LIMITED

INTEGRATED ANNUAL REPORT 2023

SUSTAINABLE

Contents

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About this report

Mustek Group's Integrated Annual Report offers a comprehensive overview of the Group's performance, governance, and prospects. The report aims to provide a transparent and balanced account of the Group's progress in achieving its strategic objectives. It addresses the challenges faced by the Group, highlights opportunities, and discusses external factors that impact operational performance. Additionally, the report outlines the forward looking strategy of the Mustek Group, providing insights into the Group's future direction.

Reporting principles and frameworks

This Integrated Annual Report has been prepared in accordance with the International Sustainability Standards Board's International <IR> Framework. The Board of directors and management of the Mustek Group have followed the fundamental concepts, guiding principles, and content elements recommended in the <IR> Framework to ensure the report's compliance. The Mustek Group also considered the Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance and adhered to the requirements of the Companies Act, the JSE Listings Requirements, and the recommendations of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV).

During FY23, the Mustek Group Board and company secretary implemented the principles and relevant practices of the King IV Code. The consolidated and separate annual financial statements were prepared on the going concern basis in compliance with International Financial Reporting Standards (IFRS), SA Reporting Financial Requirements, JSE Listings Requirements, and the Companies Act of South Africa.

For the past few years, the Mustek Group has structured its Integrated Annual Report against the six capitals listed in the <IR> Framework. This year, while the six capitals remain highly relevant and are still all included in this report, the Group has reflowed the report in line with the global trend towards the environment, social and governance (ESG) elements that inform sustainable investing. This also highlights the sustainability and stakeholder relationships that are built into our new mission statement. Readers will notice the following shifts:

<IR> Framework capitals		**ESG**
Financial capital	→	Economic
Manufactured capital (including our digital infrastructure)	→	Economic
Human capital	→	Social
Intellectual capital	→	Social
Social and relationship capital	→	Social
Natural capital	→	Environment
Presented as an overarching theme	→	Governance

Reporting boundary and scope

This Integrated Annual Report provides a comprehensive review of the Mustek Group, focusing on its financial and non-financial performance for the fiscal year from 1 July 2022 to 30 June 2023. Mustek Operations and Rectron are identified as the major contributors to the Mustek Group's overall performance and value creation – however, the Mustek Group is shifting towards reporting at Group level rather than focusing on any one component. Where applicable, numbers have been presented for the Group's 100% owned components. For further information on investments in subsidiary and associate companies, readers can refer to notes 15 and 16 of the annual financial statements included in the report.

Report approval

The executive directors and senior management of the Mustek Group played a crucial role in the preparation of this Integrated Annual Report. The Board carefully considered the contents of the report and is satisfied that it addresses all material matters, providing a comprehensive and balanced view of the Group's integrated performance and its impacts. The Board approved this report on 4 October 2023.

Assurance

Nexia SAB&T, the Group's newly appointed internal auditors, performed audits on financial and non-financial processes within the Group and its financial statements have undergone an independent audit by BDO South Africa Incorporated, providing an objective assessment of their accuracy and compliance with relevant accounting standards. Additionally, the Group's broad-based black economic empowerment (B-BBEE) contributor levels have been verified by mPowerRatings Proprietary Limited, ensuring transparency and accountability in the Mustek Group's B-BBEE practices. These assurance measures contribute to the reliability and credibility of the information disclosed in this report.

Forward looking statements

The Integrated Annual Report includes several forward looking statements, which should be understood as projections or expectations about future performance. However, these statements do not guarantee actual future outcomes. The Mustek Group acknowledges that there are risks and external factors beyond its control that could result in outcomes different from those anticipated by the Group.

The forward looking statements in the report have not been reviewed or reported on by the Group's auditors. The auditors' role is primarily focused on verifying historical financial information and providing an opinion on the fairness of the financial statements as a whole. Therefore, readers should exercise caution when interpreting and relying on the forward looking statements provided in the report.

Feedback

We value your feedback on this report. If you have any comments or questions, please contact Shabana Aboo Baker Ebrahim (shabanaa@mustek.co.za).

Group profile

Founded by David Kan in 1987, the Mustek Group has undergone significant transformation since its listing on the JSE in 1997. The company has shifted from a distribution-oriented entity to a unified and cohesive Group with a new mission centred on anticipating stakeholder needs for long-term sustainability. This strategic shift signifies the Mustek Group's commitment to operating as a unified entity with a shared mission.

As one of South Africa's largest assemblers/distributors of information and communications technology (ICT) products, the Mustek Group has evolved into a seamless end-to-end ICT and sustainable technology solutions provider. The Group's distribution business, facilitated by Mustek Operations and Rectron, contributes approximately 95% of its revenue. Moreover, the Group has expanded its portfolio by investing in various verticals of the ICT industry. These investments include Mecer Inter-Ed, which focuses on IT training, Yangtze Optics Africa Cable (Pty) Ltd (YOA) for fibre optics manufacturing, and Continuous Power Systems (Pty) Ltd (trading as CPS Technologies), specialising in server cabinet design. Under the services and support arm, Sizwe Africa IT Group (Pty) Ltd (Sizwe), Khauleza IT Solutions (Pty) Ltd (Khauleza), Mustek Operations, and Rectron provide nationwide support to clients. This transformation demonstrates the Group's dynamic and diversified nature, enabling it to offer comprehensive solutions and services across the entire ICT landscape.

The Mustek Group is a seamless end-to-end ICT and sustainable technology solutions provider.

Our businesses and the products and services they specialise in fall into the following categories:

Distribution

Mustek

Rectron

Imports IT hardware, software and sustainable energy products and sells these products into predominantly the South African market via reseller channels and national retail chains.

Training

Mecer Inter-Ed

Provides international IT training and certifications as well as end-to-end recruitment services.

Manufacturing/assembly

YOA Cable – 25.1% shareholding

CPS Technologies – 40% shareholding

Mustek

Assembles IT hardware and manufactures optical fibre cables and steel enclosures (server cabinets) for the ICT market locally and around Africa.

Service and support

Sizwe – 40% shareholding

Khauleza IT Solutions – 36% shareholding

Mustek

Rectron

Provides systems integration, IT and sustainable energy solutions, including cybersecurity, application development and hosting solutions.

In FY23, we refreshed our Group mission statement and values to reflect a focus on sustainability and stakeholder engagement, as well as the shift towards providing end-to-end IT and sustainable energy solutions rather than mainly assembly and distribution.

Our mission

To anticipate stakeholder needs and shape the Group to ensure sustainability and benefits for all stakeholders over the long term.

Our values

Integrity, respect and appreciation

The Mustek Group champions a culture of honesty, transparency and fairness. We believe in employment equity, respect for people and human dignity for all. We encourage an environment in which our people are valued and feel they can be themselves.

Knowledge and attitude

The Mustek Group takes pride in the stakeholders it serves. The Group invests in developing our employees and communities to grow our knowledge base. We build strong relationships and alliances with all stakeholders to achieve long-term benefits.

Flexibility

Mustek operates within a constantly changing environment, therefore being flexible is vital for success. Mustek's people are both able and eager to find innovative solutions to new challenges.

Responsibility and accountability

Mustek values and counts on its people. Shared accountability and acceptance of personal responsibility is driven at all levels. We are accountable and take ownership; we bring solutions, not problems.

Value creation highlights

Economic	Social: Human capital	Social: Community development	Environmental
Net asset value per share 2 724.36 cents	Total employees 1 253	Corporate Social Investment (CSI) spend R6.5 million	Mustek operations: ISO 14001 certification Certification maintained
Revenue R10.1 billion	Training and development spend R27.4 million	B-BBEE rating Level 1	
Headline earnings per share (HEPS) 375.18 cents	ISO 27001 certification Certification maintained		
Dividend per share 77.00 cents			

Awards

Huawei Enterprise
- Mustek Operations: Distributor of the Year (12th year running)
- Mustek Operations: Huawei Cloud Distributor of the Year
- Mecer Inter-Ed: Training Partner of the Year
- Sizwe IT Services: Partner of the Year

Huawei Solar
Mustek Operations: Best Contribution Partner of the Year

Huawei Consumer Business Group
- Excellent PC Partner Award
- Excellent Channel Partner Award

Channelwise Awards
Mecer: Best Inverter Brand of the Year

Newland
- Mustek Operations: Outstanding Achievement Award
- Rectron: Outstanding Achievement Award

Posiflex
Mustek Operations: 3rd Place – Market Share

Zebra
Mustek Operations: Total Product and Solution Win Achievement

Microsoft
- Rectron: Star Achiever Award
- Mecer Inter-Ed: Learning Services Partner of the Year

Lenovo
- Mustek Operations: Commercial Distributor of the Year
- Mustek Operations: Consumer Distributor of the Year
- Mustek Operations: ISG Distributor of the Year

Our operating context

The Mustek Group operates within a dynamic business landscape that is exceptionally complex and volatile at this time. Nevertheless, we are well used to economic and societal challenges, remaining uniquely positioned to deliver ethical and sustainable value to our clients and stakeholders.

Macro-economic snapshot

Global overview

As the global economy moved past COVID-19, it continued to be buffeted by geopolitical tensions, supply chain constraints and rising inflation that prompted central banks around the world to steadily raise interest rates. As a result, the general cost of living started rising sharply and shrank consumer disposable income. The Russia/Ukraine war has continued hampering supply chains and food commodities in particular.

Despite these obstacles, global economies appear to be sidestepping the threat of recession and are showing promising signs of recovery, gradually rebuilding to pre-pandemic levels. This rebound showcases the resilience of economies worldwide and reflects that most are successfully navigating the complexities of the post-pandemic landscape. Despite these successes, climate change is becoming an increasingly influential economic factor, especially as extraordinary heat, floods, fires and winds raise the alarm around the world.

According to Gartner, IT spending worldwide in 2023 is projected to total USD4.7 trillion, representing a muted increase of 4.3% from 2022. This subdued outcome is likely due to a deceleration of the intense demand during the pandemic for computing and networking devices to support the millions of employees suddenly working at home, while at the same time technology itself is shifting. The worldwide shortage of top-end IT talent is driving a trend towards greater automation, corporate digitisation and processes to enable growth at scale with fewer personnel.

Gartner also forecasts that software sales will record double-digit growth in 2023 as corporate efficiency platforms such as enterprise resource planning (ERP) and customer relationship management (CRM) applications gain traction, in line with the drive for automation and efficiencies.

While enterprise IT spending will inch upwards in 2023, Gartner predicts that spending on devices will decline 8.6% due to the expenditure spike of 2020/21 and the ongoing drag of high inflation on consumer purchasing power. Spending on devices is not expected to recover to 2021 levels until at least 2026.

South African economy

The South African domestic economy remains challenged on all sides, with crippling loadshedding adding to weak GDP growth, negative investor sentiment, inflation and high interest rates. The surging prime interest rate, from 7% to nearly 12% within just 16 months, piled cost of living pressure onto consumers.

South Africa's upcoming 2024 national elections introduce an additional layer of complexity, with potential implications on economic policies and investor sentiment that could shape our nation's economic trajectory for better or worse.

For Mustek, the USD/ZAR exchange rate is always a key factor, as IT imports are paid for in USD. The Rand's significant weakening against the US Dollar in recent months directly impacts the selling prices and profit margins of our products.

Cybersecurity

In an increasingly online world, cybersecurity continues emerging as a paramount concern and has become a universal 'Top 5' corporate risk. Keeping the cyberhackers out is a cat and mouse game of improving defences being subjected to increasingly sophisticated hacking. Being vigilant and proactive in addressing evolving cybersecurity threats is critical. Mustek's robust and continuously improving cybersecurity strategy is essential in protecting against potential breaches, data theft, and other malicious activities that could compromise the Group's integrity and reputation.

While the work-from-home model may shift as more people return to the office, the pursuit of digital transformation and enhanced operational efficiency remains a top priority. The Mustek Group recognises the ongoing opportunity to assist organisations in improving their network infrastructure, particularly as they adapt to new hybrid work models. Additionally, there is a growing demand for cloud computing to facilitate digital transformation and streamline business processes.

Rising demand for sustainable energy solutions

The Mustek Group has experienced a surge in demand for sustainable energy products, such as inverters, solar panels, and batteries, driven by South Africa's pressing energy challenges. While successfully meeting this growing demand, it is bittersweet to reflect on the unfortunate energy constraints faced by the country. The Group's partnership with Huawei has played a pivotal role, allowing the Group to get involved in larger corporate renewable energy projects.

Looking ahead, the Mustek Group remains optimistic about the future of sustainable energy products. While consumer demand for sustainable energy solutions tends to fluctuate based on the stage of loadshedding that South Africa experiences, we expect that larger corporate projects will proceed regardless, as organisations increasingly recognise the importance of climate risk management and environmental sustainability, influenced by recent natural disasters like tremors in Gauteng and floods in KwaZulu-Natal, Eastern and Western Cape. This presents promising opportunities for the Group to cater to the rising demand for sustainable energy solutions and contribute to a more sustainable future.

Embracing technological advancements and navigating market challenges

The global technology landscape is witnessing rapid transformation with the rise of artificial intelligence (AI), Internet of Things (IoT), and cloud computing. AI, in particular, is gaining momentum and generating debates about its potential impact, while presenting opportunities for various industries. The Mustek Group recognises the significance of embracing these technological advancements and aims to be at the forefront of this evolving landscape.

Our operating context continued

In South Africa, the Mustek Group faces challenges in our PC and notebook markets due to declining disposable income and longer replacement cycles. In addition, significant IT spend is being diverted to batteries, inverters and solar to manage South Africa's chronic loadshedding. Despite these obstacles, the Group's resilience and flexible nature keeps us optimistic about future opportunities – we anticipate a positive upswing in demand as consumers look to replace and upgrade hardware purchased during the early stages of the pandemic, while companies also upgrade the infrastructure needed by a large-scale return to the office. We have introduced our own proactive measures, such as a financial sustainability project, focusing on operational efficiency, and prudent management of working capital, to navigate the evolving market conditions and maintain Mustek's position as a leading technology provider in South Africa. Embracing technological advancements and overcoming market challenges allow the Mustek Group to remain agile and resilient, ensuring we can effectively cater to the ever-changing needs of our stakeholders.

Sustainability and ESG

ESG considerations are gaining prominence across industries and with stakeholders, including our valued customers, investors, and regulators. ESG places increasing emphasis on companies to exemplify responsible and sustainable practices. Companies in the technology space such as the Mustek Group are actively addressing their environmental impact by adopting eco-friendly practices and reducing their carbon footprint. They are also focusing on social responsibility by promoting diversity and inclusion within their workforce and investing in programmes that create positive social impacts. Additionally, technology companies are enhancing their governance practices to safeguard user data and ensure transparency in data handling. Ethical considerations are also paramount as companies evaluate the impact of their products and services, including responsible AI development and combating harmful content. Supply chain sustainability is becoming a priority, encouraging responsible sourcing and manufacturing practices. In this context, ESG reporting has become essential for transparency and building trust with stakeholders.

It is within this context that Mustek refreshed its corporate mission in the past year to put sustainability at the very heart of the organisation.

Mustek refreshed its corporate mission in the past year to put sustainability and our stakeholders at the very heart of the organisation.

Key relationships

The Mustek Group recognises that its growth, value creation, and long-term sustainability are closely tied to the quality of its relationships with various stakeholders. We place great importance on building and maintaining these relationships, emphasising integrity, respect and accountability as foundational elements of our operations.

We adopt a proactive approach to stakeholder engagement, actively seeking to involve and communicate with each stakeholder group. By doing so, we aim to share relevant information, address concerns, and actively consider their interests when making strategic decisions, managing risks, identifying opportunities, and safeguarding our reputation.

Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
The investor community • Shareholders • Prospective investors • Asset managers • Bankers	The Mustek Group focuses on fostering trust with shareholders, investors, analysts, and funders by transparently communicating operations, strategies, and performance. Maintaining strong relationships is essential, and the Group diligently manages its finances, including cash, debt, and related risks. The Board is dedicated to achieving goals with integrity and acting as a responsible corporate citizen.	• share liquidity • debt-to-equity ratio • return on investment (ROI) • disclosure of financial and related information • addressing macro-economic concerns • dividend payments • management of risk and related exposure, including information security • collaboration with external assurance providers • long-term sustainability • upholding sound governance practices.	The Group utilises various methods for effective communication and engagement: • operational visits • investor presentations and roadshows • communication through the Securities Exchange News Service (SENS) • one-on-one communication between stakeholders and executive management • publication of interim and full-year financial results and Integrated Annual Report • provision of financial information demonstrating conformance with debt covenants • corporate website • feedback emails • annual general meetings.
Employees	Mustek recognises the crucial role played by its employees in the ongoing success of the company. They are a vital pillar without whom we would not be able to achieve our goals. Maintaining an open and mutually beneficial relationship with staff members is a priority for the company. For more about our engagement with employees, visit page 48.	• job security • working conditions, including health and safety • competitive and fair remuneration and benefits • incentives and rewards • ongoing training and personal development • succession planning • non-discriminatory work environment • career paths • performance management • sound governance • securing of information, including personal information.	Mustek employs various methods to ensure effective communication and engagement with its employees: • induction and orientation of new employees • human resource policies and procedures • employment equity quarterly meetings • one-on-one supervision and instruction sessions with line managers • emails and posters • performance reviews with clear key performance indicators (KPIs) • regular employee training • Group communication through email updates • employee engagement surveys • team building activities and social events.

Key relationships continued

Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
Customers	The Mustek Group ensures sustained revenue generation and growth by fostering strong partnerships with its reseller base and customers. The Group emphasises a customer-centric approach and culture to support our customers in achieving greater value in their operations.	• excellent customer service • product quality, availability and after-sales support (lifecycle management) • effectiveness of processing and transacting systems • high degree of technical competence • stock availability and supply chain management • innovation and early adaptation to emerging trends • legislative and regulatory landscape • Consumer Protection Act and POPIA compliance • diverse product and service offering across the Group • reputable and sought-after vendors • environmental impacts and “sustainable products”.	We engage effectively with stakeholders through a range of communication methods: • personal management meetings and visits • service management reports • customer surveys • solution and service updates and launches • incentive schemes • web-based reseller portal • corporate website and brochures • roadshows, exhibitions, and conferences • contract negotiations • telephonic support • social media interactions.
Suppliers and vendors	The Mustek Group actively pursues partnerships that facilitate the delivery of top-quality sustainable products and solutions. Clear understanding of our suppliers’ and solution partners’ plans and goals is achieved through regular and mutually beneficial communication. Notably, we collaborate with renowned international vendors like Huawei, Samsung, Lenovo, and Microsoft.	• market penetration and longevity • preferential supplier listing and B-BBEE status • products and pricing • innovation and early adaptation to emerging trends • meeting financial targets • accreditations and quality of training programmes • supply chain management • enterprise and supplier development • POPIA compliance and privacy protection.	The Group strengthens supplier partnerships and communication through various means: • preferential supplier agreements • relationship management meetings and visits • performance audits and reports • conferences and exhibitions • certifications and training • contract negotiations.
Government and regulators	The Mustek Group is subject to government regulations, and the government holds the authority to grant or deny its operating licences. To maintain compliance, Mustek proactively communicates with various regulatory bodies. Adherence to legislation, guidelines, procedures, and policies ensures that the Group remains a going concern.	• compliance with legislation and regulations, including the JSE Listings Requirements • skills development • governance • taxation • import and customs controls • exchange control regulations • diversity and employment equity • empowerment and transformation, including B-BBEE status • data privacy.	We employ diverse communication channels to facilitate effective interactions: • written correspondence • interim and annual reports • external and internal audits • collaborative forums • business associations • interpersonal meetings.

Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
Local communities	The Mustek Group embraces its responsibility to make a positive impact on local communities and actively seeks opportunities to contribute to the areas where it operates. The Group's focus on technology education in disadvantaged communities has led to valuable relationships cultivated through these engagements. For more about our community initiatives, view our component performance reviews from page 32.	• youth employment • local recruitment and vendors • sustainable social investment • community upliftment • financial education • development and education opportunities in previously disadvantaged communities • environmental impact and sustainable products.	To promote engagement and outreach, Mustek focuses on: • youth recruitment and learnerships • CSI initiatives • open dialogue.
Media	Print, broadcast, and online media serve as a crucial communication channel for engaging various stakeholders and provide valuable feedback on the sentiment surrounding the Mustek Group.	• interim and annual results • business sustainability • innovation and thought leadership • ESG initiatives.	Mustek uses the following communication methods to share information and updates: • results announcements • media statements and editorials • conferences • advertisements.
Environment	The natural environment is a "silent stakeholder", but no less critical for Mustek to safeguard and protect. For more about our environmental responsibility, visit page 52.	• climate change • pollution	To ensure the ongoing sustainability of our natural environment, the Group monitors its impacts in terms of: • energy and emissions, especially solar energy • sustainable water use • recycling and proper disposal of waste, especially e-waste.

Our business model

Our mission:

To anticipate stakeholder needs and shape the Group to ensure sustainability and benefits for all stakeholders over the long term.

	Element	Inputs The resources we depend on
Economic	The financial and manufactured resources that sustain the Mustek Group, and the economic value we add to our shareholders.	• shareholder funds: R1.6 billion • banking facilities: R3 billion • inventory: R2.8 billion • new ERP system implemented at Mustek Operations • relationships with top brands and over 10 000 resellers
Environment	The natural world's impacts on Mustek Group, and how we use and help to safeguard it. We understand the importance of protecting the environment and strive to minimise our ecological footprint. We believe that sustainable practices are not only essential for the wellbeing of our planet but also for the long-term sustainability of our business.	• solar power: 1 325 GJ • energy from the national grid: 8 969 GJ • Mustek Operations diesel for generators: 87 770 L • distribution of solar panels • solar training offered by Mecer Inter-Ed • following EPR guidelines and regulations • creating awareness around safe disposal of e-waste
Social: People	Our people, who enable Mustek's success and who are impacted by our choices financially and professionally.	• total employees: 1 253 • training and development spend: R27.4 million • value of training provided by Mecer Inter-Ed to the Group: R12.9 million
Social: Communities	Our external stakeholders, who both contribute to our operations and are impacted by it.	• a brand built since 1987
Governance	The foundation of good leadership, strong processes and structure, and ethical business conduct that underpin everything we do.	• Board of directors and sub-committees • the new Office of the CEO • independent auditors: BDO South Africa Incorporated • internal auditors: Nexis SAB&T

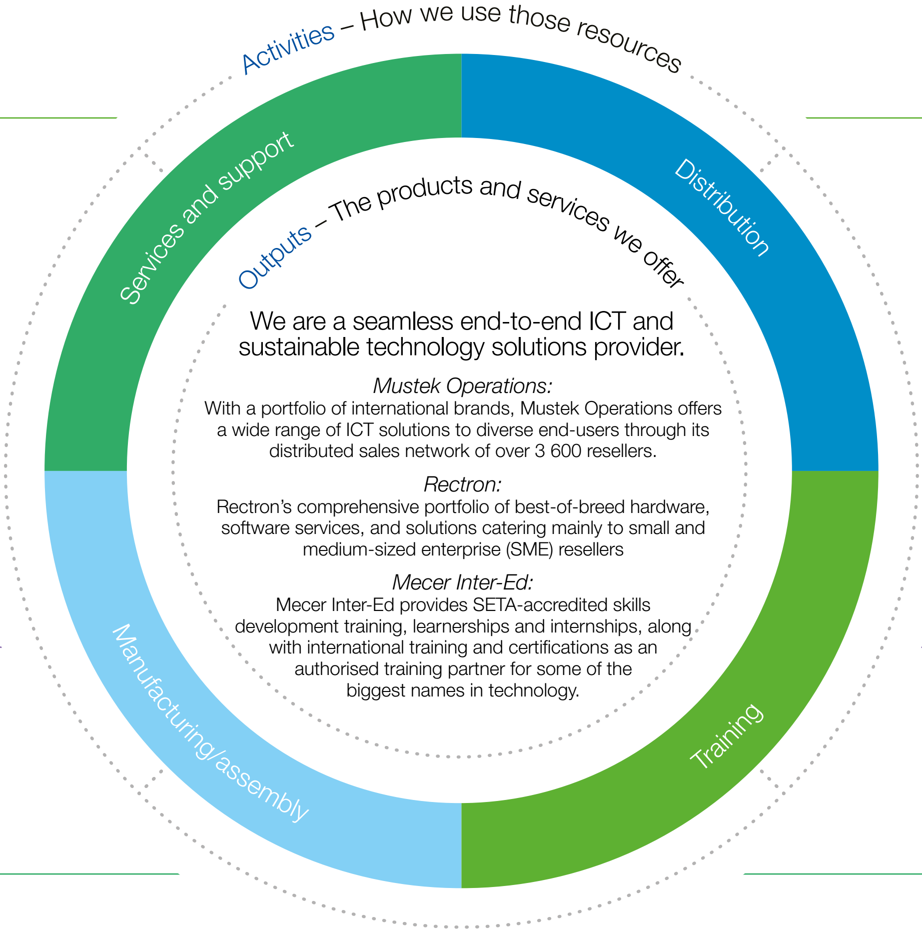
Trade-offs:

Implementing a new ERP system

In December 2022, Mustek Operations rolled out the long-awaited Epicor ERP system across its operations. While there were challenges during the early implementation phase that impaired productivity and customer service, the system is starting to contribute to efficiency gains. It will also be rolled out at Rectron.

Responding to IT market trends

The past few years have seen phenomenal growth across the PC industry, largely driven by the work-from-home trend during the COVID-19 pandemic. As expected, demand has slowed considerably as employees returned to work and in light of the economic downturn experienced in South Africa. In response, Mustek is taking a more conservative approach to its financial management and implementing stricter working capital management.



