board for issue on 29 July 2022. 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 2022

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 26 to 93, which comprise the consolidated and separate statements of financial position as at 30 April 2022, 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 2022, 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.

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 of 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Going Concern Assumption (Note 38)
Consolidated and Separate Financial Statements

International Accounting Standard 1 Presentation of Financial Statements requires the management of the company to make an assessment of the group's and company's ability to continue as a going concern.

The group incurred significant losses during the current year, and did not meet the covenant requirements in respect of its borrowings as described in note 15 to the consolidated and separate financial statements. Management concluded that the preparation of the consolidated and separate financial statements on the going concern basis of accounting is appropriate.

Due to the significant judgement and estimates involved in management's going concern assessment, and due to the fundamental nature of the going concern assessment on the preparation of the consolidated and separate financial statements, the matter was considered of most significance to our current year audit of the consolidated and separate financial statements.

Management's going concern assessment involved significant judgement and estimates, particularly in respect of expected growth rates and the input data into the budgets and forecasts used as part of the assessment.</td><td>We obtained and evaluated the group's and company's going concern assessment as follows:

• We discussed with management the basis of calculating these budgets and cash flows and evaluated it for reasonability 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 confirmed with the group's bankers current banking facilities in place at year end, these have remained unchanged since the prior;
• We obtained representation from management indicating that they have no reason to believe that their bankers will not continue supporting the group for the foreseeable future;
• We inspected a letter from the group's bankers waiving the covenant breaches as at year end and
• We have considered the adequacy of the disclosure presented in the financial statements around management's application of the going concern assumption.</td></tr>
<tr><td>Recognition of Deferred Tax Assets (Note 4)
Consolidated Financial Statements

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.

Management's assessment of the recoverability of the deferred tax asset required significant judgement and estimates, particularly in respect of the expected growth rates and input data in to the budgets and forecasts used for purposes of the assessment.

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.</td><td>We obtained management's assessment of the recoverability of the deferred tax asset and performed the following procedures:

• 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 into consideration the proposed 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 Income Taxes.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Inventory – Allowance for slow moving and obsolete stock (Note 5) *Consolidated Financial Statements* The Group's inventory balance at year end amounted to R 213.6 million (2021: R 195.2 million), Management's assessment of the net realizable value of inventory, and specifically the allowance for slow moving and obsolete inventory, required significant management assumptions and judgements and as a result, the matter was considered of most significance to our current year audit of the consolidated financial statements.	Our procedures included the following: • We obtained an understanding of the relevant controls in respect of management's valuation of inventory; • We obtained and evaluated management's allowance for obsolete inventory calculations. Our evaluation involved obtaining a detailed understanding of the methodology, judgements and key assumptions used in calculating the allowance; • Making use of our internal IT audit expertise using data analytics to re-perform the predicted sales rate, management's allowance for obsolete inventory, net realizable value, as well as the weighted average cost as produced by management; • Based on the above data analytics, a reasonability test was performed and compared to the allowance accounted for by management; • We considered the adequacy of the disclosures made in the financial statements with reference to disclosure requirements of IAS 2.

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 2022" which includes the Directors' Report, report of the Audit and Risk Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa. 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 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, 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.

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 and separate 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.

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 14 years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

MZ Sadek
Director
Registered Auditor

29 July 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 30 April 2022

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
ASSETS					
Non-current assets		**71 370**	68 224	**1**	1
Property, plant and equipment	1	**10 473**	15 245	**–**	–
Right-of-use assets	2	**24 487**	30 339	**–**	–
Investments in subsidiaries	3	**–**	–	**1**	1
Deferred taxation	4	**36 410**	22 640	**–**	–
Current assets		**377 965**	406 239	**117**	119
Inventories	5	**213 646**	195 198	**–**	–
Trade and other receivables	6	**147 352**	197 777	**–**	–
Taxation receivable		**8 065**	8 065	**9**	9
Loan to subsidiaries	7	**–**	–	**–**	–
Bank and cash balances	8	**8 902**	5 199	**108**	110
		3 550	3 550	**–**	–
Non-current assets held for sale	9	**3 550**	3 550	**–**	–
Total assets		**452 885**	478 013	**118**	120
EQUITY AND LIABILITIES					
Total shareholders' interests		**133 520**	158 372	**(12 723)**	(37 408)
Stated capital	11	**855 736**	837 212	**855 736**	837 212
Non-distributable reserves	12	**(175 228)**	(175 522)	**–**	–
Accumulated loss		**(546 988)**	(503 318)	**(868 459)**	(874 620)
Equity attributable to equity holders of the parent		**133 520**	158 372	**(12 723)**	(37 408)
Non-controlling interests	14	**–**	–	**–**	–
Non-current liabilities		**104 261**	130 902	**–**	–
Interest-bearing liabilities	15	**91 518**	110 517	**–**	–
Lease liabilities	16	**12 101**	20 385	**–**	–
Deferred taxation	4	**642**	–	**–**	–
Current liabilities		**215 104**	188 739	**12 841**	37 528
Interest-bearing liabilities	15	**18 895**	18 895	**–**	–
Lease liabilities	16	**17 481**	15 681	**–**	–
Loans from subsidiary	7	**–**	–	**64**	14 615
Financial guarantee liability	17	**–**	–	**12 505**	22 829
Provisions	18	**142**	142	**–**	–
Taxation payable		**4**	1 030	**–**	–
Trade and other payables	19	**133 166**	137 945	**272**	84
Bank overdrafts	8	**45 416**	15 046	**–**	–
Total equity and liabilities		**452 885**	478 013	**118**	120

