



HOLDINGS LIMITED



INTEGRATED
ANNUAL REPORT

2023



INTEGRATED ANNUAL REPORT

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



ANNUAL FINANCIAL STATEMENTS

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



NOTICE OF ANNUAL GENERAL MEETING

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



KING IV™ APPLICATION REGISTER

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



SUSTAINABILITY REPORT

Our Sustainability Report is a detailed account of our Environmental, Social and Governance ("ESG") activities during the reporting period and also includes economic indicators related to sustainability together with alignment to the Ten Principles of the United Nations Global Compact.

The reporting suite is available on the following link:

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

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



The following icons, relating to the Capitals, have been used throughout this report:



Financial



Human



Intellectual



Manufactured



Social and Relationship



Natural

Follow us online at www.ellies.co.za

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

How to navigate the Integrated Annual Report

For easy navigation and cross-referencing, we have included the following icons within this Integrated Annual Report:



Information available on our website



Information available elsewhere in the Integrated Annual Report

CONTENTS

Page

2 About this report

6 VALUE CREATION

6 Group profile

7 Our mission, vision and values

8 Geographic footprint

9 Who we are

10 2023 at a glance

11 Five-year review

12 Our strategy

13 Our investment case

14 Our business model

16 REPORTS TO SHAREHOLDERS

16 Letter from the Chairperson to Ellies shareholders

18 Chief Executive Officer's report

20 Chief Financial Officer's report

Page

22 GOVERNANCE

22 Board of Directors

27 Board diversity

29 Board meeting attendance and Charter

31 Board sub-Committees

32 Executive Committee

33 Summary Corporate Governance Report

38 Risk management

44 Engaging our stakeholders

48 Report of the Remuneration Committee

63 Report of the Social and Ethics Committee

67 Report of the Nomination Committee

69 Report of the IT Governance Committee

72 SUSTAINABILITY

72 Sustainability at a glance

75 CORPORATE INFORMATION

ABOUT THIS REPORT

The Board of Directors of Ellies Holdings Limited ("**Ellies**" or "**the Group**" or "**the Company**") ("the Board") realises the importance of an Integrated Annual Report that fully promotes transparency and accountability to reinforce its role as a responsible corporate citizen.

The 2023 Integrated Reporting Suite comprises the:

- Integrated Annual Report;
- Annual Financial Statements;
- Notice of AGM;
- Sustainability Report; and
- King IV™ Application Register.



These documents collectively comprise Ellies' 2023 Integrated Annual Report and have been published on Ellies' website.

REPORTING FRAMEWORKS

Ellies' Integrated Annual Report was developed considering and applying frameworks including:

- International Financial Reporting Standards ("**IFRS**");
- SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee;
- JSE Listings Requirements (service issue 30);
- Global Reporting Standards 2021; and
- Companies Act, no 71 of 2008, as amended ("**Companies Act**").

The Company has adopted the value-adding principles enshrined in the King IV Report on Corporate Governance for South Africa, 2016 ("**King IV™**") and views integration, together with Board and Executive Committee education, as a phase of the process.

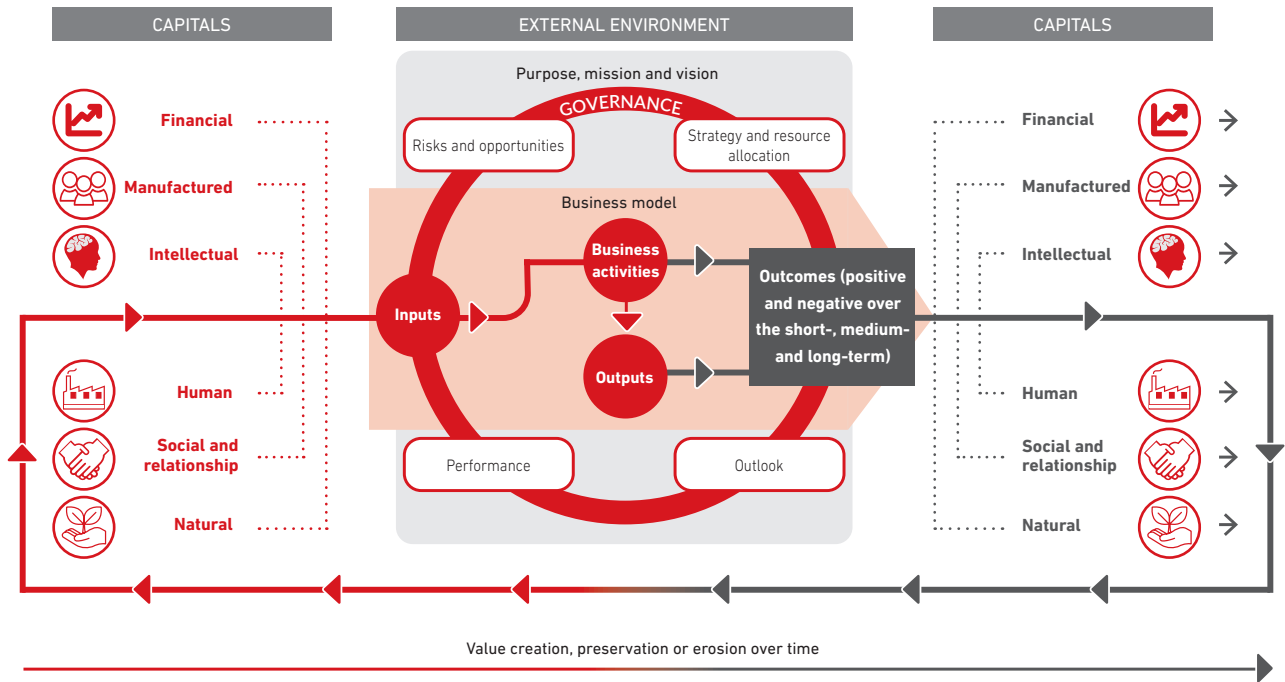
Ellies continuously strives to improve its reporting elements, alignment to relevant reporting frameworks and best practice.

Ellies seeks to provide relevant and material information for investors and other stakeholders through a report that is accessible to the reader.

The objective is to strengthen the Company's application of integrated reporting guiding principles and content elements, focusing on:

- advancing the material matters chapter;
- streamlining financial reporting;
- aligning governance disclosure to best practice;
- enhancing the transparency of the remuneration chapter;
- benchmarking performance according to achievements; and
- improving connectivity of information.

2023 INTEGRATED REPORTING SUITE STRUCTURE



The integrated reporting framework recommends reporting on the capital resources that are utilised in the creation, preservation or erosion of value.



These forms are classified as the six forms of capital being financial, manufactured, intellectual, human, social and relationship and natural. These capitals form the basis against which all concepts, ideas and challenges are measured to ensure that the best possible value proposition for all stakeholders is realised.

SCOPE OF THE 2023 INTEGRATED REPORTING SUITE

The primary objective of this Integrated Annual Report is to review the ability of Ellies to create and sustain value. The Integrated Annual Report will provide a greater understanding of the Group's strategy, its business model and its major impacts across economic, social and environmental aspects as well as insight into how the Group is managed.

The 2023 integrated reporting suite covers the integrated financial and non-financial performance of Ellies for the period 1 March 2022 to 30 April 2023. The 2023 Integrated Annual Report addresses all businesses, which comprise the South African subsidiary companies and subsidiaries in Botswana, Eswatini and Namibia. Ellies' head office is located in Kramerville, South Africa.

Sustainability reporting coincides with Ellies' Integrated Annual Report.



A separate Sustainability Report is available on Ellies' website.



A synopsis of economic, environmental, social and governance indicators is presented on pages 72 to 74, as the Group progresses on its path to adopt a more integrated approach in its reporting.



A summary of the Corporate Governance Report is included in the Integrated Annual Report on pages 33 to 37, with the King IV™ Application Register being available on Ellies' website.

About this report continued

The adoption of integrated reporting principles is a developmental and evolutionary process, and it may take some time to fully implement these principles and achieve the desired level of reporting. This report, nevertheless, offers stakeholders a holistic view of Ellies' operations and provides insight on both financial and non-financial matters for the reporting period ended 30 April 2023.

As the concepts and practices of integrated reporting develop, management will aim to improve disclosures and application, as deemed appropriate.

MATERIALITY

The Board applies the principle of materiality in determining the content and disclosure in the Integrated Annual Report.

Management's judgement has been used in deciding the issues that could substantively affect the Group's strategy, revenue and profitability, and its ability to create value over time. The disclosure excludes information which could lead to loss of the Group's competitive advantage.

Material issues

The Board, in consultation with management, annually identifies the issues that could have the most significant impact on the Group's ability to create sustainable value for its stakeholders. In determining these material issues, the Board considers internal and external factors, including the Group's strategy, the needs, expectations and concerns of its stakeholders, as well as the economic and trading environment.

These material issues are reviewed each year during the course of the Board's strategic planning process.



The risks relating to these material issues are disclosed together with opportunities to provide Ellies' stakeholders with insight into the growth drivers of the business and are disclosed on pages 38 to 43 of the Integrated Annual Report.

ASSURANCE, COMPARABILITY AND RESTATEMENTS

Assurance

A combined assurance model is applied to provide a coordinated approach to all assurance activities.

The content of this Integrated Annual Report has been reviewed by the directors and management but has not been externally assured.

The consolidated and separate financial statements have been prepared in accordance with the 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 and have been audited by BDO South Africa Incorporated, who expressed an unmodified audit opinion with an emphasis of matter relating to going concern.

Comparability

Most of the performance measures included in this report have comparative figures and, unless specifically stated otherwise, cover the financial year of the Group.

Restatement and additional disclosure

There were no restatements during the reporting period.

FEEDBACK REQUEST

The Board welcomes feedback on Ellies' Integrated Annual Report 2023 from stakeholders. Please e-mail investorrelations@ellies.co.za with any questions or comments on this report.

About this report continued

FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements which Ellies believes are reasonable and considers information available up to the date of the report.

Results could, however, differ materially from those set out in the forward-looking statements as a result of, amongst other factors, changes in economic and market conditions, changes in the regulatory environment and fluctuations in commodity prices and exchange rates. As a result, these forward-looking statements are not guarantees of future performance and are based on numerous assumptions regarding Ellies' present and future business models, strategy and the environments in which it operates.

All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Ellies expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statements is based. The forward-looking statements have neither been reviewed nor audited by the Group's external auditors, BDO South Africa Incorporated.

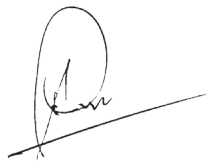
BOARD APPROVAL OF THE INTEGRATED ANNUAL REPORT

The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The Board has accordingly applied its mind to the Integrated Annual Report and in the opinion of the Board the Integrated Annual Report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The Integrated Annual Report has been prepared in line with best practice to the extent possible for the reporting period. On Wednesday, 30 August 2023 the Board authorised the Integrated Annual Report for release on Thursday, 31 August 2023.

For and on behalf of the Board



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



Dr Shaun Prithvirajh
Chief Executive Officer



Guy Moretti
Chief Financial Officer



VALUE CREATION

GROUP PROFILE

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 satellite television products and related accessories, electrical, signal distribution, residential and commercial LED lighting solutions, solar power, uninterrupted power supply, fibre connectivity, sound and audio-visual equipment, and installation.

Ellies Electronics, the Trading and Distribution segment, is the heartbeat of the organisation and operates out of 14 distribution centres (one of which is a store within a store) in South Africa. It has a presence in eight of the nine provinces and three distribution centres at its wholly owned subsidiaries in Namibia, Botswana and Eswatini.

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

OUR MISSION, VISION AND VALUES

The Ellies Group provides products and services to people, and we endeavour to let this inform everything we do.

MISSION

Our **mission** remains to keep on improving ourselves so that we can enrich the lives of others, offering solutions that truly make a difference in people's lives.

VISION

The Group's ultimate goal is to be the brand of choice when it comes to multimedia, electronic, electrical, energy-efficient lighting, solar and power solutions, in both the residential and commercial sectors.

VALUES

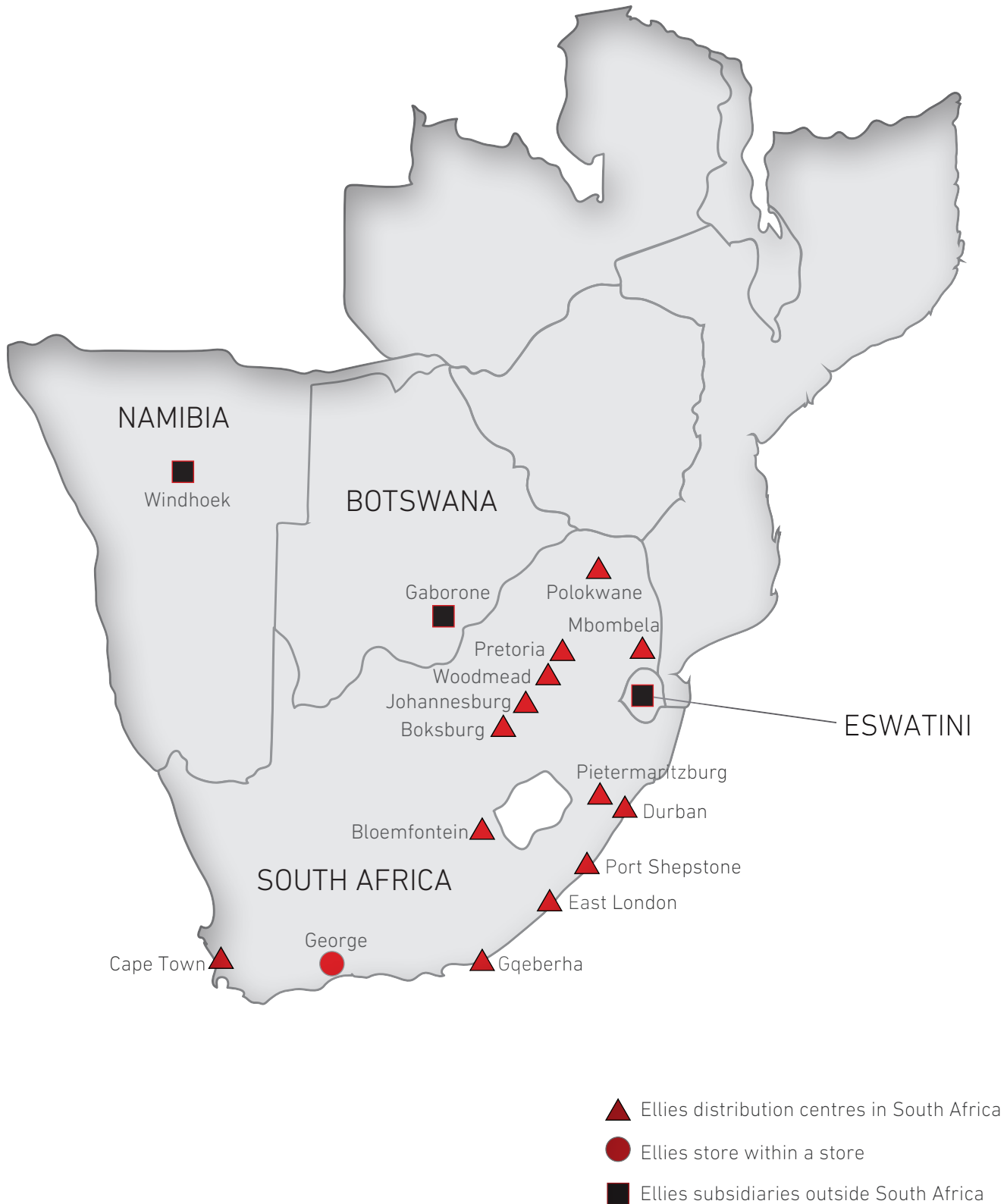
Our **values** are embedded in everything we do – from the way we package our products, to the way we present ourselves, to the way we talk to our customers, colleagues, partners and investors.

- **Exceptional:** We strive to be an exceptional company, excellent at what we do and to be best in class.
- **Principled:** We honour our promises and keep our word. Nothing is as important as our reputation.
- **Committed:** We believe in what we do and take dedication and loyalty seriously.

As a leader in the industry, we pride ourselves on products that are utilitarian, innovative, technologically advanced and engineered to the highest quality with your best interests at heart – without cutting corners. Ellies is committed to providing customers with direct, honest, trustworthy advice, so that they are empowered to make the correct buying decisions.

Ellies is deeply committed to empowerment; helping to create business opportunities and stimulating SMME growth is a fundamental pillar of the Group's belief system.

GEOGRAPHIC FOOTPRINT



WHO WE ARE

Established in 1979, the Ellies Group listed on the Alt^x of the Johannesburg Stock Exchange on 5 September 2007 and moved to the Electronics and Electrical Sector of the Main Board in 2010.

The Group is a leading Southern African importer, wholesaler and distributor involved in the trading and distribution of a diverse range of products and services, inclusive of satellite television products and related accessories, electrical, signal distribution, residential and commercial LED lighting solutions, solar power, uninterrupted power supply, fibre connectivity, sound and audio-visual equipment, and installation.

Ellies is ideally positioned to capitalise on the ever-increasing demand for these products and services in Southern Africa, and to introduce new offerings to its extensive and diversified customer base.

PACKAGING

Ellies appointed a third-party service provider to attend to its packaging needs, including vacuum and plastic blister packaging.

PRODUCT PROCUREMENT, MARKETING AND SALES

In creating synergy and alignment across key divisions, Ellies aims to support the business, sales, customers and profit generation thus improving the bottom line, utilising insights gained into the cost of doing business.

This allows for cost reduction, performance improvement, increased marketing and innovation to create value. It further ensures that the Group remains outward facing and intrinsically linked to its customers' needs, as well as providing guidance on how the business communicates with customers and delivers on its commitments.

During the reporting period, Ellies entered into an agreement with a third-party sales and merchandising service provider, Pack n Stack.

DISTRIBUTION AND LOGISTICS

Ellies' warehousing, distribution and logistics functions were restructured during the prior reporting period to ensure just-in-time deliveries to customers.

The primary focus is on warehouse optimisation to increase supply-chain visibility, streamlining warehouse processes and improving customer service. Initiatives continue with regard to space utilisation optimisation, achieving labour efficiencies and the management of inventory control, together with the implementation of a warehouse management system.

Improved infrastructure will support the Group's diverse customer base, comprising retail, furniture and independent stores in urban and rural areas, as well as to commercial lighting, alternative energy offerings and 14 Ellies distribution centres (one of which is a store within a store) in South Africa and three distribution centres outside South Africa.