Outcomes and impacts
The value we create, maintain or erode for stakeholders

- revenue: R10.1 billion
- cash paid to suppliers and employees: R9.5 billion
- dividends paid: R44.8 million
- tax paid: R47.8 million

- ISO 14001 certification for Mustek Operations
- GHG emissions (Scope 1 and 2): 3 432 tCO_2e
- recycling: 282 tonnes
- e-waste levy paid over to the E-waste Recycling Authority (ERA)

- employee turnover:
  - Mustek Operations: 11.66%
  - Rectron: 11.98%
- CCMA cases: 14

- CSI spend: R6.5 million

- B-BBEE: Level 1
- POPIA compliance
- fines and monetary losses due to ESG breaches: zero

Investment in sustainable energy solutions

Mustek's investment in solar power at its head office, at Mustek Operations' Cape Town branch, and at the Rectron Midrand head office is a multi-year programme that required considerable investment in the short term. However, we expect long-term financial gains through reduced electricity spend, and it already contributes to our uptime during times of increased national loadshedding. In addition, reduced emissions is a win for the natural environment.

Responding to sustainable energy demand

Mustek's offering in terms of sustainable energy products, such as solar panels, batteries and inverters, positioned the Group well to benefit from the increased demand for these products. At times, the demand was so great that customer service needed to be balanced against our employees' workloads and wellbeing – and we chose to look after our workforce as far as possible, even if it meant some service delays.

CEO and Chairman's review

The Mustek Group achieved positive financial results through steady revenue growth and sustained profitability. Our strong financial position is a testament to the trust placed in us by our valued customers, suppliers, and shareholders. This success aligns perfectly with our new mission statement: to anticipate stakeholder needs and shape the Group to ensure sustainability and benefits for all stakeholders over the long term.

Operating environment

As a globally interconnected company, the Mustek Group recognises the importance of agile and adaptive strategies in the face of a strained economy and lingering geopolitical tensions. Our ability to closely monitor global and local developments and supply chain dynamics has enabled us to navigate potential challenges successfully.

Throughout the pandemic, the Mustek Group witnessed remarkable growth, driven by our products becoming more relevant due to the phenomena driven by COVID-19. However, as the market reaches saturation point coupled with a decline in overall consumer confidence, we now confront a downturn in the global and local PC market, with declines of 10% to 15% worldwide and 15% to 25% locally. Despite these headwinds, we must acknowledge that the Mustek Group is emerging from a period of exceptional growth in 2021 and 2022, with early indications suggesting market stabilisation comparable to the pre-COVID-19 era.

Additionally, the Rand/Dollar exchange rate poses a significant challenge, impacting selling prices and affordability for consumers. Managing these currency fluctuations is essential to ensure our continued competitiveness in the market, along with addressing other challenges like loadshedding and rising interest rates.

Despite the prevailing economic headwinds, the Mustek Group remains resilient in adapting our strategies to the unfolding circumstances. We are determined to maintain our position as a leading technology provider in South Africa.

Embracing strategic transformation for sustainable growth

In response to prevailing market conditions, the Mustek Group adopted the strategic approach of prioritising consolidation over aggressive growth. We recognise the importance of focusing on the basics, maximising operational efficiencies, and optimising working capital management. Our financial sustainability project therefore centres around making profitable and sustainable decisions in our operations, ensuring responsible business practices.

During this transformative journey, we formalised and emphasised Mustek's Group structure, driven by the executives' commitment to enhance corporate governance and solidify our position as a responsible industry leader. We invested significant effort in aligning policies from subsidiary companies to create unified Group policies, fostering a culture of responsibility across all aspects of our operations. The establishment of a Group Executive office has played a crucial role in promoting consistency across the Group. By aligning policies, opportunities, and benefits for our staff, we are fostering a unified and cohesive culture across our diverse business units.

Throughout this exciting phase, we were deeply humbled by the dedication and loyalty of our team members, who have been the driving force behind our success. The journey towards formalisation and emphasis on governance and sustainability has brought us to where we stand today – a Group unified in purpose and vision.

Empowering digital transformation

As the technological landscape continues to evolve, the Mustek Group remains steadfast in providing cutting-edge solutions. We are not only addressing cybersecurity challenges and AI, but also empowering organisations to embrace digital transformation securely and efficiently. Our focus on proactive cybersecurity measures ensures that businesses can navigate the digital era with confidence, underpinned by their trust in our solutions.

The Mustek Group's commitment to adaptive strategies and forward-thinking approaches ensures that we remain at the forefront of the technology industry, providing innovative solutions that meet the evolving needs of our customers in a rapidly changing world.

ERP implementation for future efficiency

In December 2022, we rolled out a new ERP system across Mustek Operations. This significant milestone represents a crucial step towards enhancing our operational efficiency, streamlining processes, and optimising resource management. While the implementation came with challenges, we are confident that it positions us well for the future, empowering us to deliver even greater value to our stakeholders. The ERP system aligns with our strategic goals and enables us to respond nimbly to evolving market dynamics. With this foundational upgrade, we are poised to unlock new levels of productivity and provide an improved experience for our valued customers and partners.

Changes to the Board

As Mustek's longstanding chairman prepares to retire, we express our heartfelt gratitude for his contribution and extend our best wishes for his future endeavours. I am pleased to report that our succession plan has been successfully implemented, guaranteeing a seamless transfer of leadership. At the upcoming annual general meeting (AGM), we will appoint a new chairman to guide the Group's future direction. We are excited about introducing this new director, whose expertise and vision will undoubtedly propel the Mustek Group to even greater heights. The Board looks forward to the dynamic leadership that will drive our continued growth and success.

In the meantime, we are proud that Isaac Mophatlane has joined the Board as an independent non-executive director, effective 1 September 2023. He brings a wealth of experience in the technology sector and we look forward to working with him.

Outlook

As we navigate these challenging times, we stand firm in our commitment to anticipating stakeholder needs and shaping the Group for long-term sustainability. By focusing on sustainable and controlled growth, and maximising working capital efficiency, we remain poised to overcome market challenges and ensure the financial stability and success of the Mustek Group.

Looking ahead, the Mustek Group anticipates a focus on achieving a stronger and cash-rich balance sheet. The Group aims to enhance operational efficiencies through automation, data-driven decision-making and streamlining processes to become leaner and more agile. Despite the possibility of flat revenue and profitability in the coming year, the Group aims for a substantial improvement in cash flow.

Thanks

We extend our heartfelt appreciation to all our dedicated staff, management and executive teams for their unwavering commitment, contributing significantly to the Mustek Group's success. Your collective efforts have been instrumental in propelling us forward, and we acknowledge the crucial role each one of you plays in realising our goals and sustaining our positive trajectory.

Our gratitude also extends to our esteemed vendors and business partners, whose unwavering support has enabled us to deliver reliable services and exceptional support to our valued customers. Your partnership has been invaluable, and together, we have navigated through challenging times with resilience and agility.

To our loyal customers, we express our deep appreciation for your continued trust and loyalty, even amid the complexities of the macro-environment and ERP implementation. We remain committed to rewarding your unwavering support and loyalty by providing added value.

As we continue this journey of growth and success, we look forward to furthering collaboration and mutual prosperity in the years to come. Thank you for being an essential part of the Mustek Group family.

Hein Engelbrecht
CEO

Rev Dr Vukile Mehana
Chairman

Our top risks

Our risk management policy

Risk management

In our pursuit of greater stakeholder value, the Mustek Group acknowledges that uncertainty is inherent in every entity. As we navigate this dynamic landscape, our management faces the challenge of determining an appropriate level of uncertainty to accept. Our approach to risk management goes beyond merely eliminating risks – we prioritise managing acceptable risks within the Group's predetermined risk appetite.

Effective risk management is a comprehensive process that involves identifying, assessing, mitigating, and treating the risks that impact our business. By adopting this proactive approach to risk, we are better equipped to make informed decisions and maintain resilience in the face of uncertainties. Our commitment to robust risk management practices empowers us to seize opportunities strategically while safeguarding the interests of our stakeholders and ensuring the sustainable growth of the Mustek Group.

Risk management approach

Mustek Group is committed to the principles outlined in the King IV Code, promoting risk awareness among the Board, Audit and Risk Committee, management, and employees. The Social and Ethics Committee also contributes insights into social, governance, and ethical risks during our risk management process.

The Group's risk management approach aims to safeguard the sustainability of our business, reputation, and brand name while enhancing risk transparency for stakeholders. This approach empowers the Group to deliver quality services by continuously monitoring and reporting progress against risk management action plans. Moreover, it supports our business growth strategy and ensures that our management comprehends and embraces the responsibility of managing risks.

Roles and responsibilities

The Group CEO ultimately holds accountability for risk management. The CEO is supported by executives and managers who assume responsibility for risks within their respective areas of control. This collective effort ensures that risk management is integrated throughout the Mustek Group and aligned with our overall business objectives.

The Board of directors

The Board of directors, with support from its Audit and Risk Committee, are responsible for overseeing overall risk governance.

The Board engages with executive management to assess the Group's risk management status and provide necessary oversight. The Board is also accountable for determining the levels of risk tolerance and ensuring that regular risk assessments are conducted.

Executive management

Executive management plays a critical role in risk management by bringing together business unit heads and key functional staff.

Through collaborative efforts, they work together to identify, assess, and manage risks effectively. This approach allows for a comprehensive understanding of risks across the organisation and enables proactive decision-making to mitigate potential threats and capitalise on opportunities.

Chief risk officer

The Group governance, risk, and compliance executive holds the position of chief risk officer, responsible for overseeing the Group's risk management efforts. The chief risk officer promotes a risk-aware culture, identifies and assesses risks, and ensures effective risk management across the Group.

Managers and other Group personnel

Managers and other Group personnel have a responsibility to carry out their roles while considering the Group's risk management policy.

They are expected to contribute to the enhancement of risk management within the organisation. Internal auditors also play a role in strengthening risk management by providing valuable insights and assessments to support the effectiveness of the risk management processes.

Together, the collective effort of managers, personnel, and internal auditors strengthens the organisation's risk management practices, promoting a risk-aware culture and safeguarding the Group's interests.

The Group actively seeks input from regulators and professional organisations in its risk management processes.

The risk management process

The Group risk register is managed by the Group governance, risk, and compliance executive and is accessible to all risk and action owners, enabling them to carry out their respective functions. The Group's risk management framework and policies undergo an annual review conducted by the Audit and Risk Committee. This regular review ensures that the risk management practices remain relevant, effective, and aligned with the organisation's evolving needs and objectives.

Mustek Group's risk management process is ongoing:

Risk identification
Determining risks that can affect the successful achievement of the Group's strategic objectives.

Risk assessment
Assessing the risks in terms of probability and impact.

Risk response
Developing effective strategies to address the risks, including identifying appropriate risk owners and action owners.

Risk monitoring
Regular review of strategy execution, reviewing risk probability, and identifying new risks.

Risk reporting
Reporting on risks and the risk management process regularly.

Our top risks continued

			Residual risks		
Number	**Risks**	**Category**	**Impact**	**Likelihood**	**Score**
1	**Cybercrime** Unauthorised access by employees or external hackers resulting in: • Data breaches causing loss of information privacy and/or integrity • Loss of Information/access to our own systems (ransomware and system disruption) • Financial fraud and losses	IT	4	4	16
2	**Change in macro-economic trends:** Mustek Group's operations and financial results are influenced by macro-economic trends in both developed and developing markets worldwide.	Strategic	4	4	16
3	**Exchange rates** Weakening of the ZAR against the USD, resulting in higher selling prices placing pressure on consumers. Significant forex losses may result from USD-denominated accounts payable.	Financial	3	4	12

	Score compared to risk tolerance (16)	Residual movement from FY22	Mitigation
	Equal	⇨	1. Firewall software is installed and monitored by an independent service provider in accordance with a service level agreement. 2. User accounts and network access are controlled through programmed restrictions, requiring manager authorisation for changes. 3. Data integrity and privacy are ensured through encryption. 4. POPIA compliance through various measures, including third-party agreement risk management. 5. ISO 27001 compliance, with regularly reviewed password policy. 6. Defined policy to address cybercrime. 7. Ongoing programmes to raise awareness about POPIA and ISO 27001. 8. Insurance coverage with a focus on expert support in case of a breach. 9. Machine learning and AI used to proactively detect and address threats.
	Equal	⇨	1. Informed and competent governing structures that dictate procedures to ensure financial resilience. 2. Continuous focus by the Group on working capital management. 3. Review of operating costs. 4. Developing, maintaining and retaining the requisite skills and resources to take advantage of the opportunities the global market trends are presenting to the Mustek Group. 5. Ongoing management of risks via a robust enterprise risk management framework.
	Within	⇨	1. Foreign currency liabilities are hedged through forward exchange contracts and forex options. 2. The Group's forex policy requires foreign exposures to be hedged and to be consistently tracked and monitored. 3. IT stock is sourced in different currencies and therefore the realisable value of stock is higher under a weaker ZAR, which compensates for forex losses on purchases through higher revenue. 4. The Group maintains targeted stock levels.

Our top risks continued

			Residual risks		
Priority	Risks	Category	Impact	Likelihood	Score
4	**Sales fraud risk** • Orders placed fraudulently under a customer's account. • Unfair competition practices and collusion between salespeople and dealers. • Disgruntled/terminated employees with sales information can fraudulently place orders under customer accounts.	Sales	3	4	12
5	**Lack of stable supply of water and electricity utilities** • Business operations are unable to continue. If head office is affected, this affects the branches as well. • Communication lines are affected. • Loss of revenue due to disrupted trading.	Strategic	5	2	10
6	**Non-compliance with laws and regulations** Non-compliance may lead to: • Litigation, damage to reputation, and compromise of the company's ability to secure future business. • Financial consequences in the form of penalties and fines. • In severe cases, individuals responsible for non-compliance may face imprisonment.	Strategic	5	2	10

	Score compared to risk tolerance (16)	Residual movement from FY22	Mitigation
	Within	⇨	1. OTP process implemented for some sales orders. 2. Awareness training to sales staff. 3. Verification of large orders with sales staff and customers directly. 4. Staff are polygraphed on recruitment. 5. Restrictions on adding and changing customer contact details/address on the sales system. 6. New customers are called by the credit vetting clerk before applications are processed. 7. Annual review is conducted to check conflicts of interest with staff. 8. Staff are reminded and encouraged to make declarations annually or as applicable.
	Within	⇨	1. Solar system is operational, providing most of the energy for the Mustek Midrand site. 2. On-site generators are available as backup in case of insufficient solar and/or battery capacity where applicable. 3. Contingency planning is underway for a total failure of South Africa's energy grid. 4. Water storage tanks are installed at the Mustek and Rectron Midrand facilities, drawing water from borehole and planned connection to building's water supply.
	Within	⇨	1. The Group legal register is reviewed annually. 2. Subject matter specialists keep updated on relevant laws and regulations. 3. Assurance providers offer compliance assurance where applicable. 4. Staff receive training on relevant laws, regulations, and controls. 5. The Group is subscribed to LexisNexis alerts for legal changes.

Our top risks continued

Priority	Risks	Category	Residual risks		
			Impact	Likelihood	Score
7	**Lack of unified, ethical leadership** Compromising the Group's ethical culture or standard of leadership would have a major impact on every aspect of the business.	Strategic	5	2	10
8	**Terminated employees having access to Mustek IT systems** Access user rights may not be removed or terminated promptly upon termination.	IT	5	2	10
9	**Destruction of stock and buildings** Loss of facilities and disruptions in IT systems functionality and/or connectivity due to: • fire incidents • environmental disasters.	IT	5	2	10
10	**Stock theft** Theft of stock, including: • external theft (armed robbery) • hijacking of vehicles.	Operations	3	3	9

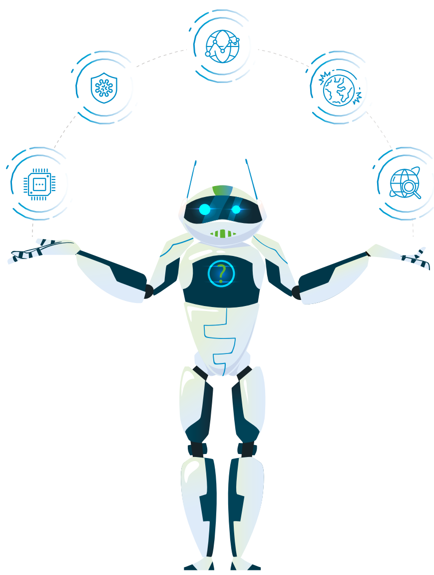
	Score compared to risk tolerance (16)	Residual movement from FY22	Mitigation
	Within	⇨	1. Solid culture of risk management and an ethical environment governed by policies and procedures. 2. Combined assurance framework involving management, internal auditors, external auditors, and other assurance bodies working closely together. 3. Annual strategic Executive Committee sessions with quarterly monitoring of implementation. 4. Performance targets are tied to strategic performance. 5. Independent whistle-blowing channel is in place.
	Within	⇨	1. Comprehensive checklist implemented to ensure terminated staff members no longer have access. 2. Regular user access reviews are conducted by various reviewers for different applications.
	Within	⇨	1. Daily digital record backups are stored in the cloud. 2. After server and data restoration, key staff members can remotely access and manage collection, payments, and place orders for new stock when a new building becomes available. 3. There is adequate insurance coverage in place for stock and building destruction.
	Within	⇧	1. Security measures include independent gate security with panic remotes and backup armed response. 2. Cameras internally and externally record activity, which is monitored daily. 3. 24/7 onsite safety monitoring. 4. Well-maintained electric fence. 5. Restricted access to stock areas. 6. High-risk shipments managed proactively.

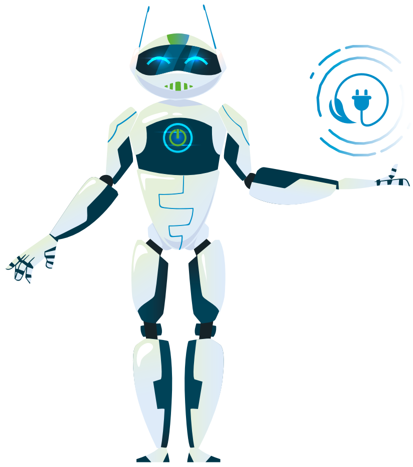
Material opportunities and concerns

The Mustek Group's Board and executive management present this Integrated Annual Report, considering it relevant or "material" to shareholders and key stakeholders. The report comprehensively addresses financial, commercial, and sustainable development issues crucial for the Group's value creation in the present and future. Material matters are identified through the Group's risk management process and shareholder feedback, fostering transparency, accountability, and sustainable growth. Strategic capitalisation of these opportunities enhances the Mustek Group's market position, meets societal needs, and drives sustainable growth in the ever-evolving technology landscape.

Material opportunities

1. Cybersecurity solutions: With the growing risk of cyber threats and data breaches, offering comprehensive cybersecurity solutions to businesses can be a material opportunity. Companies are increasingly investing in robust cybersecurity measures to safeguard their operations and customer data.
2. Strategic partnerships and collaborations: Forming strategic partnerships with key technology providers, suppliers, and other industry players can lead to access to new technologies, markets, and resources. Collaborations with innovative companies can help the Mustek Group stay at the forefront of technological advancements and provide unique solutions to customers.
3. Diversification of product portfolio: Expanding our product portfolio to offer a diverse range of technology solutions can open new revenue streams and cater to a broader customer base. Exploring new product categories, such as smart home devices, IoT solutions, or renewable energy technologies, could position the Mustek Group for future growth.
4. Focusing on sustainable technologies: The increasing emphasis on sustainability and environmental concerns presents an opportunity for the Mustek Group to offer sustainable technology solutions. Developing and promoting eco-friendly products, such as energy-efficient devices, solar-powered solutions, clean air and water technologies or e-waste recycling services aligns with growing consumer demand for environmentally responsible choices.
5. Digital transformation and cloud solution offerings: Integrating service and solution offerings from a large eco-system to help businesses navigate their digital transformation journey can be a lucrative opportunity. The global technology landscape is witnessing rapid transformation with the rise of AI, IoT, and cloud computing. AI, in particular, is gaining momentum and generating debates about its potential impact, while presenting opportunities for various industries. The Mustek Group recognises the significance of embracing these technological advancements and aims to be at the forefront of this evolving landscape.
6. Organisational structure and governance: As the Mustek Group expands and restructures its divisions, it brings broader perspective and ideas to the Group.





Material concerns

1. Supply chain resilience: The persistent global shortage of electronic components, exacerbated by the conflict in Ukraine and other geopolitical tensions and ongoing supply chain constraints, may continue to impact product availability. The Mustek Group needs to adopt proactive measures to mitigate the effects of component shortages and ensure efficient product forecasting.

2. Cybersecurity and data privacy: In an increasingly online world, cybersecurity continues emerging as a paramount concern and has become a universal `Top 5' corporate risk. Being vigilant and proactive in addressing evolving cybersecurity threats is critical. The Mustek Group must continue prioritising cybersecurity measures, impeccable corporate governance, and technological innovation to protect customer trust and enhance cyber-resilience. We comply with POPIA and continue our efforts to adhere to data protection requirements and certification standards.

3. Sustainable energy solutions and environmental impact: With the world fast approaching a point of no return in terms of climate change and biodiversity loss, safeguarding the natural environment becomes increasingly urgent. The Group must continue to reduce environmental impacts and promote corporate responsibility.

4. Availability of funding: As investor confidence declines in South Africa, it may have ramifications on the availability and affordability of funding mechanisms for the Group. We are focusing on enhancing our working capital management and ensuring that our debt levels are optimised.

SUSTAINABLE

Strategy

After the remarkable success experienced during the peak of the COVID-19 pandemic, the Group's focus now shifts to consolidation and improved working capital management.

Group strategy

Our strategy revolves around controlled and sustainable growth, seizing emerging opportunities, and fostering collaboration among our subsidiaries and associate investments. Upholding high standards of corporate governance is central to our success, ensuring transparency, accountability, and ethical conduct. As we progress into the next phase, our strategy continues to deliver exceptional results.

At the core of our strategy is understanding the evolving needs of all our key stakeholders. With an extensive range of hardware and software, supported by unparalleled technical expertise, service, and support, we cater to every level of the ICT stack.

Focus strategic oversight on operating subsidiaries and associate investments

Our primary focus is on our operating subsidiaries and associate investments. We believe in empowering our business units with the autonomy to make agile decisions while providing strategic oversight to ensure alignment with our overall vision. By closely monitoring their performance and aligning their goals with the Group's objectives, we can drive efficiency and effectiveness across the organisation.

Identify growth opportunities organically and through acquisition

We are dedicated to identifying growth opportunities both organically and through acquisitions. We continually assess market trends, technological advancements, and customer needs to drive innovation and expand our market presence. Strategic acquisitions that complement our existing portfolio and align with our core competencies enable us to diversify revenue streams and strengthen our market position.

Facilitate collaboration between Group companies

Collaboration is at the heart of our Group strategy. We believe in fostering a culture of knowledge-sharing, cooperation, and synergy among our various companies. By facilitating collaboration and best practice exchange, we encourage innovation and optimise our collective capabilities to deliver superior value to our customers.

Controlled and sustainable growth

We are committed to achieving controlled and sustainable growth. Our approach emphasises prudent financial management and risk assessment to mitigate potential challenges. We prioritise long-term value creation over short-term gains, ensuring that our growth is both financially viable and environmentally responsible.

Maintain high standard of corporate governance

Maintaining a high standard of corporate governance is paramount to our success. We adhere to rigorous governance practices, ethical standards, and regulatory compliance. Our commitment to transparency and accountability enhances stakeholder trust and fosters a positive corporate culture.

In implementing this comprehensive Group strategy, we are confident in our ability to navigate through an ever-changing business landscape successfully.

Our strategy in action in FY23

Strategic objective (FY23)	Measurement	Achieved	Comment
Group focus	• Implementation of an Office of the CEO to strengthen the Group function.	✓	For more about this Group Executive function, see page 57.
Management structure	• Group succession planning is in place.	✓	In line with our Group focus and principles of good governance, Mustek is strengthening and streamlining its governance structures.
De-risk concentration of relationships	• Spreading critical relationships across different functions • Building and maintaining a good relationship with Huawei, Samsung, and other key partners.	✓	Critical relationships initiated and maintained by the Mustek Group's founder, David Kan have been safely transferred to others at the Mustek Group and spread across Mustek Operations and Rectron to de-risk concentration.
Working capital management	• Changes to KPIs of relevant executive teams to emphasise the need for improved working capital management.	✓	The Group is reasonably satisfied with working capital management during the last year, but supply chain disruptions during the Group's growth phase require getting back to basics and re-establishing the right structures during the consolidation phase.

The Mustek Group's mission is to anticipate stakeholder needs and shape the Group to ensure sustainability and benefits for all stakeholders over the long term.