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 April 2022

	Note	Group 2022 R'000	Group 2021 R'000	Company 2022 R'000	Company 2021 R'000
Continuing operations					
Revenue	20	**1 076 351**	1 206 358	**–**	–
Cost of sales	21	**(816 472)**	(810 819)	**–**	–
Gross profit		**259 879**	395 539	**–**	–
Other income		**2 922**	19 760	**10 324**	8 728
Operating expenses		**(299 598)**	(332 529)	**(4 163)**	(3 699)
Impairment loss on trade receivables	22	**(288)**	(6 724)	**–**	–
Depreciation	22	**(19 073)**	(18 908)	**–**	–
Loans written off		**–**	(730)	**–**	–
Impairment of investment in subsidiary		**–**	–	**–**	(559)
(Loss)/profit from operations	22	**(56 158)**	56 408	**6 161**	4 470
Interest received	23	**10**	2 179	**–**	–
Interest paid	24	**(14 743)**	(19 988)	**–**	–
(Loss)/profit before taxation		**(70 891)**	38 599	**6 161**	4 470
Taxation	25	**13 155**	20 350	**–**	–
(Loss)/profit for the year: continuing operations		**(57 736)**	58 949	**6 161**	4 470
Profit/(loss) from discontinued operations	10	**14 066**	(28 299)	**–**	–
(Loss)/profit for the year		**(43 670)**	30 650	**6 161**	4 470
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss					
– Foreign currency translation reserve		**62**	(288)	**–**	–
Total comprehensive (loss)/income for the year		**(43 608)**	30 362	**6 161**	4 470
Attributable to:					
Equity holders of the parent		**(43 670)**	44 972	**6 161**	4 470
Non-controlling interests		**–**	(14 322)	**–**	–
Net (loss)/profit after tax		**(43 670)**	30 650	**6 161**	4 470
Attributable to:					
Equity holders of the parent		**(43 608)**	44 684	**6 161**	4 470
Non-controlling interests		**–**	(14 322)	**–**	–
Total comprehensive (loss)/income for the year		**(43 608)**	30 362	**6 161**	4 470
– Basic (loss)/earnings per share (cents)	26	**(5,96)**	7,25	**–**	–
– Diluted (loss)/earnings per share (cents)	26	**(5,96)**	7,25	**–**	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 April 2022

	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	Equity attributable to equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Group								
Balances as at 1 May 2020	837 212	2 510	–	(178 194)	(548 290)	113 238	(36 957)	76 281
Total comprehensive income for the year	–	(288)	–	–	44 972	44 684	(14 322)	30 362
Loss of control	–	–	–	–	–	–	51 279	51 279
Equity-settled share-based payment expense	–	–	450	–	–	450	–	450
Balances as at 30 April 2021	**837 212**	**2 222**	**450**	**(178 194)**	**(503 318)**	**158 372**	**–**	**158 372**
Issue of share capital	**18 524**	**–**	**–**	**–**	**–**	**18 524**	**–**	**18 524**
Total comprehensive loss for the year	**–**	**62**		**–**	**(43 670)**	**(43 608)**	**–**	**(43 608)**
Equity-settled share-based payment expense	**–**	**–**	**232**	**–**	**–**	**232**	**–**	**232**
Balances as at 30 April 2022	**855 736**	**2 284**	**682**	**(178 194)**	**(546 988)**	**133 520**	**–**	**133 520**
Notes	11	12	12	12				

	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	Equity attributable to equity holders of the parent R'000
Company						
Balances as at 1 May 2020	837 212	–	–	–	(879 090)	(41 878)
Total comprehensive income for the year	–	–	–	–	4 470	4 470
Balances as at 30 April 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)**
Notes	11					