2023

AT A GLANCE

REVENUE

DECREASED by 7,7%
to **R993,0 million**
(F2022: R1 076,4 million)

EBITDA LOSS

INCREASED by 26,6%
to a loss of **R46,9 million**
(F2022: loss of R37,1 million)

LOSS AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

INCREASED by 94,7%
to a loss of **R85,0 million**
(F2022: loss of R43,7 million)

TOTAL COMPREHENSIVE LOSS

INCREASED by 95,9%
to a loss of **R85,4 million**
(F2022: loss of R43,6 million)

LOSS PER SHARE

INCREASED by 77,2%
to a loss of **10,56 cents**
(F2022: loss of 5,96 cents)

HEADLINE LOSS PER SHARE

INCREASED by 51,2%
to a headline loss of **10,78 cents**
(F2022: loss of 7,13 cents)

NET ASSET VALUE PER SHARE

DECREASED by 63,9%
to **6,0 cents**
(F2022: 16,6 cents)

NET TANGIBLE ASSET VALUE PER SHARE

DECREASED by 63,9%
to **6,0 cents**
(F2022: 16,6 cents)

No dividend declared

FIVE-YEAR REVIEW

for the year ended 30 April 2023

	2023 R'000	2022 R'000	2021 R'000	2020 * R'000	2019 R'000
Statement of comprehensive income					
Revenue – continuing operations	993 000	1 076 351	1 206 358	1 192 873	1 357 739
Revenue – discontinued operations	–	–	2 204	(23 006)	611
Total revenue	993 000	1 076 351	1 208 562	1 169 867	1 358 350
(EBITDA loss)/EBITDA # – continuing operations	(46 947)	(37 085)	76 046	(2 606)	(21 475)
EBITDA/(EBITDA loss) # – discontinued operations	–	5 401	(52 826)	(60 557)	15 455
Total EBITDA (loss)/profit #	(46 947)	(31 684)	23 220	(63 163)	(6 020)
(Loss)/profit from operations – continuing operations	(66 581)	(56 158)	56 408	(85 122)	(42 194)
Loss from continuing operations – non-recurring expenses	–	–	(730)	(51 662)	(11 775)
(Loss)/profit from continuing operations – adjusted for non-recurring expenses	(66 581)	(56 158)	57 138	(33 460)	(30 419)
Profit/(loss) from operations – discontinued operations	–	5 401	(14 877)	(67 329)	15 449
Total (loss)/profit from operations	(66 581)	(50 757)	41 531	(152 451)	(26 745)
Gross profit – continuing operations	248 805	259 879	395 539	342 941	348 495
Gross loss – discontinued operations	–	–	(29 564)	(30 361)	(119)
Total gross profit	248 805	259 879	365 975	312 580	348 376
Statement of financial position – continuing operations					
Cash and cash equivalents	(74 447)	(36 514)	(9 847)	33 736	42 443
Total assets	419 561	452 885	478 013	500 956	660 201
Shareholders' funds (capital and reserves)	47 931	133 520	158 372	76 291	274 634
Statement of cash flows – continuing operations					
Cash generated from/(utilised in) operations	12 158	4 743	(7 691)	47 346	65 419
SHARE STATISTICS (per share)					
(Loss)/earnings per share (cents)	(10,56)	(5,96)	7,25	(28,97)	(3,58)
Headline (loss)/earnings per share (cents)	(10,78)	(7,13)	9,19	(18,66)	(3,26)
Net asset value per share (cents)	5,95	16,58	25,54	18,26	47,48
Tangible net asset value per share (cents)	5,95	16,58	25,54	18,26	39,20
OTHER STATISTICS					
Shares in issue at year-end	805 400 305	805 400 305	620 158 235	620 158 235	620 158 235
Weighted average number of shares in issue	805 400 305	732 826 015	620 158 235	620 158 235	620 158 235
JSE STATISTICS					
Market capitalisation (R'000)	64 432	169 134	62 016	43 411	74 419
Share price (R)	0,08	0,21	0,10	0,07	0,12
SELECTED RATIOS – FOR CONTINUING OPERATIONS					
(Loss)/profit from operations as percentage of revenue (%)	(6,71)	(5,22)	4,68	(7,14)	(3,11)
Current asset ratio (current assets/current liabilities)	0,98	1,76	2,15	1,54	2,22
Quick asset ratio (current assets – inventories/current liabilities)	0,51	0,76	1,12	0,68	0,96
Return on invested capital ('ROCI') (%)	(42,27)	(20,48)	17,42	(34,60)	7,58

* Restated.

Earnings before interest, tax and depreciation.

OUR STRATEGY

The consumer and retail sectors are rapidly changing, requiring suppliers like Ellies to be continuously monitoring and adapting their product lines to those ever-changing needs. We will remain relevant to our customers by maintaining a current, in-depth understanding of their needs, leveraging our innovation and sourcing capabilities, ensuring that our products and solutions are delivered to the customer via an efficient distribution network. For our commercial customers, we will continue to innovate around our customised solutions to ensure that we install the most cutting-edge solutions that meet their business and budget requirements.

In order to achieve our financial goals, focus is required on operational efficiencies, including process optimisation, working capital management and control. Profit margins will be optimised through constantly refocusing the product range and solutioning on positive margin product lines and intensifying our attention to cost management. To minimise losses and drive sustainable business practices, the business operates on a framework of strong corporate governance and ethics.

PILLAR 1: COMPLIANCE, RISK AND GOVERNANCE

- Ensure comprehensive, world-class governance frameworks and related policies are implemented
- Instil an ethical, performance-driven culture of integrity and discipline
- Improve and enhance the Group's Internal Audit function (appointment of LateganMashego Audit & Advisory in 2019)

PILLAR 3: COST MANAGEMENT

- Implement enhanced cost management controls and discipline
- Continue to monitor expenditure
- Improve the control environment to prevent stock losses and fraud
- Implement demand-based procurement
- Conscious measured investment in appropriate technology and infrastructure requirements to optimise operational and revenue performance

PILLAR 2: OPERATIONAL EFFICIENCIES

- Process redesign and digitisation for efficiencies with appropriate controls supported by appropriate technology
- Ensure suitable warehousing facilities to meet current and future volumes (migration to Value Logistics in the 2021 period)
- Ensure optimal sales and merchandising by maximising every in-store opportunity (migration to a hybrid model between Pack n Stack and Ellies' internal sales function in the 2023 period)
- Drive initiatives to focus on order fill rate and customer satisfaction
- Upskilling and training of staff (historically an area of underinvestment)
- Improved efficiencies

PILLAR 4: PROFITABLE GROWTH

- Leverage innovation capabilities to provide leading products and solutions for customers
- Focus on profitable product ranges and solutions
- Expand existing products and solutions to new markets and geographies
- Expand commercial solutioning capabilities targeting key industries
- Explore new routes to market
- Online sales outlet being investigated
- Achieve target order fill rate
- Diversify revenue: reduce concentration risk
- Grow annuity revenue streams
- Strengthen the statement of financial position

OUR INVESTMENT CASE

GOVERNANCE AND LEADERSHIP

- Experienced Board committed to the highest standards of corporate governance
- Two new experienced independent Board members appointed
- Experienced, committed management team to drive the turnaround
- Good corporate governance prioritised

BRAND

- Strong, market-recognised and trusted brand with reputation for quality and reliability

INNOVATION AND EXPERTISE

- Market-leading innovation capabilities with a legacy of being at the forefront of new technologies core to our capabilities
- Highly experienced team with technical ability and industry-leading product knowledge
- Bespoke commercial solutioning capabilities that deliver unique, turnkey advice and solutions in chosen sectors

ROUTE TO MARKET, GEOGRAPHIC REACH AND DISTRIBUTION CAPABILITIES

- Access to a large, diversified customer base
- Established route to market and wide distribution reach into Southern Africa
- Experienced distribution capabilities
- Focus on customer service
- Supply chain capability, especially sourcing and importing

PRODUCT RANGE AND OFFERING

- Diverse product range to provide industry leading holistic solutions within our core business areas:
 - Satellite and streaming
 - Electrical
 - Solar and other power solutions
 - Lighting
 - Audio-visual
 - Security
 - Home automation
 - Connectivity and fibre
- Market reputation for quality products and ISO approval
- Ability to quickly adapt product offering to market needs and launch to market
- Value added services offered that enhance product offering such as installation and customisation driving competitive differentiation
- Product knowledge and training

STRONG MUTUALLY BENEFICIAL PARTNERSHIPS

- Longstanding relationships with key, reputable partners driving good business opportunities
- Significant growth potential with these and new opportunities with new strategic business partners
- Exclusive distribution agreements

RESTRUCTURING

The leadership is focused on :

- Restructuring the statement of financial position and improving liquidity
- Turnaround to sustainable profitability
- Delivering on the other pillars of the strategy, being:
 - Compliance, risk and governance
 - Operational efficiencies
 - Cost management
 - Profitable growth

OUR BUSINESS MODEL

INPUTS



FINANCIAL CAPITAL

- Retain profit and equity for funding
- Providers of funding



MANUFACTURED CAPITAL

- Buildings (disposed of during the 2021 reporting period – right-of-use rental)



INTELLECTUAL CAPITAL

- Product knowledge
- Sourcing knowledge
- Market knowledge
- Solutioning expertise
- In-house professional teams
- Sales and marketing
- Brands and intellectual property
- Research and development
- Product innovation
- Route to market
- Established exclusive supplier agreements
- Funder relationships



HUMAN CAPITAL

- Customer-focused culture
- Values and ethics
- Technical expertise



SOCIAL AND RELATIONSHIP CAPITAL

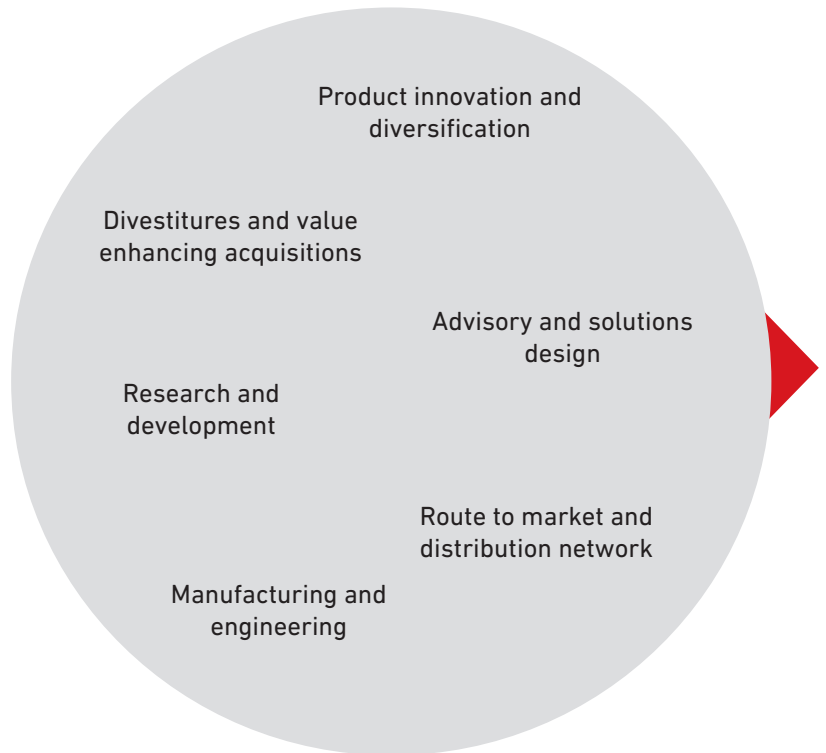
- Multifaceted installer training
- Skills and development training
- Online installation voucher capturing portal – support of Small, Medium and Micro-sized Enterprises
- Stakeholder and investor relationships



NATURAL CAPITAL

- Energy sources

VALUE CREATION



IMPORTS →

SUPPORTED BY OUR BUSINESS ACTIVITIES

Products	Customer knowledge	Logistics	Processes and controls
In-depth research and analysis (consumer trends, technology)	Train customers in all product categories, ranging from satellite to lighting	Centralised warehouse optimisation increasing supply chain visibility, streamlining processes	ISO 9001 certification
New product innovation	Align our product ranges by product category to our identified customer needs	Increase operating efficiencies ensuring on-time deliveries to customers	Digitalisation of processes
Diversification	Entrench customer value proposition	Expand our points of presence and depth of product range to our independents, increasing customer purchasing convenience	Internal Audit function
Installer training	Provide specialised solutions to commercial customers	Warehouse management system	Decentralised decision making with delegation of authority
Keep abreast of competitors			Consequence management
Source responsibly			Centralised shared services
Manage stock levels			
Increase fill rate			
Demand-based procurement			
Product packaging			

Our business model continued

OUR PURPOSE

We are a company that strives to create wealth by improving people's lives through meaningful technology and innovation. We enrich customers' lives and lifestyles.

OUTPUTS



Turnkey commercial advisory and solutions

- LED lighting and PV solar
- Signal, sound and AV equipment
- Cable and fibre distribution networks
- Electronic security solutions

Delivery to national retailers, independents (B2C)



Wholesale and sourcing specialists

- Satellite television and accessories
- Electrical
- Electronics
- Alternative energy solutions
- Residential lighting
- Connectivity solutions
- Security
- TV antennas (DTT)

→
Centralised warehousing, distribution and logistics

Ellies Branches (National SA footprint)

Delivery to Commercial Key Accounts (B2B)



Other

- Elsat
- Procurement
- Product packaging
- Sourcing house brands for retailers
- Installations

Trade counters (National SA footprint)

Trade counters (Bordering countries)

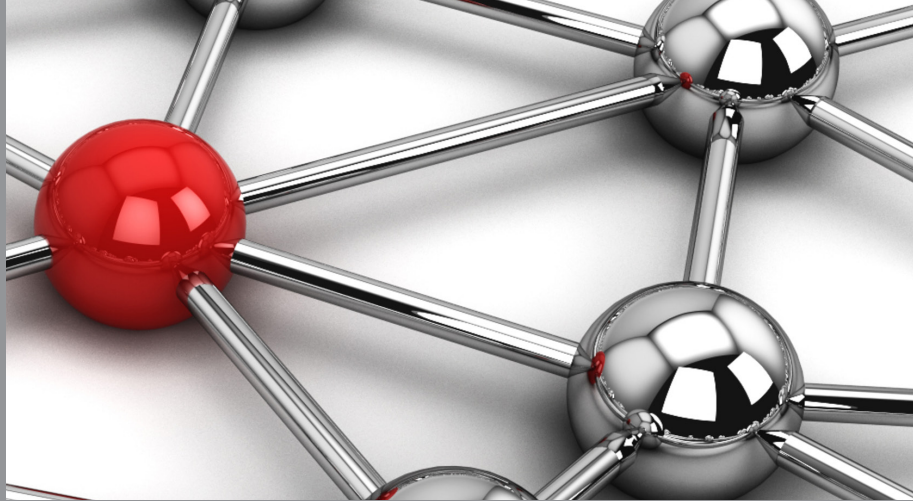
OUTCOMES

- Increased **customer value** and market share
- Increased **brand awareness** and perception
- New product development and **innovation**
- Total of **310 employees** (at 30 April 2023) who share in our wealth generation
- **Diversified product mix** aligned to our customer needs
- Contribute to development in countries through **collection and payment of taxes**
- **Optimised operational efficiencies** including digitalisation
- Commitment to **sustaining our environment**
- Small business development through **the installer programme**
- Assisting in lowering the country's electrical consumption with **energy efficient and renewable energy product solutions**
- **Community upliftment** through skills development, employment and social initiatives

SUPPORTED BY OUR BUSINESS ACTIVITIES

Our values	Engaged staff	Stakeholder satisfaction	Customer satisfaction
<p>Exceptional, principled and committed</p> <p>Expressed in everything we do – from the way we package our products, to the way we present ourselves, we talk to our customers, colleagues, partners and investors</p>	<p>Assist staff in balancing their work lives</p> <p>Create an environment conducive to innovation, teamwork, job satisfaction and productivity</p> <p>Passion, purpose, people, profits</p>	<p>Rebuild stakeholder trust and investor confidence</p> <p>Rebuild value in the Company</p> <p>Share our mission and vision</p> <p>Nurture and build brand equity</p> <p>Practice good corporate governance underpinned by strong ethics</p>	<p>Implement consumer-centric strategies</p> <p>Identify consumer trends in the industries in which we operate and align our product and service offerings</p> <p>Be flexible and agile in exceeding our customers' expectations</p> <p>Service each customer as if they are our only customer</p>

REPORTS TO SHAREHOLDERS



REPORT OF THE CHAIRPERSON TO ELLIES SHAREHOLDERS

To all our stakeholders

The year ended April 2023 reflected a year of disappointing performance largely due to a number of external factors and hence operating results for the year, in spite of the best efforts of management, staff and the Board.

The performance and detailed results are well covered in the reports of the CEO and CFO and, therefore, do not require further comment here.

There are, however, some positives that I believe can be noted which are –

- Largely completing the restructuring to move Ellies from a business that was very reliant on the satellite and Multichoice model that in itself was dependent on retail consumers, to a business that will focus on providing to the real needs of businesses and consumers in the fields of alternative energy, water storage and connectivity.
- The proposed acquisition of Bundu Power, which is still subject to, *inter alia*, shareholder approval of all of the resolutions necessary to give effect to the transaction, as well as the successful implementation of the proposed rights offer.
- The strengthening of our Board last July with the appointment of Maya Makanjee and Sedzani Mudau, experienced, competent and committed Board members whose input and insights into Board discussions have proved very valuable.

It would be an omission if I did not reflect on the cost of some of the above, both in monetary terms and the very regrettable impact on staff who we were unable to relocate or retain. It is clear to the Board and management that our new direction is going to require a staff complement with different and more specialised skills than was the case in the traditional Ellies business.

In ensuring that our staff acquire and maintain the skill we will need, we will be working closely with the Maharishi Institute to ensure that we develop or identify training programmes that will equip our staff and Ellies to meet the new challenges.

Report of the Chairperson to Ellies shareholders

continued

Looking ahead, the Board will be focusing on integrating Bundu (subject to shareholder approval of the transaction) into the Ellies offerings and to find ways to strengthen our balance sheet, which as noted elsewhere, is burdened with expensive and non-productive debt (subject to shareholders' approval of the transaction). The challenges of operating in a weakening economy, with internal political uncertainty and thus policy uncertainty, together with the Ukraine war and our strained relationships with our major trading partners, do all combine to what we think will make 2024 a tough year, but I do feel we have taken the right strategic steps and now need to follow with execution on that strategy.

In closing, I would like to thank all our staff for their loyalty and hard work in this last year and to Shaun Prithvirajh and Guy Moretti, our CEO and CFO, and their management team, as well as my colleagues on the Board for their diligence, input, wisdom and support given to me during the year.

Thanks are also due for the continued support of our bankers, Standard Bank.

It is difficult and perhaps unfair to single out someone for their contribution because everyone has played their part but this year, I would especially like to thank Darren Kramer who, as a non-executive director has given up a huge amount of time and shared expertise in helping define the new strategy, input into concluding the Bundu transaction and the rights issue, which will enable it to happen. I am sure all the Board members and executive management support me on this.