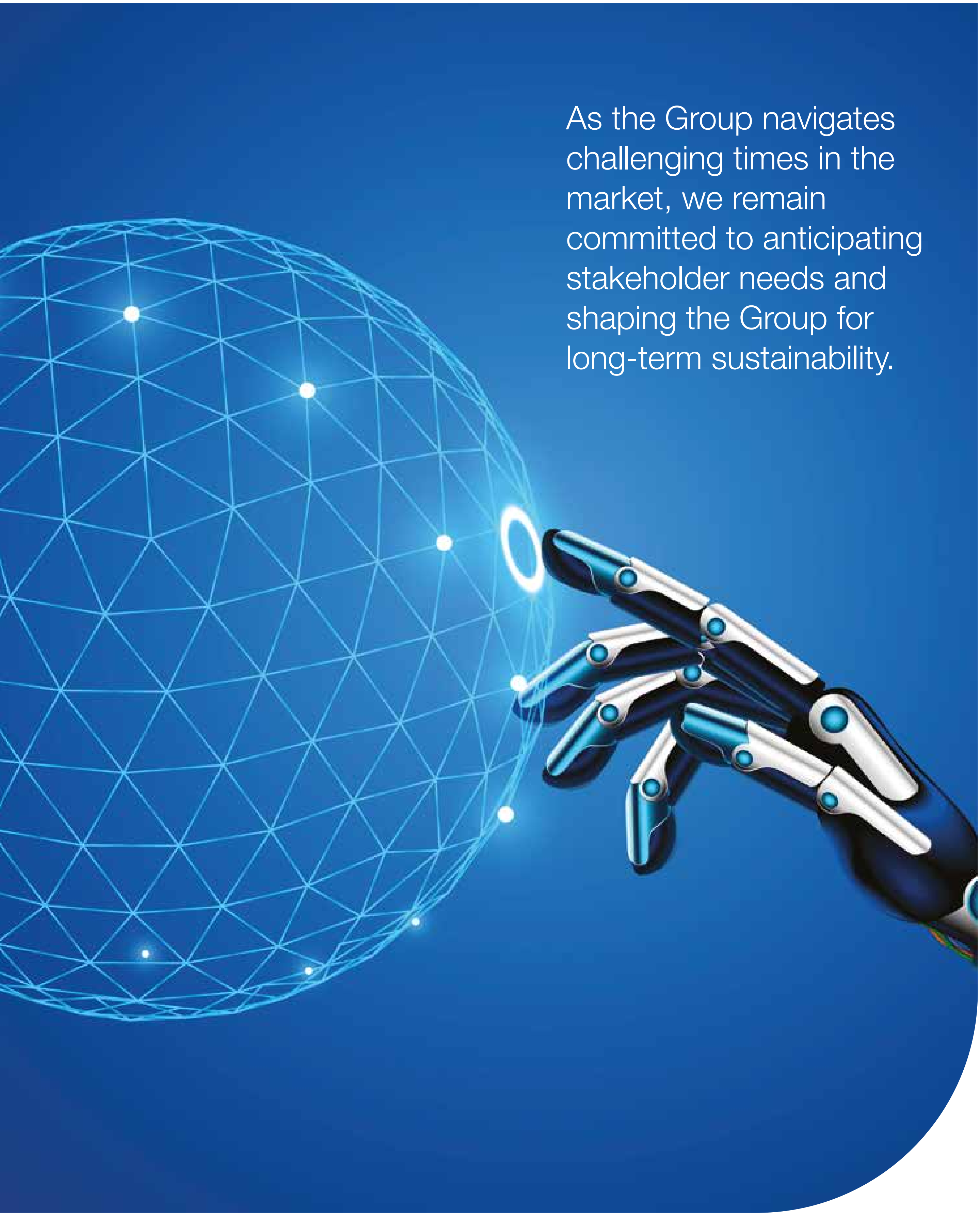
Strategy continued

Looking ahead: strategic priorities for FY24 and beyond

The Mustek Group's focus is shifting from remarkable growth during the peak of the COVID-19 pandemic to consolidating and strengthening its financial position.

To reinforce the importance of working capital management, the Mustek Group has revised KPIs for individual executive teams. We aim to align operational structures and ensure sound working capital management for the future. With a clear strategic vision for FY24 and beyond, the Mustek Group is determined to successfully navigate the current economic landscape.

Focus area	Comment
Structural improvements in working capital and liquidity	As the work-from-home trend subsides and challenges from interest rate hikes and exchange rate fluctuations arise, the Group is determined to bolster working capital and liquidity. The Mustek Group is prioritising structural improvements, cost optimisation initiatives, and operational efficiencies to streamline processes, reduce expenses, and optimise cash flow management. These measures will ensure financial resilience and support sustained growth in the ever-changing market landscape.
Unlocking the value in data and process automation	Digital transformation and operational excellence are paramount strategic priorities for the upcoming year. The Mustek Group is committed to harnessing the power of technology to drive process automation and optimise our data strategy. This transformation will position us at the forefront of our industry, ensuring agility, innovation, and continuous improvement in delivering exceptional value to our customers and stakeholders.
Grow product lines in sustainable technologies	A key strategic priority for the year ahead is to focus on growing and expanding our product lines in sustainable technologies. By investing in innovative and eco-friendly products, the Mustek Group will contribute to a more sustainable future while meeting the evolving needs of our customers and positioning the Group as a leader in the sustainable technology market.
Grow and develop the Group's human capital	The Mustek Group recognises that our employees are fundamental to our success. By investing in their training, talent management, performance, engagement, diversity, work-life balance, and career pathing, we aim to foster a skilled, motivated, and inclusive workforce that drives our growth and organisational excellence. Succession planning is a key part of ensuring Mustek's long-term success.



As the Group navigates challenging times in the market, we remain committed to anticipating stakeholder needs and shaping the Group for long-term sustainability.

Six-year financial review

For the year ended 30 June 2023	2023 R000	2022 R000	2021 R000	2020 R000	2019 R000	2018 R000
SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Revenue	10 126 197	8 909 567	7 992 306	6 397 419	5 845 907	5 671 293
Cost of sales	(8 713 918)	(7 636 886)	(6 804 339)	(5 487 275)	(5 028 353)	(4 875 873)
Gross profit	1 412 279	1 272 681	1 187 967	910 144	817 554	795 420
Distribution, administrative and other operating expenses	(903 641)	(817 468)	(686 910)	(714 919)	(581 324)	(605 704)
EBITDA	508 638	455 213	501 057	195 225	236 230	189 716
Headline earnings	218 527	223 996	305 726	88 992	98 530	81 033
SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Assets	5 723 381	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447
Property, plant and equipment	258 978	191 991	200 899	187 939	184 981	170 478
Investment property	9 785	10 412	–	–	–	–
Right-of-use-assets	62 889	48 859	79 274	29 956	–	–
Intangible assets	171 412	150 556	144 631	126 832	108 794	100 261
Investments and loans	129 899	145 763	202 559	195 858	183 776	177 256
Prepayments	–	21 228	–	–	–	–
Deferred tax assets	40 735	45 441	43 365	30 710	25 478	21 923
Current assets	5 049 683	4 396 236	2 956 334	3 055 859	2 594 294	2 451 109
Assets classified as held for sale	–	–	–	–	–	9 420
Equity and liabilities	5 723 381	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447
Equity attributable to equity holders of the parent	1 567 597	1 413 063	1 350 406	1 118 659	1 045 944	984 436
Non-controlling interest	–	–	7 174	8 012	7 448	8 879
Borrowings and other liabilities	34 010	48 026	43 479	42 264	8 684	6 251
Non-current lease liabilities	38 230	29 307	58 823	10 139	–	–
Deferred tax liabilities	5 609	4 743	2 642	6 213	8 103	8 898
Non-current contract liabilities	22 765	24 101	23 014	17 686	17 514	15 788
Current liabilities	4 055 170	3 491 246	2 141 524	2 424 181	2 009 630	1 906 195

Ratios

	2023	2022	2021	2020	2019	2018
KEY BALANCE SHEET FIGURES						
Total assets (R000)	**5 723 381**	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447
Ordinary shareholders' equity (R000)	**1 567 597**	1 413 063	1 350 406	1 118 659	1 045 944	984 436
Return on ordinary shareholders' equity	**14.7%**	15.9%	23.8%	8.0%	10.3%	8.2%
Net asset value per share (cents)	**2 724**	2 395	2 046	1 598	1 494	1 349
MARKET INFORMATION AT 30 JUNE						
Ordinary shares in issue	**57 540 000**	59 000 000	66 000 000	70 000 000	70 000 000	73 000 000
Weighted average number of ordinary shares	**58 245 548**	62 676 789	69 197 929	70 000 000	70 722 365	77 802 385
Headline earnings per share (cents)	**375.2**	357.4	441.8	127.1	139.3	104.2
Market price per share (cents)						
– year-end	**1 672**	1 639	1 070	704	810	685
– highest	**1 775**	1 725	1 095	934	930	725
– lowest	**1 345**	1 028	491	411	600	353
Number of transactions	**4 329**	9 885	4 167	2 121	1 482	2 809
Number of shares traded	**18 387 235**	32 597 630	30 456 648	13 860 073	17 988 167	29 435 720
Value of shares traded (R)	**289 676 778**	444 644 994	259 664 337	94 602 044	137 351 616	166 329 804
Percentage of issued shares traded	**32%**	52%	44%	20%	25%	38%
LIQUIDITY AND LEVERAGE						
Interest cover (times)	**3.4**	6.5	7.4	2.5	2.3	2.5
Net cash (used in) from operating activities (R000)	**(45 815)**	71 817	220 762	339 520	(171 352)	149 281
Current ratio (times)	**1.2**	1.3	1.4	1.3	1.3	1.3
PROFITABILITY						
Operating margin	**5.0%**	5.1%	6.5%	3.9%	4.2%	3.4%

Performance reviews

Mustek Operations

Overview

Mustek Operations, founded on the Mecer brand, has become a prominent player in South Africa's ICT sector with its extensive and versatile ICT assembly line and top-notch service department. Leveraging international brands, the company offers a wide range of ICT solutions to diverse end-users through its distributed sales network of over 3 600 resellers. Its business model, driven by agile management and industry knowledge, fosters strategic partnerships and quick responses to ICT trends, ensuring revenue growth and reinvestment to support business operations and strategy. As a result, Mustek Operations remains a leading force in meeting the dynamic demands of the ICT market.

Economic performance

Mustek Operations showed a strong trading performance during the year, with our diversified portfolio of products and services providing a clear advantage in the marketplace. Revenue continued to grow, but profitability was negatively impacted by higher interest rates and a depreciating Rand.

Revenue: R6.6 billion

PBT: R187 million

NPAT: R144 million

Environment

Mustek Operations has adopted a proactive approach to environmental management and sustainability by investing in sustainable energy and water solutions and implementing comprehensive waste management programmes. These initiatives aim to reduce our environmental footprint, particularly in terms of carbon emissions and pollution.

Emissions:

- Scope 1: 7 427 GJ
- Scope 2: 5 881 GJ

Waste recycled:

211 tonnes

Social

Number of employees:

753

Training and skills development investment:

R17 million

CSI spend:

R2 million

Notable social initiatives:

Governance

B-BBEE score:

Level 1

Leadership team:

Neels Coetzee (48)
Managing director

Olga-Lee Levey (51)
Chief financial officer

Pascal Macheru (49)
Key accounts executive

Alton Calvin (44)
Channel sales executive

Dimitri Tserpes (58)
Chief technology officer

Ernest Walker (59)
Divisional executive – Western Cape

Vishal Chunilal (51)
Divisional executive – KwaZulu-Natal

Charles Carlson (44)
Chief operating officer

Nicole Orr (48)
Marketing executive

Juan Paul Gough (36)
Software, cloud and solutions executive

Mecer Inter-Ed Java Programme 1

Description: Java programming is a sought-after and scarce skill in South Africa and across the world. Mecer Inter-Ed offers a 12-week programme that provides trainees with Java programming and certification. The Java programme has been designed to bridge the gap between tertiary students' current qualification or degree and the skills they need to expand on their software developer journey. Mustek Operations provided ongoing sponsorships towards the JAVA skills programs, continuing from the previous year, including all courses and certifications, of the chosen students.

Project spend: R1 106 774

Outcomes: 72 students graduated from the programs, all being placed in Java Developer roles at leading service providers

BeyondCOVID

Description: Partnerships generate collective momentum and synergy, driving accelerated success. BeyondCOVID organises small businesses into SMME collectives and partners them with established corporates to achieve the economies of scale required to access profitable markets, funding, and supply chains. SMME collectives, modelled on farming co-operatives, reduce business risk for SMME members by providing full support on funding, infrastructure, training, enabling services, enabling technology and step change.

Mustek Operations donated towards the BeyondCOVID BIGSmall Farm Project. We provided laptops to farm managers to aid them in crop planning, supplier logistics, and performance management. A cash donation went towards purchasing agricultural sensors that support improved crop yields and grades.

Project spend: R625 776

Child Welfare Tshwane (educational projects/social workers)

Description: Child Welfare Tshwane is a non-profit and designated child protection organisation that protects, empowers, and cares for children, and strengthens families.

Bramley Children's Home is a residential care facility for traumatised, abused, and neglected children, removed from their unstable home circumstances by court order.

Mustek donated notebooks to the Bramley Children's Home, which will be used by the children to complete their schoolwork and by social workers working in the community.

Project spend: R177 980

Women in ICT project

Description: Mecer Inter-Ed partnered with Microsoft to empower women in IT. This campaign aims to give South African women the opportunity to obtain an internationally accredited Microsoft certification, mentorship sessions with dynamic female leaders in the ICT sector, and step-by-step guidance from our talent acquisition department to assist with work readiness training and potential placement. Mustek Operations sponsored a laptop for each participant.

Project spend: R66 226

Outcomes: Ten females graduated from the programme, eight of which have been placed in employment

Performance reviews continued

Rectron

Overview

Rectron is a leading South African IT distributor catering to SME resellers. Offering a comprehensive portfolio of best-of-breed hardware, software services, and solutions, Rectron serves a diverse customer base across southern Africa, including resellers, system integrators, managed services providers, e-tailers, and retailers. The company's focus on positive customer experiences and partnership-driven growth ensures long-term relevancy and success, propelling Rectron to lead in cutting-edge technologies and stay at the forefront of the dynamic IT industry.

Economic performance

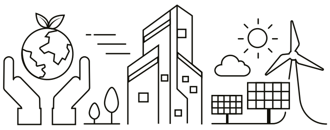
Rectron grew its revenue by 21.3% in FY23 and saw a robust improvement in profits as well, largely off the back of rising demand for sustainable energy solutions.

Revenue: R3.7 billion

PBT: 88.9 million

NPAT: R68 million

Environment



Rectron is committed to responsible environmental practices and sustainability. This is evident across all the company's branches. In Johannesburg, we have upgraded solar panels, reducing grid power consumption. We continue to rely on borehole water to minimise reliance on municipal resources. In Cape Town, we are transitioning to a new building and actively pursuing eco-friendly practices. In Gqeberha, Rectron has decided on an off-grid approach, focusing on renewable energy adoption and water conservation through rainwater tanks. These efforts align with our company-wide focus on reducing our environmental impact and promoting a greener future.

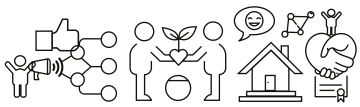
Emissions:

- Scope 1: 5 028 GJ
- Scope 2: 3 088 GJ

Waste recycled:

71 tonnes

Social



Number of employees:
408

Training and skills development investment:
R10.1 million

CSI spend:
R1 million

Notable social initiatives:

Derived from the Setswana word meaning "seed", Rectron's flagship CSI programme is called PEU, and helps to prepare children for a digital future. As part of the PEU initiative, Rectron branch managers visit and direct resources to those schools where additional ICT equipment and solutions would most greatly benefit the children.

Joe Slovo De Grendel School, Cape Town

Date: October 2022

Project spend: R281 082.91

Outcomes: 400 children, 75% black beneficiaries

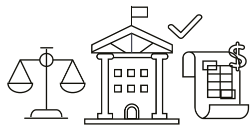
Ntabenkonyana Secondary School, Eastern Cape

Date: May 2023

Project spend: R542 801.55

Outcomes: 480 children, 100% black beneficiaries

Governance



B-BBEE score:
Level 2

Leadership team:

Spencer Chen (46)
Chief executive officer

Christiaan Engelbrecht (42)
Chief financial officer

Matthew Hall (41)
Chief products officer

Martin Roets (44)
Chief operations officer

Kutlwano Rawana (38)
Chief of people

Mecer Inter-Ed

Overview

Mecer Inter-Ed provides SETA-accredited skills development training, learnerships and internships. The company's products and services also include international training and certifications as an authorised training partner for some of the biggest names in technology such as Huawei, Microsoft, and Amazon Web Services. Mecer Inter-Ed can design a learning solution or training programme to address any team's skills gaps and develop personalised training programmes across all levels and technical requirements. Mecer Inter-Ed's highly qualified, cross-vendor-certified instructors will deliver training that includes extensive hands-on experience. Mecer Inter-Ed is a certified Pearson VUE testing centre that offers students the opportunity to certify on a variety of international exams.

Economic performance

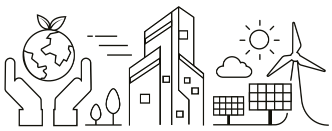
Despite the challenging economic conditions and a product mix that led to lower gross profit margins, Mecer Inter-Ed achieved modest revenue growth in FY23 from a high base set in the previous year. This growth was in line with our focus on consolidating market share and enhancing operational capabilities.

Revenue: R98 million

PBT: R27.6 million

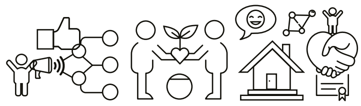
NPAT: R20 million

Environment



Mecer Inter-Ed does not currently have specific environmental initiatives.

Social



Number of employees:
64

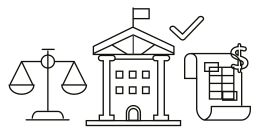
Training and skills development investment:
R0.3 million

Value of training and skills development provided to the Group:
R12.9 million

CSI spend:
R3.6 million

Notable social initiatives:

Governance



B-BBEE score:
Level 1*

Leadership team:

Gerhard de Beer (48)
Managing executive

Tracy Govender (45)
Operations executive

Morné Hugo (50)
Executive – vendor alliances

Sean Evans (42)
Executive – business transformation solutions

* *Measured as part of the Mustek Group*

Java internship programme

Mustek funded an in-depth Java training programme in line with the Group's focus on preparing the youth for a world that is fast digitising. Java development is a scarce skill worldwide and the training participants, once they completed the international certification exams as part of the five-month programme, are guaranteed placement at major South African blue-chip companies.

Dates: Three separate initiatives, one which was co-sponsored by Mustek Operations

Project spend: R3.6 million

Outcomes: 72 students graduated from the three cohorts, all being placed in Java Developer roles at leading service providers

Performance reviews of associate entities

Yangtze Optics Africa Cable (YOA)

Overview

Mustek Group shareholding: 25.1%

YOA is an optical fibre cable manufacturer located in the Dube Trade Port Industrial Development Zone in KwaZulu-Natal. Established in 2016 through a partnership between Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC) and the Mustek Group, YOA has positioned itself as one of Africa's leading fibre cable manufacturing facilities. YOFC is globally recognised as the largest manufacturer and supplier of optical fibre and optical fibre cable products.

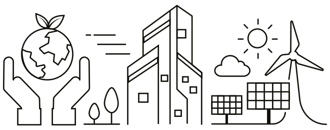
Economic performance

YOA has performed well, although its results are influenced by demand volatility. The Mustek Group is focusing heavily on supporting YOA in terms of operations and governance to further enhance its performance outcomes.

Revenue: R354 million

NPAT: R40 million

Environment

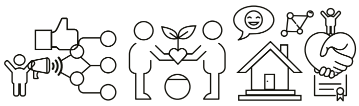


Efficiency measures have been implemented in all offices, including motion sensors that automatically switch off lights when no motion is detected, reducing energy consumption. Additionally, a water recycling loop system has been set up to recycle machine wastewater, leading to significant savings in municipal water usage. The company is actively involved in the segregation of cardboards and sales waste, contributing to sustainable waste management practices.

Water used:
3.058 megalitres

Waste generated:
104.5 tonnes

Social



Number of employees:
98

Training and skills development investment:
R1.4 million

Notable social initiatives:

Back-to-school essentials and stationery drive

Every year, YOA sponsors back-to-school stationery for children in our community, ensuring that they have the equipment they need to ensure academic success.

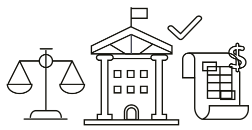
Date: January 2023

Beneficiary: School children from disadvantaged backgrounds

Project spend: R99 460

Outcomes: 55 school children from Grades 1 to 12 benefited

Governance



B-BBEE score:
Level 1

Leadership team:

Pieter Viljoen (52)
Chief executive officer

Siphiwe Meyiwa (56)
Director: operations

Silindile Gwambe (41)
Director: human resources

Performance reviews of associate entities continued

Khauleza IT solutions

Overview

Mustek Group shareholding: 36%

Khauleza is a national ICT business offering a suite of services and products that include ICT deployment and maintenance services, end-user equipment services, print managed solutions and alternative power solutions. We continually improve and expand our service suite, while optimising current offerings.

Economic performance

Despite facing challenges and experiencing a loss during this period, Khauleza has taken strategic measures to address the situation and position itself for future growth and profitability.

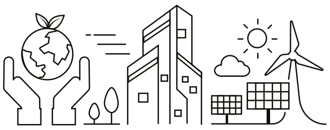
Throughout the past year, the company encountered a combination of external and internal factors that impacted financial performance, including declining sales, increased competition, and rising operating costs. Despite the difficulties faced in the last three years, Khauleza is on the verge of concluding a promising new contract that holds the potential for sustainability in the coming years.

While we are optimistic about this development, we are also committed to avoiding over-reliance on a single client. To achieve this, we will prudently allocate the revenue generated from the new project towards expanding our client base and fostering business growth. By diversifying our clientele, we aim to create a more resilient and robust business model capable of thriving in diverse market conditions.

Revenue: R21 million

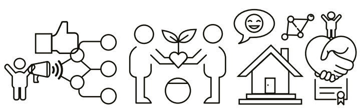
NLAT: R6 million

Environment



Khauleza demonstrated its commitment to environmental sustainability by carefully managing its water consumption. In this way, Khauleza contributed to reducing its environmental impact and ensuring responsible water stewardship.

Social



Number of employees:
78

Training and skills development investment:

- Employee training: R29 375
- Learnerships: R284 625

CSI spend:
R36 165

Notable social initiatives:

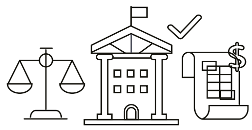
Donation of IT-related equipment

Date: February 2023

Beneficiary: Kgatoentle Secondary School

Project spend: R11 165.85

Governance



B-BBEE score:
Level 1 QSE

Leadership team:

Raymond Elias Risk (65)
Chief executive officer

Julius Siyabonga Maclean (39)
Director

Sizwe Africa IT

Overview

Mustek Group shareholding: 100% (with a 40% shareholding in Sizwe)

Mustek owns 100% of Zatophase (Pty) Ltd, an investment company with a 40% stake in Zaloserve, which is a 100% owner of Sizwe Africa IT Group (Pty) Ltd (Sizwe). Sizwe is an established ICT solutions provider offering services that include converged connectivity and infrastructure solutions, end-to-end digital solutions, hosted solutions and cybersecurity services.

Economic performance

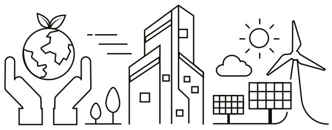
Sizwe is currently facing challenges with margins being under pressure due to factors such as return on equity (ROE), a competitive environment, and economic transformation agreements (ETAs). As a result, the company is still operating at a loss. Despite these challenges, there has been promising growth in the cloud and network security sectors. However, we are closely monitoring certain divisions that are not performing well, experiencing contract losses, and trading at lower margins. The Group will provide further details as we assess the situation.

The Group was also negatively impacted by irregular expenditure of approximately R55 million incurred by employees of Sizwe. Policies and procedures were breached and the company has taken the necessary action against these employees.

Revenue: R1.2 billion

NLAT: R60 million

Environment



Sizwe has made significant strides in sustainable practices. We have successfully implemented solar energy solutions, harnessing clean and renewable energy to power our operations. Additionally, we actively participate in recycling initiatives, demonstrating our commitment to minimising our environmental impact and contributing to a greener future. These sustainable efforts align with Sizwe's vision of creating a more eco-friendly and responsible business ecosystem. As we move forward, we remain dedicated to expanding our sustainability initiatives and making a positive difference in the world.

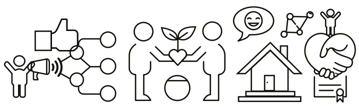
Emissions:

- Scope 1: 78.1 GJ
- Scope 2: 300.3 GJ

Water used:
1.9899 megalitres

Waste generated:
11.84 tonnes

Social



Number of employees:
464

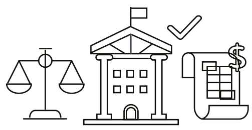
Training and skills development investment:
R1.6 million

External bursaries:
R3.1 million

Learnerships:
R3.35 million

CSI spend:
R0.6 million

Governance



B-BBEE score:
Level 1

Leadership team:

Vukile Mehana (69)
Executive chairman

Mahomed Doola (55)
Chief executive officer

Altus Stoop (35)
Chief operating officer

Aadiel Ayob (53)
Executive – innovative enterprise services and solutions

Tasneem van Wyk (41)
Executive – converged connectivity and infrastructure solutions

Bongi Radebe (63)
Executive – corporate services

Itumeleng Mochocho (46)
Executive – technology partnerships

Rudi Fourie (47)
Executive – service delivery

Performance reviews of associate entities continued

CPS Technologies

Overview

Mustek Group shareholding: 40%

CPS Technologies is a leading manufacturer and supplier of high-quality server cabinets and related solutions. Our product range includes server rack cabinets, outdoor server cabinets, tablet charging trolleys, outdoor enclosures, and server cabinets with air conditioning. The company prioritises innovation and customer satisfaction, offering robust solutions that meet various industry needs.

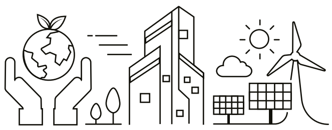
Economic performance

CPS Technologies is seeing significant growth. The company is expanding by establishing a separate manufacturing facility in Cape Town to serve the increasing demand for our products and services.

Revenue: R79 million

NPAT: R9 million

Environment

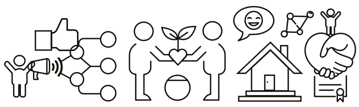


CPS Technologies takes environmental stewardship seriously and we remain steadfast in our commitment to sustainable practices. As part of our dedication to preserving the environment, we ensure that all the chemicals used in our operations are not only environmentally safe but also biodegradable to ensure minimal impact on the ecosystem.

Furthermore, we actively promote the concept of a circular economy by adopting recyclable powder, effectively closing the loop on waste management. Reputable service providers also recycle our steel materials. In addition, we store and recycle the water used by our chemical tanks through a specialised provider, ultimately conserving water and promoting water sustainability.

These initiatives collectively underscore our firm belief that responsible environmental practices are integral to achieving long-term success and sustainability, both for our organisation and for the greater global community.