STATEMENTS OF CASH FLOWS

for the year ended 30 April 2022

		Group		Company	
	Note	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cash flows utilised in operating activities		**(10 987)**	(26 626)	**(3 975)**	(3 694)
Cash generated from/(utilised by) operations	27	**4 743**	(7 691)	**(3 975)**	(3 700)
Interest received	28	**10**	2 179	**–**	–
Interest paid	28	**(14 743)**	(19 991)	**–**	–
Taxation paid	29	**(997)**	(1 123)	**–**	6
Cash flows generated from investing activities		**988**	14 813	**–**	–
Acquisitions of property, plant and equipment	1	**(1 997)**	(5 708)	**–**	–
Proceeds on disposal of property, plant and equipment	1	**2 985**	821	**–**	–
Proceeds on disposal of non-current assets held for sale	9	**–**	19 700	**–**	–
Cash flows (utilised in)/generated from financing activities		**(16 648)**	(32 482)	**3 973**	3 698
(Payment)/receipt of interest-bearing liabilities	30	**(18 999)**	(18 961)	**(14 551)**	3 698
Repayment of lease liability	16	**(16 173)**	(13 521)	**–**	–
Proceeds from the issue of share capital	11	**18 524**	–	**18 524**	–
Net (decrease)/increase in cash and cash equivalents		**(26 647)**	(44 295)	**(2)**	4
Foreign currency translation reserve – net movement on cash and cash equivalents		**(20)**	712	**–**	–
Cash and cash equivalents at beginning of year		**(9 847)**	33 736	**110**	106
Cash and cash equivalents at the end of the year	8	**(36 514)**	(9 847)	**108**	110

SEGMENT ANALYSIS

for the year ended 30 April 2022

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. Intersegment 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 the prior year.

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 prior 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 R211 million (20%) (2021: R249 million (21%)) 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 2022

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

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

Segment analysis continued

for the year ended 30 April 2022

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

Segment analysis continued

for the year ended 30 April 2022

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

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 April 2022

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 (see note 3). 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.

Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

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

BASIS OF PREPARATION continued

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.

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.

BASIS OF PREPARATION continued

Significant judgements and estimates

Information about assumptions and estimation uncertainties at 30 April 2022 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 judgement and estimates

- Note 7 – 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 39 – 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 41 – Going concern – underlying fundamentals of cash flow projections and forward-looking economic outlook for South Africa.

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 4 – Investment in subsidiaries – impairment test on investments: key assumptions underlying recoverable amounts;
- Note 6 – Inventories – measurement of slow-moving inventory, if items of inventory are still saleable, and key assumptions used on the average usage and expected rate of sale of inventory; and
- Note 18 – 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 5 – 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.

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
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 *Provisions, Contingent Liabilities and Contingent Assets (***Amendment** *– Onerous Contracts – Cost of Fulfilling a Contract)*	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

Significant accounting policies continued

for the year ended 30 April 2022

Standard	Details of amendment	Annual periods beginning on or after
IAS 16 *Property, Plant and Equipment* (**Amendment** – *Proceeds before Intended Use)*	In May 2020, the 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
IAS 1 *Presentation of Financial Statements* (**Amendment** – *Classification of Liabilities as Current or Non-Current)*	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 2023
IAS 1 *Presentation of Financial Statements* (**Amendment** – *Disclosure of Accounting Policies)*	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 *Accounting Policies, Changes in Accounting Estimates and Errors* (**Amendment** – *Definition of Accounting Estimates)*	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 *Income Taxes* (**Amendment** - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*	The amendment specifies how companies should account for deferred tax related to Assets and Liabilities arising from a Single Transaction. on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions.	1 January 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 is 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:

Land	Not depreciated
Buildings	20 to 50 years
Leasehold improvements	Shorter of the lease term (1 year to 3 years) and the asset's economic life
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

Land and buildings comprise mainly shops, warehouses and offices.

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.

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

Company

The Company has no property, plant and equipment.

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.

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

2. RIGHT-OF-USE ASSETS continued

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

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 16. The average remaining lease term of all leases is 3,4 years (2021: 2,2 years).

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

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

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

Company

The Company has no right-of-use assets.

3. INVESTMENT 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, if there is an indication of impairment. The recoverable amounts of the impairment are estimated based on the value-in-use calculations.

			Ownership percentage		Shares at cost	
	Country of incorporation	Segment	2022 %	2021 %	2022 R'000	2021 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
Impairment of investment					**(565 233)**	(565 233)
					1	1

** *Amount is less than R1 000.*

The Company recognised an impairment of Nil (2021: R559 000).

3. INVESTMENT IN SUBSIDIARIES continued

	Country of incorporation	Segment	Ownership percentage 2022 %	2021 %
Shares held indirectly:				
Botjheng Water Proprietary Limited*	RSA	Trading and Distribution	**100**	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 3 May 2022.*

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.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods, the following evidence was considered, including approved budgets, forecasts and business plans. As a result of the outlook going forward management has assessed that there will be sufficient taxable profits going forward to retain the deferred tax asset related to Ellies Electronics Proprietary Limited in the current year. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes.

4. DEFERRED TAXATION continued

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

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

4. DEFERRED TAXATION continued

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

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

5. INVENTORIES

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

During the year R8,5 million (2021: R1,6 million) worth of inventory was written off as obsolete, damaged or unsaleable. Refer to note 21.