Eddie Raff resigned, effective 15 August 2023, as he has joined a listed entity on a full-time basis and is, thus, precluded from retaining his directorship on the Board. We wish to thank Eddie for his contribution and wish him well in his future endeavours.

Thanks finally to all our shareholders for their support.



Tim Fearnhead

30 August 2023

CHIEF EXECUTIVE OFFICER'S REPORT

Ellies' performance for the financial year has been disappointing and further highlights Ellies' reliance on MultiChoice (MC). Ellies' satellite business has decreased by 70% from 2018 and, whilst the efforts to replace the revenue with alternative contributions have shown positive results, it is insufficient to stem the ongoing losses. The anticipated move away from the traditional satellite business was much slower than anticipated due to a relatively fixed cost base to service this category. The FIFA World Cup, held every four years, is the main generator of new DStv connections and the same was expected in October 2022. Unfortunately for Ellies, the matches were also broadcast on SABC and new satellite connections failed to materialise.

The current economic environment remains challenging in the face of ongoing electricity disruptions, government's stance on the Russia-Ukraine conflict, service delivery and infrastructure failures, rising unemployment, crime, and increases in the repo rate to curb inflation. South African consumers have been left battered and many are struggling in an economy that does not have many growth opportunities. Government actions have further contributed to this negative sentiment from the African Growth and Opportunity Act ("AGOA"), racial quotas of water licencing for bulk usage, as well as amendments to the Employment Equity Act.

Many South Africans have curtailed their discretionary spend and satellite services, such as those offered by DStv, have seen a significant decrease. This directly impacts the Ellies business, as it is the major contributor to revenue. The Board and management have been hard at work repositioning Ellies into a solar and uninterrupted power supply business as a platform for growth into smart infrastructure, but this migration has been slower than expected or hoped. A strategic new course of action, starting with the acquisition of Bundu, is required to change the trajectory of the business. Magetz Electrical Proprietary Limited and Power on Wheels Proprietary Limited (collectively trading as Bundu Power ("**Bundu**") specialises in the distribution and rental of generators as well as the distribution and installation of solar and ancillary products, providing alternative energy solutions for residential, commercial, industrial, hospitality, agricultural and recreational users. At the time when negotiations had begun for the Bundu transaction, Ellies was also targeting a solar distribution business with significant market share. Unfortunately, after a year of negotiations, this transaction failed to materialise, which has contributed to the slower migration to solar.

The historic non-productive debt that has saddled the current management is a considerable contributor to the negative performance as it is difficult to raise additional working capital, and the debt repayment reduces Ellies' available funds by R20 million per year. The bank holds security over inventory for this debt, making it difficult to provide any security from alternative sources. When satellite was Ellies' main revenue generator, it was far less capital intensive than solar and uninterrupted power supply. Apart from negative foreign exchange fluctuations, overseas manufacturers are demanding larger deposits before manufacturing begins, which lengthens Ellies' cash conversion cycle. This results in numerous delays in the supply chain, as Ellies must collect on debtors before paying deposits to start the manufacturing process – at best, a three-month lag, including shipping.

In order to improve Ellies' working capital situation, management has restructured parts of the business, which resulted in an R18 million once-off separation cost with a potential saving benefit of R30 million per year. There is potentially another R10 million saving per year, which had to be delayed until such time as Ellies has sufficient capital for the additional restructuring costs. One of the key initiatives in this restructuring was the appointment of Pack n Stack, a full-service retail and brand execution business, to carry out all sales and merchandising activities at national retailers. Management had planned for this to occur in September of 2022, but due to the consultation process with the labour force, this was only executed in the second week of December 2022. The understandable lack of commitment from some employees that were affected by the notice of termination, together with onboarding a sales and merchandising function in the middle of the peak trading season, had a negative impact on Ellies' revenue. The separation of staff is always deeply painful to management, but necessary if Ellies is to begin the turnaround. These initiatives have positioned Ellies away from the traditional satellite business to the growth in solar.

Ellies has entered into an exclusive distribution agreement with Avo, Nedbank's B2B and B2C online platform. Avo's ambition is to be the largest distributor of solar in South Africa, in line with its "Green Bank" image, and has chosen Ellies for its distribution capabilities across the country. Avo will fund the inventory, and Ellies will distribute and manage installations. Avo will offer both installers and end-customers attractive working capital and end-user financial solutions. In addition, there will be value

Chief Executive Officer's report

continued

added offerings that include insurance as well as maintenance plans. Ellies' participation in this agreement will migrate the Ellies retail stores away from satellite to solar. As leases of these stores terminate, Ellies will look to relocate to preferably larger and more fit-for-purpose locations.

As announced on SENS, the Bundu transaction will further contribute to the migration strategy. The Bundu acquisition aligns to the alternative energy category, as Bundu is a solar installer and distributor of non-retail generators. Generators are an important part of the alternative energy offering, as many small businesses do not have access to rooftop space for solar panels and others may find generators a more affordable solution. Ellies' Level 2 B-BBEE status, together with its 14 distribution centres (one of which is a store within a store) in South Africa and three distribution centres outside South Africa, allow Bundu greater access to customers in both the private and public space, whilst Bundu's strong statement of financial position will add accretive earnings to the Group. The process for Ellies to acquire Bundu is complex for a listed entity and requires a significant amount of focus from the Board and management to bring this transaction to completion.

Subsequent to the reporting date and as announced on SENS on 13 June 2023, the maximum consideration for the acquisition by Ellies of 100% of the members' interest in Bundu will be settled through an initial payment of R72,6 million on the date of fulfilment or waiver of the conditions precedent to the acquisition; and the balance will be payable through three earn-out payments not exceeding in aggregate R130 million in respect of the 2023, 2024 and 2025 financial years.

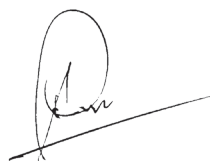
In order to fund the initial payment, together with the earn-out for the 2023 financial year, Ellies' Board has resolved to undertake a fully underwritten renounceable rights offer in the amount of R120 million, through the issue of new Ellies shares at an issue price of R0,07 per share.

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

The proposed rights offer is subject to certain conditions precedent, including shareholder approval, and shareholders will be kept abreast of any developments.

There are other initiatives in the pipeline that can only be fully explored post this transaction. These include a strategic review of Ellies' continued participation in some of its historic revenue generating activities and, due to the complexity involved, the potential will be fully interrogated by management and the Board to verify if it is the correct direction for Ellies. Shareholders will be informed accordingly. The erosion of the satellite business did not only affect Ellies, but approximately 3 500 independent satellite installers affiliated to Ellies. To this end, the first batch of satellite installers in Johannesburg have completed the initial assessment and are about to embark on their training to become certified solar installers. The training and subsequent certification are delivered by an outsourced agency and are managed by Ellies. Similar modules are to be launched across the country.

In summary, the MC business and its historic correlation to the performance of Ellies have almost drawn to a close. Whilst Ellies' working capital to support a satellite connectivity strategy was sufficient, it is insufficient to support a solar strategy. Ellies' statement of financial position, weighted down by non-productive debt from the past, does not allow management to raise additional capital to take advantage of the growth opportunities that alternative energy provides. The Board and management have identified several opportunities to overcome this working capital challenge and reset the Ellies narrative – and it starts with the Bundu transaction. Ellies' strategy is to become an infrastructure business that allows customers to use smart technology to manage their lives within the built environment. The deteriorating municipal water infrastructure is the next challenge for South Africans and Ellies is currently testing solutions to alleviate this. The expectation is to have an offer to customers later this year.



Dr Shaun Prithvirajh

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

This report deals with the financial results for the year ended 30 April 2023 and the financial position of the Ellies Group at that date.

The Ellies Group posted disappointing results for the year under review. The results include restructuring costs to reduce the cost base and considerable preparation costs for corporate activity towards repositioning the Group as an infrastructure business that allows customers to use smart technology to manage their lives.

STATEMENT OF COMPREHENSIVE INCOME

Revenue for the Ellies Group amounted to R993 million and, compared to the previous year, decreased by 7,7%. Revenue derived from business in South Africa amounted to 93,9%, with the remaining revenue coming from Botswana, Namibia and Eswatini, the largest contributor of the external operations being Namibia at 4,0%. The continuing decline of the satellite television installation business and working capital constraints were the main contributors to the adverse revenue performance.

Gross margin improved 0,9 percentage points to 25,0%. Despite the margin increase, in monetary terms, gross margin decreased by R11,1 million to R248,8 million.

Operating expenses decreased by 0,9% compared to the previous year and reflect the effect of the savings attributable to the cost reduction for six months in the fiscal period being reported on. The reported expenses include a once-off R18 million as restructuring costs. Staff costs at R157,3 million comprise 52,8% of operating expenses, followed by distribution costs.

Depreciation is mainly attributable to right-of-use assets per IFRS 16 and is 2,9% higher than the previous year.

Net interest paid amounted to R21,3 million, an increase of R 6,6 million compared to the previous year, which reflects the increased interest rates as well as the higher average borrowing for working capital.

The loss before tax amounted to R87,0 million compared to a loss of R70,9 million in 2022.

The comprehensive loss reported of R85,4 million compares to a loss in the previous financial year of R43,6 million.

Loss per share for FY2023 amount to 10,56 cents compared to a loss per share in the previous year of 5,96 cents.

STATEMENT OF FINANCIAL POSITION

Plant and equipment amounted to R8,3 million. The right-of-use assets related to leased properties are reported in terms of IFRS 16 and amount to R14,2 million, a decrease from the previous year of R10,3 million.

Deferred tax includes the creation of a deferred tax asset in respect of assessable losses and temporary differences in Ellies Electronics amounting to R36,6 million. This is based on the forecast in Ellies Electronics, which expects to utilise this asset in the foreseeable future.

Inventories at R171,2 million represent a significant reduction over previous years and reflect the effect of the working capital constraints. Gross inventory is comprised of finished goods at 85,9% with work-in-progress and goods in transit making up the balance. At the year-end, the inventory impairment allowance amounted to R24,1 million.



Trade and other receivables have increased over the prior year by R 35,2 million, this increase being due to prepayments on inventories as disclosed in note 6 of the Annual Financial Statements. Trade receivables decreased during the year as a concerted effort was made to collect outstanding amounts and in addition to the cash collected, this resulted in a reduction of the required IFRS 9 impairment allowance.

Taxation receivable of R1,6 million relates mainly to provisional tax overpaid by Ellies Electronics in prior periods.

Chief Financial Officer's report continued

Cash and cash equivalents amounted to R3,6 million down from R8,9 million in the prior year, whilst the overdraft increased from R45,4 million to R78,1 million in the current year.


Total shareholders' funds amounted to R47,9 million and is comprised of share capital of R855,7 million, reduced by accumulated losses. The movement from the previous year mainly reflects the loss for the year.

The amortising and bullet profile term loans are due for repayment in the 2024 fiscal year and are classified as current liabilities amounting to R91,5 million. This includes the unproductive legacy debt, which have weighted down the ability to borrow and optimise the working capital position.

Lease liabilities are reflected at R17,1 million, including a short-term portion of R6 million in terms of IFRS 16. The reduction is in line with that in Right-of-use assets.

Trade and other payables of R183,8 million are higher than the R133,2 million at the end of FY2022, including R20 million of an accrual goods in transit. Trade payables reduced in line with the reduction in revenue and are offset by an increase in accrued expenses and other payables.

Net asset value per share reduced to 6 cents per share.



Guy Moretti

Chief Financial Officer



BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS



TIMOTHY FEARNHEAD (75)

Qualifications: CTA (WITS); Advanced Diploma in Banking Law

Independent Non-Executive Chairperson

Date appointed: 4 April 2019

External appointments:

Independent non-executive director of listed company Newgold Issuer Ltd as well as an independent non-executive director of a number of non-listed companies.

Board sub-Committees:

Chairperson of the Nomination Committee (30 April 2019)

Mr Timothy Fearnhead qualified as a Chartered Accountant and was a partner at Deloitte for over 20 years and a member of their Board for four years prior to moving to Nedbank in 1997. He served in various financial executive roles within the Nedbank group between 1997 and 2006 and, on his retirement in 2006, he started a training consultancy business, which is now largely dormant due to his non-executive Board and other commitments.



DARREN KRAMER (60)

Qualifications: BA (Law); MBA

Independent Non-Executive Director

Date appointed: 19 October 2021

External appointments:

Director and shareholder of CapitalGate (Pty) Ltd SA; Incubeta Holdings (Pty) Ltd SA and Incubeta Holding International Limited (UK) where he acts as corporate advisor/ corporate finance advisor to the Incubeta global assets across 15 countries.

Board sub-Committees:

Member of the Nomination Committee (19 October 2021)

Mr Darren Kramer has 24 years' experience (12 years of which were as a principal in various law firms). Darren's primary work involves advising on mergers and acquisitions and corporate growth strategies (build and buy) and the monetisation of strategy using digital commerce. He has been involved and advised on numerous consumer goods, retail, digital commerce/ internet media, technology-software and telecoms ventures either as an advisor, director and/or as a shareholder. He has a sound knowledge of the international business environment and has an extensive local and international network. Darren was a director and shareholder of Incubeta Holdings (Pty) Ltd, which owns digital commerce assets across 15 countries (www.incubeta.com) with consolidated revenues of R6 billion.

Board of Directors continued

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



MARTIN KUSCUS (67)

Qualifications: *BA Cur, Dip EDP*

Independent Non-Executive Director

Date appointed: 1 June 2015

External appointments:

Non-executive Chairperson of Mahube Infrastructure Ltd; non-executive director of Bigen Africa Group Holdings (BAGH), South Africa; partner in the Makings Consultancy Services.

Board sub-Committees:

Chairperson of the Social and Ethics Committee (30 April 2019); member of the Remuneration Committee (30 April 2019)

Mr Martin Kuscus was the MEC for Finance in the North West Provincial Government from 1994 until 2004. Prior to that, he spent 17 years in healthcare services. In June 2004, he became the Chief Executive Officer of the South African Bureau of Standards, a position he held until July 2009. He was the Chairperson of the first Board of Trustees for the Government Employees Pension Fund, overseeing a portfolio worth R850 billion from June 2005 to July 2009. He served on the Principles of Responsible Investment Board of the United Nations Global Compact Initiative on Responsible Investment and has served as Chairperson of the Pan African Infrastructure Development Fund.



EDICK LEHAPA (70)

Qualifications: *CA(SA); Diploma Insolvency Law (UP)*

Independent Non-Executive Chairperson

Date appointed: 2 April 2020

External appointments:

Non-executive director of Built Environment Africa Capital (Pty) Ltd and a director of family-owned businesses.

Board sub-Committees:

Chairperson of the Audit and Risk Committee (3 December 2020); member of the Social and Ethics Committee (27 August 2020)

Mr Edick Lehapa is a Chartered Accountant and was an audit partner at Deloitte for over 20 years, where he served numerous companies across a range of industries. He also has experience in both executive and non-executive roles through serving in various roles at The Standard Bank of South Africa Ltd and Telkom SA.

Board of Directors continued

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



MAYA MAKANJEE (61)

Qualifications: *BFA; BComm; MBL (cum laude)*

Independent Non-Executive Director

Date appointed: 1 July 2022

External appointments:

Chairperson of Datatec Limited; director of Mpace Limited and Truworths Limited; trustee on the Board of the Nelson Mandela Foundation.

Board sub-Committees:

Member of the Remuneration Committee (1 July 2022); member of the Nomination Committee (1 July 2022)

Ms Maya Makanjee has, apart from the qualifications listed, also completed numerous management and leadership programmes at Harvard and Stanford in the USA and at IMD in Switzerland. Ms Makanjee is a previous director of Tiger Brands Limited as well as Vodacom (Pty) Ltd. Ms Makanjee has gained experience across a number of areas in various industries, having held executive director positions in financial services, human resources, marketing communication, corporate affairs, strategy and business re-engineering.



SEDZANI MUDAU (40)

Qualifications: *CA(SA); MBA*

Independent Non-Executive Director

Date appointed: 1 July 2022

External appointments:

Managing Director of Favest Advisory (Pty) Ltd.

Board sub-Committees:

Member of the Audit and Risk Committee (1 July 2022); member of the Social and Ethics Committee (1 July 2022)

Ms Sedzani Mudau has completed multiple management development programmes at both the University of the Witwatersrand and through UNISA. Ms Mudau also held numerous non-executive roles at both state-owned enterprises and within the private sector. Ms Mudau has a wealth of knowledge within the business turnaround, process improvement, financial management, risk management and transaction advisory sectors, and has in addition both served on Audit and Risk Committees and chaired such committees in the past.

Board of Directors continued

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



FRANCOIS OLIVIER (52)

Qualifications: CA(SA); CFA Charter Holder

Independent Non-Executive Chairperson

Date appointed: 4 April 2019

External appointments:

Portfolio Manager at Mazi Asset Management (Pty) Ltd; non-executive director of Three I Developments (Pty) Ltd; director of family-owned businesses, Intuitu Investments (Pty) Ltd and 1 Andrew Street (Pty) Ltd.

Board sub-Committees:

Chairperson of the Remuneration Committee (30 April 2019); member of the Nomination Committee (30 April 2019); member of the Audit and Risk Committee (23 April 2019)

Mr Francois Olivier is a Portfolio Manager at Mazi Asset Management (Pty) Ltd, where he also serves on the Executive Committee. After completing his articles with Ernst & Young, he pursued a career in investment management, where he has over 20 years of experience today.



EDWARD RAFF (45)

Qualifications: BComm; BSc Honours in Advanced Mathematics of Finance; H Dip Tax; H Dip Man; Completed all three CFA levels

Independent Non-Executive Director

Date appointed: 4 April 2019

Date resigned: 15 August 2023

External appointments:

Director of Archipelago Investments (Pty) Ltd, Siyalanda Property and Eureka Holdings (Pty) Ltd.

Board sub-Committees:

Chairperson of the IT Governance Committee (1 March 2020); member of the Audit and Risk Committee (23 April 2019); member of the Remuneration Committee (30 April 2019)

Mr Edward Raff has extensive financial and commercial experience and previously worked in investment banking, most recently at Rothschild & Co. Prior to this, he served as a senior executive in corporate finance at AngloGold Ashanti.

Board of Directors continued

EXECUTIVE DIRECTORS



DR SHAUN PRITHIVIRAJH (53)

Qualifications: *PhD Business Management; MBA; Diploma in Business Management; BA*

Chief Executive Officer

Date appointed: 4 April 2019

External appointments:

None

Board sub-Committees:

Member of the Social and Ethics Committee (30 April 2019)

Dr Shaun Prithivirajh's business career includes being Managing Executive and Director of Ellerines Services Africa as well as manager of internal products retail, commercial and industrial for Chevron South Africa (Pty) Ltd (Caltex). He has extensive executive experience in turning around businesses and in-depth management experience in highly competitive retail and service-driven businesses.