Social



Number of employees:
76

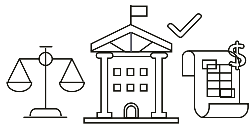
Training and skills development investment:
R0.3 million

Notable social initiatives:

Supporting our staff members

As a medium-sized company, CPS Technologies acknowledges the importance of corporate social responsibility and giving back to the community. While we may not have the financial resources for large-scale initiatives, our focus on employee welfare extends to the families of our dedicated staff members. We understand that sometimes unforeseen circumstances can arise, and we strive to aid and support wherever needed, including financial aid during challenging times.

Governance



B-BBEE score:
Level 4

Leadership team:

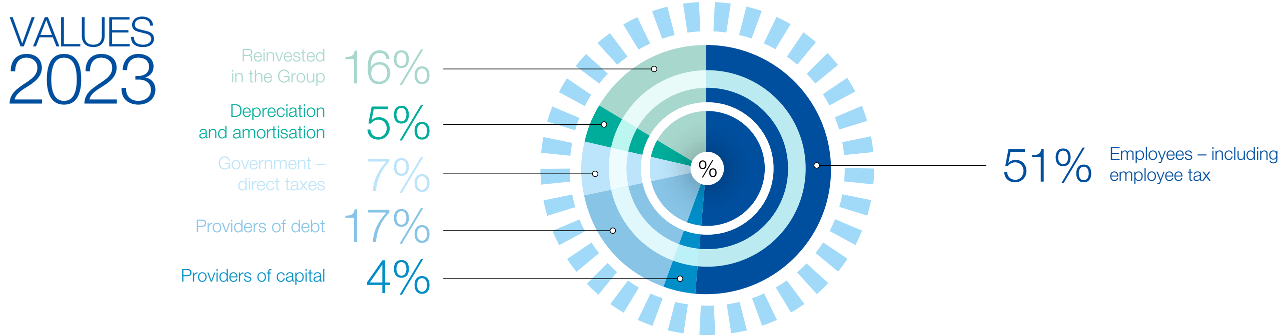
Carlos Vizcarra (67)
Chief executive officer and MD

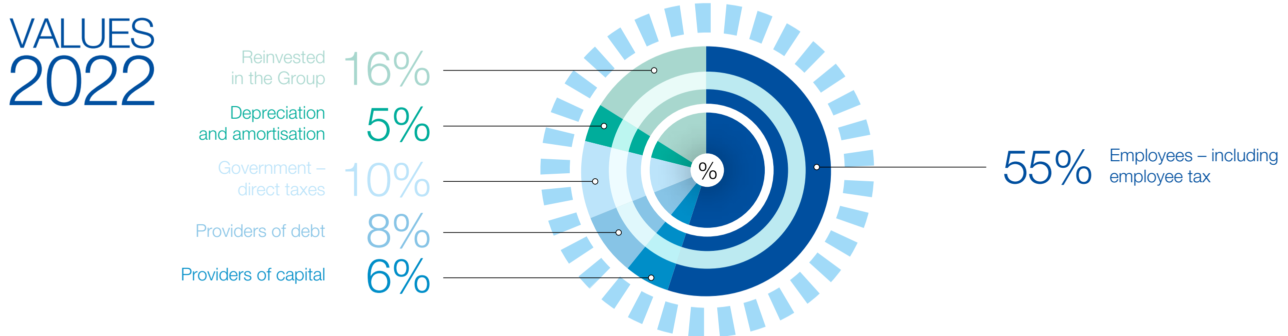
Reg Lane (77)
Operations director

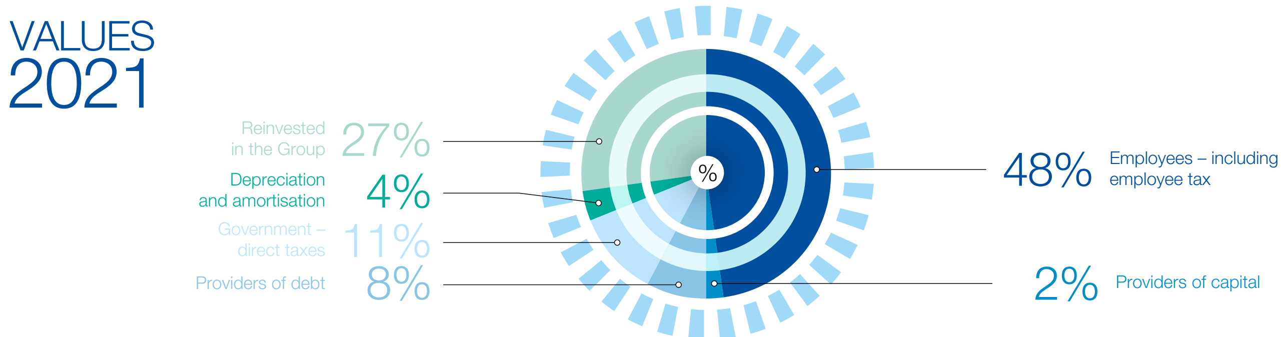
Mark Lane (46)
Design

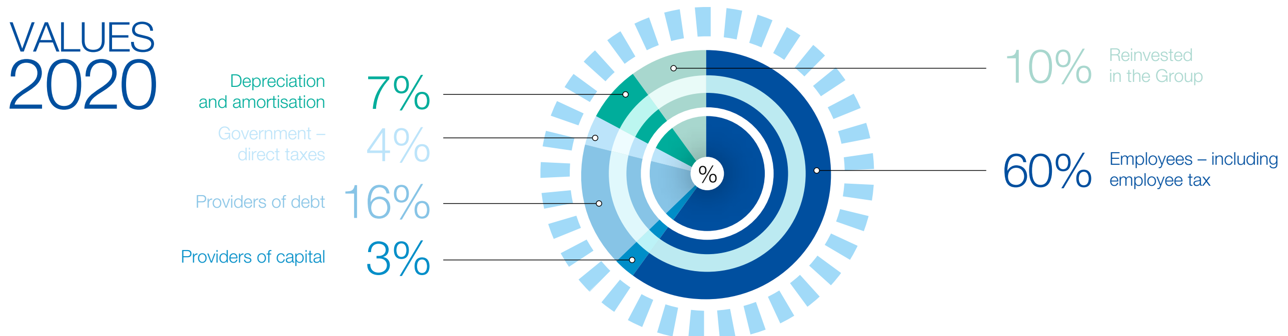
Kevin Lane (44)
Marketing and distributor representative

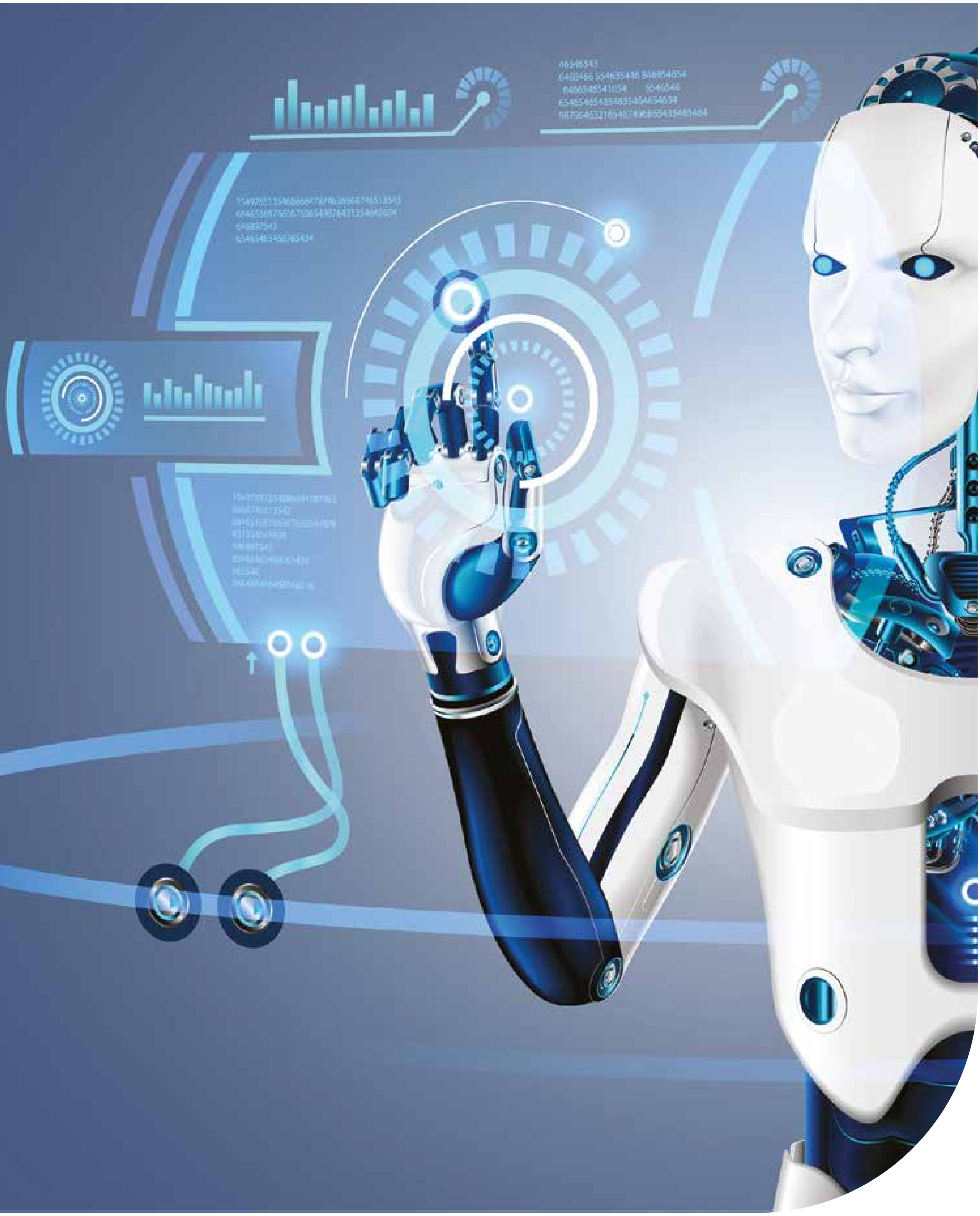
Direct economic value generated and distributed











Economic: Group Financial director's report

In 2023, Mustek faced a dynamic business landscape filled with challenges and achievements. Despite the local energy crisis, interest rate hikes, inflationary pressures, and currency volatility, our adaptability and resilience shone through.

Highlights

Net asset value per share
2 724.26 cents
(2022: 2 395.02 cents)

Revenue
10.1 billion
(2022: 8.91 billion)

Headline earnings per share
375.18 cents
(2022: 357.38 cents)

Dividend per share
77 cents
(2022: 76 cents)

Macro-economic factors

The global economy stands on a precipice of broad-based deterioration.

On a macro-economic scale, countries across the world (including South Africa) have responded to recessionary pressures by raising interest rates, resulting in knock-on effects on the prices of goods and services. The Russia/Ukraine conflict continues, and although conversation around it has become quieter, its ongoing impact on supply chains, particularly in oil and gas commodities, still affects the global economy.

In South Africa, the operating environment has proven equally volatile. Consumer and business confidence has been shaken by an unstable national energy grid, concerns about growth prospects, a weakening exchange rate, inflation and rising interest rates. It is important to also acknowledge that the PC market is currently experiencing a downturn, evident by several suppliers reporting drops of 14% to 20% in the Europe, Middle East and Africa (EMEA) region. The stabilisation of global supply chains led to increased inventories and, combined with lower demand from cost-conscious consumers, exerted pressure on profit margins, specifically within the mobility category.

However, the Group's diversification into the sustainable energy solutions space a few years ago has proven to be a rewarding venture. As demand for these products rose alongside heightened levels of loadshedding, we were able to meet market demand with healthier profit margins compared to our traditional business. This has allowed us to achieve pleasing operational performance for the last financial year, despite the headwinds.

Performance

Revenue growth

Our commitment to innovation and sustainability has driven impressive revenue growth of 13.7%. Within the Group, both Mustek and Rectron, our two largest segments, reported revenue growth of 7.8% and 21.3%, respectively, thanks to a large extent to the increasing demand for sustainable energy products. Additionally, our IT training company, Mecer Inter-Ed, grew revenue by 9% in 2023 to R98 million (2022: R89.86 million).

Gross profit

Despite these achievements, our gross profit margin experienced a slight decline, reaching 13.9% in 2023 compared to 14.3% in 2022. The sale of sustainable energy products, while having higher margins, was offset by margin pressures in the mobility category, where we intentionally reduced margins on entry-level notebooks to address the overstocking situation the Group was faced with at the end of the 2022 financial year.

Forex risk management

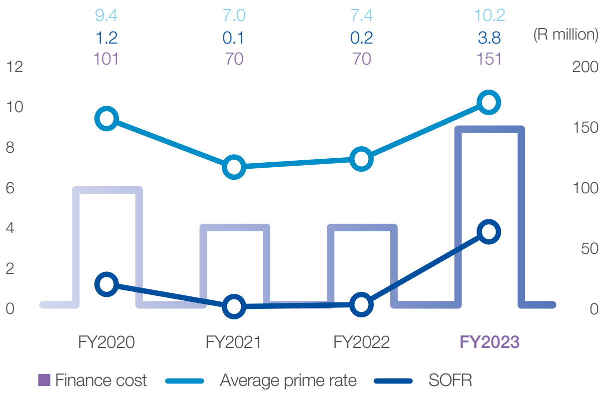
Managing foreign exchange risk has been a key priority, given the erratic currency markets. We employ financial instruments like forward exchange contracts and derivatives to ensure cost predictability, competitiveness, and prudent financial management. However, we acknowledge the ongoing challenges posed by currency volatility and strive to balance risk management with procurement practices in a dynamic economic landscape.

Throughout 2023, we grappled with significant Rand volatility. At the beginning of the year, the US Dollar stood at R16.41, but by year-end, it had weakened by 14%, costing R18.74. At its most extreme point, the Rand/Dollar exchange rate reached R19.80, representing a substantial 21% swing from the year's outset. This volatility contributed to higher foreign currency losses. These fluctuations underscore the need for vigilant forex management and effective risk mitigation strategies in our financial operations.

Finance costs

A challenge has been the increase in finance costs. This was from higher interest rates and working capital. Average South African prime interest rates were 40% higher in this financial year. The average borrowing rate applicable to the Group's USD based borrowings increased from 3.2% in FY22 to 8.2% in FY23. Approximately 60% of the Group's available working capital facilities are USD based and the high volatility of the exchange rate has also played a role in the increased trade finance costs.

Net financing cost vs average market interest rates (%)



The significant increase in financing costs has prompted us to re-evaluate our working capital management and liquidity position, focusing on consolidation, controlled growth, and reinforcing our working capital for the future. However, our operational performance remained robust.

Associate performance

Our associates did not collectively perform well and we recorded a total loss from associates of R12.8 million (2022: R1.6 million).

CPS, an associate that designs and manufactures a wide range of server cabinets, and YOA, an associate that manufactures fibre-optic cable, traded profitably. They are well placed to continue growing their contributions to the Group.

However, Khauleza and Sizwe faced some challenges, both turning a loss of R2.1 million and R24 million, respectively. We are optimistic about Khauleza thanks to a significant new client contract that will contribute to their future profitability even as we seek to diversify their client base. For Sizwe, however, some irregular expenditure has come to light following an internal audit. Employees suspected to be associated with these irregularities have been suspended and investigations are ongoing. In the interim, the company is diligently reviewing its processes and procedures, with the expectation that these adjustments will play a role in restoring profitability.

Cash flow

In terms of cash flow, we maintained healthy cash generated from operations at R197.7 million (2022: R303.4 million). Management continues to focus on optimal working capital management as it is a driver of the Group's profitability, supported by sufficient banking facilities.

Working capital management

Our dedication to strategic resource allocation is reinforced by the efficacy of our working capital management. In 2023, we recorded a notable increase in working capital due to various factors, including our impressive revenue growth, normalised market conditions post-COVID-19, longer inventory holding periods, increased stockholding of sustainable energy products, and extended credit periods with the retail segment. As we look ahead, our primary strategic objective for the next financial year is to focus on working capital management and optimising cash flows. This initiative aims to ensure efficient resource utilisation, enhance financial flexibility, and sustain our growth trajectory.

Share repurchase programme

In the year under review, Mustek executed a strategic move to acquire 1 460 000 ordinary shares of its issued share capital through an open-market transaction. This endeavour, known as the general repurchase, amounted to an aggregate purchase consideration of R21.9 million, signifying a deliberate shift from the prior year's substantial R98.0 million allocation. It is important to note that this initiative was conducted within the framework of a general authority granted to Mustek's directors, as mandated by special resolutions ratified by our valued members during Mustek's AGM held on 5 December 2022.

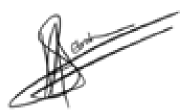
This repurchase action encompassed 2.47% of the total issued ordinary shares of Mustek as of the date of the 2022 AGM. The execution of the general repurchase transpired between 22 December 2022 and 28 December 2022, meticulously adhering to the JSE Listings Requirements. Mustek is pleased to confirm that these repurchases were facilitated through the JSE's order book, devoid of any prior understandings or arrangements between the company and its counterparties.

Each ordinary share procured under this scheme was acquired at an average of 1 497 cents per share, reflecting our prudent approach to capital allocation. Subsequently, the acquired shares were duly cancelled and delisted, ensuring alignment with the pertinent listing rules and regulations. As we continue to consider future buybacks when it makes sense, Mustek remains committed to keeping the market informed in accordance with our ongoing activities and in compliance with the requisite regulatory mandates.

Outlook

Looking ahead, our strategic focus remains on sustainable and controlled growth to ensure the long-term sustainability of the Group. We intend to heighten operational efficiencies through the adoption of automation, data-driven decision-making, and process streamlining, enhancing our agility and leaner operations. Although we may not experience strong growth in the year ahead, we are aiming for a substantial improvement in cash flow, reduced working capital and a stronger balance sheet.

Our investments in innovative product lines, including cloud and cybersecurity solutions, networking equipment, and sustainable energy have significantly contributed to both our revenue and profit. We continue to assess opportunities to diversify our product portfolio, leverage our existing infrastructure and capitalise on economies of scale.



Shabana Aboo Baker Ebrahim
Group financial director

Social

Human capital

At the Mustek Group, we prioritise upholding human rights and maintaining a respectful and fair working environment. We are committed to ensuring that there are no human rights violations within our organisation. Our strong belief in respecting the dignity and rights of all employees guides our actions and decisions.

During FY23, the factors affecting our workforce were predominantly socio-economic – increasing inflation, a volatile political climate and social factors such as crime and loadshedding impact our employees' mental and physical wellbeing. We continue looking out for opportunities to support our people in this tough environment.

For the Group itself, as for many other companies in South Africa, the recruitment and retention of specialised staff remains a challenge as we compete with overseas markets for experience and skill. This is especially true for Mecer Inter-Ed, where we see highly experienced and specialised skill emigrating.

As we move forward, we remain committed to continuously improving our human capital practices and strengthening our efforts to ensure a harmonious and supportive workplace for all employees. We believe that fostering a culture of respect, collaboration, and inclusivity is instrumental in building a motivated and engaged workforce that contributes to the long-term success of the Mustek Group.

Workforce characteristics

The Mustek Group's workforce data reveals a balanced representation of gender, showing our commitment to fostering gender equality and providing equal opportunities for both men and women across various roles. In addition, our workforce is characterised by racial diversity, demonstrating our dedication to creating an inclusive work environment that embraces employees from different racial backgrounds and benefits from a wide range of perspectives and experiences.

Breakdown of Mustek Group employees by gender and race

	Gender		Race				Total
	Male	Female	African	Coloured	Indian	White	
Mustek operations							
Permanent employees	360	317	378	94	68	137	677
Temporary employees	50	26	50	9	3	14	76
Total	**410**	**343**	**428**	**103**	**71**	**151**	**753**
Rectron							
Permanent employees	215	191	129	19	22	21	191
Temporary employees	0	2	119	31	22	45	217
Total	**215**	**193**	**248**	**50**	**44**	**66**	**408**
Mecer Inter-Ed							
Permanent employees	32	28	20	7	3	24	60
Temporary employees	27	5	21	0	5	2	32
Total	**59**	**33**	**41**	**7**	**8**	**26**	**92**

Breakdown of Mustek Group employees by location

	Mustek Operations		Rectron		Mecer Inter-Ed	
Location	Number	%	Number	%	Number	%
Gauteng	509	67.60	278	68	92	100
Western Cape	94	12.48	58	14	0	0
KwaZulu-Natal	57	7.57	33	8	0	0
Eastern Cape	36	4.78	23	6	0	0
Free State	13	1.73	16	4	0	0
Mpumalanga	12	1.59	0	0	0	0
Limpopo	11	1.46	0	0	0	0
North West	8	1.06	0	0	0	0
Northern Cape	5	0.66	0	0	0	0
Total	**753**	**100**	**408**	**100**	**92**	**100**

Employment and wealth creation

Demographics	Mustek Operations				Rectron				Mecer Inter-Ed			
	New hires		Permanent employee turnover		New hires		Permanent employee turnover		New hires		Permanent employee turnover	
Metric	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Race												
African	49	62.03	47	7.03	43	10.91	32	7.84	8	42.11	5	55.56
Coloured	9	11.39	8	1.20	11	2.79	9	2.21	1	5.26	1	11.11
Indian	6	7.59	7	1.05	7	1.78	3	0.74	2	10.53	1	11.11
White	15	18.99	16	2.39	3	0.76	4	0.98	8	42.11	2	22.22
Gender												
Male	51	64.56	50	7.47	40	10.15	21	5.15	8	42.11	5	55.56
Female	28	35.44	28	4.19	24	6.09	27	6.62	1	5.26	1	11.11
Locations												
Eastern Cape	2	2.53	4	0.60	2	0.51	35	8.58	19	100	9	100
Free State	1	1.27	2	0.30	0	0.00	9	2.21	0	0	0	0
Gauteng	56	70.89	60	8.97	51	12.94	4	0.98	0	0	0	0
KwaZulu-Natal	5	6.33	2	0.30	2	0.51	0	0	0	0	0	0
Limpopo	4	5.06	3	0.45	0	0	0	0	0	0	0	0
Mpumalanga	2	2.53	2	0.30	0	0	0	0	0	0	0	0
North West	1	1.27	0	0.00	0	0	0	0	0	0	0	0
Northern Cape	0	0.00	0	0.00	0	0	0	0	0	0	0	0
Western Cape	8	10.13	5	0.75	9	2.28	0	0	0	0	0	0
Total	79	100	78	11.66	64	0	48	11.98	19	100	9	100

Diversity and inclusion

The Mustek Group believes that a diverse and inclusive workforce is a key driver of success. We are committed to maintaining a workplace that celebrates individual differences and fosters an inclusive culture where all employees feel valued, respected, and empowered to contribute their best. The Group's companies each have employment equity forums that promote diversity, and our skills development programmes help to uplift staff members from previously disadvantaged groups.

Balance of demographics across the Group, in terms of race, gender and age

Demographics	Mustek Operations FY22 %	Mustek Operations FY23 %	Rectron FY22 %	Rectron FY23 %	Mecer Inter-Ed FY22 %	Mecer Inter-Ed FY23 %
Race						
African	55.91	56.84	59.47	60.78	44.00	43.33
Coloured	13.58	13.68	12.27	12.25	12.00	11.67
Indian	10.07	9.43	10.13	10.78	4.00	5.00
White	20.44	20.05	18.13	16.18	40.00	40.00
Gender						
Male	53.28	54.45	49.97	52.69	52.00	53.33
Female	46.72	45.55	50.13	47.30	48.00	46.67
Age						
Under 30	25.75	26.74	35.20	38.75	26.00	30.00
30 – 50	62.28	61.45	61.87	58.33	66.00	61.67
Over 50	11.98	11.82	2.93	12.00	8.00	8.33

Social continued

Employee engagement and wellbeing

Employee engagement and wellbeing are crucial factors in maintaining a thriving and productive workforce. A highly engaged workforce not only contributes to the overall success of the organisation but also fosters a positive and supportive work environment. The Mustek Group recognises the significance of employee engagement and places a strong emphasis on creating a workplace culture that values its employees' welfare and satisfaction. As part of our commitment to employee engagement, the Mustek Group monitors key metrics like employee turnover and absenteeism rates to ensure the wellbeing and motivation of our workforce.

Employee turnover during the year:

Mustek Operations:
11.66%
(FY22: 21.45%)

Rectron:
11.98%
(FY22: 16.67%)

Absenteeism rate during the year:

Mustek Operations:
1.52%
(FY22: 1.45%)

Rectron:
7.89%
(FY22: 7.78%)

We are also proud that many of our employees have stayed with us for over a decade:

Length	Mustek Operations %	Rectron %	Mecer Inter-Ed %
<1 year	10.78	15.44	45.65
1 – 3 years	38.40	22.55	47.83
4 – 5 years	12.41	10.29	6.52
6 – 10 years	16.40	16.42	0
10 – 15 years	7.83	14.71	0
15 – 20 years	5.47	12.01	0
>21 years	8.71	8.58	0

CCMA cases

During FY23, Mustek Operations addressed 13 cases brought to the Commission for Conciliation, Mediation and Arbitration (CCMA). Most of these cases were related to dismissals resulting from the industrial action that occurred in 2020. While these cases presented challenges, we approached them with transparency, fairness, and adherence to legal procedures. Our focus is always on fostering open communication, resolving disputes amicably, and promoting positive employee relations.

Mecer Inter-Ed saw only one case brought against it, which it successfully defended.

Freedom of association and collective bargaining

The Mustek Group's approach to managing employees' right to freedom of association and collective bargaining is aligned with the principles of a free and open society. The Group acknowledges and respects the fundamental human right of freedom of association, allowing its employees to participate in forming trade unions or federations of trade unions and to join trade unions.

To further promote fairness, inclusivity, and equality within the organisation, the Mustek Group has established an employment equity policy. The key objectives of this policy include:

- preventing barriers in the workplace that unfairly restrict employment and promotion opportunities for any individual
- prohibiting unfair discriminatory practices within the Group
- creating a workplace free from sexual and racial harassment
- aiming to achieve enhanced representation of currently underrepresented categories of people, particularly individuals from designated groups, across all levels of the organisation, with a long-term objective of reflecting the demographics of the South African population
- fostering an organisational culture that encourages and values diversity while promoting mutual understanding, team spirit, and shared values to optimise potential and achieve organisational goals in serving the community.