Inventory has been pledged as security against certain banking facilities. Refer to note 8 and note 15.

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 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 and banks. Industry knowledge and visits to potential customer premises assist in the decision to accept a new customer and the setting of credit limits.

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

Other receivables

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.

6. TRADE AND OTHER RECEIVABLES continued

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

Trade receivables in South Africa have been encumbered to Standard Bank of South Africa to secure certain banking facilities (note 15).

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

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

Basis of raising specific impairment allowances against receivables

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

6. TRADE AND OTHER RECEIVABLES continued

Exposure to credit risk

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

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

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

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

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

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

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

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

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

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

Default

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

Write-off policy

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

Bad debt recovered

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

6. TRADE AND OTHER RECEIVABLES continued

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

	Trade receivables days past due					
Group	Not yet due R'000	30 days overdue R'000	60 days overdue R'000	90 days overdue R'000	120+ days overdue R'000	Total R'000
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+ day ageing bucket includes R11,7 million of trade receivables which have been fully provided for.*

6. TRADE AND OTHER RECEIVABLES continued

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

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

7. LOAN TO/(FROM) SUBSIDIARIES

ACCOUNTING POLICIES

Loans to/(from) subsidiaries

Loans to subsidiaries are classified as either 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	
	2022 R'000	2021 R'000
Current		
Ellies Electronics Holdings Proprietary Limited *	**–**	–
– Loan	**4 523**	4 523
– Impairment	**(4 523)**	(4 523)
Ellies Electronics Proprietary Limited *	**(64)**	(14 615)
	(64)	(14 615)

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

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	
	2022 R'000	**2021 R'000**	**2022 R'000**	**2021 R'000**
Cash on hand	**565**	10	**–**	–
Bank accounts	**6 542**	5 052	**108**	110
CFC Bank accounts	**1 795**	137	**–**	–
Bank overdrafts	**(45 416)**	(15 046)	**–**	–
	(36 514)	(9 847)	**108**	110
Disclosed as				
Current asset	**8 902**	5 199	**108**	110
Current liability	**(45 416)**	(15 046)	**–**	–
	(36 514)	(9 847)	**108**	110

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 (note 2) restricted to R500 million (2021: R500 million); and
- cession of trade and other receivables (note: 6)

Refer to note 15 for further details.

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.

In February 2020 Ellies Properties Proprietary Limited entered into contracts to sell its remaining properties.

The properties designated as held for sale were auctioned off in February and March 2020 but were subject to the fulfilment of certain conditions precedent which lapsed as the buyer was unable to secure funding and the initial deposit paid was forfeited. Erf 264 Village Deep, Johannesburg was subsequently sold to a new buyer with the offer to purchase being signed on 22 March 2022 and is in the process of being transferred. 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	
	2022 R'000	**2021 R'000**
Erf 264 Village Deep, Johannesburg	**1 950**	1 950
Erf 236 Village Deep, Johannesburg	**1 600**	1 600
Non-current assets held for sale	**3 550**	3 550
Profit on disposal on non-current assets held for sale		
Proceeds on disposal of non-current assets held for sale	**–**	19 700
Carrying value non-current assets held for sale	**–**	(15 961)
Profit on disposal included in other income (note 22)	**–**	3 739

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.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

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

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

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

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

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

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

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Authorised				
850 000 000 (2021: 800 000 000) no par value shares				
Issued				
805 400 305 (2021: 620 158 235) no par value shares	**855 736**	837 212	**855 736**	837 212
	Number of shares	Number of shares	Number of shares	Number of shares
Shares in Issue at the beginning of the year	**620 158 235**	620 158 235	**620 158 235**	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**	620 158 235	**805 400 305**	620 158 235

** Refer to Directors' report for details on transaction.*

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 and loss.

	Group	
	2022 R'000	**2021 R'000**
Arising from common control transactions	**(178 194)**	(178 194)
Foreign currency translation reserve	**2 284**	2 222
Share-based payment reserve (note 13)	**682**	450
	(175 228)	(175 522)
Movement summary for foreign currency translation reserve		
Balance at the beginning of the year	**2 222**	2 510
Translation of foreign entity	**62**	(288)
Balance at the end of the year	**2 284**	2 222
Movement summary for share-based payment reserve (note 13)		
Balance at the beginning of the year	**450**	–
Share-based payment options issued during the year	**–**	450
Share-based payment cost recognised during the year	**341**	–
Share-based payment forfeited during the year	**(109)**	–
Balance at the end of the year	**682**	450

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.