Dr Prithivirajh was the Group CEO for GloCell (Pty) Ltd during the two-year period prior to joining Ellies Holdings Ltd as CEO on 1 August 2018. On 4 April 2019, the Board appointed him as executive director, which appointment was ratified by shareholders at the General Meeting held on 27 May 2019.



GUY MORETTI (49)

Qualifications: *BCompt Hons; CA(SA)*

Chief Financial Officer

Date appointed: 5 January 2022

External appointments:

None

Board sub-Committees:

None

Mr Guy Moretti was the Group Financial Manager of Ellies for 18 months, reporting to the then CFO, until his appointment as CFO on 5 January 2022. He is an experienced Chartered Accountant with over 20 years' experience in various sectors, which include retail, financial services and logistics. Formerly a Finance Executive with Taste Holdings, he has served in an executive capacity for the last 11 years.

Ages as at 29 August 2023

BOARD DIVERSITY

The Board of Directors of Ellies exercises effective leadership, with directors adhering to their ethical and fiduciary duties.

The directors have the necessary experience, expertise and competence and act ethically in discharging their responsibilities

GENDER AND RACE DIVERSITY

At the reporting date, the Ellies Board of Directors comprised ten directors with eight independent non-executive directors and two executive directors, with five of the directors being black. Mr Edward Raff resigned with effect from 15 August 2023. Mr Raff has joined a listed entity on a full-time basis and is, thus, precluded from retaining his directorship on the Board. The composition of the Board, therefore, changed to seven independent non-executive directors and two executive directors, with five of the directors being black on the date of approval of the Integrated Annual Report, being 30 August 2023.

The Board Diversity Policy states that it will ensure the promotion of diversity, gender, race, experience, skills and knowledge while ensuring that this does not result in a Board that is too big, cumbersome and costly for the business and thus defeats the objective of improving profitability and sustainability.

On 1 July 2022, the Board addressed its gender diversity through the appointment of two entrepreneurial black female independent non-executive directors with the appropriate experience, skills and knowledge, one of whom being a Chartered Accountant.

Shareholders are furthermore directed to Ellies' B-BBEE transaction with Imvula. This transaction brought significant benefit and expertise to Ellies in all areas of diversity, whilst meeting the expectations of the JSE as well as delivering on the mandate of good governance as required of businesses.



Board diversity

continued

INDEPENDENCE

The Board evaluated and concluded that at the reporting date, the Board comprised a majority of independent non-executive directors, with all of the non-executive directors being independent according to the Companies Act definition.

TENURE

None of the non-executive directors on the Board have served terms exceeding nine years. The Board reviewed the independence of all the independent non-executive directors and, after due consideration, concluded that their association with the Company has not impaired their integrity, impartiality and objectivity, and that they have retained their ability to act independently.

BOARD MEETING ATTENDANCE AND CHARTER

BOARD MEETING ATTENDANCE

In terms of the Board Charter, the Board should meet at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. During the reporting period, six meetings were held. Two special meetings were held on 30 June 2022 and 23 September 2022, respectively. The attendance at meetings during the period 1 May 2022 to 30 April 2023 was as follows:

	Special meeting 30 Jun 2022	27 Jul 2022	Special meeting 23 Sep 2022	14 Oct 2022	9 Dec 2022	22 Mar 2023
Members						
Mr Timothy Fearnhead (Chairperson)	P	P	A ²	P	P	P
Mr Darren Kramer (Independent Non-Executive Director)	P	P	P	A	P	P
Mr Martin Kuscus (Independent Non-Executive Director)	P	P	P	P	P	P
Mr Edick Lehapa (Independent Non-Executive Director)	P	P	A	P	P	P
Ms Maya Makanjee (Independent Non-Executive Director) ¹	N/A	A	P	P	P	P
Mr Guy Moretti (Financial Director)	P	P	P	P	P	P
Ms Sedzani Mudau (Independent Non-Executive Director) ¹	N/A	P	P	P	A	P
Mr Francois Olivier (Independent Non-Executive Director)	P	P	P	P	P	P
Dr Shaun Prithvirajh (CEO)	P	P	P	P	P	P
Mr Edward Raff (Independent Non-Executive Director) ³	P	P	P	A	P	P
Invitees						
Mr Zeyn Agjee (Chief Operations Officer)	P	P	P	A	P	N/I
Mr Chris Booyens (Consultant)	P	P	N/I	N/I	N/I	N/I
Mr Johan Klein (Chief Commercial Officer)	P	P	P	A	P	N/I
Mr Mac Smith (PDH Solutions)	P	N/I	N/I	N/I	N/I	N/I
Ms Deidre Venter (Shepstone & Wylie)	N/I	N/I	P	N/I	N/I	N/I
Company Secretary						
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P	P	P	P	P

¹ Appointed with effect from 1 July 2022.

² In the absence of Mr Timothy Fearnhead, Mr Francois Olivier acted as Chairperson for this meeting.

³ Resigned with effect from 15 August 2023.

P – Present

N/A – Not applicable

A – Apologies

N/I – Not invited

Board meeting attendance and Charter

continued

BOARD CHARTER

The Board Charter was reviewed and adopted with the necessary changes, in alignment with King IV™, by the Board of Directors of Ellies on 27 November 2019.






The purpose of the Charter is to regulate the parameters within which the Board operates and to ensure the application of the principles of good corporate governance in all dealings by, in respect of and on behalf of, the Group. Furthermore, to set out the roles and responsibilities of the Board and individual directors, including the composition and relevant procedures of the Board as well as the various legislation and regulations affecting their conduct.

A copy of the Board Charter may be requested from the Company Secretary and is available for inspection at Ellies' registered office.

BOARD SUB-COMMITTEES

Committees have been established to assist the Board in discharging its responsibilities. The Committees of the Board comprise the Audit and Risk Committee, the IT Governance Committee (a sub-Committee of the Audit and Risk Committee), the Remuneration Committee, the Nomination Committee and the Social and Ethics Committee.

The Committees are appropriately constituted, and members are appointed by the Board, except for the Audit and Risk Committee (which is a statutory committee in terms of the Companies Act – from an audit perspective) whose members are nominated by the Board and elected by shareholders.

Audit and Risk Committee	IT Governance Committee (a sub-Committee of the Audit and Risk Committee)	Remuneration Committee	Nomination Committee	Social and Ethics Committee
Membership				
Chairperson:				
Mr Edick Lehapa	Mr Edward Raff ¹	Mr Francois Olivier	Mr Timothy Fearnhead	Mr Martin Kuscus
Members:				
<ul style="list-style-type: none"> Ms Sedzani Mudau Mr Francois Olivier Mr Edward Raff ¹ 	<ul style="list-style-type: none"> Dr Shaun Prithivirajh (CEO) Mr Guy Moretti (CFO) Mr Charm Naicker (General Manager: IT) Ms Patricia Gokool (Metadata Analyst) Mr Zeyn Agjee (Chief Operations Officer) Mr Johan Klein (Chief Commercial Officer) External consultant: Mr Pragasen Moodley	<ul style="list-style-type: none"> Mr Martin Kuscus Ms Maya Makanjee Mr Edward Raff ¹ 	<ul style="list-style-type: none"> Mr Darren Kramer Mr Francois Olivier Ms Maya Makanjee 	<ul style="list-style-type: none"> Mr Edick Lehapa Ms Sedzani Mudau Dr Shaun Prithivirajh
Role				
Assists the Board with oversight of internal controls, combined assurance including internal and external audit, the finance function, financial and other reporting, risk governance, technology and information governance and the investment portfolio	Assists the Audit and Risk Committee in fulfilling its responsibility for IT governance by taking on the functions required to do so	Assist the Board with the policy and oversight of fair and responsible remuneration, and accurate and transparent remuneration disclosure	Assists the Board with oversight of Board composition, succession planning for both Board and management, Board nominations and selection process, Board evaluations, and induction and ongoing training of Board members	Assists the Board with oversight of ethics and culture, human resources, corporate citizenship, sustainable development, transformation, stakeholder relationships, compliance and environmental impact matters
2023 Report				
				
Disclosed on pages 5 to 11 of the Annual Financial Statements	Disclosed on pages 69 to 71 of the Integrated Annual Report	Disclosed on pages 48 and 62 of the Integrated Annual Report	Disclosed on pages 67 to 68 of the Integrated Annual Report	Disclosed on pages 63 to 66 of the Integrated Annual Report

¹ Resigned with effect from 15 August 2023.

EXECUTIVE COMMITTEE

The Executive Committee comprises the following members:

Dr Shaun Prithvirajh

Chief Executive Officer



A brief biography of Dr Shaun Prithvirajh appears on page 26.

Mr Guy Moretti

Chief Financial Officer



A brief biography of Mr Guy Moretti appears on page 26.



JOHAN KLEIN (59)

Chief Commercial Officer

Qualifications: Management Development Programme (General Management) – UNISA; Diploma in Labour Relations – UNISA; BTech (Human Resources) – UNISA; Advanced Management Programme (General Management) – Harvard Business School (USA)

Date appointed: 1 May 2018

Prior to Johan's current position, he served as Executive: Group Services and Human Capital Director at Ellies and has served in senior executive roles for over 18 years in the Technology, Multimedia and Telecommunications sectors across Africa. During this time, he held the position of Group Executive: HR and IR at Altron and Executive: Human Resources at NamiTech. Johan's career spans over 30 years, with proven expertise in organisational effectiveness, change and talent management, and the design and implementation of integrated, complex strategic interventions to drive successful growth strategies.

Johan was appointed as Chief Commercial Officer on 1 July 2021.



ZEYN AGJEE (47)

Chief Operating Officer

Qualifications: BComm

Date appointed: 1 February 1997

With a career spanning over 23 years as part of the Ellies Group, Zeyn has extensive industry knowledge and experience with a focus on finance, commercial and turnaround strategy. He has held various key roles within the organisation, including Regional Management; Sales; Executive Supply Chain and Operations; Executive Procurement; and Finance Management. He is also a member of the Boards of Directors at Ellies Namibia and Ellies Botswana. He is a Member of the Chapter of the Golden Key Honour Society and is currently enrolled in an MBA programme with the University of Witwatersrand.

Zeyn was appointed as Chief Operating Officer on 1 July 2021.



GIDEON VAN DYK (40)

Chief Sales Officer

Qualifications: MBA (University of Botswana)

Date appointed: 1 October 2019

Gideon Van Dyk is a seasoned executive with a strong background in management and a wealth of experience. With a relentless drive for success, Gideon brings an exceptional level of enthusiasm and positive energy to the Ellies business. Before joining Ellies he worked his way up to Operations Executive at Ellerines Holdings, starting in 2002 as a Sales Advisor. With over 15 years of senior management and executive work experience, as well as four years of key management experience in diverse business roles, he has honed his skills in strategising, implementing and executing plans and driving business.

Gideon was appointed as Chief Sales Officer on 1 July 2023.

SUMMARY CORPORATE GOVERNANCE REPORT





The Board and individual directors are committed to the principles of transparency, integrity and accountability and accept their duty and responsibility to ensure that the principles and underlying recommended practices, outlined in King IV™, are observed with the resultant governance outcomes of an ethical culture, good performance, effective control and legitimacy.

The Board's commitment to sound governance practices and to ensuring that Ellies complies with the JSE Listings Requirements and applies the King IV™ principles and recommended practices, as applicable to the Group, throughout this Register as well as in the future focus areas.


As part of the evolving integrated reporting disclosure, a summary of Ellies' application of the principles is disclosed in the Integrated Annual Report, and the complete King IV™ Application Register is available on Ellies' website.

KING IV™ PRINCIPLE	APPLICATION
LEADERSHIP	
Principle 1: The governing body should lead ethically and effectively.	<p>The Board of Directors of Ellies exercises effective leadership, with directors adhering to their ethical and fiduciary duties. The directors have the necessary experience, expertise and competence and act ethically in discharging their responsibilities to provide strategic direction and control of Ellies, as provided for in the Board Charter and the Memorandum of Incorporation of Ellies.</p> <p>Arrangements by which Board members will be held to account for ethical and effective leadership include, but are not limited to, performance evaluations of individual directors as well as of the Board as a whole.</p>
ORGANISATIONAL ETHICS	
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	<p>The Board determines and sets the tone of Ellies' values, including principles of ethical business practice and human rights considerations. The Board, supported by the Social and Ethics Committee, approves Ellies' Code of Conduct and considers the requirements for the Group to be a responsible corporate citizen. The Group's ethical culture is based on integrity, competence, responsibility, accountability, fairness and transparency.</p>
RESPONSIBLE CORPORATE CITIZENSHIP	
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	<p>The Board, assisted by the Social and Ethics Committee and supported by the executives, oversees and monitors how the operations and activities of the Group affect its status as a responsible corporate citizen. Through stakeholder engagement and collaboration, Ellies has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding solutions to sustainability challenges.</p>
STRATEGY AND PERFORMANCE	
Principle 4: The governing body should appreciate that the organisation's core purposes, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	<p>The Board informs and approves Ellies' strategy, which is aligned with the purpose of the Group, the value capitals and value drivers of the business, and the expectations of its stakeholders, aimed at ensuring sustainability and which takes into account the top risks facing the Group. With the support of the Board Committees, the Board oversees and monitors the implementation and execution by management of the policies, procedures and priorities and ensures that Ellies accounts for its performance by, amongst others, reporting and disclosure.</p>

Summary corporate governance report continued

KING IV™ PRINCIPLE	APPLICATION
REPORTING	
<p>Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<p>The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual integrated reporting suite and any other disclosures.</p> <p>Reporting frameworks and materiality are approved by the Audit and Risk Committee to ensure compliance with legal requirements and relevance to stakeholders.</p>
PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY	
<p>Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The Board has an approved Charter which it reviews annually. The Charter sets out its governance responsibilities, including the role, responsibilities, membership requirements and procedural conduct. The Board Charter guides the Board in the execution of its duties together with the Company's Memorandum of Incorporation. Through its sub-Committees, whose mandates and terms of reference are reviewed annually, the Board implements and monitors the governance practices within the Group.</p>
COMPOSITION OF THE GOVERNING BODY	
<p>Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The capacity of each director is categorised, as defined in the JSE Listings Requirements, also taking into consideration King IV™ and other factors as outlined in the Board Charter.</p> <p>The Board comprises a majority of independent non-executive directors. As at 30 April 2023, the Board comprised ten directors with eight being independent non-executive directors and two executive directors. Mr Edward Raff resigned with effect from 15 August 2023. Mr Raff has joined a listed entity on a full-time basis and is, thus, precluded from retaining his directorship on the Board. The composition of the Board, therefore, changed to seven independent non-executive directors and two executive directors. The executive directors are the Chief Executive Officer and Financial Director. The roles of the Chairperson and the Chief Executive Officer are separate.</p> <p>None of the non-executive directors' tenure exceeds nine years.</p> <p> Board diversity is outlined on pages 27 and 28.</p>
COMMITTEES OF THE GOVERNING BODY	
<p>Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	<p>Committees have been established to assist the Board in discharging its responsibilities.</p> <p> The Committees of the Board comprise the Audit and Risk Committee, the IT Governance Committee (a sub-Committee of the Audit and Risk Committee), the Remuneration Committee, the Nomination Committee and the Social and Ethics Committee, as shown on page 31.</p>



Summary corporate governance report continued

KING IV™ PRINCIPLE	APPLICATION
EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY	
<p>Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>An evaluation of the Board, its Committees and the individual directors is conducted as appropriate. The evaluations consist of a questionnaire, which is completed by all Board members. This evaluation is comprehensive, encompassing all aspects of the Board’s responsibilities. It covers the effectiveness of the Board as a whole, and a director’s contribution is measured against his or her duties. Nomination for re-appointment of a director will only occur after evaluation of performance and the satisfactory attendance at meetings by the director.</p> <p>During the reporting period the Board, through the Company Secretary, performed evaluations of the performance of the Board and of the individual directors, in line with the recommended practices of King IV™ and the Board was satisfied with the results and outcome of the evaluation.</p> <p>The directors believe that the Board is well balanced in terms of skills, qualifications and experience and makes a meaningful contribution to the Company.</p>
APPOINTMENT AND DELEGATION TO MANAGEMENT	
<p>Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board approves and regularly reviews the framework and top-level delegation of authority in terms of which matters are delegated to the Chief Executive Officer.</p> <p>Chief Executive Officer and executive management</p> <p>The Chief Executive Officer, Financial Director and executive management are jointly and severally the highest executive decision-making authority of the Group and are jointly and severally delegated with authority and are jointly and severally accountable to the Board for the successful implementation of the Group strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term shareholder value.</p> <p>Company Secretary</p> <p>Acorim (Pty) Ltd, is the Company Secretary, duly appointed by the Board in accordance with the Companies Act. Acorim provides outsourced company secretarial services on an arm’s length basis to Ellies. The Board considers the competence, qualifications and experience of the Company Secretary annually. The Board is satisfied that Acorim, represented by Ms Roxanne Cloete, is competent and has the appropriate qualifications and experience to serve as the Company Secretary.</p>
RISK GOVERNANCE	
<p>Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board has direct responsibility for the governance of risk and approves Ellies’ Risk Policy that gives effect to its set direction on risk. Ellies is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes. The Board also approves Ellies’ top risk profile and financial risk appetite and tolerance levels, ensuring that risks are managed within these levels, as deemed appropriate, and based on materiality and changes in the external and internal environments.</p> <p> Key risks and mitigation strategies are disclosed on pages 38 to 43.</p>

Summary corporate governance report continued

KING IV™ PRINCIPLE	APPLICATION
TECHNOLOGY AND INFORMATION GOVERNANCE	
<p>Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>The Board is ultimately accountable for the governance of technology and information management.</p> <p>In order to assist the Board, an IT Governance Committee, which falls under the Audit and Risk Committee, has been established to address concerns relating to Ellies' IT systems as well as to determine where there is a need for improvement.</p> <p>Information management risks are being addressed and the return on major IT investments, aligned to Ellies' strategy, is being monitored by the Board.</p> <p> The report of the IT Governance Committee appears on pages 69 to 71.</p>
COMPLIANCE GOVERNANCE	
<p>Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>The Board has delegated responsibility for the implementation and execution of effective compliance management to the Executive Committee. The Board is, however, aware that it remains ultimately responsible for compliance with, inter alia, applicable laws, adopted non-binding rules, codes and standards. Through committees and reporting structures, the Ellies Board and its Committees are appraised of any material incidences of non-compliance with legislative or regulatory requirements or a breach of internal controls.</p> <p>The Board requires all Group companies and their directors and employees to comply with all applicable laws and adopt non-binding rules, codes and standards in a way that supports Ellies' ethical corporate citizenship. Legal compliance systems and processes are reviewed and are improved continuously to mitigate the risk of non-compliance with the laws and also to ensure appropriate responses to changes and developments in the regulatory environment.</p>
REMUNERATION GOVERNANCE	
<p>Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	<p>The Board is committed to ensure that executives and employees' performance are measured against the achievement of Ellies' strategy and objectives and bonuses linked to the delivery thereof. The collective achievement of Ellies' objectives ultimately creates value for all stakeholders.</p> <p> Ellies' rewards strategy and policy translate into competitive and appropriate reward outcomes. The Background Information, Remuneration Policy and the Remuneration Implementation Report are reported on in detail in the Report of the Remuneration Committee on pages 48 to 62.</p> <p>Ellies' Remuneration Committee is tasked by the Board to independently approve and oversee the implementation of a Remuneration Policy that will encourage the achievement of Ellies' strategy and grow stakeholder value sustainably.</p>

Summary corporate governance report continued

KING IV™ PRINCIPLE	APPLICATION
ASSURANCE	
<p>Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports.</p>	<p>The Audit and Risk Committee is responsible for the quality and integrity of Ellies’ integrated reporting.</p> <p>The Board and Committees are made up of diverse skills and experience to ensure that risks and opportunities are considered from various perspectives. The Board places reliance on the underlying statements that the Board makes concerning the integrity of information for internal decision-making and of the Company’s external reports.</p> <p>During the reporting period, the scope of work performed by LateganMashego Audit & Advisory included as primary focus areas 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 by head office.</p> <p>A Combined Assurance Framework, based on a three-lines of defence model and aligned to the six value capitals (financial, manufactured, intellectual, human, social and relationship, natural), is in the process of being enhanced in collaboration with BDO South Africa Inc and LateganMashego Audit & Advisory, which approach will assist in addressing control over the key risks facing the Group. Ellies’ combined assurance model will ensure objectivity of all information provided to stakeholders.</p> <p> The Board, in the statement of responsibility of directors on page 3 of the Annual Financial Statements, provides their independent assurance of the information provided in the 2023 Annual Financial Statements.</p>
STAKEHOLDERS	
<p>Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>Ellies strives to ensure a systematic and integrated approach to stakeholder engagement across the Group, facilitated through engagement initiatives to enable increased assurance to the Board that all stakeholder issues have been identified, prioritised and appropriately addressed.</p> <p>It is a business imperative that Ellies understands and is responsive to the needs and interests of its key stakeholder groups.</p> <p> Stakeholder engagement disclosures appear on pages 44 to 47.</p>

RISK MANAGEMENT

Risk management is regarded as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within Ellies. In the broadest sense, effective risk management ensures continuity of operations, service delivery and protection of its interests.