There were no major work stoppages during the year under review. A stable labour environment within the Mustek Group contributes to uninterrupted operations and smooth business functioning.

No collective bargaining agreements are presently applicable to the Mustek Group's workforce.

Benefits and remuneration

The Mustek Group Pension Fund migration

The Mustek Group Pension Fund was reviewed during FY23, after the Group was informed that our external fund administrator planned to exit our market segment. Consequently, and following careful consideration, the migration of the pension fund administration to a new service provider was approved by the Board for implementation by management and the trustees of the Pension Fund Trust. This decision aims to enhance the benefits and overall welfare of the fund's members.

Group leave policy

The Group leave policy underwent a comprehensive review, with the Social and Ethics Committee taking the lead in reviewing the policy and subsequently recommending it to the Board for final approval. The review identified that the allocation of leave days could align to market expectations better and, recognising the significance of attracting top talent, the revised policy addressed this area by increasing the number of available leave days to our loyal staff members.

The proposed changes to the Group leave policy took effect on 1 January 2023, implemented retrospectively. This decision ensures that all eligible employees will benefit from the enhanced leave entitlements from the specified date.

Workplace health and safety

Mustek Group currently reports the health and safety information for the companies in the Group individually. Each company has their own health and safety committee made up of volunteers who look out for the health and safety of its peers.

Health and safety committees:

Mustek Operations:	Rectron:	Mecer Inter-Ed:
10 volunteers	25 volunteers	6 volunteers

Demographics	Mustek Operations 2022		Mustek Operations 2023		Rectron 2022		Rectron 2023		Mecer Inter-Ed 2022		Mecer Inter-Ed 2023	
Metric	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Work-related fatalities	0	0	0	0	0	0	0	0	0	0	0	0
Recordable work-related injuries*	20	3.5	36	6.3	11	3.5	15	4.5	0	0	0	0

* *Recordable work-related injuries include medical treatment cases resulting in lost time, and exclude first-aid cases. The total recordable injury frequency rate (TRIFR) is calculated as follows:*

$$\frac{\text{(Total injuries during the period x 200 000)}}{\text{(Total hours worked during the period)}}$$

The total hours worked is calculated from the average number of permanent employees over the financial year. The number does not include temporary employees, learners and contractors.

Learning and development

	Total training and development spend 2023	Value of internal training delivered by Mecer Inter-Ed 2023
Mustek Operations	R17 million	R12 million
Rectron	R10.1 million	R0.9 million
Mecer Inter-Ed	R0.3 million	N/A

During the year, Rectron also offered study bursaries to 23 employees and nine employee dependants, for a total spend of R632 694.19 (included in the above amount). Mecer Inter-Ed also offered bursaries to five of its employees.

In addition, the Group's companies offered internships to young working adults to obtain experience across various departments and branches. The internships typically last 12 months, after which 100% of our FY23 interns were absorbed into the Group.

Mustek Operations:	Rectron:	Mecer Inter-Ed:
65 interns	10 interns	3 interns

Skills for the future

The following Mustek programmes are aimed at developing skills that increase our employees' career development and income-earning ability:
- management and development programme for senior management members
- supervisory development programme for middle and junior management members (including employees identified for succession into future management roles)
- the Executive Committee coaching programme
- employee bursary programme.

In addition, we offer the following for unemployed youth, giving them a better shot at life:
- electrical and technical support learnerships
- the Drone Academy programme
- the graduate development programme.

Looking ahead

Over the next three years, the Mustek Group will focus on standardising the human capital function across all our subsidiaries, with an increased focus on employee recognition and performance rewards. Business unit succession planning will come into sharp focus, supported by leadership development, coaching and skills development.

In the long term, the Group's human capital function will support business growth and sustainability, as Mustek strives to be a competitive talent employer in our industry.

Social continued

Group Social and Ethics Committee report

Performance for 2023

This report is prepared in compliance with the requirements of the Companies Act. It describes how the committee discharged its responsibilities in respect of the financial year ended 30 June 2023 and will be presented to the shareholders at the AGM to be held on 23 November 2023.

Group Social and Ethics Committee members

The composition of the committee is in line with King IV principles, namely that the majority of members are non-executive directors of the Board.

Responsibilities of the committee

During the reporting period, the Group Social and Ethics Committee's terms of reference were reviewed. In accordance with the terms of reference and annual work plan, the committee fulfils the functions and responsibilities assigned to it in terms of the company's compliance with the applicable requirements of Regulation 43 of the Companies Act, the company's activities in relation to relevant legislation and prevailing codes of best practice, and such other functions as may be assigned to it by the Board from time to time in order to assist the Board in ensuring that the Group remains a responsible corporate citizen.

The key objectives and responsibilities of the committee, which are aligned with the committee's statutory functions as set out in the Companies Act, form the basis of its annual work plan, and include the following:

- social and economic development
- the Group's standing relative to the United National Global Compact Principles and the Organisation for Economic Co-operation and Development recommendations regarding the combating of corruption and human rights
- compliance with the Employment Equity Amendment Act, 47 of 2013 and the Broad-Based Black Economic Empowerment Act, 53 of 2003 and associated Codes of Good Practice
- good corporate citizenship, including the Group's contribution to the development of communities in which it operates or markets its goods to and the Group's record of sponsorships, donations and charitable giving
- good corporate citizenship, including the Group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption
- promotion of equality and transformation and preventing unfair discrimination, through its Code of Ethics and Business Conduct, and other social responsibility policies and strategies
- the environment, health and public safety, including the impacts of the Group's activities and products on the environment and society
- consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws
- labour and employment, including the Group's standing relative to the International Labour Organization Protocol on decent work and working conditions, and the Group's employment relationships and contribution to the educational development of its employees
- generally, the monitoring of the social, ethics, economic, governance, employment and environmental activities of the Group against internationally recognised human rights principles and other relevant best practice standards.

Ethics and business conduct

The Group's Code of Ethics and Business Conduct, which embodies its guiding principles and values, was reviewed during the year and found to be relevant. The Group's Code of Ethics and Business Conduct is included in induction packs for new employees. This policy deals with, inter alia, no tolerance for discrimination in whatever form, human rights, health and safety, and the implementation of the Group's ethical standards to stakeholders.

The Code of Ethics and Business Conduct is available on the company's website

Mustek-Group-Code-of-Ethics-and-Business-Conduct.pdf

The company's whistle-blowing line was reviewed during the year and confirmed to be relevant and effective, providing an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. Feedback in terms of calls received, via the fraud line or directly with the internal auditor or HR department, is reported on at each meeting.

Labour

Employment equity policies embody our commitment to implementing employment equity across the Group. Deviation appointments in the employment equity plan are discussed at Employment Equity Committee meetings.

Skills development remains an area of focus and the various skills development programmes that have been implemented are reported on more fully in this Integrated Annual Report.

Refer to the Social section on page 46 of this Integrated Annual Report.

Socio-economic development

The Group's commitment is to foster good relations with the communities in which we operate, and in so doing continues to pursue its business philosophy, which is to draw the staff it needs from the local communities in which it operates and in so doing provides much-needed employment and other socio-economic benefits to local communities.

Refer to the Performance reviews section from page 32 of this Integrated Annual Report.

Transformation

Mustek Group remains focused on achieving its transformation goals and objectives. During the reporting period, Mustek Limited again achieved a level 1 B-BBEE rating, and Rectron achieved a level 2.

Scorecard element	BEE score	Planned future focus areas
Equity ownership	25.00	Focus on increasing black ownership.
Management control (including employment equity)	15.48	Compliance with five-year employment equity plan. Increased compliance with equity-aligned recruitment policies.
Skills development	22.58	One of our core focus areas, in support of the country's educational focus.
Enterprise and supplier development: • preferential procurement • enterprise development • supplier development.	46.99	Focus on support to SMEs and exempted micro-enterprises. Stricter compliance with procurement policies.
Socio-economic development	12.00	Alignment with the country's focus on uplifting previously disadvantaged communities, particularly in the areas of ICT and education.

Stakeholder management

The stakeholder engagement framework outlines the Group's guiding principles for stakeholder engagement, which are congruent with the values espoused in the Group's formal Code of Ethics and Business Conduct.

The Group strives to provide an attractive return to shareholders and valid, accurate and relevant information that complies with all related legislation through the shareholders' selected channel of communication.

Refer to page 8 for more information on the stakeholder groups and engagement.

Environmental sustainability

The Group's sustainability framework focuses on energy and emissions, waste management, economic factors and product responsibility.

The underlying philosophy of the Group's environmental policy is the adoption of protective strategies to manage and control the impact of the Group's operations upon the environment while safeguarding its extensive assets and human resources.

Refer to the Environment section of this Integrated Annual Report on page 52.

Health and safety

The Group endeavours to constantly improve its health and safety practices. These continue to improve annually and are reported on in this Integrated Annual Report on page 49.

Evaluation of committee performance

The committee conducted a condensed self-evaluation by way of questionnaires to identify the focus areas for the current financial year. The results were that the performance of the committee was satisfactory. The focus areas for the current reporting period and the results thereof are included in the table below:

Focus area	Measurement	Achieved	Comment
Leadership development and talent management on senior levels	• Clearly defined performance measurements • Implement formal performance assessment processes • Implement individual development plans for senior level employees	In progress	Refer to page 50 for details regarding current skill development programmes in place and the Group's human capital plans over the next three years to strengthen its talent management and leadership development initiatives.
Continued POPIA implementation	• Continued POPIA implementation and compliance across the Group	√	
Rebuilding morale after the strike	• Establish a Group Employment Equity policy • Continuous engagement and temperature checks with employees	√	Refer to page 48 and 49 for information regarding the employment equity policy and employee engagement.

The following focus areas were identified for monitoring by the committee for the FY'24 reporting period:

- Increased focus on ESG initiatives
- Improve external stakeholder engagement and communication
- Continue to focus on B-BBEE targets, succession planning within the Group and talent management.

Shelley Thomas
Group Social and Ethics Committee chairman

4 October 2023

Environment

As a leading player in the ICT sector, we understand the critical role we play in preserving the environment and mitigating our impact on the planet. With a strong focus on responsible environmental practices, our commitment extends across all our branches and operations. Mustek's journey to sustainability is continuous, and we are keen to share our progress, innovations, and aspirations as we work towards a greener and more environmentally conscious future.

Approach

At Mustek, we recognise the environmental challenges that impact our operations and the broader ecosystem. Some of these pressing issues include global warming attributed to fossil fuel usage and the pervasive problem of pollution, notably plastic pollution. In the context of South Africa's status as a water-scarce nation, exacerbated by population growth in metropolitan areas and infrastructure degradation, water scarcity looms as a significant concern.

To address these environmental challenges, we have adopted a proactive approach by investing in sustainable energy solutions and implementing comprehensive waste management programmes. These initiatives aim to reduce our environmental footprint, particularly in terms of carbon emissions and pollution. We proudly comply with the extended producer responsibility legislation. Notably, we have played a significant role in supporting the establishment of a compliant Producer Responsibility Organisation, furthering responsible management of hazardous electronic waste.

In line with our environmental ambitions, Mustek has pursued accreditations and certifications that validate our commitment to sustainable practices. Mustek Operations in Gauteng holds ISO 14001 certification, demonstrating our adherence to internationally recognised environmental management standards. Additionally, Mustek Operations in Gauteng applies ISO 50001 best practices to manage our energy resources and consumption effectively. These certifications not only showcase our dedication to sustainability, but also provide a framework for continuous improvement and responsible environmental stewardship in our operations.

In FY23, Mustek Operations invested

R27.6 million

in establishing a backup battery energy storage system (BBESS), replacing airconditioners, and implementing a water filtration and storage system for the Midrand head office site.

Energy and emissions

During 2023, Mustek achieved several noteworthy highlights in terms of environmental initiatives. Mustek Operations upgraded its existing photovoltaic (PV) plant to incorporate a 150 kW BBESS, at a cost in excess of R20 million. BBESS is an energy storage system that uses batteries to store and distribute electricity, enhancing energy system reliability, efficiency, and sustainability. This system ensures a continuous power supply for 14 hours, from 17:00 to 07:00, reducing reliance on conventional energy sources. The BBESS installation at our head offices was completed in February 2023 and brought into use for the first time in March. This initiative is estimated to save 60% of the energy requirements for the Mustek Midrand site. Additionally, Rectron upgraded its PV system in Midrand, further advancing renewable energy use.

Mustek Operations' Midrand PV plant

generates 700 kWp of PV power

and can store up to 2 100 MWh.

However, the Group faced several challenges during the year under review. Loadshedding levels and the decommissioning of existing PV systems for upgrades presented hurdles. Moreover, due to the surge in demand for sustainable energy equipment supplied by the Group, operational carbon-based energy consumption increased: Mustek Operations consumed 87 770 litres of diesel (2022: 21 062 litres) to operate its generators during loadshedding periods. This resulted in an 11% increase in carbon-based energy consumption across Mustek Operations and Rectron.

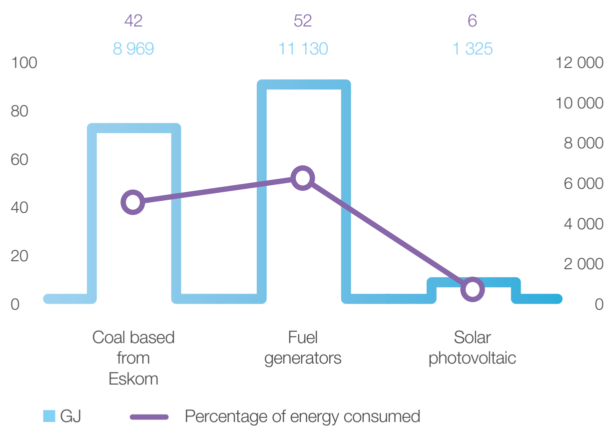
In terms of other energy-saving initiatives, 44 airconditioners using R22 refrigerant were replaced with more environmentally friendly units using R410a refrigerant. R410a is considered a safer and more efficient option, with a lower environmental impact and better heat absorption and release properties. Mustek Operations aims to replace all its old airconditioning units by 2026.

Energy consumption (GJ)

	2019	2020	2021	2022	2023
Mustek Operations					
Scope 1					
Stationary fuels	373	435	513	768	**3 200**
Company-owned vehicles (petrol)	2 564	2 057	212	1 210	**1 369**
Company-owned vehicles (diesel)	2 797	2 427	596	1 891	**2 026**
Scope 1 Renewable fuels (solar)	1 140	1 418	1 437	1 611	**832**
Scope 2 Electricity	7 082	7 080	6 934	6 414	**5 881***
Total energy consumption	13 956	13 417	9 692	11 893	**13 308**
Rectron					
Scope 1 Non-renewable fuel	2 941	2 506	2 555	2 703	**4 535**
Scope 1 Renewable fuel (solar)	1 337	1 038	812	906	**493**
Scope 2 Electricity	2 494	2 688	2 633	2 677	**3 088**
Total energy consumption	6 772	6 232	6 000	6 286	**8 116**

* Electricity value estimated due to upgrade of the solar PV system and change in the reporting.

Energy sources for Mustek Group
(GJ) (%)



Environment continued

Emissions (measured in CO_2e)

	2019	2020	2021	2022	2023
Mustek Operations (tonnes CO_2e)					
Scope 1					
Stationary fuels	27	32	38	56	**234**
Company-owned vehicles	386	323	59	224	**245**
Other fugitive emissions (non-Kyoto gases)	79	77	74	8	**54**
Scope 2 Electricity	2 026	2 026	1 984	1 835	**1 683***
Total emissions	2 518	2 458	2 155	2 123	**2 216**
Rectron (tonnes CO_2e)					
Scope 1 Non-renewable fuel	214	183	187	198	**332**
Scope 2 Electricity	714	769	753	766	**884**
Total emissions	928	952	940	964	**1 216**
Total emissions at Group level					
Scope 1	706	615	358	486	**865**
Scope 2	2 740	2 795	2 737	2 601	**2 567**

* Electricity value estimated due to upgrade of the solar PV system and change in the reporting.

Mustek has been actively advancing its compliance with the National Energy Act regulations, which require the display and submission of energy performance certificates for buildings exceeding 1 000 m² by December 2022. Mustek Operations completed the independent energy performance assessments for its key facilities. Specifically, assessments were carried out for the Mustek Operations Midrand and Western Cape and Western Cape facilities, resulting in energy performance ratings of C and D, respectively.

Mandatory assessments were not required for Rectron, due to the smaller size of its buildings.

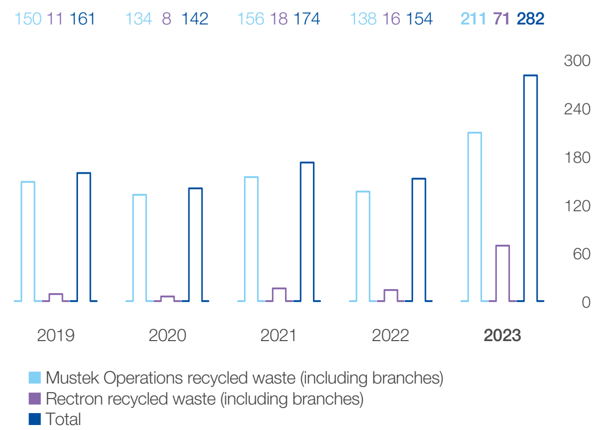
Waste management

Waste management holds a prominent position within Mustek's sustainability efforts. A significant portion of waste generated by Mustek and Rectron consists of packaging materials, encompassing items like wooden pallets, cardboard, plastic, and polystyrene fillers as well as electronic waste. Recognising the hazardous nature of electronic waste, Mustek and Rectron have established partnerships with service providers who not only demonstrate compliance but also hold ISO 14001 certification, ensuring environmentally responsible disposal and recycling practices.

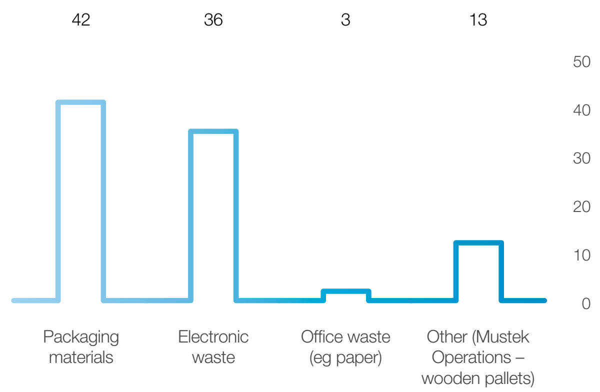
Mustek Operations addresses the entire lifecycle of its flagship Mecer product, prominently displaying labels on Mecer computer boxes. These labels serve as a reminder to customers about the importance of appropriately disposing of outdated computer equipment, thereby preventing hazardous waste from being improperly discarded in landfill sites.

At Mustek Operations' Gauteng site, an onsite waste management team diligently segregates waste into various streams. These streams are then sent for recycling or disposed of at authorised landfill sites. Tonnage data per waste stream is systematically reported back to Mustek.

Group recycled waste
(tonnes)



Waste recycled 2023
(% of total recycled waste)



Compliance with e-waste legislation and sustainability initiatives

During 2023, Mustek achieved significant milestones in terms of our environmental initiatives.

Between Mustek Operations and Rectron, we recycled

282 tonnes of e-waste

in FY23.

We also implemented a toner cartridge recycling programme, diverting these items from hazardous waste disposal facilities to service providers capable of destructing the cartridges and recycling their components.

The impact of the extended producer responsibility regulations issued by the Department of Forestry, Fisheries, and the Environment (DFFE) in 2021 on our company was substantial. We determined the vendors from which electronic items were imported and gathered detailed data, including HS codes, weights of electronic items (including batteries), and packaging weights. This data was used to assess the total weight of electronic items and packaging materials placed on the market, a crucial requirement under the regulations. Fees, based on the weight and hazardous category of electronic items, were payable quarterly to Producer Responsibility Organisations, covering both electronic waste and packaging.

Water consumption

The Group's water consumption is mainly for office use – for drinking and sanitation. Our manufacturing and assembly processes do not use significant amounts of water.

During 2023, Mustek continued several water-saving initiatives, considering its water usage for office purposes:

- **Rainwater harvesting in Gqeberha:** At the Mustek Operations branch in Gqeberha, rainwater harvesting has been a significant water-saving initiative. Given the water shortage crises in the area, our rainwater tank system not only ensured the branch remained fully operational since December 2021 despite water shortages, but also demonstrates our commitment to sustainable water management.
- **Groundwater filtration in Midrand:** Mustek's Midrand branches established an alternate water resource through the filtration systems installed on our boreholes. This approach ensures the continuity of operations while reducing reliance on external water sources.

While water may not be a material aspect of Mustek's business processes, these initiatives showcase our dedication to responsible water usage and sustainability, even in areas where water resources may be scarce or subject to challenges.

Supply chain and materials

By carefully selecting internationally recognised and local suppliers and components based on their environmental attributes, Mustek minimises negative environmental impacts throughout our supply chain. This approach underscores our commitment to responsible and sustainable business practices, from sourcing to the final product.

Within our flagship Mecer brand, Mustek exercises control over component selection in the assembly of our machines. The company prioritises components that are not only energy-efficient but also compliant with the restriction of hazardous substances (ROHS) standards. ROHS compliance ensures that the components used contain less hazardous substances, contributing to safer and more environmentally friendly products.

Looking ahead

In FY24, Mustek's key focus areas include:

- **Reducing carbon-based energy reliance:** Mustek aims to reduce its reliance on carbon-based energy resources by continuing to upgrade and optimise new PV systems integrated with BBESS. These systems will enable facilities to operate during night-time, contributing to a more sustainable and energy-efficient operation.
- **Supporting Producer Responsibility Organisations:** Mustek is committed to enhancing the effectiveness of our appointed Producer Responsibility Organisation. This commitment includes complying with payment schedules and actively contributing to waste recycling targets through designated waste service providers.
- **Waste management and recycling:** Mustek's environmental targets also involve the efficient collection and separation of waste materials to facilitate recycling processes. The goal is to significantly reduce the volume of waste sent to landfills, promoting a more sustainable waste management approach.

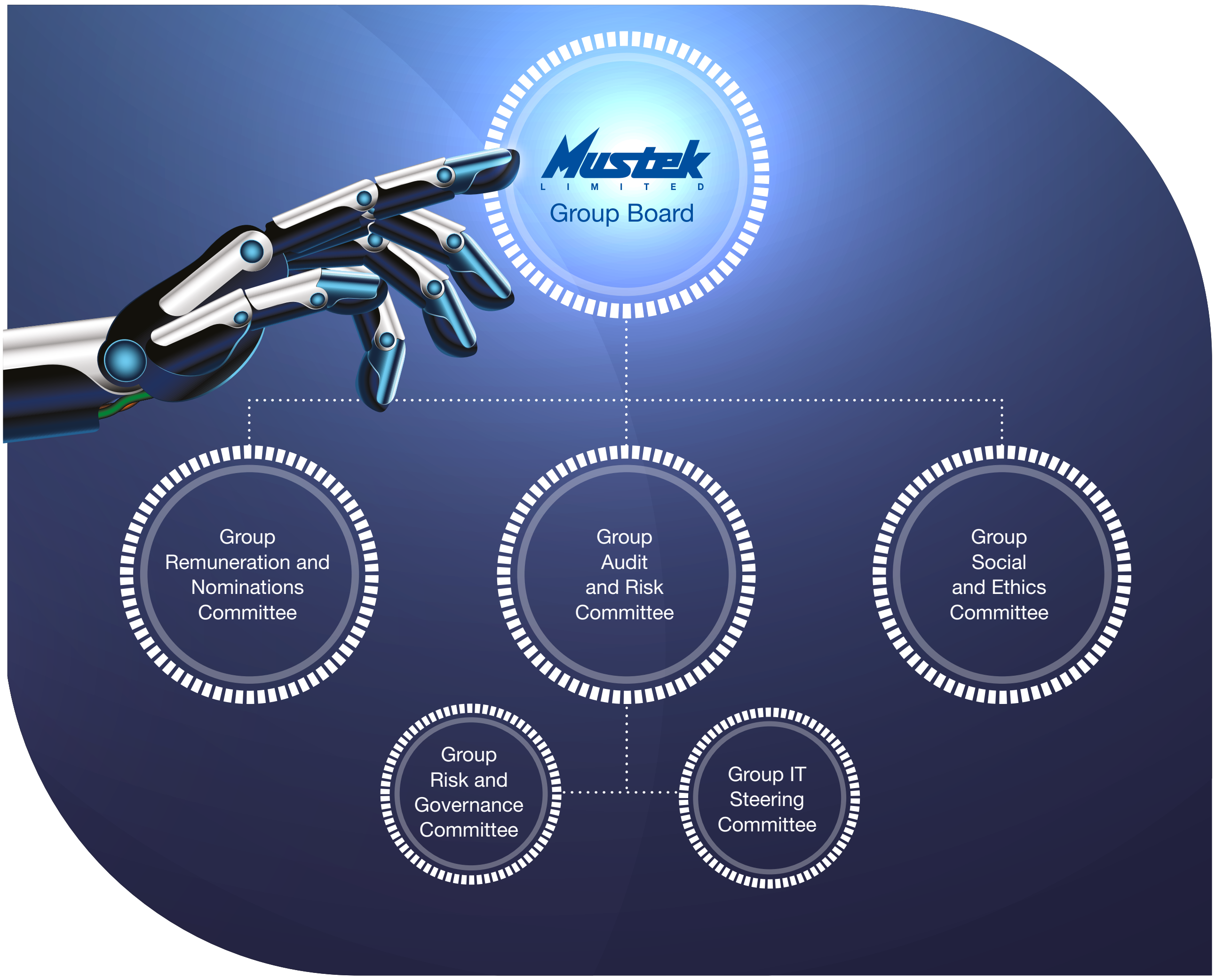
Governance

Overview

Throughout the year, the Mustek Group's commitment to robust corporate governance has been a cornerstone of our operations. One notable highlight was our effective succession planning, which proved instrumental in navigating a challenging period following the unfortunate passing of David Kan, our former CEO and a key figure within the Group. The implementation of a well-structured succession plan allowed for a seamless leadership transition, ensuring stability and continuity in our business operations.