	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 have 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.*

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 is expected to be realised as follows:	1 350
2021	450
2022	450
2023	450

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 ≥ 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 have 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.*

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 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)	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 have 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.*

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 is expected to be realised as follows:	675
2021	225
2022	225
2023	225

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 ≥ 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 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 have 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

14. NON-CONTROLLING INTEREST

	Ellies Industries		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Group				
Balance at the beginning of the year	–	(36 957)	–	(36 957)
Share of attributable earnings for the year – continuing operations	–	(14 322)	–	(14 322)
Derecognition on loss of control subsidiaries - Ellies Industries Proprietary Limited	–	51 279	–	51 279
Balance at the end of the year	–	–	–	–

Subsidiary with significant non-controlling interests

The Manufacturing segment was comprised of Ellies Industries Proprietary Limited only, which was placed into liquidation during the prior financial year. Refer to the Segment sections on pages 30 to 33 for the financial information relating to Ellies Industries Proprietary Limited, previously the non-controlling interest was 26%.

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

Instalment sale liabilities

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

Term loans

The Group's banking facilities consist of the following:

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

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

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

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

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

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

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

16. 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.

16. LEASE LIABILITIES continued

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

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

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

16. LEASE LIABILITIES continued

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

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

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

17. 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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Guarantee provision				
Balance at the beginning of the year	**–**	–	**22 829**	31 557
Provisions raised/(released)	**–**	–	**(10 324)**	(8 728)
Balance at the end of the year	**–**	–	**12 505**	22 829

17. 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.
- 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 impact of COVID-19 has already been incorporated into Moody's Calculation Tools.

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

- The original facilities agreement was entered into in 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 of South Africa 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 not strictly 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.

18. 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. 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 costs 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	
	2022 R'000	2021 R'000
Provision for warranty		
Balance at the beginning of the year	**121**	4 754
Provisions released	**–**	(4 637)
Provision utilised	**–**	4
Balance at the end of the year	**121**	121
Other provisions		
Balance at the beginning of the year	**21**	523
Provisions raised	**–**	21
Provision reversed	**–**	(100)
Reversal on loss of control (Ellies Industries Proprietary Limited)	**–**	(423)
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 reduction of the provision for warranty is as a result of low customer uptake as they are required to register their surge protection product purchased and the appliance connected to it.

The Company has no provisions.

19. 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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Trade payables	**105 013**	65 857	**–**	–
Accrued expenses	**12 228**	18 149	**272**	84
Deferred revenue	**–**	1 836	**–**	–
Payroll accruals	**8 612**	28 253	**–**	–
Value added tax	**–**	2 788	**–**	–
Other payables	**1 251**	1 491	**–**	–
Income received in advance	**6 062**	17 881	**–**	–
Profit share accrual (Ellies Electronics Swaziland Proprietary Limited)	**–**	1 690	**–**	–
	133 166	137 945	**272**	84

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

20. 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. To determine whether to recognise revenue, the Group follows a five-step process:

(1) Identifying the contract with a customer.

(2) Identifying the performance obligations.

(3) Determining the transaction price.

(4) Allocating the transaction price to the performance obligations.

(5) Recognising revenue when the performance obligations are satisfied.

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

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

20. 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	
	2022 R'000	**2021 R'000**
South Africa	**1 015 243**	1 107 588
Botswana	**18 868**	24 660
Namibia	**32 819**	49 346
Eswatini	**9 421**	24 764
	1 076 351	1 206 358
Revenue generated in South Africa can be further disaggregated into the following customer groups:		
Cash on delivery	**37 057**	104 297
Independent customers	**312 973**	310 593
Satellite television service providers	**210 512**	248 928
Major retailers	**454 701**	443 770
	1 015 243	1 107 588

21. 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 write-down of inventories is limited to the original carrying amount had no write-down been recognised.

	Group	
	2022 R'000	**2021 R'000**
Cost of goods sold	**807 733**	809 198
Inventory write-offs	**8 739**	1 621
	816 472	810 819

22. 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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Loss/(profit) from operations is stated after taking the following items into account:				
Foreign exchange loss/(profit)	**468**	(529)	**–**	–
Included in other income				
– Insurance business interruption claim in respect of COVID-19 (March 2020 and April 2020)	**–**	(12 143)	**–**	–
Financial guarantee liability release for Company	**–**	–	**10 324**	8 728
Depreciation	**19 073**	22 566	**–**	–
– Property, plant and equipment (operating expenses) – continuing operations	**3 692**	4 951	**–**	–
– Property, plant and equipment – discontinued operations	**–**	3 658	**–**	–
– Right-of-use asset (operating expenses)	**15 381**	13 957	**–**	–
Legal fees	**2 577**	6 023	**–**	–
Consulting fees	**9 874**	7 407	**–**	–
Audit fees	**(373)**	4 707	**–**	–
Impairment loss on trade receivables	**288**	6 724	**–**	–
– Trade receivables written off	**668**	9 734	**–**	–
– Expected credit loss provision decrease	**(380)**	(3 010)	**–**	–
Losses and impairments				
Impairment of investments (refer to note 3)	**–**	–	**–**	559
Short-term lease				
Plant and equipment	**5 845**	2 623	**–**	–
Premises	**255**	310	**–**	–
	6 100	2 933	**–**	–
Premises – utility charges	**5 366**	5 862	**–**	–
(Profit)/loss on sale of non-current assets				
(Profit)/loss on disposal of property, plant and equipment	**(95)**	1 916	**–**	–
Employee costs				
Directors	**14 064**	9 131	**–**	–
Prescribed officers	**7 936**	5 167	**–**	–
Other staff	**147 651**	174 944	**–**	–
	169 651	189 242	**–**	–