Ellies recognises the importance of managing risk and is committed to best practices in terms of risk management. The Board monitors risk management performance in a structured way and strives to have an unwavering commitment to these practices with the intent being to maintain a system of risk management excellence.

As a guiding principle on risk appetite, Ellies follows the definitions of the King Committee where "Risk Appetite" is viewed as the "Propensity to take Risk" and "Risk Tolerance" is viewed as the "Ability to take Risk". Ellies identifies critical business dimensions where metrics in Risk Appetite and Risk Tolerance are calculated and applied. These metrics are for both financial and non-financial dimensions. The Audit and Risk Committee considers the calculated metrics and recommends them to the Board for approval.

To assess the risk tolerance of Ellies, the Audit and Risk Committee identifies the main business risks for the Group, the factors that impact/influence the risks, the tolerance limit per risk, what Ellies can do to mitigate each risk, and the impact on Ellies if a particular risk is breached.

Risk is seen as both an opportunity that must be seized, as well as a threat that must be averted, to ensure that Ellies operates at a competitive advantage within the current and future market. Since risk is an unavoidable consequence of business activities, Ellies' Risk Management Policy aims to provide a framework within which management can operate to reinforce a strong risk management culture throughout the Group. The Policy and Framework are based on international best practices that incorporate both ISO 31000 and COSO Enterprise Risk Management ("**ERM**") with the aim of enhancing value for all of Ellies stakeholders. An ERM approach integrates risk solutions into all aspects of business practices and decision-making processes.

Ellies' ERM process endeavours to achieve the following:

- Increasing the likelihood of achieving Ellies' strategic objectives by identifying key risks and opportunities.
- Increasing directors and managers' ability to make strategic and business decisions based on consolidated, timely and reliable risk information that is readily usable.
- Tapping into the risk knowledge of employees, at all levels, to provide a comprehensive portfolio view of risks that transcend the operations and support functions.
- Exploiting unplanned and unexpected opportunities that are identified through the risk assessment processes.
- Reducing the probability and likelihood of surprises and unexpected events through ongoing risk assessment and risk management activities, executed at all levels within Ellies.

There is an ongoing, systematic and documented risk management process that ensures that all material risks are identified, evaluated, effectively managed, and where this is practical, quantified. This process is undertaken within each business unit as well as by the Board and serves to ingrain a sustainable risk awareness and culture at all levels. Ongoing business sustainability is addressed as part of this process.

For losses arising from catastrophic events, which include fire, flood, explosion, earthquake, pandemic and machinery breakdown, as well as business interruption, the Group has sufficient insurance in place to alleviate the financial and economic impact of these events.

The insurance portfolio is centralised and all South Africa-based operations form part of this programme, however, in an effort to manage the risk, operations outside South Africa continue to have their own policies as the insurance markets in those countries differ from that in South Africa.

Risk management continued

GROUP RISK MANAGEMENT FRAMEWORK

Formalisation of a Risk Management Framework is the responsibility of the Board. The framework includes:

- allocation of capital across various activities in order to maximise returns and diversification of income streams;
- risk taking within levels acceptable to the Group as a whole and within the constraints of the relevant business units;
- efficient liquidity management and control of funding costs; and
- improved risk management and control.

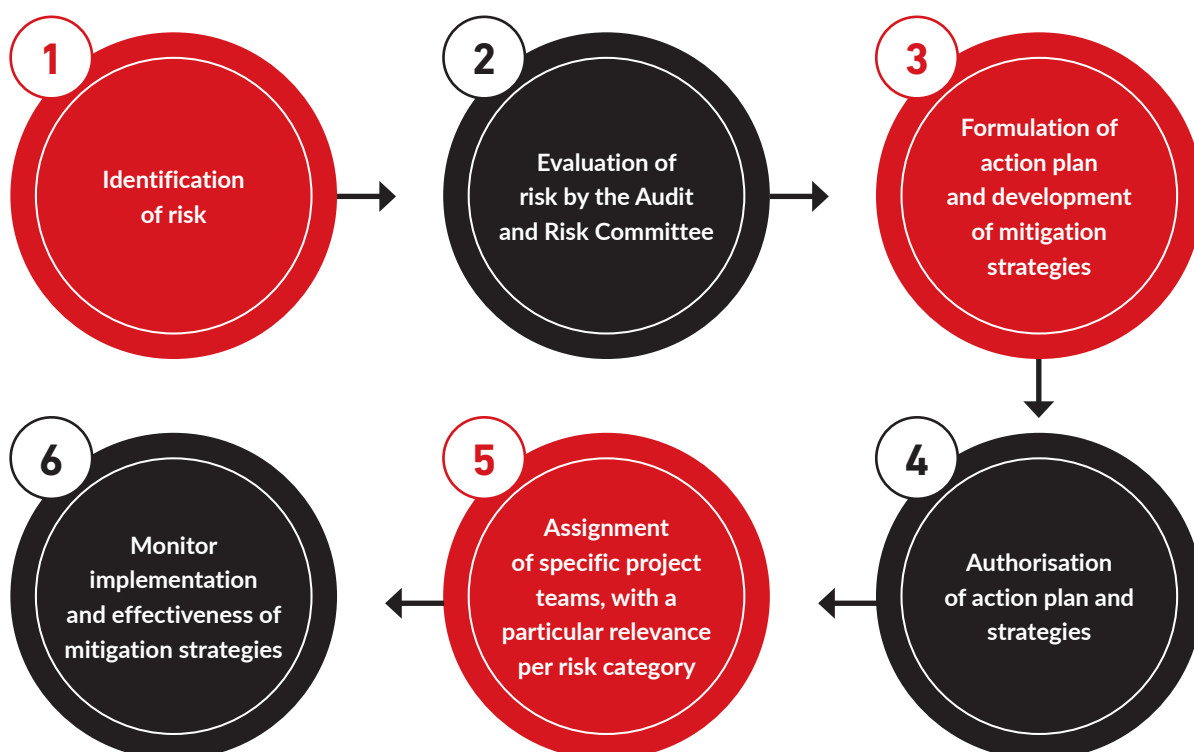
The Risk Management Framework of the Group aims to:

- align strategy with risk appetite and tolerance;
- improve decision-making which improves the Group's risk profile;
- promote strategic and coordinated procurement;
- ensure equitable commercial terms and conditions are contracted on a continuous basis;
- promote continuous improvement through the application of key lessons learnt;
- improve predictability and build shareholder confidence;
- build robust organisational risk structures and facilitate timeous interventions to promote long-term sustainability; and
- promote the efficient and proactive utilisation of opportunities.

IDENTIFYING RISKS AND OPPORTUNITIES

The identification of risks and opportunities is robust, systematic and should involve every level of the organisation.

Risk management process



Risk management continued

The Board recognises that managing risk is an inherent part of the Group's activities, and that risk management and the ongoing improvement in corresponding control structures must be a key focus in building a successful and sustainable business.

Risk management is a dynamic process and the Risk Framework should be robust enough to effectively manage and react to change in an efficient and timeous manner.

The Charter of the Audit and Risk Committee mandates them to monitor the progress of the implementation of the risk management processes, with written submissions and presentations provided by management regularly.

Promotion of the active participation of Executive Management in all of the operational and strategic decisions affecting the business units, is enabled by the Group structure, thereby creating a strong culture of ownership and accountability.

Key risks identified, together with the risk response, are disclosed below:

NO	RISK	IMPACT	INHERENT RISK	RESIDUAL RISK	RISK RESPONSE
1	Finance Risk The risk of the Company's inability to raise adequate funding for future growth opportunities.	High	High	High	<ul style="list-style-type: none"> Ensure that funding is timeously available. Funding requirements are calculated and monitored. Quality monthly reports are prepared to allow for timeous identification. Maintaining and exploring business partnership options with the banks.
2	Strategy Risk The risk of new competitors entering and disrupting the local market.	High	High	High	<ul style="list-style-type: none"> Leveraging the brand reputation to take a leadership position in renewable energy. Constant investment in research and development to secure a prominent position in the respective markets. Exploring additional options to accommodate changes in the business. Review and evaluate the current market position and align plans accordingly.
3	Human Resources Risk The risk of losing skilled employees affects the execution of the turnaround plan.	Medium	Medium	Medium	<ul style="list-style-type: none"> Retention of skilled employees results in the achievement of goals. Implement remuneration structures to attract and retain talent. Monitor career paths for all employees. Effective implementation of the turnaround plan.
4	Reputational Risk The risk of failing to meet customer expectations.	High	High	Medium	<ul style="list-style-type: none"> Address customer needs, expectations and complaints. A function has been implemented where customers can lodge complaints via the call centre, social media and the website e-mail. Customer complaints are monitored daily and actioned within approximately four hours. Ellies is a member of the Consumer Goods Council. Internal Audit audits the customer complaints/ satisfaction process.

Risk management continued

NO	RISK	IMPACT	INHERENT RISK	RESIDUAL RISK	RISK RESPONSE
5	<p>Strategy Risk</p> <p>The risk of not proactively understanding the impact of changed market demand.</p>	Medium	Medium	Medium	<ul style="list-style-type: none"> • Redirect working capital to non-discretionary items that help alleviate power disruptions. • Adjust stock levels to accommodate the increase in demand. • Ensure that stockholding is aligned with customers' needs. • Working capital is allocated to ensure sustainable business operations. • Capital is allocated timeously to compensate for operational requirements and to accommodate the constant change in stock demands.
6	<p>Strategy Risk</p> <p>The risk of losing corporate reputation in the market sector.</p>	High	High	Medium	<ul style="list-style-type: none"> • Protect the brand and reputation to ensure value is created for all stakeholders. • Implement a broad-based public and brand communication strategy. • Engage proactively with all relevant stakeholders. • Provide relevant information via various media channels to stakeholders.
7	<p>Operational Risk</p> <p>The risk of customers' influence on the Company (dictated by large retail organisations).</p>	Medium	Medium	Medium	<ul style="list-style-type: none"> • Limit the power and dependence on large customers. • Create brand equity. • Seek new potential customers and explore new product lines to limit the dependence on a few large customers. • Strategies are formulated to grow the business outside that of the current market.
8	<p>Operational Risk</p> <p>The risk of dependence on only a limited number of suppliers.</p>	High	Medium	Moderate	<ul style="list-style-type: none"> • Limit the power and dependence on large customers. • Create brand equity. • Seek new potential customers and explore new product lines to limit the dependence on a few large customers. • Strategies are formulated to grow the business outside that of the current market.

Risk management continued

NO	RISK	IMPACT	INHERENT RISK	RESIDUAL RISK	RISK RESPONSE
9	<p>Finance Risk</p> <p>The risk of loss of/curtailed banking facilities due to not meeting covenants.</p>	High	Medium	Moderate	<ul style="list-style-type: none"> Review of financial position and explore alternative facilities. Covenants are reviewed to represent the current reality of the business. The Finance Department calculates, investigates and reports monthly on the funding capacity, requirements and alternatives. The Executive Committee reviews the long-, medium- and short-term funding requirements, approves funding and aligns it with available facilities.
10	<p>Strategy Risk</p> <p>The risk of not staying relevant and repositioning Ellies into a winning market sector.</p>	High	High	Moderate	<ul style="list-style-type: none"> Being a leader in emerging markets and proactively identifying opportunities to remain relevant in the market. Embark on a journey to actively reposition Ellies. Constantly review Ellies' ability to stay ahead of the competition.
11	<p>Finance Risk</p> <p>The risk of not restructuring legacy debt successfully.</p>	High	Medium	Moderate	<ul style="list-style-type: none"> Maintaining and improving relationships with financial institutions. Regular meetings with current and potential financial institutions to secure funding opportunities. Financial position is reviewed monthly to ensure that the financial position is effective and that relationships with service providers are maintained.
12	<p>Strategy Risk</p> <p>The risk of reliance on a single part of the business (concentration risk: e.g., satellite equipment and installation).</p>	Medium	Medium	Moderate	<ul style="list-style-type: none"> Reduce reliance on a few significant products, services and solutions. Dependence on individual line products and services is monitored and reviewed regularly. Constantly seek new product lines and potential customers. Quality reporting on sales, customers, products and services forms part of the Executive Committee's review. Explore alternative business opportunities to ensure sustainability.

Risk management continued

NO	RISK	IMPACT	INHERENT RISK	RESIDUAL RISK	RISK RESPONSE
13	<p>Operational Risk</p> <p>The risk of monetary losses due to stock obsolescence.</p>	Medium	Medium	Moderate	<ul style="list-style-type: none"> • Timeous conversion of inventory to cash. • Branches are focused on maximising stock efficiencies and limiting stockholding. • Stock turnover is constantly monitored and slow-moving items are reported on. • Stock positions are reviewed and management approves discount prices for slow-moving stock to avoid obsolescence.
14	<p>Operational Risk</p> <p>The risk of missing sales opportunities due to stock availability (Black Friday and festive season).</p>	Medium	Medium	Moderate	<ul style="list-style-type: none"> • Financial position impacts stock levels and price settings. • Forecast potential sales to ensure that stock levels and correct prices are set for promotional periods. • The Executive Committee reviews forecasts, prices and stock quantities to ensure that stock is ordered well in advance to ensure availability.
15	<p>Finance Risk</p> <p>The risk of exchange rates impacting negatively on profitability (weakening rand affecting imports and landed pricing).</p>	Medium	Medium	Moderate	<ul style="list-style-type: none"> • Assess future cash flow requirements and secure facilities/ cover based on the foreign exchange policy. • The Finance Department reviews purchasing forecasts and applies the policy against them. • Review macro trends and future expectations against which to adjust the existing policy.
16	<p>Compliance Risk</p> <p>The risk of failing to adequately apply good corporate governance principles.</p>	High	High	Moderate	<ul style="list-style-type: none"> • The Board, directors and management lead by example to demonstrate its commitment to corporate governance. • Policies and procedures are developed to ensure good governance practices. • Constant review by management to ensure adherence to governance-related matters.

ENGAGING OUR STAKEHOLDERS

Stakeholders are those individuals, groups of individuals or organisations that impact and/or could be impacted by Ellies' activities, product or services and associated performance. The Board has identified the following key stakeholder groups with whom the Group engages in a structured and inclusive manner aimed at establishing and maintaining open and transparent, mutually beneficial relationships:



Engaging our stakeholders continued

Stakeholders	Type of engagement	Material issues raised	Actions taken
Shareholders and the investment community	Providers of share capital and the principal risk takers within the business.	The generation of sustainable, market-related returns on their investment, together with timely, relevant, open and ongoing communication on Ellies' activities and performance.	<p>Investors are kept abreast of developments through formal engagements such as the Stock Exchange News Service, results presentations and investor updates as well as workshops and specific shareholder meetings.</p> <p>Ellies' Integrated Annual Report seeks to provide shareholders (and other stakeholders) with an in-depth understanding of Group strategy, sustainability, value drivers, governance, reward systems as well as actual Company performance.</p> <p>Shareholders are given the opportunity to put questions to the Board at the AGM and all other shareholder meetings and presentations.</p>
Banks, funders and insurance companies	Primary bankers who provide working capital and general transactional banking facilities. Short-term insurers provide cover on the Group's assets and business interruption.	<p>Stable and sound financial management of the business and management of funding within the parameters set by the agreements entered into between Ellies and its funders. Regular updates and communication on developments in the Group's financial sphere are provided to the funders.</p> <p>Ongoing maintenance of the Group's assets at appropriate levels and in accordance with industry regulations and standards to meet the short-term insurance cover.</p>	<p>Various financial services are provided to the Group. The Group CEO and CFO engage with the financial service providers and attend to their ongoing requirements regarding Group and ad hoc funding requirements, as the need arises, as well as interactions with the Group's bankers regarding cash flow forecasts and performance against covenants.</p> <p>Annual interactions, or more often as required, entail the updating of insurance policies, which include short-term insurance, professional indemnity and directors' liability. The broker presents renewal terms to the Board for consideration and approval.</p>

Engaging our stakeholders continued

Stakeholders	Type of engagement	Material issues raised	Actions taken
Regulators	Industry associations and various regulatory bodies who ensure that Ellies adheres to all applicable laws, regulations, codes and corporate governance.	Compliance with laws and regulations that are designed to protect stakeholders primarily, through the submission of regular statutory returns and the timely collection and payment of duties and taxes.	Relationships of trust and transparency are maintained with all regulators. This is an ongoing process, which escalates when new requirements and legislation are introduced. Ellies is regulated by several stakeholders including the JSE, South African Revenue Service, South African Reserve Bank, the Department of Trade and Industry, the Department of Labour, the B-BBEE Commission, the Companies and Intellectual Property Commission, the National Regulator for Compulsory Specification, the Independent Communications Authority of South Africa and the Consumer Goods Council.
Customers	Customers comprise individual consumers, small resellers, solution providers, retailers and large corporate resellers as well as contractees and lessees.	To gain access to Ellies' quality product and service offerings and obtain solutions that will achieve the desired outcomes for customers' respective projects.	Engagements with customers are segmented and range from accounts that are managed through the Group's various call centres to accounts that are managed on a face-to-face basis.
Suppliers	Providers of products and services, both local and international, in accordance with Ellies' Procurement Policy.	To render an ongoing and commercially viable supply of products and services.	Formal service level agreements are entered into with suppliers. Regular meetings are scheduled between suppliers and varying levels of management.
Employees	A diverse range of individuals of varying skills, expertise, qualifications, experience and nationalities (including race and gender diversity) are employed across the Group to add value to all stakeholders.	Career and personal development in a work environment that ensures job security and appropriate reward for performance.	On the appointment of new employees, a formal induction programme is conducted by the HR function. Employees have access to Company information on the website and internal communiqués are distributed electronically and are posted on notice boards. Regular formal and informal engagements take place with staff to ensure that they receive the necessary guidance, motivation, feedback and recognition.