During this critical period, our shareholders were reassured by our preparedness and transparent communication, which further bolstered their confidence in the Group's resilience and ability to manage unforeseen events with poise and efficiency. We take great pride in our strong sense of responsibility towards stakeholders, and our commitment to sound governance practices has been evident throughout our journey.

As we embrace the opportunities and challenges of an ever-changing business landscape, our dedication to upholding the highest standards of corporate governance remains unwavering. In this section, we provide an overview of our governance practices, highlighting our commitment to transparency, accountability, and responsible decision-making. We firmly believe that strong governance is integral to sustaining the trust and confidence of our stakeholders, and we are committed to continuously enhancing our governance framework to ensure long-term value creation and sustainable growth for all.



Establishing the Office of the CEO

In FY23, the Mustek Group took a significant step towards enhancing its organisational structure and governance by introducing the Office of the CEO. This strategic move aimed to consolidate decision-making processes and streamline the management of critical functions across the Group. The Office of the CEO is vested with specific terms of reference to fulfil its core responsibilities effectively.

1. Formulate Group policies: The Office of the CEO is entrusted with the responsibility of formulating comprehensive Group policies. These policies serve as a cohesive framework to guide the operations of all subsidiaries and associate investments within the Mustek Group. Through a collaborative approach, the office will develop policies that align with the Group's vision, mission, and values, fostering consistency and efficiency in business practices throughout the organisation.
2. Develop and implement Group strategy: As a central hub for strategic planning, the Office of the CEO plays a pivotal role in crafting and executing the Mustek Group's overarching strategy. It collaborates closely with key stakeholders, business units, and executive teams to identify growth opportunities, assess market trends, and capitalise on emerging prospects.
3. Manage Group risks: Effective risk management is crucial to safeguarding the Group's assets, reputation, and long-term viability. The Office of the CEO assumes the responsibility of overseeing and managing Group-wide risks. It conducts risk assessments, identifies potential vulnerabilities, and formulates proactive measures to mitigate risks effectively.

Members:

- Group CEO: Hein Engelbrecht
- Group financial director: Shabana Aboo Baker Ebrahim
- Group human resources: Kutlwano Rawana
- Group risk and governance: Ondela Mhlongo
- Group data and technology: Juan Paul Gough
- Mustek Operations managing director: Neels Coetzee
- Rectron CEO: Spencer Chen
- Mecer Inter-Ed managing executive: Gerhard de Beer

Leadership team

Leadership transition and governance update

In the dynamic landscape of the Mustek Group, the past year has been marked by steadfast leadership and prudent governance. The Board has a formal and transparent policy regarding the appointment of directors to the Board. While the appointments are a matter for the Board, the authority to oversee the nomination and to carry out the interview process has been delegated to the Group Remuneration and Nominations Committee. Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. While our Board of directors remains unchanged as at financial year-end, we anticipate an imminent change at the helm. Reverend Mehana, our chairman, will retire at the upcoming AGM. We express our heartfelt gratitude for his dedicated service and contributions throughout his tenure. The process to appoint a new chairman is underway. In the interim, we are pleased to welcome Isaac Mophatlane to the Board as a non-executive director post year-end, effective 1 September 2023.

Rotation and re-election of directors

In accordance with the company's memorandum of incorporation, a director, having been appointed by the Board since the last AGM of the company, is obliged to retire and, being eligible, offers himself/herself for election at the next AGM. Isaac Mophatlane's appointment will be confirmed by shareholders at the AGM to be held on 23 November 2023. In line with the memorandum of incorporation, one-third of the directors are required to retire, and if available and eligible, stand for re-election at the company's AGM. Those directors who have been in office for the longest, as calculated from the last re-election or appointment date, are required to stand for re-election. At the AGM, Hein Engelbrecht and Pamella Marlowe will retire and be eligible for re-election. The professional profiles of Isaac Mophatlane, Hein Engelbrecht and Pamella Marlowe can be found on pages 58 and 59 in the Integrated Annual Report.

Board demographics as at financial year-end

The Mustek Group is committed to fostering a diverse and inclusive Board that reflects the broader society it serves. Our Board demographics, as of the financial year-end, showcase our efforts towards achieving greater representation and diversity.

In terms of gender, we strive for gender balance and aim to have at least 50% representation of each gender. While we have not yet reached our gender diversity target, we remain dedicated to fostering an inclusive environment that encourages more female representation at the Board level.

We recognise that continuous improvement is essential, and we remain committed to enhancing diversity and inclusivity within our Board and across all levels of the organisation. Through ongoing efforts, we aim to create a more representative Board that reflects the dynamic and evolving global landscape.

	Target	Actual	
		Number	Percentage
Race			
ACI	>65%	4	57
White	<35%	3	43
Gender			
Male	50%	4	57
Female	50%	3	43
Age group			
Under 30	N/A	0	0
30 – 50	N/A	3	43
Over 50	N/A	4	57

We recognise that continuous improvement is essential, and we remain committed to enhancing diversity and inclusivity within our Board and across all levels of the organisation. Through ongoing efforts, we aim to create a more representative Board that reflects the dynamic and evolving global landscape.

Governance continued

Our leadership team

Each of our directors brings valuable skills and experience that contribute to the effectiveness of the Board as a whole.

Hein Engelbrecht (54)

Group chief executive officer

Qualifications:
BCom (Hons), CA(SA)

Committees:
Group Social and Ethics Committee

Hein Engelbrecht holds a BCom (Hons), is a registered chartered accountant and joined the Group in 1997 as Group financial manager. He completed his articles with Grant Thornton Kessel Feinstein and spent two-and-a-half years as financial manager of Office Directions Proprietary Limited. He was appointed to the Board on 1 September 2000. After the passing of David Kan, Hein was promoted to Group chief executive officer on 30 June 2022.

Neels Coetzee (48)

Executive director/Mustek Operations: Managing director

Qualifications:
BCom (Hons), CA(SA)

Committees:
Group IT Steering Committee

Neels Coetzee holds a BCom (Hons), is a registered chartered accountant and joined the Group in 2001 as Group financial manager after completing his articles with Deloitte & Touche in 2000. He was appointed to the Board as financial director on 29 August 2008. Neels was appointed as managing director of Mustek Operations effective 5 July 2022.

Shabana Aboo Baker Ebrahim (35)

Group financial director

Qualifications:
BCom Hons (Cum Laude), CA(SA)

Committees:
Group IT Steering Committee

Shabana Aboo Baker Ebrahim is a qualified chartered accountant and holds a Masters in Taxation. She joined the Group in 2020 as Group financial manager and worked with the Group as the audit manager on the Deloitte audit team since 2016. Shabana was previously an Associate Director at Deloitte & Touche. Her experience includes financial management and reporting, auditing, governance and compliance, strategy development and implementation, and taxation.

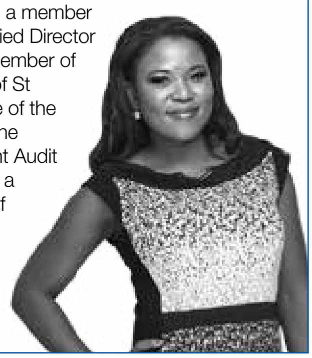
Pamella Marlowe (41)

Independent non-executive director

Qualifications:
CA(SA)

Committees:
Group Audit and Risk Committee (chairman)

Pamella Marlowe is a Founder and Managing Director of DNM Consulting Proprietary Limited and Pamag Incorporated. She holds a Bachelor of Accountancy degree from the University of the Witwatersrand, an HDipTax qualification from Nelson Mandela Metropolitan University and is a registered chartered accountant. She is a registered Tax Practitioner with SARS and a Registered Auditor with IRBA. She is a member of the IoDSA and a Certified Director by the IoDSA. She is a member of the Finance Committee of St Peter's College, a Trustee of the Enviroserv BBOS Trust, the Chairman of the Resultant Audit and Risk Committee and a Non-Executive Director of Resultant Finance.



Shelley Thomas (56)

Independent non-executive director

Qualifications:
CA(SA)

Committees:
Group Audit and Risk Committee, Group Social and Ethics Committee (chairman), Group Remuneration and Nominations Committee

Shelley has over 20 years of experience sitting on boards and oversight committees in the public and private sectors. Her experience includes the head of forensic, compliance, and governance and that of financial director. Shelley previously sat on a regulatory board for 11 years, where she provided regulatory oversight for operating licences.

Vukile Mehana (70)

Non-executive chairman

Qualifications:
BTh, AMP, Top Management Programme Certificate on Public Enterprise, MBA, DPhil, DBA

Committees:
Group Remuneration and Nominations Committee (Nominations chairman)

Vukile Mehana is an ordained minister of the Methodist Church. He is currently the Executive Chairman of Sizwe Africa IT Group. He is a former Chairman of the Governing Council of the University of KwaZulu-Natal, the founder and former Chairman of the Community Schemes Ombud Services (CSOS), a former Chairman of the NHBRC and a former adjunct professor at the University of Cape Town Graduate School of Business. Vukile Mehana holds a BTh from Rhodes University, AMP from INSEAD Business School (France), Top Management Programme Certificate on Public Enterprises from the National University of Singapore, MBA from De Montfort University (UK) with DPhil from the University of Johannesburg and a DBA from the Commonwealth University.

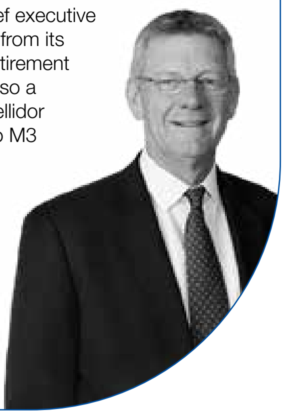
Ralph Patmore (71)

Lead independent non-executive director

Qualifications:
BCom, MBL, Stanford Executive Programme

Committees:
Group Audit and Risk Committee, Group Social and Ethics Committee, Group Remuneration and Nomination Committee (Remuneration chairman)

Ralph Patmore was appointed to the Board on 16 October 2009. He holds a BCom and an MBL from Unisa's School of Business Leadership. He was the chief executive officer of Iliad Africa Limited from its inception in 1998 until his retirement in September 2008. He is also a non-executive director of Trellidor Holdings Limited and Calgro M3 Holdings Limited.



Isaac Mophatlane (50)

Independent non-executive director

Qualifications:
IT entrepreneur

Effective appointment:
1 September 2023 (post year-end)

Isaac Mophatlane is the co-founder and a shareholder and director of the Randvest Group, a private investment firm that specialises in strategic investments in technology companies. Isaac co-founded BCX in 1996, which was sold to Telkom in 2016, thereby creating one of the leading African information and communications technology (ICT) companies. Isaac has extensive insight into the technological developments and challenges facing companies such as Mustek. He is an independent non-executive director of Pepkor Holdings.

Governance continued

Board independence as at financial year-end

The Mustek Group places significant emphasis on ensuring a balanced and independent Board, critical to effective governance and decision-making. As of the financial year-end, our Board composition reflects a commitment to independence.

Tenure diversity is also a priority for the Mustek Group, as we aim to maintain a Board with a mix of experience levels – our long-term Board members bring extensive institutional knowledge and experience, balanced by newer Board members' fresh insights and ideas.

Our commitment to Board independence and tenure diversity enables a collaborative and balanced decision-making process, enhancing the effectiveness of the Board's oversight and governance functions. We continuously evaluate and refine our Board composition to ensure a dynamic and responsive governance structure that aligns with the evolving needs of the Mustek Group and its stakeholders.

	Actual	
Metric	**Number**	**Percentage**
Independence		
Executive	3	43
Non-executive	4	57
Independent	3	43
Tenure		
<3 years	3	43
>3 years but <9 years	1	14
>9 years	3	43

Our commitment to Board independence and tenure diversity enables a collaborative and balanced decision-making process, enhancing the effectiveness of the Board's oversight and governance functions. We continuously evaluate and refine our Board composition to ensure a dynamic and responsive governance structure that aligns with the evolving needs of the Mustek Group and its stakeholders.

Leadership roles and functions

The chairman

The chairman's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focused and operates as a unit. Vukile Mehana is a non-executive chairman and his role is separate from that of the Group chief executive officer, Hein Engelbrecht. Vukile Mehana provides overall leadership to the Board and the Group chief executive officer without limiting the principle of collective responsibility for Board decisions. Ralph Patmore is appointed as lead independent and supports the chairman with matters where he is conflicted.

Group chief executive officer

The Board appoints the chief executive officer to lead and implement the execution of the approved strategy.
Hein Engelbrecht serves as the link between management and the Board and is accountable to the Board. Quarterly progress reports are received from the Group chief executive officer on the progress made against the implementation of the strategy.
The Group Remuneration and Nominations Committee evaluates the performance of the Group chief executive officer against approved targets on an annual basis.

Group company secretary

The Group company secretary plays a vital role in the corporate governance of the Group and is responsible for ensuring Board compliance with procedures and regulations of a statutory nature. The Group company secretary ensures compliance with the JSE Listings Requirements and is responsible for submitting the annual compliance certificate to the JSE Limited.

The Group company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the Board and its members and the company itself are properly administered. The Board satisfied itself regarding Sirkien van Schalkwyk's work experience, performance, technical skills and overall competence in fulfilling her role as Group company secretary at the Board meeting on 14 September 2023 (during which time she was excused from the meeting). She is a consultant and maintains an arm's length relationship with the Board. She reports to the chairman on all statutory duties and functions performed relating to the Board.

The Group company secretary's primary responsibilities are to:
- ensure that Board procedures are followed and reviewed regularly
- ensure applicable rules and regulations for the conduct of the affairs of the Board are complied with
- maintain statutory records in accordance with legal requirements
- guide the Board as to how its responsibilities should be properly discharged in the best interest of the company
- keep abreast and inform the Board of current and new developments regarding best practice corporate governance thinking and practice.

The Board's role in sustainability

The Board plays a crucial role in setting the direction and tone for considering sustainability-related impacts, risks, and opportunities in the Mustek Group. The following teams or individuals are responsible for overseeing sustainability-related issues:

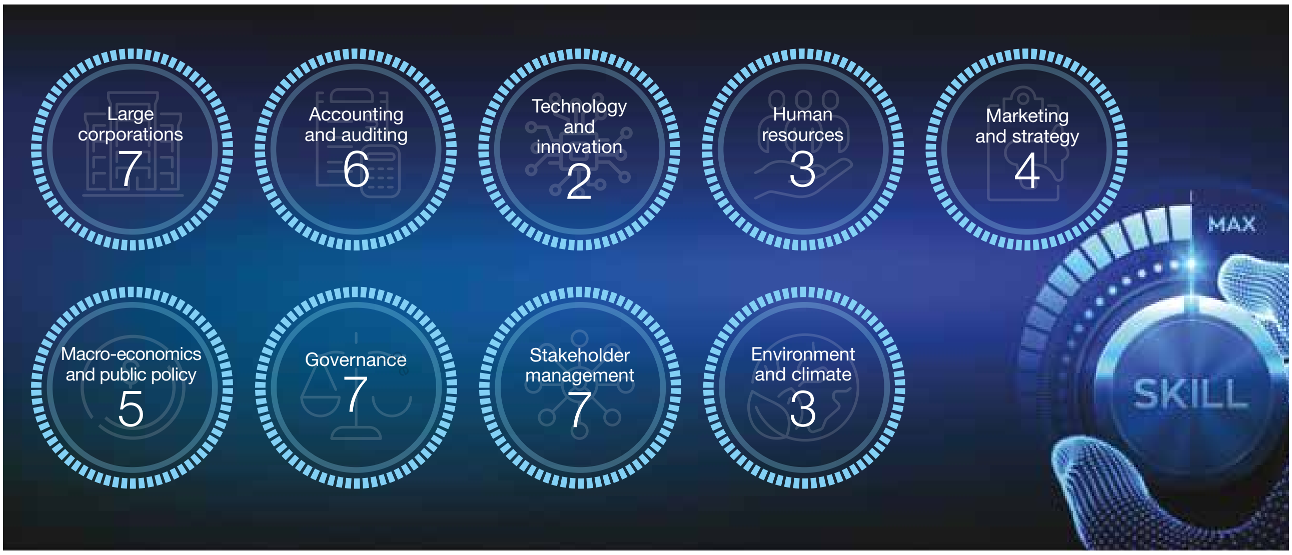
1. Board of directors: The Board of directors is ultimately responsible for the oversight of sustainability-related matters. It sets the strategic direction and tone, emphasising the importance of considering ESG factors in the Mustek Group's business operations. The Board ensures that sustainability is embedded in the Group's culture and aligned with its long-term goals.
2. Social and Ethics Committee: The Social and Ethics Committee focuses on overseeing sustainability-related issues. This committee typically includes independent directors with expertise in sustainability and ethics. Its role is to review and assess the Mustek Group's sustainability performance, policies, and practices. As part of the committee's agenda, it regularly discusses "Ethical risks and opportunities", which encompasses various sustainability aspects.
3. Agenda item: "Ethical risks and opportunities" is a standard agenda item at Social and Ethics Committee meetings, to delve into non-financial sustainability matters. Under this agenda item, discussions may cover important aspects such as employment equity (EE), skills development, Corporate Social Investment/Socio-Economic Development (CSI/SED), Fraud management (through an anonymous reporting line), Safety, Health, Environment, and Quality (SHEQ).

The Board's dedication to effective ESG risk management is evident through its dedicated Social and Ethics Committee and regular discussions on sustainability-related matters. Currently, the Executive directors' bonuses include 20% based on discretionary KPIs, but there is growing discussion around tying a portion of these incentives to ESG criteria.

Commitment to the governance principles set out in King IV

The Board remains committed to the principles of King IV and ensures that its recommendations are materially entrenched into the Board's internal controls, policies, terms of reference and overall procedures and processes. A King IV application register, setting out how the company has applied the principles of King IV, is available on our website, https://mustek.co.za/company/#profile

Board skills



Custodians of governance

The Board accepts its responsibility as the custodian of corporate governance within the Group and is therefore accountable to stakeholders to provide value-enabling governance. The Board is constituted in terms of the company's memorandum of incorporation and in line with King IV. Most of the Board members are independent non-executive directors who bring diversity to Board deliberations and create value by constructively challenging management.

A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers. A Group delegation of authority framework is in place and regularly reviewed to ensure the necessary authority is delegated to management to implement and execute the strategy. The Board is satisfied that the Group delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Board is the highest decision-making body in the Group. It approves the Group's strategy and ensures that it is aligned with the Group's values. The Board assumes collective responsibility for steering and monitoring strategy implementation and performance targets, as well as any risks involved in the implementation of the strategy.

It is collectively responsible for the Group's long-term success. The Board is accountable to shareholders and strives to balance the interests of the Group and those of its various stakeholders. All directors are continuously taking steps to ensure that they have sufficient working knowledge of the Group and industry within the triple context in which it operates.

Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making. The directors have access to the advice and services of the Group company secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors.

Compliance with applicable laws, regulations and governance practices

The decisions and actions taken by the Board ensure that the company subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Group Social and Ethics Committee with financial compliance overseen by the Group Audit and Risk Committee. During the financial year, the company was fully compliant with the requirements of the company's memorandum of incorporation, the Companies Act and JSE Listings Requirements.

Governance continued

Committee meeting attendance

Name	Classification	Board attendance 1 was strategy session	Audit and Risk Committee 1 was a special meeting	Remuneration and Nominations Committee	Social and Ethics Committee
			Committee membership and attendance		
Non-executive director					
Vukile Mehana	Non-executive Board chairman	5/5		2/2	
Independent non-executive directors					
Ralph Patmore	Lead independent non-executive director	5/5	5/5	2/2*	4/4
Shelley Thomas	Independent non-executive director	5/5	5/5	2/2	4/4*
Pamella Marlowe	Independent non-executive director	5/5	5/5*		
Executive directors					
Hein Engelbrecht	Group chief executive officer	5/5			4/4
Neels Coetzee	Executive director	5/5			
Shabana Aboo Baker Ebrahim	Group financial director	5/5			

* *Chairman*

Transparency

Transparency and accountability are integral to the Mustek Group's commitment to best practices. Throughout the reporting period, we received no information requests under the Promotion of Access to Information Act.

To avoid conflicts of interest, directors declare their interests annually and are recused from decisions or discussions linked to those matters.

To foster clear and comprehensive disclosure, the Board entrusts the Audit and Risk Committee with the oversight of its communication activities, including this Integrated Annual Report.

In terms of reporting frameworks and standards, management's determination is thoughtfully reviewed and approved by the Board, considering the report's intended audience and purpose. The Board endorses the use of relevant frameworks, such as the JSE Sustainability Disclosure Guidance, to uphold accuracy and appropriateness in our reporting.

To ensure the integrity of our external reports, including this Integrated Annual Report, the Board empowers the Audit and Risk Committee to assess the scope and type of assurance of sustainability-related controls and information. This commitment ensures the robustness and credibility of our reporting process.

Whistle-blowing and grievances

The Mustek Group places a strong emphasis on promoting ethical behaviour and organisational integrity through various internal and external mechanisms. To encourage reporting of unethical or unlawful behaviour, the company has established a confidential Whistle-blowing Line, providing employees and stakeholders with an anonymous channel to raise concerns. Seeking advice on ethical and lawful behaviour is facilitated through Labournet and the HR department, offering employees a trusted source for guidance on ethical dilemmas and legal compliance matters.

To combat corruption and improve the broader operating environment, the Mustek Group actively engages with stakeholders through whistle-blowing awareness campaigns and collaborative efforts with industry peers, regulatory bodies, and civil society organisations. These initiatives aim to foster a culture of transparency, encourage reporting, and promote integrity throughout the organisation.

Anti-bribery and anti-corruption compliance

There were no recorded instances of corruption during FY23. All Mustek Group employees are made aware of and have access to our anti-bribery, anti-corruption and anti-fraud policies as part of the induction process.

Lobbying and political contributions

During the reporting period, the Mustek Group did not make any financial or in-kind political contributions, either directly or indirectly.

The Group policy regarding anti-bribery and anti-corruption compliance underwent a thorough review during the year. As part of the review process, the Group's approach to political donations and whether they should be permitted came under scrutiny. Currently, the policy allows for the consideration of political donations, subject to approval by the Board.

In response to the discussion, it was agreed that management would take the lead in developing a template to guide the decision-making process for political contributions. This template will encompass essential elements and factors to ensure a structured and transparent approach when evaluating any potential political donations. This proactive measure aligns with the Mustek Group's steadfast commitment to ethical conduct and integrity in all aspects of its business operations. The ongoing dialogue and careful consideration reflect the Group's dedication to upholding the highest standards of corporate governance and transparency.

Fines and monetary losses

As of the reporting period, the Mustek Group did not suffer any fines, settlements, penalties, or other monetary losses in relation to ESG incidents or breaches. There were no financial losses incurred because of any such incidents or violations during this time.

Internal auditors

The Audit and Risk Committee has diligently evaluated the shortlist of potential internal auditors and has recommended the appointment of Nexia SAB&T as the internal auditors of the Mustek Group. The Board has approved this appointment, effective November 2022.

Nexia SAB&T, a reputable firm known for its excellence in auditing services, brought its expertise and impartiality to strengthen our company's internal controls, enhance financial reporting processes, and fortify overall risk management. Their independent perspective will ensure transparency and compliance, fostering confidence among our stakeholders. We are confident that this collaboration will further our commitment to sound corporate governance and support our journey towards sustained success.

Group Remuneration and Nominations Committee report

This report comprises three sections:
- **PART I:** Matters considered by the Remuneration and Nominations Committee
- **PART II:** Remuneration policies and principles for the shareholders' vote at the AGM
- **PART III:** Implementation report of the remuneration policy.

Part I: Report from the Group Remuneration and Nominations Committee

In reviewing the committee's composition during the year, it was decided that, due to the size of the company, the Group Remuneration and Nominations Committee will remain one committee.

Appointment of directors to the Board

Apart from a candidate's experience, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The Group Remuneration and Nominations Committee also considers race and gender diversity in its assessment, in line with its gender and race diversity policy, and voluntary targets were confirmed during the reporting period.

The targets were reviewed during the reporting period and have not been changed. One African black male was appointed on 1 September 2023.

Group Remuneration and Nominations Committee members

The chairman of the Board is not eligible for appointment as chairman of the committee, but will preside as chairman when the committee fulfils its oversight responsibilities on nomination matters. The process to appoint Isaac Mophatlane to the Board was chaired by Ralph Patmore, the lead independent non-executive director.

Role of the Group Remuneration and Nominations Committee

The Group Remuneration and Nominations Committee has reviewed the terms of reference, approved by the Board, setting out its duties and responsibilities.

The committee:
- assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on a Group-wide basis
- approves a remuneration policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration
- ensures the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM of shareholders once every year
- considers the results of the performance evaluation of the Group chief executive officer, executive director (Mustek Operations: managing director) and Group financial director, both as directors and as executives, in determining remuneration
- recommends to the Board the remuneration of non-executive directors for approval by shareholders
- determines the policy and scope of pension arrangements, employment contracts, termination payments and compensation commitments and makes recommendations to the Board on these benefits for executive directors
- reviews market trends and reputable survey results in determining such packages and arrangements
- regularly reviews the incentive scheme to ensure continued contribution to shareholder value and that these are administered in terms of the rules
- assumes responsibility for its composition by setting the direction and approving the process for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities
- make recommendations to the Board on the appointment of the Group chief executive officer, new executives and non-executive directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive directors appointed to the Board and committees with the majority being non-executives
- regularly reviews the Board structure, size, composition and mix of skills and experience and makes recommendations to the Board with regard to any adjustments that are deemed necessary
- sets targets for race and gender representation in its membership for recommendation to the Board
- establishes arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity for recommendation to the Board
- prior to appointing a candidate as a director of the company, reviews his/her current commitments to ensure he/she will have sufficient time to fulfil the role as director
- ensures succession plans for the Group chief executive officer and Group financial director as well as senior management appointments are developed and implemented and confirmed by the Board.