22. PROFIT/(LOSS) FROM OPERATIONS continued

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

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 Prithivirajh	–	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.*

22. PROFIT/(LOSS) FROM OPERATIONS continued

2021	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 Prithivirajh	–	3 187	–	453	541	312	4 493
Chris Booyens	–	2 471	36	150	395	164	3 216
	–	5 658	36	603	936	476	7 709
Non-executive directors							
Timothy Fearnhead	469	–	–	–	–	–	469
Martin Kuscus	328	–	–	–	–	–	328
Francois Olivier	–	–	–	–	–	–	–
Edward Raff	300	–	–	–	–	–	300
Edick Lehapa	325	–	–	–	–	–	325
	1 422	–	–	–	–	–	1 422
Prescribed officers							
Johan Klein	–	1 868	72	248	350	102	2 640
Zeyn Agjee	–	1 880	14	186	350	97	2 527
	–	3 748	86	434	700	200	5 167
	1 422	9 406	122	1 037	1 636	675	14 298

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

23. 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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Funds and deposits with banks	**10**	2 179	**–**	–
	10	2 179	**–**	–

24. 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	
	2022 R'000	2021 R'000
Bank overdraft and trade finance facility	**3 687**	2 143
Interest-bearing liabilities	**8 181**	11 392
Interest on imports	**–**	3 366
Interest on lease liability	**2 826**	3 071
Other	**49**	16
	14 743	19 988

25. 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	
	2022 R'000	**2021 R'000**	**2022 R'000**	**2021 R'000**
South African normal taxation				
Current year taxation	**–**	1 736	**–**	–
Prior year over provision	**(29)**	–	**–**	–
Deferred taxation				
Current year	**(12 439)**	(22 086)	**–**	–
Taxation rate change	**(687)**	–	**–**	–
	(13 155)	(20 350)	**–**	–
	%	**%**	**%**	**%**
Reconciliation of rate of taxation				
South African normal taxation rate	**28,00**	28,00	**28,00**	28,00
Exempt income	**16,44**	0,94	**–**	–
Disallowable expenses	**(0,02)**	0,04	**–**	–
Legal fees	**(0,98)**	0,45	**–**	–
Disallowable capital allowances	**(0,33)**	0,62	**–**	–
Impairment of loans	**(13,67)**	0,53	**–**	–
Section 8F interest disallowed	**–**	(6,31)	**–**	–
Estimated losses utilised	**(8,74)**	(40,16)	**(28,00)**	(28,00)
Capital gains	**–**	(0,79)	**–**	–
Unutilised temporary differences	**(2,90)**	(35,14)	**–**	–
Foreign tax rate differential	**(0,24)**	(1,19)	**–**	–
Prior year under/(over) provision of tax	**0,04**	–	**–**	–
Capital allowances	**–**	0,28	**–**	–
South African tax rate change	**0,97**	–		
Other	**–**	(0,02)	**–**	–
Effective taxation rate	**18,57**	(52,75)	**–**	–

26. (LOSS)/EARNINGS PER SHARE

ACCOUNTING POLICIES

Earning/(loss) per share

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

26. (LOSS)/EARNINGS PER SHARE continued

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

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

27. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Notes	Group 2022 R'000	Group 2021 R'000	Company 2022 R'000	Company 2021 R'000
(Loss)/profit before taxation		**(56 825)**	10 300	**6 161**	4 470
Adjusted for:					
Interest received	28	**(10)**	(2 179)	**–**	–
Interest paid	28	**14 743**	19 991	**–**	–
Impairment on inventory	21	**8 739**	1 621	**–**	–
Impairment on trade receivables	22	**288**	6 724	**–**	
Impairment of investments		**–**	–	**–**	559
Depreciation	1; 2	**19 073**	22 566	**–**	–
Share-based payments	13	**232**	450		
Release of loan payable		**–**	(41 607)		
Loss on loss of control		**–**	13 419	**–**	–
Profit/(loss) on disposal of property, plant and equipment	22	**95**	(1 916)	**–**	–
Decrease in financial guarantee liability		**–**	–	**(10 324)**	(8 728)
Decrease in provisions		**–**	(4 713)	**–**	–
		(13 665)	24 656	**(4 163)**	(3 699)
Changes in working capital		**18 408**	(32 347)	**188**	(1)
(Increase)/decrease in inventories		**(27 187)**	32 526	**–**	–
Decrease/(increase) in trade and other receivables		**50 137**	(54 664)	**–**	–
Decrease in trade and other payables		**(4 542)**	(10 209)	**188**	(1)
Cash (utilised by)/generated from operations		**4 743**	(7 691)	**(3 975)**	(3 700)