Engaging our stakeholders continued

Stakeholders	Type of engagement	Material issues raised	Actions taken
Trade unions	Organisations of workers in the same skilled occupations or related skilled occupations who act together to secure favourable working conditions for all their respective members.	Maintaining good working relationships and obtaining consensus on any decisions or projects that may result in changes in working conditions or in Ellies' operational requirements through engaging on collective employment issues and communicating potential changes affecting labour.	<p>Union representatives are elected to liaise with management on matters affecting union members.</p> <p>The Executive responsible for Group Services is responsible for managing the relationship with the employee unions and relevant industrial labour organisations.</p> <p>Engagement occurs on a strategic level as well as on operational and tactical levels, thereby improving both management and the unions' commitment to common values and objectives.</p>
Communities	The areas in which Ellies' operations are located and the people participating in and related to the Group's activities.	The creation of partnerships to best facilitate integrated sustainability initiatives and to collaborate in a way that furthers economic, environmental and social agendas for the greater good of the community.	<p>The Group adopts a consistent approach to community development and evaluates the socio-economic impact that the Group's operations and activities have on the communities in which it operates.</p> <p>Engagement is ongoing as partnerships dictate or stakeholder needs require.</p>
Media	Media includes every broadcasting and narrowcasting medium such as newspapers, magazines, TV, radio, billboards (including signage on buildings), direct mail, social media, telephone and internet.	To educate and inform the respective audiences of developments in the electrical and electronic equipment sectors, adding Ellies' voice to the public debate, as well as to communicate the Group's performance and contribution to the economy, including its product and service offerings.	<p>Executive management conducts interviews and regularly engage with members of the media. These take the form of one-on-one time with Ellies executives and subject matter experts across the Group to discuss pertinent issues relevant to the Group's business activities.</p> <p>Press releases/statements are issued to all media nationally to keep them informed of any new developments or business changes.</p> <p>The Group's interim and annual results are published in the press and executive management attends to the media briefings surrounding the release of the results.</p>
Government – national, provincial and local	Members of local, provincial and national government with particular emphasis on those involved in electrical and electronic equipment development.	Ellies is, and is seen to be, an active participant in driving the economic, social and environmental upliftment of the country through its participation in electrical and electronic equipment development.	As a result of Ellies' participation in electrical and electronic development, the Group interacts, either directly or indirectly, with local and provincial government on projects. The primary method of engagement with government is through tender processes and formal meetings, as required.

REPORT OF THE REMUNERATION COMMITTEE

The intention of the Report of the Remuneration Committee is to provide an overview and understanding of Ellies' remuneration philosophy and to report on executive director, senior management and non-executive director remuneration.

The remuneration philosophy focuses on structures that aim to attract and retain talented individuals who can make a contribution to Ellies' sustainability. To this end, it aims to empower individuals to make a positive contribution to the growth of the business.

The Board defines the principles which guide the development of Ellies' strategy and objectives. When setting remuneration, an appropriate balance is sought between employee and shareholder interests. The ultimate responsibility for the Remuneration Policy vests in the Board.

In line with King IV™ recommended practice and in accordance with the JSE Listings Requirements, this report has been segregated into three parts:

PART 1: Background;

PART 2: Remuneration Policy, which is subject to a non-binding advisory vote by shareholders; and

PART 3: Implementation Report, which is subject to a non-binding advisory vote by shareholders.

PART 1: BACKGROUND STATEMENT

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

At the reporting date, the Remuneration Committee ("Committee") comprised four members appointed by the Board, being Mr Francois Olivier (Independent Non-Executive Chairperson of the Committee), Mr Martin Kuscus (Independent Non-Executive Director), Ms Maya Makanjee (Independent Non-Executive Director) and Mr Edward Raff (Independent Non-Executive Director). Mr Raff resigned with effect from 15 August 2023.

In terms of the Committee's mandate, the Committee shall meet at least twice per annum, which practice is being adhered to by the Committee. During the reporting period, the Committee held two meetings. Attendance at the meetings held is shown below.

	4 Jul 2022	1 Dec 2022
Members		
Mr Francois Olivier (Chairperson)	P	P
Mr Martin Kuscus	P	P
Ms Maya Makanjee	P	P
Mr Edward Raff ¹	P	A
Invitees		
Dr Shaun Prithvirajh (CEO)	P	P
Mr Guy Moretti (Financial Director)	P	P
Mr Johan Klein (Chief Commercial Officer)	P	P
Company Secretary		
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P

¹ Resigned with effect from 15 August 2023.

P – Present

A – Apology

Report of the Remuneration Committee

continued

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 also available for inspection at Ellies' registered address.

VOTING ON REMUNERATION

Non-executive directors' remuneration

In terms of the Companies Act, fees for non-executive directors for their services as directors must be put to shareholders for approval by special resolution. Such approval will be granted for a period of two years. Approval may not be sought retrospectively.

At the AGM held on Friday, 30 September 2022, a special resolution authorising the remuneration payable to non-executive directors for a two-year period was presented to shareholders and voted on as follows:

- Total number of Ellies shares in issue as at the date of the AGM:
805 400 305
- Total number of Ellies shares that were present/represented at the AGM:
324 122 846, being 40,24% of the total number of Ellies shares that could have been voted at the AGM.

Resolution	Shares voted *	Number of votes per share		Abstentions #
		In favour of	Against	
Special resolution number 4				
Approval of non-executive directors' fees	323 260 179	318 818 347	4 441 832	862 667
Percentage	40,14%	98,63%	1,37%	0,11%

* Shares voted (excluding abstentions) in relation to total shares in issue.

In relation to total shares in issue.

At the AGM held on 30 September 2023, shareholders approved non-executive directors' remuneration for a period of two years, due to lapse on 30 September 2024. As the 2024 AGM may only occur after that date, a special resolution with no increase in fees will be put to shareholders at the AGM to be held on Tuesday, 3 October 2023, in order to ensure continuity.

Remuneration Policy and the Remuneration Implementation Report

It is a JSE Listings Requirement to present two separate resolutions to shareholders to cast non-binding advisory votes in respect of the Remuneration Policy and its implementation.

At the AGM held on Friday, 30 September 2022, the resolutions to cast non-binding advisory votes relating to the Remuneration Policy and its implementation were presented to shareholders and voted on as follows:

- Total number of Ellies shares in issue as at the date of the AGM:
805 400 305
- Total number of Ellies shares that were present/represented at the AGM:
324 122 846, being 40,24% of the total number of Ellies shares that could have been voted at the AGM.

Report of the Remuneration Committee

continued

Resolutions	Shares voted *	Number of votes per share		Abstentions #
		In favour of	Against	
Ordinary resolution number 4.1				
Endorsement of the Company's Remuneration Policy	323 181 846	292 451 008	30 730 838	941 000
<i>Percentage</i>	40,13%	90,49%	9,51%	0,12%
Ordinary resolution number 4.2				
Endorsement of the Company's Remuneration Implementation Report	322 309 679	293 442 903	28 866 776	1 813 167
<i>Percentage</i>	40,02%	91,04%	8,96%	0,23%



Resolutions pertaining to the Company's Remuneration Policy, summarised on pages 50 to 56, as well as the Implementation Report outlined on pages 57 to 62, will be tabled at the AGM to be held on Tuesday, 3 October 2023 and shareholders will be requested to cast separate non-binding advisory votes thereon, as required by the JSE Listings Requirements and King IV™.

Aligning with the best practice outlined in King IV™ and the JSE Listings Requirements, the Board commits to take measures in the event that either the Remuneration Policy or Implementation Report, or both, be voted against by 25% or more of the voting rights exercised, which measures will provide for taking steps in good faith and with best reasonable effort to:

- enter into an engagement process to ascertain the reasons for the dissenting votes; and
- appropriately address legitimate and reasonable objections and concerns raised, which may include amending the Remuneration Policy, or clarifying and adjusting remuneration governance and/or processes.

PART 2: REMUNERATION POLICY

The objectives of the Ellies' Remuneration Policy are to enable the business to:

- pay a fair remuneration for work performed;
- retain competent employees who enhance business performance;
- reward, recognise and confer appreciation for superior performance;
- direct employees' energies and activities towards key business goals;
- recruit high-performing, skilled individuals from a shrinking pool of talent; and
- achieve the most effective returns (employee productivity) for total employee spend.

To achieve this, Ellies rewards its executives and managers in a way that reflects the dynamics of the market and the context in which it operates. All components of this remuneration policy, including the fixed pay and variable pay for performance, are aligned to the strategic direction of the business.

Report of the Remuneration Committee

continued

EXECUTIVE DIRECTORS' CONDITIONS OF EMPLOYMENT AND REMUNERATION

Conditions of employment

Terms of service

- Ellies complies with relevant legislation when determining minimum terms and conditions for the appointment of executive directors. Unless stated otherwise in the contract of employment, there are no fixed terms of employment.
- Executive directors' notice period, in terms of their contracts of employment, does not exceed two months.
- Employment ceases on the resignation or dismissal of the director upon notice as well as other forms of exit such as retirement or retrenchments, and the notice period may be waived at the discretion of Ellies.
- Employment contracts do not commit the Company to pay on termination arising from the director's failure.

External appointments

Executive directors are not permitted to hold external directorships or office without the approval of the Board. The Board will only grant approval if such appointments will not create any conflict of interest and provided they will not impinge upon the executive director's ability to maintain the level of performance expected by Ellies from him/her in the execution of his/her duties as an executive. If such approval is granted, directors may retain the fees payable from such appointments.

Remuneration

Remuneration of the executives shall consist of a fixed and variable component, as well as the possibility of participation in a long-term incentive programme. These components create a well-balanced remuneration structure reflecting individual performance and responsibility, both short-term and long-term, as well as incorporating the overall performance of the Group and individual subsidiaries.

In regard to executive directors, the Group's objectives are to:

- apply key short- and long-term performance indicators including financial and non-financial measures of performance;
- demonstrate a clear relationship between individual performance and remuneration;
- apply an appropriate balance between fixed and variable remuneration, reflecting the short- and long-term performance objectives appropriate to the Group's circumstances and goals;
- link rewards to the creation of value for shareholders;
- promote ethical behaviour; and
- ensure their total remuneration is competitive by market standards.

Package design and pay mix

The Company's current Policy, relating to the pay mix for the CEO, CFO and Executive Committee members, is to achieve a fixed versus variable pay ratio skewed towards variable pay if targets are met or exceeded (performance-based remuneration). Their fixed salaries are sufficient to ensure they are not overly reliant on variable pay which, if unbalanced, may drive the wrong behaviour.

The pay mix is also in line with the Company's risk management policies and motivates executive directors to deliver on the Company's short- and long-term strategic objectives. Shareholders approved a long-term incentive scheme (LTI) at the General Meeting held in 2019.

Report of the Remuneration Committee

continued

Components of remuneration

The Company aims to reward all employees, including senior executives, with a level and mix of remuneration commensurate with their position and responsibilities.

Remuneration comprises:

- Fixed pay: (basic salary and benefits), also known as total guaranteed pay (TGP);
- Variable pay: STI (cash bonus – determined on an annual basis); and
- Variable pay: LTI (the Ellies Holdings Limited Long-Term Incentive Plan effective from 2021 onwards).

The table below summarises at a high level the components of the remuneration, followed by a detailed explanation below.

Element	Component	Details	Link to Company strategy
Fixed pay	Salary	<ul style="list-style-type: none"> • Benchmarked against the market periodically. • Takes into account performance, seniority and increase levels across the Group. 	Appropriate salary levels to attract and retain the right individuals.
	Benefits	Includes medical aid, employer retirement contributions at a selected percentage and travel allowances for executive directors.	Offering appropriate benefits are essential in attracting and retaining key individuals.
Variable pay	STI	<ul style="list-style-type: none"> • Based on a combination of financial and non-financial performance objectives. • Failure to achieve non-financial objectives can affect the portion linked to financial objectives. 	The financial and/or non-financial objectives are as determined from time to time and based on the needs of the business and aligned to the strategic objectives.
	LTI	The Ellies Holdings Limited Long-Term Incentive Plan was implemented during the 2021 financial year.	To retain employees in leadership and critical roles and to direct effort toward the attainment of long-term objectives.

Total guaranteed pay

Executives' TGP will be competitive and based on the executive's role and responsibilities, while reflecting the Group and individual's historic performance. From time to time, Ellies will conduct benchmarking exercises against suitable comparator groups and benchmarking results will be taken into consideration when determining the increases in executive pay. Consideration is also given to middle management and general staff. The Board and management remain committed to the long-term goal of eliminating relative disparity in the payroll. The ultimate goal is to have all employees remunerated at the median.

The Committee maintains a working knowledge of the pay scales which are available in the market and aims for Ellies' TGP to be aligned with the median of the market for executives in key roles.

Both the CEO and CFO's remuneration arrangements are governed by an employment agreement entered into by the Board and the executive.

Report of the Remuneration Committee

continued

NON-EXECUTIVE DIRECTORS' TERMS OF SERVICE AND REMUNERATION

Terms of service

While shareholders appoint non-executive directors at the AGM, interim Board appointments may be made between AGMs by the Board, in terms of Ellies' Memorandum of Incorporation (MOI). Such interim appointments are put to a ratifying vote at the AGM following the appointment.

No director shall be appointed for life or for an indefinite period and the non-executive directors shall rotate in accordance with the provisions of the MOI. The MOI specifies that at least one-third of the non-executive directors, or if their number is not three or a multiple of three, the number nearest to one third but not less than one third shall retire from office at each AGM.

The non-executive directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as non-executive directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. A retiring non-executive director may be re-elected, provided he is eligible for election.

Basis of remuneration

- All non-executive Board members, including the Chairman, receive a fixed fee per year.
- No fees are paid for attendance per meeting as the base fee is an all-inclusive fee with the non-executive directors' appointment agreements stipulating attendance at meetings as a requirement.
- Individual Board members may take on specific ad hoc tasks outside the normal duties assigned by the Board. In such cases, the Board may determine an additional fixed fee for the work.
- Expenses, such as travel and accommodation in relation to Board-approved activities as well as relevant training, are reimbursed.
- Non-executive directors' fees are paid exclusive of value added tax.
- There are no short- or long-term incentive schemes for non-executive directors. Exceptions apply only where non-executive directors previously held executive office and qualify for unvested benefits resulting from their employment with the Company.
- There are no post-retirement benefits for non-executive directors.

Non-executive directors' fees are reviewed annually and proposed to shareholders by the Board, following consultation with the Committee and having regard to fees paid to non-executive directors of similar companies. The fees are benchmarked against the fees paid to non-executive directors of companies operating in the same industry as the Company. Where considered necessary, the Board may seek external advice on the subject.

EMPLOYEE REMUNERATION

The business aims to pay a fair wage for work done. The Group is on a journey to lift the average wage paid across the staff compliment to the 50th percentile. The difficult operating environment of the current year slowed progress towards this goal. This is a multi-year goal and performance towards this goal is measured via management's short- and long-term Key Performance Indicators (KPIs), which KPIs are tied to these remuneration elements.

- For non-unionised employees, their remuneration is based on individual and Company performance as well as market trends.
- For most, their remuneration will be majority fixed remuneration with a bonus element and a commission element for those in sales roles.
- Certain employees have an element of their remuneration at-risk. The proportion of an employee's total remuneration that is at-risk increases with seniority and with the individual's ability to impact the performance of the Company.

Report of the Remuneration Committee

continued

SETTING REMUNERATION AND REVIEW PROCEDURES

The Group's remuneration determination and review procedures are as follows:

- the Group reviews remuneration packages annually in May;
- the Board, with the advice and assistance of the Committee, is responsible for making decisions in respect of the remuneration of directors and, in particular, the Group CEO. In determining the level and composition of the remuneration of the Group CEO and executives, the Committee is able to obtain independent advice on the appropriateness of remuneration packages by considering remuneration trends in other companies comparable in terms of size and market sector; and
- the annual review of remuneration packages for middle management and general employees takes into account performance evaluation results. Based on these results, the Committee is able to recommend changes to the TGP that may include annual increases and changes in the composition of remuneration.

The Committee takes into account various factors when reviewing overall TGP increases, including consideration of the Consumer Price Index (CPI), profitability ratios and individual performance against key performance indicators (KPIs).

BENEFITS

All employees receive a limited range of prescribed and elective fringe benefits such as healthcare, disability, life insurance and retirement benefits. Members have the option to structure their pensionable income, their monthly contributions to the Provident Fund and the nature of the fund invested in. Membership is compulsory for all new members.

- A minimum of 3% of pensionable remuneration is invested in the Provident Fund for all new employees.
- All employees are required to belong to an approved medical aid scheme.

These benefits are funded from the fixed salary component of the package for each employee.

Life and disability benefits, together with funeral insurance, are paid by the Company as a direct benefit.

Certain employees at a senior level who, due to the nature of their job, are required to travel are afforded travel allowances as part of their fixed salary component.

VARIABLE PAY

Short-term incentives

Purpose

The short-term incentive programme consists of a cash bonus that is linked to the achievement of predefined operational targets for each executive.