Committee evaluation

The committee conducted a condensed self-evaluation by way of questionnaires to identify the focus areas for the current financial year. The results were that the performance of the committee was satisfactory. The focus areas for the current reporting period and the results thereof are included in the table below:

Focus area	Measurement	Achieved	Comment
Develop a Group focus and review the Group chief executive officer and Group financial director job profiles with regard to these changes	• Review and update the Group chief executive officer and Group financial director profiles • Implementation of the Office of the CEO • Implementation of Group policies	√	For more information about the Office of the CEO refer to page 57
Continue with focus on succession planning for executive directors and ensure that succession plans are in place for other businesses in the Group	• Develop individual plans for candidates identified as part of the succession plan and monitor	√	
Greater focus on non-financial targets in performance evaluations	• Formalise and agree on non-financial targets that will form part of the short-term incentive structure going forward	√	Refer to page 66 for the short-term incentive structure

The following focus areas were identified for monitoring by the committee for the FY24 reporting period:

- implement non-financial targets under the discretion component of the short-term incentive targets
- agree on the principles of bonus payments throughout the Group, ensuring that their performance is linked.

Ralph Patmore
Group Remuneration and Nominations Committee chairman

4 October 2023

Group Remuneration and Nominations Committee report continued

Part II: Remuneration policy

Background statement

The Group's remuneration policy aims to attract, retain and motivate skilled and performing employees to execute the Group's strategy. The remuneration philosophy and framework are predominantly guided by the business strategy. During the reporting period, the remuneration policy and framework were enhanced in line with King IV in a conscious effort to give effect to the principles of fair, responsible and transparent remuneration.

Employee remuneration, particularly fixed guaranteed remuneration, is a significant component of the Group's total operating cost. Remuneration is structured to be competitive and relevant in the sectors in which the Group operates. Variable remuneration, which pertains more strongly to senior tiers, rewards good performance but also has the advantage of serving as an automatic cost reduction mechanism when returns are under pressure.

General employees' remuneration

The total remuneration mix for the general body of employees consists of guaranteed pay and benefits (fixed guaranteed remuneration) as well as a short-term bonus award. Fixed guaranteed remuneration is monitored and benchmarked on a regular basis. General adjustments to guaranteed pay are effective from 1 July each year. Annual increase parameters are set using guidance from Group budgeting processes, market movements, individual performance, the performance of the business and any other relevant factors. Increases above or below inflation depend on the factors set out above.

Mustek pays short-term bonuses aligned to best practice. Bonuses depend on the performance of the individual and of the business in which they are employed.

Other benefits include pension fund membership, medical aid membership, death and disability insurance, funeral cover and in some cases travel allowances or the use of company-owned vehicles. Mustek considers the provision of these benefits to be socially responsible employment practice

Executive remuneration

Executives are responsible for leading others and taking significant decisions about the short and long-term operation of the business, its assets, funders and employees. They require specific skills and experience and are held to a higher level of accountability. The Group's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Group's strategy to ensure sustainability of the Group and optimise long-term stakeholder value.

The total remuneration mix consists of guaranteed pay and benefits (fixed guaranteed remuneration) and short and long-term incentives. The ratios within the remuneration mix differ depending on seniority levels and responsibilities. The Group's remuneration structure for senior management, including the executive directors, has three elements:

- fixed guaranteed remuneration on a cost-to-company basis
- short-term performance-related remuneration, based on annual results and the achievement of non-financial objectives
- long-term (three years) remuneration linked to share price appreciation and therefore long-term value-adding performance.

To ensure remuneration is market-related, all elements of remuneration are subject to regular benchmarking exercises.

The committee believes that the remuneration policy aligns executive's interests with those of the stakeholders by promoting and measuring performance that drives long-term sustained benefits.

Guaranteed packages

Following established best market practices, salaries are set with reference to the scope and nature of an individual's role and his or her performance and experience, compared with the 25th to 75th quartile pay levels of South African companies to ensure sustainable performance and market competitiveness. Employees receive guaranteed packages, which might include membership to one of the Group's medical healthcare schemes and a travel or vehicle allowance for necessary business travel.

In discharging its duties, the committee considers various factors, including general economic and business conditions, past and expected performance of the Group, the inflation outlook, the employment market conditions and trends and, importantly, the pay gap that exists in the Group and the business sector generally. Where considered necessary, the committee seeks the advice of experts regarding these factors, particularly concerning conditions of employment, fair pay and trends.

Over the past couple years, the Group's response to the pay gap issue has been to grant higher average salary increases to lower-paid employees than to their more senior colleagues. The Remuneration and Nomination Committee monitors progress in managing the pay gap in the Group. During 2023, the committee obtained assurance on outliers on both sides of the salary increase scale with a view to ensuring that no prejudice or favouritism took place in the process. The committee also received confirmation that there are no instances of non-compliance with minimum wage requirements.

Employees' guaranteed remuneration is reviewed and after a recommendation to the Board, implemented effective from July 2023. An average increase of 6.5% was implemented, subject to performance evaluations. The Consumer Price Index (CPI) was an important metric in determining these increases.

Short-term incentive (STI)

The executive directors and executive management of the subsidiaries are appraised against a clear set of objectives and key performance indicators to ensure they are remunerated fairly and responsibly. Executive directors and executive management of the subsidiaries are measured and remunerated according to their alignment, achievement and contribution to the Group's strategy and financial performance.

The committee may from time to time consider discretionary bonuses for individuals where no STIs have been earned. All payments in terms of the quantitative portion of the STI scheme are based on audited year-end results. The bonus paid out therefore always relates to the results of the previous year.

For the year ending 30 June 2024, weighting for STIs will be as follows:

- 20% return on equity (ROE)
- 40% headline profit before tax (PBT)
- 20% working capital management
- 20% agreed non-financial strategic objectives.

These components would be scored as follows:

ROE

- ROE < 9.5% = score of 0% and only the discretionary portion of the incentive will qualify
- ROE of 9.5% = score of 50%
- ROE between 9.5% and 13.5% = score is calculated on a sliding scale ranging between 50% and 100%
- ROE > 13.5% = score of 100%.

PBT

IFRS 2 variations to the budget would be added back since it is determined by share price movements:

- < budget = score of 0%
- on budget = score of 50%
- 5% above = score of 75%
- 10% above = score of 100%.

Working capital

- if the average cash conversion cycle for the year is equal to the target set for each of the subsidiaries, a score of 50% would be achieved for this component
- if the average cash conversion cycle for the year is below 3% of the target set for each of the subsidiaries, a score of 75% would be achieved for this component
- if the average cash conversion cycle for the year is below 5% of the target set for each of the subsidiaries, a score of 100% would be achieved for this component.

The cash conversion cycle is expressed in days and calculated as follows:

Receivable days = [trade and other receivables/annualised revenue] 365

ADD

Inventory days = (total inventory/annualised cost of sales) 365*

LESS

Payable days = [trade payables (excluding trade finance)/ annualised cost of sales] 365

The above will be calculated on a quarterly basis and the average score for the year will be used to determine the average days for the year.

The Group executive directors, Rectron chief executive officer and Mecer's Inter-Ed managing executive can earn up to 100% of their annual cost-to-company guaranteed packages as bonuses. The Rectron executive directors and Mustek and Mecer Inter-Ed Executive Committee members can earn up to 50% of their annual cost-to-company packages as bonuses.

The executive teams of the various businesses will be measured on their performance in terms of their business: 20% of the bonus of the Mustek Operations: managing director, the Rectron chief executive officer and the Mecer Inter-Ed managing executive will be based on the Group's performance; and 80% will be based on their individual business' performance. The Group chief executive officer and Group financial director's bonus calculation would be based on the Group's performance.

Long-term incentive (LTI)

The LTI plan forms part of the variable compensation and is used to attract, retain and motivate employees who influence the long-term sustainability and strategic objectives of the Group. The purpose is to foster sustainable performance or value creation over the long term, which is aligned to the Group's strategy and enhances stakeholder value. Its main characteristic is to deliver value over a future vesting period, once performance criteria are met or exceeded.

The directors may, on an annual basis or from time to time, grant share appreciation rights (SARs) to employees selected by the Group Remuneration and Nominations Committee. The Group Remuneration and Nominations Committee shall determine the number of SARs. The price at which SARs may be granted will be the weighted average market price of the ordinary shares of the company on the JSE, as certified by the Group company secretary, for the June trading days each year. All SARs granted will remain in force for a period of six months after vesting. SARs may only be exercised by an employee or retired employee subject to the achievement of certain performance hurdles that may be determined by the directors from time to time.

The price at which SARs may be exercised will be the weighted average market price of the ordinary shares of the company on the JSE, for the 30-calendar days immediately preceding that on which the employee is exercising the option. Upon exercising the SARs, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of SARs, less any tax that may at that time be applicable to such a cash bonus. The maximum payment per tranche is capped at 10% of the latest published 12-month EBITDA. This cap is reviewed annually.

Details of the benefits held by the executive directors under the existing LTI schemes are detailed in note 30 of the annual financial statements.

Non-executive directors

It is the Group's policy to identify, attract and retain non-executive directors who can add value to the Group. The Board applies principles of good corporate governance relating to directors' remuneration and also keeps abreast of changing trends.

Governance of directors' remuneration is undertaken by the committee. The committee takes cognisance of market norms and practices as well as additional responsibilities placed on the Board members by new legislation and corporate governance principles. The fees for non-executive directors are recommended by the committee and will be tabled for approval by the shareholders at the AGM on 23 November 2023.

Non-executive directors receive a retainer for their main Board and committee membership and an attendance fee per meeting attended.

The policy on remuneration for non-executive directors is that this should:

- be market-related
- benchmarked against the fee survey for "small-cap technology" issued by PricewaterhouseCoopers Inc. annually.

Group Remuneration and Nominations Committee report continued

Non-executive directors do not receive bonuses or SARs, as it is recognised that this can create a potential conflict of interest, which can impair the independence that non-executive directors are expected to bring to bear in decision-making by the Board.

Shareholders will be requested to approve an increase of 6% to the director fees as set out in the notice of AGM available on www.mustek.co.za/financial/financial and below:

Board of directors	Chairman	R501 968 annual retainer
	Board member	R129 426 annual retainer R19 160 per meeting attended
Audit and Risk Committee	Chairman	R103 483 annual retainer R24 242 per meeting attended
	Member	R65 482 annual retainer R15 900 per meeting attended
Remuneration and Nominations Committee	Chairman	R76 532 annual retainer R22 472 per meeting attended
	Member	R56 684 annual retainer R15 052 per meeting attended
Social and Ethics Committee	Chairman	R67 814 annual retainer R12 323 per meeting attended
	Member	R13 833 annual retainer R5 936 per meeting attended

Use of external remuneration advisers

From time to time, advice from external remuneration advisers is obtained to ensure that the remuneration policy and our implementation are informed by market-related data, current industry and general best practice remuneration trends. The committee is satisfied that the services rendered by these external advisers were independent and objective. Overall, the committee is satisfied that the remuneration policy achieved its objectives for the past year.

Results of the previous voting on the remuneration policy and voting procedures going forward

Mustek received a 99.97% and 73.74% non-binding advisory vote in favour of its remuneration policy and implementation report, respectively, at the AGM held on 5 December 2022. Shareholders were invited to engage with the Chairman of the Remuneration and Nomination Committee via the Company Secretary. No engagement requests were received.

The remuneration policy (as set out in part II) and our implementation report (as set out in part III) will again be put to shareholders as two separate non-binding advisory votes at the AGM to be held on 23 November 2023.

Part III: Remuneration implementation report

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy detailed on pages 66 to 68.

The Group had no prescribed officers for the financial year. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management over the whole or a significant portion of the business of the company.

Total directors' remuneration

The table below provides an overview of the total remuneration paid to executive and non-executive directors for the financial year ended 30 June 2023:

	2023 R000	2022 R000
Executive directors	27 553	28 060
Non-executive directors	1 998	1 775
Total	29 551	29 835

Executive directors' remuneration

	Basic salary R000	Expense allowances R000	Long service award R000	Bonus and performance related R000	Share appreciation rights exercised R000	Fringe benefit on interest-free loan R000	Total R000
2023	11 187	366	45	8 964	5 979	1 012	27 553
H Engelbrecht	4 863	270	45	4 106	3 279	892	13 455
CJ Coetzee	3 366	96	–	2 492	2 700	120	8 774
S Aboo Baker Ebrahim	2 958	–	–	2 366	–	–	5 324
2022	10 235	637	558	6 355	9 441	834	28 060
DC Kan	3 461	271	552	–	2 320	492	7 066
H Engelbrecht	3 789	270	–	3 613	3 903	288	11 863
CJ Coetzee	2 985	96	36	2 742	3 218	54	9 131

Non-executive directors' remuneration

The participation of non-executive directors in the Group is essential to the Group achieving its strategic objectives, and non-executive directors' fees are therefore recommended by the executive directors and Group Remuneration and Nominations Committee with this in mind.

In accordance with the Companies Act and the company's memorandum of incorporation (MoI), non-executive directors' fees are approved by the shareholders at the AGM. The current fee levels are to be approved by shareholders at the AGM to be held on 23 November 2023 and are stated on page 6 of the notice of AGM available on www.mustek.co.za/financial/.

The total amounts spent on non-executive directors' fees for 2023 and 2022 are as follows:

Non-executive director	2023 R000	2022 R000
VC Mehana	568	512
RB Patmore	487	439
S Thomas	528	449
PM Marlowe	415	375
Total	1 998	1 775

Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors. The Group Remuneration and Nominations Committee reviewed the employment contracts of the Group chief executive officer, Mustek Operations: Managing director, and Group financial director and found them to be still appropriate to meet the needs of the company. The notice period for these executive directors is three months.

Contents

General information

Registered office
322 15th Road
Randjespark Midrand 1685

Auditors
BDO South Africa Incorporated
Chartered Accountants (SA)
Registered Auditors

Secretary
Sirkien Van Schalkwyk

Company registration number
1987/070161/01

Level of assurance
These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Preparer
The annual financial statements were internally compiled by:
Jo-Anne Pieterse
(supervised by Shabana Aboo Baker Ebrahim FD) CA(SA)

Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included therein. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and company, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and company and all employees are required to maintain the highest ethical standards in ensuring the Group and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and company. While operating risk cannot be fully eliminated, the Group and company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The consolidated and separate annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Group and company will not remain a going concern for the next 12 months and the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group and company's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 73 and 74.

The annual financial statements set out on pages 75 to 154, which have been prepared on the going concern basis were approved by the board on 19 September 2023 and were signed on their behalf by:

Approval of financial statements

VC Mehana

H Engelbrecht

The CEO and finance director responsibility statement

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

a) the consolidated and separate annual financial statements set out on pages 84 to 154, fairly present in all material respects the financial position, financial performance and cash flows of Mustek Limited (the issuer) in terms of IFRS;

b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated and separate financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

f) we are not aware of any fraud involving directors.

H Engelbrecht
Tuesday, 19 September 2023

S Aboo Baker Ebrahim
Tuesday, 19 September 2023

Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that for the year ended 30 June 2023, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Sirkien Van Schalkwyk
Company Secretary

19 September 2023

Independent auditor's report

To the Shareholders of Mustek Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Mustek Limited (the Group and company) set out on pages 84 to 114, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit the key audit matter**
Inventory – allowance for obsolescence (this key audit matter relates to the consolidated and separate financial statements) As disclosed in note 18 of the consolidated and separate financial statements, the Group and company carried inventory of R2.8 billion (2022 R2.5 billion) and R1.6 billion (2022: R1.5 billion) respectively as at year-end. An allowance for inventory obsolescence amounting to R109 million (2022: R151 million) and R55 million (2022: R104 million) has been raised in the Group and company results respectively. In terms of IAS 2 Inventories, management assesses the net realisable value and the requirement for write-downs of inventory items at year-end. The Group and company's inventory is vulnerable to obsolescence, as it is subject to constantly evolving technology and products are continuously being replaced by newer products in the market. The allowance for obsolescence is therefore subject to high levels of judgement and estimation uncertainty. We considered the valuation of this allowance to be a matter of most significance to the audit of the financial statements due to the judgements and estimates applied by management in the determination thereof and the nature and quantum of the inventory balances to which the allowance relates.	In evaluating the allowance for inventory obsolescence, we performed various audit procedures, including the following: • assessed the design and implementation of the Group and company's relevant controls relating to the determination of the allowance • obtained calculations for the allowance from management and recalculated the arithmetical accuracy of the calculations • performed year-on-year analytical procedures on obsolescence levels and write-down rates • through discussions with management, obtained an understanding of the inventory obsolescence accounting policy, including methodologies • evaluated the reasonableness of management's assumptions and estimates used in calculating the allowance. Our evaluation involved comparing the assumptions and estimates to the prior year for consistency, and to our knowledge of industry norms. We also assessed the need for the inclusion of specific inventory items in the allowance • using Data Analytics, tested the accuracy of the ageing of inventory, as well as the sales rate of inventory on hand at year-end as these are the primary determinants of the need for the allowance; using Data Analytics, as well as evaluating the age of the inventory, assessed whether adequate allowances were raised on inventory items identified as being sold at a price less than cost • obtained and assessed, through inspection of supporting documentation, management's explanations relating to a sample of inventory items for which a write-down to net realisable value was provided, and considered the reasonableness thereof with reference to sales quantities and prices after year-end • assessed the adequacy of the accounting policy and related disclosures for inventory against the requirements of IAS 2.

Other information

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

Independent auditor's report continued

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

VR de Villiers
Director

Registered Auditor

19 September 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Audit and Risk Committee report

Annual financial statements for the year ended 30 June 2023

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)(f) of the Companies Act No 71 of 2008 (the Act) and incorporating the recommendations of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™*).

In summary, this committee assists the Board in its responsibilities covering the:

- internal and external audit process for the Group taking into account the significant risks
- adequacy and functioning of the Group's internal controls
- integrity of the financial reporting
- risk management and information technology.

The committee has performed all the duties required in section 94(7) of the Companies Act 71 of 2008.

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In reviewing the committee's composition during the year, it was decided that, due to the size of the company, the Audit Committee and Risk Committee would remain one committee and attend to both audit and risk responsibilities. However, the agenda is divided into two separate sections so as to ensure that both audit and risk management responsibilities are attended to.

1. Members of the Audit and Risk Committee and attendance of meetings

There were no changes to the composition of the committee which consists of Pamella Marlowe (chairman), Shelley Thomas and Ralph Patmore, all three independent non-executive directors. The Group chief executive officer, managing director, financial director, partner of the external auditor and the internal auditor attend meetings by invitation and attended all meetings held during the reporting period. The Board is satisfied that the independence, experience and qualifications of each member enables them to fulfil the committee's mandate. In addition to scheduled meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

Four quarterly meetings were held during the reporting period, as well as a special meeting specifically relating to the Enterprise Resource Planning (ERP) implementation. Attendance of the meetings has been included in the integrated annual report.

Name	Position	Qualification	Experience	Meetings attended
Pamella Marlowe	Independent chairman	BAcc, HDip Tax, CA(SA), RA	Over 15 years' experience as a chartered accountant	5/5
Ralph Patmore	Independent member	BCom, MBL, Stanford Executive Programme	Over 30 years' experience in management, strategy, mergers and acquisitions and accounting matters	5/5
Thomas	Independent member	CA(SA)	Over 25 years' experience in financial and risk management	5/5

The committee, as a whole, has the necessary financial literacy, skills and experience to execute their duties effectively.

2. Role of the Audit and Risk Committee

The Audit and Risk Committee reviewed its terms of reference, setting out its duties and responsibilities as prescribed in the Companies Act, King IV and incorporating additional duties delegated to it by the Board. Duties delegated by the Board to the committee included the following:

- assists the Board in overseeing the quality and integrity of the Group's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results
- considers sustainability-related impacts, risks and opportunities
- monitors that an effective control environment in the Group is maintained
- ensure a combined assurance model is applied to provide a coordinated approach to all assurance activities
- provides the financial director, external auditor and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee
- meets with the external auditor, senior managers and executive directors as the committee may elect
- meets confidentially with the internal and external auditors without other executive Board members being present
- reviews and recommends to the Board the interim financial results and annual financial statements
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors
- forms an integral component of the risk management process and, as such, has oversight of the risk management process and reviews the risk management policy, resultant risk registers and action plans to mitigate all key risks
- fulfils the duties that are assigned to it by the Companies Act and as governed by other legislative requirements, including the statutory Audit Committee functions required for subsidiary companies
- report to the Board on the committee's activities and make recommendations to the Board concerning the adequacy and effectiveness of the risk policies, procedures, practices, controls or any other matters arising from its responsibilities
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters

Audit and Risk Committee report continued

- satisfy itself of the appropriateness, expertise, resources and experience of the Group's finance function, and specifically the Group financial director
- consider the most current information provided in respect of the JSE Proactive Monitoring Process
- review IT and fraud risks
- conduct annual reviews of the Audit and Risk Committee's work plan and terms of reference
- assesses the performance and effectiveness of the Audit and Risk Committee and its members on a regular basis.

3. Execution of functions during the year

The committee is satisfied that, for the 2023 financial year, it has performed all the functions required to be performed by an Audit and Risk Committee as set out in the Companies Act, JSE Listings Requirements, King IV and the committee's terms of reference.

The Audit and Risk Committee discharged its functions in terms of its terms of reference and ascribed to it in terms of the Companies Act during the year under review as follows:

3.1 External audit

The committee among other matters:

- nominated BDO South Africa Inc. and Vanessa de Villiers as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2023, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor
- nominated the external auditor and the independent auditor for material Group companies for re-appointment
- requested from BDO South Africa Inc, the formal letter of their latest inspection performed by IRBA on the firm and Vanessa de Villiers, including any findings to the firm and/or individual in line with paragraph 22.15(h) of the JSE Listings Requirements
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures
- obtained an annual confirmation from the auditor that their independence was not impaired
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services
- approved non-audit services that were conducted by BDO South Africa Inc
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

3.2 Internal audit

The committee:

- appointed Nexia SAB&T as the Group's internal auditors
- reviewed and approved the Internal Audit Charter and risk-based annual audit plan and evaluated the independence, effectiveness and performance of the internal audit and compliance with its charter
- noted that the head of internal audit function is not a member of the Executive Committee, but attends meetings by invitation from time to time
- considered the reports of the internal auditor on the Group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

3.3 Adequacy and functioning of the Group's internal controls

The committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and maintenance of effective material control systems.

3.4 Financial reporting

The Audit and Risk Committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the Group. This covers the annual financial statements, integrated annual report, interim and preliminary reporting.

The committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the Board for their approval and then for disclosure to stakeholders
- oversaw that the annual financial statements fairly present the financial position of the company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern
- considered the appropriateness of the accounting policies adopted and changes thereto
- reviewed the external auditor's audit report and key audit matters included

- reviewed the representation letter relating to the annual financial statements which was signed by management
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- considered accounting treatments, significant unusual transactions, and accounting judgements
- considered the 2022 JSE Report on Proactive Monitoring, issued 4 November 2022, and has taken appropriate action to ensure its findings were applied, where appropriate

3.5 Significant areas of judgement

In arriving at the figures disclosed in the financial statements there are many areas where judgement is needed. These are outlined in the critical accounting estimates and judgements in the accounting policies to the annual financial statements. The Audit and Risk Committee has looked at the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement and decided to note the following:

- Inventory valuation in terms of obsolescence.

The net realisable value of each individual inventory item is subject to high levels of judgement and estimation uncertainty.

3.6 Risk management

The committee:

- oversaw the management of risks as per the risk management register
- received quarterly updates in terms of changes in risk ratings
- monitored complaints received via the Group's whistle-blowing service
- reviewed and recommended to the Board for approval the Risk Management Policy and Plan as well as the combined assurance model.

3.7 Information technology

The committee:

- monitored the value delivery on IT and monitored the return on investments on significant IT projects
- monitored that intellectual property contained in information systems is protected
- monitored that adequate business arrangements are in place for disaster recovery
- monitored that all personal information is treated by the company as an important business asset and is identified
- reviewed and recommended to the Board for approval any policies proposed by management and relevant to the areas of responsibility of the committee.

Implementation of the ERP system

Mustek operations went live with its new ERP system, Epicor, on 5 December 2022. The committee:

- obtained quarterly updates on the pre-implementation and post-implementation plan through the IT steering committee
- obtained a system readiness assessment prior to go-live from an independent assurance provider
- oversaw that a thorough risk assessment process was performed on the system
- obtained an assurance review from internal audit on the design and effectiveness of the internal controls surrounding the governance in implementing the ERP, including data migration, post-implementation support and post go-live change management
- ensured management documented lessons learned to improve the roll out of the system to Rectron

3.8 Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- reviewed legal matters that could have a material impact on the Group
- reviewed the adequacy and effectiveness of the Group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities
- monitored complaints received via the Group's whistle-blowing service
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements
- ensured that the Group has a complete and current compliance universe in place.

4. Expertise and experience of financial director and the financial function

As required by 3.84(h) of the JSE Limited Listings Requirements, the committee has satisfied itself that the Group financial director during the period, Shabana Aboo Baker Ebrahim, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the Group's requirements.

The Audit and Risk Committee also considered the implementation of section 3.84(k) and instructed the internal auditors to ensure that all the relevant internal audit controls are in place to sign off as per the statement of section 3.84(k).

5. Election of committee at the annual general meeting

Pursuant to the provisions of section 94(2) of the Companies Act, which requires that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting to be held on 23 November 2023 that Pamella Marlowe, Shelley Thomas and Ralph Patmore be re-appointed as members of the Audit and Risk Committee until the next annual general meeting in 2024.