	Group 2022 R'000	Group 2021 R'000	Company 2022 R'000	Company 2021 R'000
28. INTEREST PAID/(RECEIVED) (IN CASH)				
Interest paid				
Total interest paid – continuing operations (refer to note 24)	**14 743**	19 988	**–**	–
Total interest paid – discontinuing operations (refer to note 10)	**–**	3	**–**	–
Total interest paid (in cash)	**14 743**	19 991	**–**	–
Interest received				
Total interest received (refer to note 23)	**(10)**	(2 179)	**–**	–
Total interest received (in cash)	**(10)**	(2 179)	**–**	–
Net interest paid (in cash)	**14 733**	17 812	**–**	–
29. TAXATION PAID				
Balance at beginning of year	**(7 035)**	(7 648)	**(9)**	(15)
Charged to the statement of comprehensive income	**(29)**	1 736	**–**	–
Balance at the end of the year	**8 061**	7 035	**9**	9
	997	1 123	**–**	(6)
30. REPAYMENT OF LOANS				
Cash flow from financing activities				
Interest-bearing liabilities				
Balance at the beginning of the year	**129 412**	148 373	**14 615**	10 917
Repayment of interest-bearing liabilities	**(18 999)**	(18 961)	**(14 551)**	–
Proceeds from interest-bearing liabilities	**–**	–	**–**	3 698
Balance at the end of the year	**110 413**	129 412	**64**	14 615
Third-party loans				
Balance at the beginning of the year	**–**	41 607	**–**	–
Deemed repayment (non-cash flow)	**–**	(41 607)	**–**	–
Balance at the end of the year	**–**	–	**–**	–

31. 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	
	2022 R'000	2021 R'000
Contributions to funds	**3 951**	3 970

All contributions on behalf of employees are charged to the statement of comprehensive income as they are incurred. 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.

32. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

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

	Financial assets at amortised cost		Financial liabilities at amortised cost		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Company						
Current assets	**108**	110	**–**	–	**108**	110
Loan to subsidiary	**–**	–	**–**	–	**–**	–
Bank and cash balances	**108**	110	**–**	–	**108**	110
Total assets	**108**	110	**–**	–	**108**	110
Current liabilities	**–**	–	**336**	14 699	**336**	14 699
Trade and other payables	**–**	–	**272**	84	**272**	84
Loan to subsidiary	**–**	–	**64**	14 615	**64**	14 615
Total equity and liabilities	**–**	–	**336**	14 699	**336**	14 699

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

33. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a number of financial risks as listed below. 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.

The capital structure of the Group consists of cash and cash equivalents disclosed in note 8, borrowings disclosed in note 15 and equity disclosed in the statement of financial position.

33.1 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 due to imports 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 33.2.

33.2 Interest rate risk

The Company and Group are exposed to interest rate risk through their variable rate cash balances and overdrafts, as well as their interest-bearing liabilities, including leases. 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.

		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%		
	Carrying value R'000	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)**
Impact of financial assets on:							
– 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)**	**–**	**–**	**–**
Third-party loans	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bank overdrafts	**(45 416)**	**–**	**–**	**–**	**(45 416)**	**(908)**	**908**
Impact of financial liabilities on:							
– 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**

33. FINANCIAL RISK MANAGEMENT continued

33.2 Interest rate risk continued

		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%		
	Carrying value R'000	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 2021							
Financial assets							
Trade and other receivables	176 756	5 177	(104)	104	–	–	–
Bank and cash balances	5 199	2 402	(48)	48	5 199	104	(104)
Impact of financial assets on:							
– profit before taxation	–	–	(152)	152	–	104	(104)
– profit after taxation	–	–	(109)	109	–	75	(75)
Financial liabilities							
Interest-bearing liabilities	(129 412)	–	–	–	(129 412)	(2 588)	2 588
Trade and other payables	(87 532)	15 533	311	(311)	–	–	–
Bank overdrafts	(15 046)	–	–	–	(15 046)	(301)	301
Impact of financial liabilities on:							
– profit before taxation	–	–	311	(311)	–	(2 889)	2 889
– profit after taxation	–	–	224	(224)	–	(2 080)	2 080
Overall impact on profit after taxation	–	–	115	(115)	–	(2 005)	2 005

Company

No Company sensitivity analysis is presented as there were no balances exposed to foreign exchange risk and the only interest rate risk would relate to bank and call deposits of R108 000 (2021: R110 000) at year-end, on which the after-tax impact on profit or loss would be R1 555 (2021: R1 584) should the interest rate change by 2% (2021: 2%).