Participation

The performance conditions are considered appropriate and are aligned with short-term objectives, which in turn are integral to the implementation of Ellies' strategic plan. At least 60% of the objectives are related to growth, profitability and cash conversion. The rationale for including non-financial performance measures is to reward executives for strategic and sustainability orientated achievements. However, poor performance in non-financial performance measures could override the good performance in terms of financial criteria, i.e., unethical or non-compliant behaviour cannot be compensated for by good financial performance.

Report of the Remuneration Committee

continued

Long-term incentives

Ellies Holdings Limited Long-Term Incentive Plan

Background

The Ellies Holdings Limited Long-Term Incentive Plan (LTIP) was approved by shareholders in 2019. The intent of the LTIP is to retain key employees in leadership and critical roles and to drive a long-term focus on the results of the Company and its subsidiaries.

Under the LTIP, participants are awarded shares or share units, which vest three years hence upon achievement of predetermined goals, all of which are tied to the Group's strategic objectives. The plan has Malus and Clawback provisions.

Eligibility to participate and basis of participation

The scheme is open to senior employees of the Group, identified by the Board, whose roles allow them to influence the Group's long-term strategy and implementation thereof. The scheme aims to focus selected employees' focus and efforts on long-term value creation and strategy execution.

Overall and individual limits

Awards under the LTIP may result in the transfer and delivery of shares in the Company on the basis described below.

The maximum number of shares that may be acquired under the LTIP for all employee beneficiaries is 5% of the Company's issued shares. The maximum number of shares that may be acquired under the LTIP for a single employee beneficiary shall not exceed 2.5% of the Company's issued shares.

The shares utilised for the purposes of the LTIP will not be issued by the Company but will be acquired on the exchange operated by the JSE Limited and the share trust will hold shares as treasury shares.

Form of awards

The LTIP contains two methods of participation, being:

- the Forfeitable Shares Method of Participation; and
- the Unit Method of Participation.

Awards may be made under either or both methods of participation and no consideration shall be payable by employee beneficiaries who accept awards.

Awards are personal to employee beneficiaries and may not be transferred, save in the event of death.

Forfeitable shares method of participation

Under this method of participation, the Trust shall, on the instruction of the Board, award forfeitable shares to employee beneficiaries. Forfeitable shares will not constitute actual issued shares but rather a conditional right to receive issued shares on the date which falls three years after the date of an award ("vesting date") if, and to the extent, that the Board determines that the performance criteria attached to the award of forfeitable shares have been met or exceeded.

Prior to the vesting date, employee beneficiaries who hold forfeitable shares shall not receive any dividends or be entitled to exercise any voting rights.

On the vesting date, if, and to the extent that the Board has determined that performance criteria have been met or exceeded, shares may be delivered to employee beneficiaries. Such delivered shares will in all respects rank *pari passu* with the other issued shares of the Company.

Unit method of participation

Under this method of participation, the Trust shall, on the instruction of the Board, award units to employee beneficiaries. Units will not constitute actual issued shares but a conditional right to receive an amount ("unit amount") on the vesting date if, and to the extent, that the Board determines that the performance criteria attached to the award of units have been met or exceeded.

The unit amount in respect of each unit is an amount equal to the volume weighted average price at which shares are traded on the JSE on the 20 trading days prior to the vesting date.

Report of the Remuneration Committee

continued

If, and to the extent, that the Board has determined that the performance criteria have been met or exceeded, on the vesting date, the unit amount in respect of each unit may be discharged in cash or by delivering a share to the employee beneficiary concerned. Shares delivered under the unit method of participation will in all respects rank *pari passu* with the other issued shares of the Company.

Prior to the vesting date, employee beneficiaries who hold units shall not receive any dividends.

Performance criteria

No awards shall be made which are not subject to performance criteria. The performance criteria from time to time applicable to awards shall be determined by the Board. The Board may in its discretion waive or amend performance criteria to take account of changes in circumstances which render the performance criteria inapplicable or inappropriate, provided that no amendment shall disadvantage any employee beneficiary.

The performance criteria which the Board has applied in the current cycle are:

- Target share price three years hence (shareholder return); and
- Revenue and operating profit contribution from new business lines.

The measures, formulas, performance levels and details of performance criteria are determined by the Board prior to any award and communicated to employee beneficiaries when an award is made.

Malus and Clawback

Malus and Clawback will apply to all awards in the following circumstances:

- if an employee beneficiary commits (or causes another party to commit) fraud and or gross misconduct which adversely affects the reputation of the Group and/or would have negatively impacted on the determination as to whether an award was to be made to the employee beneficiary and/or the quantum of such award; and
- if there has been a misleading statement and/or material misstatement in any financial statements of the Group which have been relied upon in determining whether or not an employee beneficiary is to receive an award and/or the quantum thereof and/or whether applicable performance criteria have been met or exceeded.

If an event as described above were to occur, the Board is entitled to cancel or to reduce the quantum of any award in respect of which the vesting date has not yet arrived (i.e., malus) or to recover the value of shares delivered to, or payments made to, employee beneficiaries on the vesting date (i.e., clawback). Clawback is only possible for a period of two years after the vesting date of an award.

PUBLIC ACCESS TO THE REMUNERATION POLICY

The full Remuneration Policy is available on request from the Company Secretary and for inspection at the Company's registered offices.

Report of the Remuneration Committee

continued

PART 3: IMPLEMENTATION REPORT

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION

Details of executive directors and prescribed officers' remuneration are disclosed below:

	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
2023						
Executive directors						
Dr Shaun Prithvirajh	3 345	–	535	–	235	4 115
Mr Guy Moretti	2 250	–	248	–	108	2 606
	5 595	–	783	–	343	6 721
Prescribed officers						
Mr Johan Klein	2 022	72	265	–	68	2 427
Mr Zeyn Agjee	2 041	34	226	–	90	2 391
	4 063	106	491	–	158	4 818
	9 658	106	1 274	–	501	11 539
2022						
Executive directors						
Dr Shaun Prithvirajh	3 372	–	511	2 767	562	7 212
Mr Guy Moretti ¹	750	–	83	–	–	833
Mr Chris Booyens ²	2 119	27	121	2 020	–	4 287
	6 241	27	715	4 787	562	12 332
Prescribed officers						
Mr Johan Klein	2 020	72	267	1 480	185	4 024
Mr Zeyn Agjee	2 058	22	210	1 449	174	3 913
	4 078	94	477	2 929	358	7 936
	10 319	121	1 192	7 716	920	22 000

¹ Appointed on 5 January 2022.

² Retired on 5 January 2022.

* Bonus payments are performance-related for the previous financial year.

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

Report of the Remuneration Committee

continued

Executive directors and prescribed officers as a group are scored as follows in the achievement of Key Performance Indicators (KPIs) related to the short-term incentive paid. No short-term incentives were paid in respect of the 2023 reporting period, relating to the KPIs below.

Objective	Measure	Weight	Achieved/Exceeded
Profitable growth	Adjusted EBITDA >R80 million	17,5%	Not achieved
	Diluted HEPS – 5 cents	17,5%	Not achieved
Cash flow	Cash flow from operations/EBITDA >100%	17,5%	Not achieved
Shareholder value	ROCE	16%	Not achieved
Employee cost re-alignment	Employees Paterson Grade A, B and C to be compensated at median of benchmark	10%	Not achieved
Corporate governance	Internal Audit results for the business >90%	10%	Achieved
Transformation	B-BBEE Level 4	5%	Exceeded
Risk and compliance	ISO Certification and minimum score on Internal Audit compliance	5%	Achieved

UNIT AND FORFEITABLE SHARE ALLOCATIONS

During April 2022 and pursuant to the Ellies Holdings Limited Long-Term Incentive Plan ("LTI Plan") approved by shareholders at the general meeting held on 28 November 2019, shares were awarded to the following directors and prescribed officers, subject to certain performance conditions, as set out below.

Name	Grant date	Vesting date	Number of securities	Grant date strike price R	Grant date valuation price* R	Deemed total value of transaction R	Nature of transaction	Nature and extent of director or prescribed officer's interest
Executive directors								
Dr Shaun Prithvirajh	28 Apr 2022	30 Apr 2025	6 408 494	–	0,22	1 409 869,00	Off-market grant and acceptance of awards under the terms of the LTI Plan	Direct beneficial
Mr Guy Moretti	28 Apr 2022	30 Apr 2025	2 944 444	–	0,22	647 777,68	Off-market grant and acceptance of awards under the terms of the LTI Plan	Direct beneficial
Prescribed officers								
Mr Zeyn Agjee	28 Apr 2022	30 Apr 2025	2 136 960	–	0,22	470 131,20	Off-market grant and acceptance of awards under the terms of the LTI Plan	Direct beneficial
Mr Johan Klein	28 Apr 2022	30 Apr 2025	2 183 090	–	0,22	480 279,80	Off-market grant and acceptance of awards under the terms of the LTI Plan	Direct beneficial

* The grant date valuation price has been calculated using the closing price of Ellies' shares on 26 April 2022..

Awards under this scheme were made during April 2021 and April 2022. The awards made in April 2021 under the scheme have been forfeited and no awards were made during the current financial year.



Refer to note 13 in the Annual Financial Statements for additional disclosure.

Report of the Remuneration Committee

continued

NON-EXECUTIVE DIRECTORS' REMUNERATION

There are no short- or long-term incentive schemes for non-executive directors. Exceptions apply only where non-executive directors previously held executive office and qualify for unvested benefits resulting from their period of employment with the Company. There are no pension benefits for non-executive directors.

Fees for financial year 2023

The table that follows provides an analysis of the emoluments paid to non-executive directors for the year ended 30 April 2023, with comparative figures for the prior year.

	2023 Fees for services as directors R'000	2022 Fees for services as directors R'000
Non-executive directors		
Mr Timothy Fearnhead	600	558
Mr Darren Kramer ¹	350	187
Mr Martin Kuscus	350	329
Mr Edick Lehapa	350	329
Ms Maya Makanjee ²	292	–
Ms Sedzani Mudau ³	292	–
Mr Francois Olivier	–	–
Mr Edward Raff ⁴	350	329
	2 584	1 732

¹ Appointed with effect from 19 October 2021.

² Appointed with effect from 1 July 2022.

³ Appointed with effect from 1 July 2022.

⁴ Resigned with effect from 15 August 2023.

The Company is not registered for value added tax and is, therefore, unable to claim the value added tax charged by non-executive directors as input value added tax.

Fees for financial year 2024

A special resolution relating to the remuneration payable to non-executive directors was approved by shareholders at the AGM held on 30 September 2022. This resolution is valid for two-years and is due to lapse on 30 September 2024. As the 2024 AGM may only occur after that date, a special resolution with fees as described below will be put to shareholders at the AGM to be held on Tuesday, 3 October September 2023, in order to ensure continuity.

Shareholders will be requested to approve the following fees, which include no increase, for non-executive directors at the upcoming AGM.

Board and Board sub-Committees	Financial year 2024 Proposed fees for approval by shareholders at the AGM to be held on Friday, 3 October 2023
Chairperson	R600 000 per annum
Other non-executive directors	R350 000 per annum
Board sub-Committees	
Chairperson	No additional fees payable
Membership of sub-Committees	No additional fees payable

Report of the Remuneration Committee

continued

The proposed fees payable to non-executive directors are all-inclusive and are exclusive of value added tax.

The Group has a stated strategy of: (a) paying market-related to attract the right talent and (b) moving remuneration for all participants to the 50th percentile. The non-executive directors' fees are unchanged from the prior year, a 0% increase.

DIRECTORS AND THEIR ASSOCIATES AND PRESCRIBED OFFICERS' SHAREHOLDING IN THE ORDINARY SHARE CAPITAL OF THE COMPANY

The directors and prescribed officers held in aggregate direct and indirect beneficial interests of 0,15% (30 April 2022: 0,12%) in the issued share capital of the Company, being 1 195 940 shares (30 April 2022: 1 000 000 shares), at the end of the reporting period, as follows:

Name	Beneficial number of shares							
	2023				2022			
	Direct	Indirect	Total number of shares	%	Direct	Indirect	Total number of shares	%
Independent Non-Executive Director								
Mr Timothy Fearnhead	–	500 000	500 000	0,06	–	500 000	500 000	0,08
Executive Director								
Dr Shaun Prithivirajh	500 000	–	500 000	0,06	500 000	–	500 000	0,08
Prescribed Officer								
Mr Zeyn Agjee	195 940	–	195 940	0,03	–	–	–	–
Total	695 940	500 000	1 195 940	0,15	500 000	500 000	1 000 000	0,16

Changes in directors and their associates and prescribed officers' shareholding subsequent to the reporting date

The Remuneration Committee and the Board are not aware of any changes in the directors and their associates and prescribed officers' shareholding subsequent to the reporting date.

INTEREST OF DIRECTORS IN CONTRACTS



The directors have certified that they had no material interest in any transaction of any significance with the Company or its subsidiaries, other than as disclosed in the related party note, note 34 of the Annual Financial Statements.

Report of the Remuneration Committee

continued

MANDATE OF THE COMMITTEE – DISCHARGE OF DUTIES

REMUNERATION	
Wage negotiations	<ul style="list-style-type: none"> 26% of the Group's employees are unionised and subject to bargaining council agreements and collective agreements with trade unions. For the 2023 reporting period, a 5% increase for all employees earning R15 000 or less per month was approved and paid, effective 1 May 2022. An agreement with the union regarding increases for the 2024 reporting period has been reached, with employees earning less than R15 000 per month receiving a 6,5% increase and all employees earning above R15 000 per month receiving a 4,5% increase, effective from 1 May 2023.
Non-executive directors	At the AGM held on 30 September 2022, non-executive directors' fees were approved by shareholders for a two-year period, with no increase awarded. The Committee noted that non-executive directors' fees would remain the same until after the Bundu transaction has been finalised. A resolution approving the non-executive directors' fees, with no increase, will be presented to shareholders at the AGM to be held on 3 October 2023.
Executive directors, management and employees	As mentioned above, for the 2023 reporting period, a 5% increase for all employees earning less than R15 000 per month, with effect 1 May 2022, was proposed. No increase was proposed for executive directors and management for the 2023 reporting period.
EMPLOYMENT	
Recruitment	Recruitment has been curtailed and only critical positions are being filled.
Section 189A	<ul style="list-style-type: none"> The formal Section 189A retrenchment agreement was signed on 28 November 2022 and the retrenchment process has been concluded. 127 employees exited the business at the end of the retrenchment notice period. The formal termination date for all affected employees was 27 December 2022.
PERFORMANCE	
Evaluation of CEO and CFO	The Committee performs six-monthly assessment reviews with the CEO and CFO, in separate sessions. During the reporting period, an evaluation of the CEO and CFO was performed as part of the Board evaluation process.
INCENTIVE SCHEMES	
Short-term incentive	The short-term incentive scorecard has been reviewed by the Committee and submitted to the Board for approval, which scorecard was approved by the Board.
Long-term incentive	Details of long-term incentive awards and the performance criteria for the awards made during the prior reporting period, on 28 April 2022, have been disclosed in note 13 of the Annual Financial Statements. No awards were made during the 2023 reporting period.
GOVERNANCE	
Remuneration Policy	The Committee reviewed the Remuneration Policy during the reporting period and recommended that no changes be made to the Policy.
Charter of the Remuneration Committee	The annual review of the Remuneration Committee Charter was conducted and no changes were proposed.
Evaluation of the Remuneration Committee and its members	In terms of the Committee's Charter, the members of the Committee shall conduct a self-evaluation to assess its effectiveness and report its conclusions and recommendations to the Board. It was concluded that the Committee's performance during the reporting period was satisfactory, and no major areas of concern were raised.

Report of the Remuneration Committee

continued

COMPLIANCE

The Committee has satisfied itself that the Remuneration Policy, which was approved by the Board on 30 August 2023, as detailed in the 2022 Remuneration Committee Report, and on which shareholders cast a non-binding advisory vote at the AGM held on 30 September 2022, was complied with. There were no substantial deviations from the Policy during the reporting period.



A summary of the Remuneration Policy, outlined on pages 50 to 56, and the Implementation Report, outlined on pages 57 to 62, will be presented to shareholders at the AGM to be held on Tuesday, 3 October 2023.

APPROVAL

The Board has approved this Report of the Remuneration Committee on 30 August 2023.

Signed for and on behalf of the Remuneration Committee

Francois Olivier

Chairperson of the Remuneration Committee

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee ("the Committee") submits this report in respect of the financial year ended 30 April 2023.

The Committee acts as a committee for the Ellies Group of companies.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

As at 30 April 2023, the Committee comprised four members appointed by the Board, being Mr Martin Kuscus (Independent Non-Executive Chairperson of the Committee), Mr Edick Lehapa (Independent Non-Executive Director), Ms Sedzani Mudau (Independent Non-Executive Director) and Dr Shaun Prithivirajh (Executive Director and CEO of Ellies).

In terms of the Committee's Charter, meetings of the Committee may be held as frequently as the Committee considers appropriate, but it will normally meet not less than twice a calendar year and must meet once every financial year.

Attendance at the meetings is shown below:

	6 Jul 2022	2 Dec 2022
Members		
Mr Martin Kuscus (Chairperson)	P	P
Mr Edick Lehapa	P	P
Ms Sedzani Mudau	A	P
Dr Shaun Prithivirajh	P	P
Invitees		
Mr Guy Moretti (Financial Director)	P	P
Mr Zeyn Agjee (Chief Operations Officer)	P	P
Mr Johan Klein (Chief Commercial Officer)	P	P
Mr Peter Cooper (Health and Safety Advisor)	P	N/A
Ms Aviwe Tetyana (Risk and Compliance Representative)	N/A	P
Company Secretary		
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P

P – Present

A – Apology

N/A – Not applicable

Report of the Social and Ethics Committee

continued

MANDATE OF THE COMMITTEE – DISCHARGE OF DUTIES


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

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

BROAD-BASED BLACK ECONOMIC EMPOWERMENT	
Transformation strategy	<ul style="list-style-type: none"> In 2021, a transformation strategy was presented to the Committee, outlining a rolling three-year strategy to achieve a Level 4 B-BBEE accreditation for the Group, which strategy was adopted by the Committee and implemented. The B-BBEE transaction entered into with Imvula Education Empowerment Fund Trust and approved by shareholders on 8 September 2021, assisted the Group to fast-track its transformation strategy and resulted in the Group achieving a Level 2 B-BBEE accreditation on 19 October 2022.
LABOUR AND EMPLOYMENT	
The Committee reviewed a Human Resources report, which included the following:	
Employment Equity Act	<ul style="list-style-type: none"> Ellies' comments on the amendments to the draft sectorial targets and regulations in respect of the Employment Equity Act were sent to Business Unity South Africa ("BUSA") and the comments have been submitted under the guidance of BUSA and not as an independent business. The Committee noted that management was in the process of reviewing the as-is status to determine the under- and over- representation per occupational category. The analysis is critical before determining the targets for the five-year period and needs to be signed off by the Employment Equity Committee. Ellies is monitored through the Employment Equity Committee on a regular basis to ensure that the promotion of equality and prevention of unfair discrimination are addressed and adhered to. The Employment Equity Committee meets quarterly to oversee the implementation of employment equity initiatives and affirmative action measures through recruitment, promotions, training and skills development as well as succession planning.
Workplace skills plans	The workplace skills plan for Ellies Electronics was submitted to the Department of Labour and confirmation has been received that the company is compliant with the Skills Development Act.
Bursaries and learnerships	<ul style="list-style-type: none"> A total amount of R324 125 for bursaries has been awarded to current employees. During the reporting period, the Group contributed to 36 bursaries and 141 learnerships for external students from historically disadvantaged backgrounds as part of skills development and unemployed youth development.
Employment relationships	<ul style="list-style-type: none"> Employment relationships were monitored on a monthly basis and management continued to focus on direct communication with the employees while also engaging with the trade unions, with no major issues raised by either individual employees or the unions during the reporting period. As 26% of the Company's employees are unionised, an Employee Committee was established in January 2022 with a mandate to engage with the Company on any matters concerning non-unionised members. Wage negotiations were successfully concluded and an agreement was reached with the union regarding the increases. The Committee congratulated management on the manner in which the wage negotiations were handled.