33. FINANCIAL RISK MANAGEMENT continued

33.3 Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and availability of funding through an 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 borrowings are structured to match the expected cash flows from the operations to which they relate, where possible. The Group utilises the credit facilities of Standard Bank of South Africa and has been able to operate within the 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 year R'000	
Group						
30 April 2022						
Non-current liabilities						
Interest-bearing liabilities	**91 518**	**–**	**–**	**–**	**98 718**	**98 718**
Current liabilities						
Interest-bearing liabilities	**18 895**	**–**	**13 816**	**13 816**	**–**	**27 631**
Trade and other payables	**117 241**	**–**	**117 241**	**–**	**–**	**117 241**
Bank overdrafts	**45 416**	**–**	**45 416**	**–**	**–**	**45 416**
	273 070	**–**	**176 473**	**13 816**	**98 718**	**289 006**
30 April 2021						
Non-current liabilities						
Interest-bearing liabilities	110 517	–	–	–	125 535	125 535
Current liabilities						
Interest-bearing liabilities	18 895	–	14 510	14 096	–	28 606
Trade and other payables	87 532	–	87 532	–	–	87 532
Bank overdrafts	15 046	–	15 046	–	–	15 046
	231 990	–	117 088	14 096	125 535	256 719

33. FINANCIAL RISK MANAGEMENT continued

33.3 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	More than 12 months R'000
Company					
30 April 2022					
Current liabilities					
Trade and other payables	**272**	**–**	**272**	**–**	**–**
Loan from subsidiary	**64**	**64**	**–**	**–**	**–**
	336	**64**	**272**	**–**	**–**
30 April 2021					
Current liabilities					
Trade and other payables	84	–	84	–	–
Loan from subsidiary	14 615	14 615	–	–	–
	14 699	14 615	84	–	–

33.4 Credit risk

Credit risk is managed on a Group basis. Credit risk arises on cash and cash equivalents, trade receivables and loans receivable. The Group only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty. The Company also has credit risk on financial guarantee liability.

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 equivalents 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 equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

	2022			2021		
	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)	**152 132**	**(13 629)**	**138 503**	177 116	(14 192)	162 924
Cash and cash equivalents (note 8)	**8 902**	**–**	**8 902**	5 199	–	5 199
	161 034	**(13 629)**	**147 405**	182 315	(14 192)	168 123

33. FINANCIAL RISK MANAGEMENT continued

33.4 Credit risk continued

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

	2022			2021		
	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)	**108**	**–**	**108**	110	–	110
Financial guarantee liability (note 17)	**(12 505)**	**–**	**(12 505)**	(22 829)	–	(22 829)
	(7 874)	**(4 523)**	**(12 397)**	(18 196)	(4 523)	(22 719)

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

	2022		2021	
Counterparty	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

34. 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 are no externally imposed capital requirements.

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	
	2022 R'000	2021 R'000
Total borrowings		
Interest-bearing liabilities	**110 413**	129 412
Lease liabilities	**29 582**	36 066
	139 995	165 478
Less: Cash and cash equivalents (net borrowings)	**36 514**	9 847
Net debt	**176 509**	175 325
Total equity	**133 520**	158 372
Total capital	**310 029**	333 697
Debt to equity	**1,32:1**	1,11 : 1

35. 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

Vegtu Investments Proprietary Limited – significant shareholder (Estate of late E Salkow)

Entities with common shareholders – Imvula 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	
	2022 R'000	2021 R'000
Rent paid		
Vegtu Investments Proprietary Limited *	**–**	(2 228)
Skills development spend (B-BBEE)		
Invincible Outsourcing Proprietary Limited	**(761)**	–
Maharishi Education for Invincibility Trust	**(44)**	–
Maharishi Invincibility Institute NPC	**(6 414)**	–
Supplier development spend (B-BBEE)		
Invincible Outsourcing Proprietary Limited	**(626)**	–
Enterprise development spend (B-BBEE)		
Invincible IT Proprietary Limited	**(313)**	–
Socio-economic development spend (B-BBEE)		
Maharishi Education for Invincibility Trust	**(215)**	–

* *Vegtu Investments Proprietary Limited is an associate of the late Elliot Salkow, who has been a director of Ellies within the 12 months preceding the property disposals and is a material shareholder of the Company. Accordingly, the disposal of the two properties was considered to be a related party transaction in accordance with the JSE Listings Requirements and shareholders were required to approve the disposal of the properties to Vegtu Investments Proprietary Limited. The sale was subsequently cancelled. Refer to note 9.*

Directors' remuneration details can be found in note 22.

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.

36. GUARANTEES AND CONTINGENT LIABILITIES

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

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

Freightit Proprietary Limited

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

Allybay Trading Enterprises Proprietary Limited

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

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

37. EVENTS AFTER THE REPORTING DATE

Other than as disclosed above in note 36, 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.

38. 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 2023, management prepared cash flow forecasts based on the FY2023 budget. These forecasts were subjected to sensitivity tests. It was compared to available funding facilities to determine the available headroom.

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

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.