Report of the Social and Ethics Committee

continued

ENVIRONMENTAL, HEALTH AND PUBLIC SAFETY	
Health and safety	<p>The Committee noted the following health and safety activities during the reporting period:</p> <ul style="list-style-type: none"> • The Health and Safety Policy has been established and is available on all notice boards and on the Company's website. • Health and safety training is conducted regularly, as and when certificates expire. • Health and Safety Committee meetings are held every three months and findings from monthly inspections are reported at the meetings. • Medical tests are only conducted for forklift drivers. • One incident of injury was recorded, being a medical treatment case, with no major incidents or fatalities during the reporting period.
Environmental	 <p>The Committee noted that Ellies has entered into an agreement with Iron Mountain South Africa regarding waste disposal to participate in Iron Mountain's secure shredding and recycling programme, the details of which are disclosed in the Sustainability Report.</p>
SOCIAL AND ECONOMIC DEVELOPMENT	
Social responsibility; development of communities; and sponsorships, donations and charitable giving	<ul style="list-style-type: none"> • Ellies has partnered with the Maharishi Education for Invincibility Trust, Invincible IT (Pty) Ltd and Invincible Outsourcing (Pty) Ltd in support of various initiatives by contributing stock. • The contribution to the development of communities consisted of a R185 000 contribution to the development of the Gauteng Lions Cricket team. • A total of R570 713 was spent on sponsorships, donations and charitable contributions. • The Adopt-A-School Campaign has been put on hold due to budget constraints related to information technology, as the current equipment is unsuitable for school-aged users.
CORPORATE CITIZENSHIP	
Customer relations and public relations	<p>Members noted management's recommendation that Ellies should not currently engage a public relations agency and should execute on a public relations strategy once the Bundu transaction has been finalised.</p>
LEGISLATION	
Compliance	<p>The Company is compliant with consumer protection legislation and the Protection of Personal Information Act, no 4 of 2013.</p>
GOVERNANCE	
Training and Development Policy	<p>During the reporting period, a formal Training and Development Policy has been implemented. Through this Policy, the aim is to increase workplace productivity, personal development and staff skills levels.</p>
Employment Equity Policy	<p>The Committee noted that the management of the Employment Equity Policy was the mandate of the Employment Equity Committee. Members resolved to recommend the Employment Equity Policy to the Board for approval.</p>
ETHICS	
Whistleblowing and corruption	<p>During the reporting period, there were no tip-offs to the whistleblowing hotline. LateganMashego Audit & Advisory, the Group's internal audit firm, is the whistleblowing service provider and whistleblowing is a standing item on the Audit and Risk Committee agenda.</p>

Report of the Social and Ethics Committee

continued

STATUTORY	
10 Principles of the United Nations Global Compact	 The principles, as applicable, have been addressed throughout the Sustainability Report on Ellies' website.
OECD recommendations	The Committee noted the Group's compliance with the OECD recommendations regarding corruption.

FOCUS AREAS FOR F2024

Review of implementation of policies and feedback on social and ethics responsibilities, including but not limited to:

- endeavour to incorporate the Group's contribution, as far as is appropriate to Ellies and in the corporate environment, towards the Sustainable Development Goals to achieve a better and more sustainable future for all; and
- Ellies' standing in terms of the goals and purposes of its statutory social and ethics duties in terms of the Companies Act's requirements and regulations.

COMPLIANCE

In terms of paragraph 7.F.5 of the JSE Listings Requirements, the Social and Ethics Committee of Ellies confirms that it has during the reporting period fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose.

CONCLUSION

In terms of the Companies Act, the Committee is required to report through one of its members to the Company's shareholders on the matters within its mandate at the Company's AGM to be held on Tuesday, 3 October 2023. In the notice of AGM, shareholders are referred to this Report by the Committee.

The Report of the Social and Ethics Committee was approved by the Board on 30 August 2023.



Martin Kuscus

Chairperson of the Social and Ethics Committee

REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee ("the Committee") submits this report in respect of the financial year ended 30 April 2023.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

As at 30 April 2023, the Committee comprised four members appointed by the Board, being Mr Timothy Fearnhead (Independent Non-Executive Chairperson of the Committee), Mr Darren Kramer (Independent Non-Executive Director), Mr Francois Olivier (Independent Non-Executive Director) and Ms Maya Makanjee (Independent Non-Executive Director).

In terms of the Committee's Charter, the Committee shall meet at least twice per annum. During the reporting meeting, two meetings were held with the attendance being as follows:

	6 Jul 2022	2 Dec 2022
Members		
Mr Timothy Fearnhead (Chairperson)	P	P
Mr Darren Kramer	A	P
Mr Francois Olivier	P	P
Ms Maya Makanjee	P	P
Invitees		
Dr Shaun Prithvirajh (Chief Executive Officer)	P	P
Mr Guy Moretti (Financial Director)	P	P
Company Secretary		
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P

P – Present

A – Apology

MANDATE OF THE COMMITTEE – DISCHARGE OF DUTIES

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

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

POLICIES	
Board policies	The Committee was advised that all policies were being reviewed by the Executive Committee and that they will be circulated to Committee members for comment once finalised.
Retirement Policy	The Retirement Policy has been changed to indicate the month of the retirement date and not the actual retirement date.
Board Diversity Policy and implementation	The Board Diversity Policy is in the process of being reviewed by the Executive Committee and will be submitted to the members of the Committee to satisfy themselves that all targets in relation to Board diversity are being met.

Report of the Nomination Committee

continued

SUCCESSION PLANNING	
Senior employees and executive directors' succession plan	The members of the Committee agreed that, going forward, the Committee will only focus on the succession plan for the CEO and the Executive Committee and these succession plans will be circulated to Committee members for their review and comment.
NOMINATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS FOR RE-ELECTION AT THE AGM	
Rotation of Independent Non-Executive Directors	Members of the Committee resolved to nominate Messrs Timothy Fearnhead, Martin Kuscus and Francois Olivier, who retire by rotation and being eligible, for re-appointment at the AGM to be held on 3 October 2023.
DIRECTOR DEVELOPMENT	
Director development and training needs	The Committee reviewed the Board's training, development and orientation needs. It was agreed that there will be engagement with the Chief Sustainability Officer at the JSE to arrange a presentation on the implementation of Environmental, Social and Governance ("ESG") reporting.
GOVERNANCE	
Evaluation of the effectiveness and constitution of the Committee	<ul style="list-style-type: none"> The Committee remained satisfied with the ongoing independence, skills, experience and qualifications of the Committee members. The Committee members noted their roles and responsibilities and remained committed to fulfilling same.

The Report of the Nomination Committee was approved by the Board on 30 August 2023.



Timothy Fearnhead

Chairperson of the Nomination Committee

REPORT OF THE IT GOVERNANCE COMMITTEE

The IT Governance Committee ("the Committee") was established as a sub-Committee of the Audit and Risk Committee during the prior reporting period.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

As at 30 April 2023, the Committee comprised seven members appointed by the Board, being Mr Edward Raff (Independent Non-Executive Chairperson of the Committee), Dr Shaun Prithivirajh (CEO), Mr Guy Moretti (Financial Director), Mr Zeyn Agjee (Chief Operations Officer), Mr Johan Klein (Chief Commercial Officer), Mr Charm Naicker (General Manager: IT) and Ms Patricia Gokool (Metadata Analyst). The Committee also includes an external consultant, Mr Pragasen Moodley, who is an independent subject matter expert.

In terms of the Committee's Charter, the Committee shall meet at least twice per annum. During the reporting period, three meetings were held with the attendance being as follows:

	5 Jul 2022	7 Dec 2022	16 Mar 2023
Members			
Mr Edward Raff (Chairperson) ¹	P	P	P
Dr Shaun Prithivirajh	P	P	P
Mr Guy Moretti	P	P	P
Mr Zeyn Agjee	P	P	P
Mr Johan Klein	P	A	P
Mr Charm Naicker	P	P	P
Ms Patricia Gokool	P	P	P
Mr Pragasen Moodley	P	A	P
Company Secretary			
Ms Roxanne Cloete (Acorim (Pty) Ltd)	P	P	P

¹ Resigned with effect from 15 August 2023.

P – Present

A – Apology

Report of the IT Governance Committee

continued

MANDATE OF THE COMMITTEE – DISCHARGE OF DUTIES

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

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

SIGNIFICANT PROJECTS	
Licences	During the reporting period the Microsoft licences audit, called the Microsoft Block64 report, was conducted.
Master Data	<ul style="list-style-type: none"> Corrupt data was found on the system, which matter has been resolved and a clean-up of the data was done. A daily check report is generated, highlighting discrepancies within the system, to ensure that there is no recurrence. Master Data is an ongoing function and centralising the data will improve the controls around the data.
Outsourcing	Both the sales division and the repairs division have been outsourced and were integrated with the new service provider.
Branch closures and trade counter relocations	<ul style="list-style-type: none"> The consolidation of three branches, Polokwane, Nelspruit and Cape Town, have been finalised. The Port Elizabeth and Mossel Bay branches have been moved. Security around the integration and branch moves are receiving attention, especially with regards to firewalls around the new network lines.
Solar office	A new solar office is in the process of being finalised.
Retail order integration	The Microsoft North retail order integration has been completed at one significant customer and the integration at a second customer group is in progress.
RESOURCE MANAGEMENT	
IT resource plan	<ul style="list-style-type: none"> A full IT resource plan has been reviewed. During the reporting period, the IT department lost two resources. A decision was taken not to replace these resources as Ellies entered into a service level agreement with a service provider to provide services to the entire Group, instead of having different service providers at each branch. This will support the IT Department's capacity.
MITIGATION OF IT RISKS	
Cyber issues	<ul style="list-style-type: none"> During the reporting period, there have been two cyber-related incidents. The one related to hacking of the server at one of the branches, which was recovered and moved into the data centre, mitigating the risk with no loss of data. The other related to ransomware in one of the branches, which had no consequences as it was recovered and no data was lost. The cyber insurance policy was renewed in November 2022.

IT AUDIT	
External auditor	<ul style="list-style-type: none"> • The Company's external auditors, BDO South Africa Incorporated ("BDO") conduct an audit on the Group every six months. • Certain processes would need to be looked at, one of which was the change in management process, whereby BDO advised that stricter controls needed to be placed on master data changes and to control users' access on the system. • The product offering from the outsourced IT company addresses every issue that was highlighted in the audit report.
Internal Audit	<ul style="list-style-type: none"> • The IT Department engages with the Internal Audit team and documents the responses to the audit report.
COMPLIANCE	
POPI	<ul style="list-style-type: none"> • During the prior reporting period, the Company registered with the Information Regulator and registered all Ellies' Deputy Information Officers. • Ellies has been certified as POPI compliant.

FUTURE FOCUS

As the majority of the changes in terms of the restructuring of the Group has been completed, the IT roadmap will be developed. The IT roadmap will determine the way the business is managed from an IT point of view.

As the IT Governance Committee is a sub-committee of the Audit and Risk Committee, the Report of the IT Governance Committee was approved by the Board on 27 July 2023, being the date of approval of the Annual Financial Statements.



Edward Raff
Chairperson of the IT Governance Committee



SUSTAINABILITY

SUSTAINABILITY AT A GLANCE

The Board acknowledges that in addition to being responsible for corporate performance, it holds a responsibility for triple bottom line reporting. The Group's corporate culture is one of integrity, transparency, competency and efficiency in decision making and the fair and equitable treatment of its Human and Natural Capital. From a moral point of view, the directors of the Group are expected to apply sound and reasonable judgement which can only be achieved through nurturing the Social and Relationship Capital element, mutual respect for cultural, social or other differences and to foster transparent communication which detracts from subjective viewpoints.

The directors understand that transparency not only relates to a principle of freely, and without prejudice or subjective interests, disclosing information to stakeholders, but also to acknowledge the individual shortcomings which could jeopardise stakeholders. This report emphasises the Group's commitment to integrity and the benefit of the greater good of all stakeholders.

The Sustainability Report, which is available on Ellies' website, has been prepared in alignment to the six Capitals (Financial, Manufactured, Intellectual, Human, Social and Relationship, Natural) and the Global Reporting Initiative ("GRI") Standards and incorporating disclosure on the United Nations Global Compact's Ten Principles.

Data has mainly been collated for Ellies' subsidiary companies, unless specifically indicated otherwise, for the economic and social indicators for the period 1 May 2022 to 30 April 2023, and sustainability data collation coincides with Ellies' financial reporting cycle.

ECONOMIC

Direct economic value generated and distributed

- Ellies generated revenue of R993,0 million (2022: R1 076,4 million), of which R932,4 million (2022: R1 015,3 million) was generated in South Africa and R60,6 million (2022: R66,1 million) was generated outside South Africa.

Procurement practices

- Products and services procured locally in South Africa amounted to R569 million (2022: R455 million), whereas imported products amounted to R176 million (2022: R361 million).
- Imports constituted 24% (2022: 44%) of the Group's procurement spend.

Anti-corruption

- Ellies is implacably opposed to bribery and corruption and has implemented anti-corruption policies.



Sustainability at a glance

continued

ENVIRONMENTAL

- Environmental data has been collated for waste (paper disposal) for the first time.
- As Ellies is mainly a trading and distribution organisation, its overall impact on the environment is considered to be largely immaterial.
- Ellies is committed to implementing environmentally-friendly technologies into its offerings, included renewable products such as:
 - Solar panels;
 - LED lighting;
 - TV brackets – metal;
 - Shelving – metal; and
 - All its cardboard packaging – boxes.

SOCIAL

Employment

- The Group employed 310 (2022: 471) people, of whom none (2022: 2) are disabled.
- The staff turnover rate for the reporting period was 23,1% (2022: 12,6%). The staff turnover rate during the reporting period was mainly attributable to the Section 189A restructuring process and some voluntary resignations.
- The percentage of employees who are deemed historically disadvantaged South Africans is 68,7% (2022: 74,1%).
- Unionised employees constituted 25,8% (2022: 34,8%) of the Group's workforce.

Occupational health and safety

- Total Recordable Injury Frequency Rate (TRIFR) at 0,19 (2022: 0,77).
- Zero fatalities during current and prior reporting periods.
- One recordable injury (2022: 4).
- The Group is striving towards zero incidents through:
 - training and awareness programmes;
 - improved housekeeping practices; and
 - manager-employee relationships.
- Total training spend amounted to R8,40 million (2022: R9,47 million), of which internal training spend was R0,47 million (2022: R0,57 million), the balance being external training spend, with 120 (2022: 148) trainees, all of whom were based in South Africa.
- The training spend per trainee was R40 122 (2022: R52 905).
- Training initiatives during the reporting period included:
 - Off-site learnerships (Informal Small Business (NQF level 3));
 - Off-site learnerships (General Management (NQF level 5));
 - Youth Employment Programme (YES) (Business Administrator and Facilitator (Job title));
 - Maharishi student bursaries (National Certificate: Business Advising Operations (NQF level 6));
 - Maharishi student bursaries (National Certificate: Financial Markets and Instruments (NQF level 6)); and
 - Internal staff bursaries (Various NQF level courses).

Sustainability at a glance

continued

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

- In October 2022, Ellies Holdings Limited (consolidated) was recognised as a Level 2 contributor in accordance with the generic B-BBEE Codes, following an independent verification by VOS Quantum Solutions CC. (The rating was based on the 2022 Annual Financial Statements.)
- The Group scored 91,09 points with a procurement recognition level of 125% and classification as an empowering supplier.
- **Ownership:** Black equity ownership in the Ellies Group accumulated 25,00 points (weighting: 25,00), with black ownership at 27,84%; black women-owned of 17,29%; new black entrants at 23,00%; and black designated group-owned (black youth) at 22,31%.
- **Management control:** The Group achieved a score of 9,73 points (weighting: 19,00). Black employees in senior, middle and junior management constituted 17,41% of Ellies' employee base with black female representation at those management levels constituting 6,45%.
- **Skills development:** Skills development spend amounted to R9,47 million, with 99,7% being in respect of black staff skills development spend. The number of points awarded in respect of skills development on the scorecard was 18,56 points (weighting: 20,00).
- **Enterprise and supplier development:** During the 2022 reporting period, the Group's preferential procurement spend amounted to R0,9 million. The Group's B-BBEE scorecard reflected 32,80 points (weighting: 42,00) in respect of enterprise and supplier development. Enterprise and supplier development contributions consisted of stock being supplied to Exempted Micro Enterprises and Qualifying Small Enterprises ("QSE").
- **Socio-economic development:** Socio-economic development spend of R215 000 as a percentage of net loss after tax was at a verified level of 1%, resulting in 5,00 points (weighting: 5,00) on the scorecard. The Group's approach to its socio-economic development initiatives has as its main objective to grow Small, Micro and Medium Enterprises and QSE.

GOVERNANCE



- Governance disclosures appear on pages 22 to 71 of the Integrated Annual Report.



- The King IV™ Application Register is available on Ellies' website.

CORPORATE INFORMATION

Ellies Holdings Limited

(Incorporated in the Republic of South Africa)
 Registration number: 2007/007084/06
 JSE share code: ELI
 ISIN: ZAE000103081
 ("Ellies" or "the Company" or "the Group")

SPONSOR

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

REGISTERED OFFICE

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

AUDITORS

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

COMPANY SECRETARY

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

TRANSFER SECRETARIES

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

BOARD OF DIRECTORS AS AT 29 AUGUST 2023

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

* Independent Non-Executive Director



ELLIES ®
HOLDINGS LIMITED

www.ellies.co.za