Audit and Risk Committee report continued

6. Assessment of the committee

The committee conducted a condensed self-assessment to identify the focus areas for the committee. The overall conclusion was that the committee's performance was satisfactory. Feedback on the 2023 focus areas is as follows:

Focus area	Measurement	Achieved	Comment
Full implementation of the Epicor Enterprise Resource Planning (ERP) system	• Obtain a pre-implementation readiness assessment • Obtain assurance on the migration process • Provide oversight on the risk management process, specifically relating to the implementation	√	Refer above for detail on the committee's involvement in the ERP implementation.
Greater attention to assurance activities and synergies between these by Internal and External Auditors as well as entities within the Group	• Approve internal audit plan that is complementary to external audit	In progress	Due to the change in internal auditors during the year and a delay in executing the internal audit plan, reliance on the work of internal auditors by external audit was limited. The committee will continue focusing on ensuring further collaboration between assurance providers.
Implementation of data analytics strategy and how data analysis could be used for risk assessment and control	• Develop a data analytics strategy	X	Due to the implementation of the new ERP system, this focus area was pushed out and forms part of the board focus on the overall IT strategy.
Focus on protecting the company in terms of cybersecurity	• Ensure the company is adequately insured for cybersecurity breaches • Monitor cybersecurity and security-related risks and control	√	This was achieved.

The following focus areas for the 2024 financial year were identified for monitoring by the committee:

- Stabilisation of the ERP and related internal controls;
- Provide more oversight over the work of internal audit; and
- Focus on cash flow per material subsidiary of the Group.

7. Integrated annual report

Following the review by the committee of the consolidated annual financial statements of Mustek Limited for the year ended 30 June 2023, the committee is of the view that they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards in all material aspects and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

8. Recommendation of the annual financial statements for approval by the board

Having achieved its objectives, the committee has recommended the annual financial statements for the year ended 30 June 2023 for approval to the Board.

The Board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

UMarlowe

Pamella Marlowe
Chairman Audit and Risk Committee

19 September 2023

Directors' report

The directors present their report on the annual financial statements of Mustek Limited and the Group for the year ended 30 June 2023.

1. Review of financial results and activities

Mustek Limited is a company incorporated in South Africa and listed on the JSE Limited and the Group's major activities comprise the procurement, assembly, distribution and servicing of computers, computer components and allied products. The Group's profit before taxation was R292.7 million (2022: R322.1 million).

In a challenging economic landscape compounded by the fragility of our electricity supply, The Mustek Group has demonstrated resilience and double-digit revenue growth despite the adverse conditions.

Our investment in new product lines such as cloud and cybersecurity solutions, networking equipment and sustainable energy have contributed meaningfully to both revenue and profit. The Group continues to carefully evaluate opportunities to add additional products to its offering to better utilise infrastructure and benefit from economies of scale.

Mustek has largely succeeded in asserting itself as an end-to-end ICT and sustainable technology solutions provider required for a changing world. In conjunction with strategic partners from across the ICT industry, Mustek is well-positioned for the forthcoming years.

Full details of the financial position, results of operations and cash flows of the Group and company are set out in these consolidated and separate annual financial statements.

The Group confirms that it has adopted HEPS and EPS as a measure for its trading statements.

2. Share capital

	Number of shares	
	2023	2022
Authorised		
Ordinary shares	**250 000 000**	250 000 000

			Number of shares	
	2023 R000	2022 R000	**2023**	2022
Issued				
Ordinary shares	**–**	–	**57 540 000**	59 000 000

Refer to note 21 of the consolidated and separate annual financial statements for detail of the movement in issued share capital.

Directors' report continued

3. Shareholder's spread

At 30 June 2023, insofar as is known, the following shareholders beneficially held more than 5% of the issued share capital of Mustek Limited:

Shareholding – ordinary shares in issue	Number of shares	% of shares in issue
DK Trust	9 532 422	16.6
Old Mutual Life Assurance Company SA Limited	6 533 171	11.4
Mustek Electronics Properties Proprietary Limited	3 685 605	6.4
	19 751 218	34.4

2023	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5000	4 333	93.6	1 555 074	2.7
5001 – 10 000	118	2.5	914 853	1.6
10 001 – 50 000	112	2.4	2 389 919	4.2
50 001 – 100 000	16	0.4	1 224 373	2.1
100 001 – 1 000 000	31	0.7	9 609 094	16.7
Over 1 000 000	18	0.4	41 846 687	72.7
	4 628	100.0	57 540 000	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% of shares in issue
Non-public shareholders				
Directors of the company	2	–	2 638 743	4.6
Trusts with directors as trustees	1	–	9 532 442	16.6
Public shareholders	4 625	100.0	45 368 815	78.8
	4 628	100.0	57 540 000	100.0

3. Shareholder's spread continued

At 30 June 2022, insofar as is known, the following shareholders beneficially held more than 5% of the issued share capital of Mustek Limited:

Shareholding – ordinary shares in issue	Number of shares	% of shares in issue
DK Trust	9 532 422	16.2
Old Mutual Life Assurance Company SA Limited	6 533 171	11.1
Peresec Prime Brokers Proprietary Limited	4 152 662	7.0
Mustek Electrsonics Properties Proprietary Limited	3 685 605	6.2
	23 903 880	40.5

2022	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5000	4 180	93.3	1 593 860	2.7
5001 – 10 000	126	2.8	992 064	1.7
10 001 – 50 000	111	2.5	2 443 803	4.1
50 001 – 100 000	16	0.4	1 236 392	2.1
100 001 – 1 000 000	29	0.6	9 270 182	15.7
Over 1 000 000	17	0.4	43 463 699	73.7
	4 479	100.0	59 000 000	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% of shares in issue
Non-public shareholders				
Directors of the company	2	–	2 550 000	4.3
Trusts with directors as trustees	1	–	9 532 442	16.2
Public shareholders	4 476	100.0	46 917 558	79.5
	4 479	100.0	59 000 000	100.0

Directors' report continued

4. Authority to buy back shares

Mustek acquired 1 460 000 (2022: 7 000 000) ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R21.9 million (2022: R98.0 million) (the general repurchase). The general repurchase was effected in terms of a general authority to Mustek's directors (the directors), which was granted in terms of special resolutions passed by the members at Mustek's annual general meeting (AGM) held on 05 December 2022. The share repurchase comprised 2.47% of the total issued ordinary shares of Mustek at the date of the 2022 AGM.

The general repurchase was carried out between 22 December 2022 and 28 December 2022 and in accordance with the JSE Limited (JSE) Listings Requirements. The company confirms that the repurchases were effected through the order book operated by the JSE and done without any prior understanding or arrangement between the company and the counterparties. Mustek paid an average of 1 497 cents per share for all the ordinary shares repurchased. Shares purchased were cancelled and de-listed.

5. Dividends

The company's dividend policy is to consider a final dividend in respect of each financial year in conjunction with an evaluation of current and future funding requirements and opportunities to repurchase shares. It will be adjusted to levels considered appropriate at the time of declaration. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

A final dividend of 76 cents per ordinary share was declared on 13 September 2022 and paid on 10 October 2022. During the previous financial year, a final dividend of 90 cents per ordinary share was declared on 6 October 2021 and paid on 11 October 2021.

A gross dividend of 77 cents per ordinary share was declared as follows after the end of the financial year:

Dividend declaration date	19 September 2023
Last day of trade cum dividend	10 October 2023
First day to trade ex-dividend	11 October 2023
Record date	13 October 2023
Payment date	16 October 2023

6. Directorate

The directors in office during the year and at the date of this report are as follows:

Directors	Office	Designation	Changes
VC Mehana	Chairman	Non-executive	
PM Marlowe		Non-executive Independent	
RB Patmore		Non-executive Independent	
S Thomas		Non-executive Independent	
I Mophatlane		Non-executive Independent	Appointed 1 September 2023
H Engelbrecht	Chief Executive Officer	Executive	
CJ Coetzee	Managing Director	Executive	
S Aboo Baker Ebrahim	Finance Director	Executive	Appointed 5 July 2022

Changes in responsibilities

Effective 30 June 2022, Hein Engelbrecht was appointed Group Chief Executive Officer after the passing of Mustek's founder, David Kan.

Neels Coetzee was appointed as Managing Director of Mustek Limited, effective 5 July 2022, replacing Hein in the role. Effective 5 July 2022, Shabana Aboo Baker Ebrahim was appointed as Group Financial Director to replace Neels.

7. Investments in subsidiaries, associates and other loans

The following matters are highlighted with regards to the investments in and loans to subsidiaries, associates and other loans (refer to notes 15, 16 and 17 to the annual financial statements for more information):

Zaloserve Proprietary Limited:

The Group increased their shareholding from 36.1% back to 40% in Zaloserve Proprietary Limited (Zaloserve), the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe). The Group sold 3.9% of Zaloserve to Zaloserve Management Proprietary Limited, a company owned by Sizwe's management team, for a total consideration of R11.0 million on 30 June 2021. On 8 July 2022 it was resolved that the agreement would be cancelled and the transaction reversed.

A R24.3 million loss from Zaloserve was equity accounted in 2023. Zaloserve was negatively impacted by operational challenges and irregular expenditure incurred by employees of Zaloserve's 100% held subsidiary, Sizwe Africa IT Group Proprietary Limited.

Yangtze Optics Africa Holdings Proprietary Limited:

Yangtze Optics Africa Holdings Proprietary Limited (YOA) is located at the Dube Trade Port in Durban and Mustek is a 25.1% shareholder of YOA. The other shareholders are Yangtze Optical Fibre and Cable Joint Stock Limited Company and Yangtze Optical Fibre and Cable Company (Hong Kong) Limited, the world's largest manufacturers of optical fibre cables. The Group's share of profits equity accounted in 2023 was R10.0 million (2022: R4.8 million). They continue to grow their revenue and management believes that the company will continue to contribute profitably to the Group's bottom line.

Loans to executive management

During previous financial years, Mustek Limited shares were issued to members of the executive management of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the staff members in terms of the rules of the trust deed. The trust deed provides that the board of directors determine the interest rate. Until 31 August 2017, interest was charged at the South African Repo rate plus one percent whereafter the loans became interest-free. As at year-end the carrying amount of these loans was R36.7 million (2022: R40.4 million) of which R13 million have no fixed repayment terms. The balance, R23.7 million, owing by the late DC Kan became payable after his passing in May 2022. Pending finalisation of his estate. Settlement is expected in the next 12 months. The loan has been disclosed as a current receivable. The carrying amount of these loans are stated after impairment in terms of IFRS 9 Financial Instruments.

8. Special resolutions

During the current financial year, the following special resolutions were passed by the company's shareholders:

- A general authority was given to the board to repurchase shares in the company subject to the requirements of the Companies Act of South Africa. This authority was given in terms of a special resolution passed at the AGM held on Monday, 5 December 2022.
- With effect from 5 December 2022, the remuneration payable to non-executive directors applicable for a period of 12 months.
- In accordance with section 45 of the Companies Act, the provision of any financial assistance by the Company to any Company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the directors of Mustek may determine.

9. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date.

10. Legal disputes

The Group and company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business.

Insurance settlement

With reference to the insurance settlement dispute that was disclosed in the previous financial year a settlement was reached with Mutual & Federal Risk Financing Limited ("M&FRF") and One Insurance Underwriting Managers (Pty) Ltd ("Onesure") in respect of legal action instituted by Mustek Limited, that Mustek Limited would be paid R10 million (VAT inclusive) in settlement of its claim against such parties. This settlement was paid and accounted for in the current financial period.

Save as recorded above, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened that may have a material effect on the financial position of the Group and company.

11. Auditors

BDO South Africa Incorporated continued in office as auditors for the company and its major subsidiaries for 2023.

At the AGM, the shareholders will be requested to reappoint BDO South Africa Incorporated as the independent external auditors of the company and to confirm Ms VR de Villiers as the designated lead audit partner for the 2024 financial year.

12. Secretary

The company secretary is Sirkien Van Schalkwyk.

Statements of Comprehensive Income

for the year ended 30 June 2023

	Notes	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Revenue	4	10 126 197	8 909 567	6 566 849	6 086 716
Cost of sales		(8 713 918)	(7 636 886)	(5 695 871)	(5 276 041)
Gross profit		1 412 279	1 272 681	870 978	810 675
Foreign currency losses	5	(123 146)	(73 315)	(56 449)	(29 693)
Impairment losses on trade receivables	19	(11 092)	(28 647)	(11 082)	(19 714)
Distribution, administrative and other operating expenses		(823 251)	(763 799)	(523 579)	(497 163)
Profit from operations	5	454 790	406 920	279 868	264 105
Investment income	6	23 650	6 778	24 849	42 809
Finance costs	7	(174 532)	(76 751)	(110 729)	(49 230)
Losses from equity-accounted investments	16	(12 799)	(1 572)	–	–
Other non-operating gains (losses)	8	1 555	(13 297)	(6 783)	9 963
Profit before taxation		292 664	322 078	187 205	267 647
Income tax expense	9	(73 052)	(96 866)	(43 194)	(60 016)
Profit for the year		219 612	225 212	144 011	207 631
Other comprehensive income (loss):					
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(531)	(1 714)	–	–
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary		2 150	–	–	–
Total items that may be reclassified to profit or loss		1 619	(1 714)	–	–
Other comprehensive income (loss) for the year net of taxation		1 619	(1 714)	–	–
Total comprehensive income for the year		221 231	223 498	144 011	207 631
Profit attributable to:					
Owners of the parent		219 612	219 970	144 011	207 631
Non-controlling interest		–	5 242	–	–
		219 612	225 212	144 011	207 631
Total comprehensive income attributable to:					
Owners of the parent		221 231	218 256	144 011	207 631
Non-controlling interest		–	5 242	–	–
		221 231	223 498	144 011	207 631
Earnings per share					
Basic earnings per ordinary share (cents)	21	377.05	350.96		
Diluted basic earnings per ordinary share (cents)	21	377.05	350.96		

Statements of Financial Position

as at 30 June 2023

		Group		Company	
	Notes	2023 R000	2022 R000	2023 R000	2022 R000
ASSETS					
Non-current assets					
Property, plant and equipment	10	258 978	191 991	71 388	38 985
Investment property	11	9 785	10 412	–	–
Right-of-use assets	12	62 889	48 859	77 664	68 357
Goodwill	13	46 550	46 550	–	–
Intangible assets	14	124 862	104 006	77 888	64 415
Investments in subsidiaries	15	–	–	296 288	294 936
Investment in associates	16	116 984	122 953	37 357	37 367
Other loans	17	12 915	22 810	36 336	44 643
Prepayments	19	–	21 228	–	21 228
Deferred tax	9	40 735	45 441	27 004	36 103
		673 698	614 250	623 925	606 034
Current assets					
Loan to associate	16	–	2 092	–	2 092
Inventories	18	2 790 335	2 480 187	1 633 887	1 496 495
Trade and other receivables	19	1 856 627	1 475 348	1 227 831	1 064 932
Contract assets	4	34 869	3 398	10 896	3 398
Foreign currency assets	25	17 658	48 965	9 218	26 014
Current tax receivable		936	10 923	–	3 024
Cash and cash equivalents	20	349 258	375 323	93 091	53 751
		5 049 683	4 396 236	2 974 923	2 649 706
TOTAL ASSETS		5 723 381	5 010 486	3 598 848	3 255 740
EQUITY AND LIABILITIES					
Equity					
Share capital	21	–	–	–	–
Retained earnings		1 562 726	1 409 811	1 010 975	933 661
Foreign currency translation reserve		4 871	3 252	–	–
		1 567 597	1 413 063	1 010 975	933 661
Liabilities					
Non-current liabilities					
Borrowings and other liabilities	22	34 010	48 026	818	10 244
Contract liabilities	4	22 765	24 101	22 765	24 101
Deferred tax liabilities	9	5 609	4 743	–	–
Lease liabilities	12	38 230	29 307	60 039	55 188
Loans from subsidiaries	15, 22	–	–	32 720	34 950
		100 614	106 177	116 342	124 483
Current liabilities					
Trade and other payables	24	3 552 478	3 213 525	1 939 354	1 874 167
Loans from subsidiaries	15, 22	–	–	72 190	54 126
Borrowings and other liabilities	22	2 274	2 410	–	–
Foreign currency liabilities	25	14 923	327	7 850	17
Lease liabilities	12	29 806	22 988	29 994	23 148
Contract liabilities	4	63 654	28 050	33 785	23 873
Current tax payable		10 557	1 681	7 359	–
Bank overdraft	22	381 478	222 265	380 999	222 265
		4 055 170	3 491 246	2 471 531	2 197 596
Total liabilities		4 155 784	3 597 423	2 587 873	2 322 079
TOTAL EQUITY AND LIABILITIES		5 723 381	5 010 486	3 598 848	3 255 740

Statement of changes in equity

for the year ended 30 June 2023

	Ordinary stated capital R000	Retained earnings R000	Foreign currency translation reserve R000	Equity attributable to equity holders of the parent R000	Non-controlling interest R000	Total equity R000
Group						
Balance at 1 July 2021	–	1 345 440	4 966	1 350 406	7 174	1 357 580
Profit for the year	–	219 970	–	219 970	5 242	225 212
Other comprehensive loss	–	–	(1 714)	(1 714)	–	(1 714)
Buy back of shares	–	(97 999)	–	(97 999)	–	(97 999)
Dividends paid	–	(57 600)	–	(57 600)	(2 495)	(60 095)
Disposal of subsidiary	–	–	–	–	(9 921)	(9 921)
Balance at 30 June 2022	–	1 409 811	3 252	1 413 063	–	1 413 063
Profit for the year	–	219 612	–	219 612	–	219 612
Other comprehensive income	–	–	1 619	1 619	–	1 619
Buy back of shares	–	(21 857)	–	(21 857)	–	(21 857)
Dividends paid	–	(44 840)	–	(44 840)	–	(44 840)
Balance at 30 June 2023	–	1 562 726	4 871	1 567 597	–	1 567 597
Note(s)	21					

	Ordinary stated capital R000	Retained earnings R000	Total equity R000
Company			
Balance at 1 July 2021	–	881 629	881 629
Profit for the year	–	207 631	207 631
Buy back of shares	–	(97 999)	(97 999)
Dividends paid	–	(57 600)	(57 600)
Balance at 30 June 2022	–	933 661	933 661
Profit for the year	–	144 011	144 011
Buy back of shares	–	(21 857)	(21 857)
Dividends paid	–	(44 840)	(44 840)
Balance at 30 June 2023	–	1 010 975	1 010 975
Note(s)	21		

Statements of cash flows

for the year ended 30 June 2023

	Notes	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Cash flows from operating activities					
Cash receipts from customers		9 732 798	8 637 161	6 392 967	5 887 603
Cash paid to suppliers and employees		(9 535 104)	(8 333 730)	(6 291 243)	(5 889 082)
Cash generated from (used in) operations	20	197 694	303 431	101 724	(1 479)
Interest income received	6	23 650	6 241	4 019	3 838
Dividends received		–	–	18 459	38 035
Finance costs paid	7	(174 532)	(76 751)	(107 276)	(46 662)
Dividends paid		(44 840)	(60 095)	(44 840)	(57 600)
Tax paid	32	(47 787)	(101 009)	(23 712)	(60 850)
Net cash (used in) generated from operating activities		(45 815)	71 817	(51 626)	(124 718)
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(67 712)	(24 590)	(23 680)	(13 343)
Sale/recoupment of property, plant and equipment	10	211	6 056	96	6 025
Purchase of intangible assets	14	(26 676)	(27 470)	(18 948)	(16 449)
Disposal of subsidiary net of cash disposed		–	13 756	–	–
Loans repaid by subsidiaries	15	–	–	1 380	11 394
Loans advanced to subsidiaries	15	–	–	–	(1 690)
Proceeds from loan to associate	16	2 118	2 981	2 118	2 981
Dividends received from associate	16	–	2 520	–	–
Receipts from other loans	17, 19	2 362	15 451	6 265	16 971
Increase of non-current prepayments	19	–	(21 228)	–	(21 228)
Net cash used in investing activities		(89 697)	(32 524)	(32 769)	(15 339)
Cash flows from financing activities					
Buy back of ordinary shares	21	(21 857)	(97 999)	(21 857)	(97 999)
Loans received from subsidiaries	15, 23	–	–	11 895	1 324
Repayment of borrowings	23	(2 366)	(2 257)	–	–
Proceeds from bank overdraft	23	159 213	190 887	158 733	190 887
Payment of lease liabilities	23	(25 543)	(22 280)	(25 036)	(22 453)
Net cash generated from financing activities		109 447	68 351	123 735	71 759
Total cash movement for the year		(26 065)	107 644	39 340	(68 298)
Cash and cash equivalents at the beginning of the year		375 323	267 679	53 751	122 049
Cash and cash equivalents at the end of the year	20	349 258	375 323	93 091	53 751

Accounting policies

1. Significant accounting policies

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these annual financial statements, the Johannesburg Stock Exchange (JSE) Listings Requirements and the Companies Act of South Africa, as amended.

These annual financial statements comply with the requirements of the SA Financial Reporting requirements per section 8.60 of the JSE Listings requirements.

The consolidated and separate annual financial statements have been prepared on the historic cost basis except for the revaluation of certain financial instruments (refer note 25). The principal accounting policies are set out in the related notes to the consolidated and separate financial statements and are presented in South African Rand which is the Group and company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

The following are the estimates that the directors have made in the process of applying the entity’s accounting policies, that have the most significant effect on the amounts recognised in financial statements.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are listed below and described in more detail in each of the corresponding notes:

Expected credit loss allowances for trade receivables (refer note 19)

The impairment allowances for financial assets are based on assumptions about risk of default and expected loss rates. For details of the key assumptions and inputs used refer to note 19.

Allowance for slow moving, damaged and obsolete inventory (refer note 18)

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Estimation uncertainty arises in the determination of net realisable value taking into account costs to sell. Where an impairment is necessary, inventory items are written down to net realisable value. The write-down is included in cost of sales.

Goodwill impairment assessment (refer note 13)

The Group annually reviews and tests the carrying value of goodwill against the recoverable amount of the cash generating unit to which the goodwill belongs. The value-in-use calculations require the use of estimates and assumptions such as appropriate discount rates and growth rates.

Determining the lease term (refer note 12)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the determination of the lease term and that is within the control of the lessee. During the current financial year, there were no leases that were extended.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Revenue recognition – Principal versus agent (see note 4)

Under IFRS 15, Revenue from Contracts with Customers, when recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or to arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

To determine the nature of its obligation, the Group:
- (a) Identifies the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party).
- (b) Assesses whether it controls each specified good or service before that good or service is transferred to the customer

Judgment is therefore required as to whether the Group is a principal or agent. The Group has identified its revenue streams within its revenue recognition policy (see note 4) and has concluded that it is an agent for indirect license sales related to cloud services.

Notes to the annual financial statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In 2022, the Group and company adopted all relevant new or amended accounting pronouncements, as issued by the IASB. This included Interest Rate Benchmark Reform – Phase 2 which was effective for financial years beginning on or after 1 January 2021. None of these pronouncements had a significant impact on the Group or company. The Group and company will be impacted by the future replacement of JIBAR and LIBOR with a new benchmark rate, but this impact is not expected to be material. Current indications are that the new benchmark rate will not be effective until 2024.

2.2 Standards and interpretations not yet effective

The Group and company have chosen not to early adopt the following standards and interpretations, relevant to the company, which have been published and are mandatory for the Group and company's accounting periods beginning on or after 1 July 2023 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction) – Deferred taxes on leases will not be affected. All other deferred tax assets and liabilities within the scope of the amendment will be considered on the effective date.	1 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 1 Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies) – Material accounting policies to be determined and all significant accounting policies will be considered for removal.	1 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates) – Change in input or measurement techniques will be considered under the scope of IAS 8 and disclosure adjusted accordingly.	1 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current) – The right to defer settlement of non-current liabilities will be assessed in detail and changes to classification will be applied accordingly.	1 January 2024	Not expected to impact results but may result in a change in disclosure
• IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures – Additional qualitative and quantitative disclosure will be considered for financing arrangements within the scope of this amendment.	1 January 2024	Unlikely there will be a material impact
• IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants) – Long-term liabilities where covenants apply will be considered and classification between Current or Non-current will be determined.	1 January 2024	Unlikely there will be a material impact

The standards are expected to be adopted in the financial year that they become effective.

Notes to the annual financial statements continued

3. Segmental reporting

Business segments

The Group has identified reportable segments which represent the structure used by the executive management and the board of directors to make key operating decisions and assess performance.

The Group's reportable segments are operating segments which are differentiated by the activities undertaken, products distributed and markets they operate in.

The operating segments of Mustek Limited have been reassessed in the current year and Mecer Inter-Ed (MIE) has now been identified and reported as its own operating segment. This is due to the continuous growth in their results, and the fact that their operating results are reviewed regularly by the Group's operating decision makers.

For management purposes, the following represents the Group's reportable segments:

Mustek: Assembly and distribution of computer products and peripherals, including Mecer-branded products and related services. This includes all other operations not disclosed as separate segments.

Rectron: Distribution of computer components and peripherals.

Mecer Inter-Ed: Training provider of accredited training programmes.

Group: Includes investments in associates and other investments and loans. Refer to notes 16 and 17 for more information about their activities.

	Mustek R000	Rectron R000	MIE R000	Group R000	Elimination R000	Total R000
2023						
Revenue						
External sales	6 525 094	3 524 148	76 955	–	–	10 126 197
Inter-segment sales**	109 307	214 335	21 028	–	(344 670)	–
Total revenue	6 634 401	3 738 483	97 983	–	(344 670)	10 126 197
Segment results						
EBITDA*	341 354	145 488	32 441	(10 645)	–	508 638
Depreciation and amortisation	(41 070)	(10 899)	(4 657)	–	2 778	(53 848)
Profit (loss) from operations	300 284	134 589	27 784	(10 645)	2 778	454 790
Investment income	5 822	19 372	–	21 256	(22 800)	23 650
Finance costs	(108 194)	(66 550)	(223)	–	435	(174 532)
Other non-operating gains (losses)	191	1 493	–	(5 639)	5 510	1 555
Loss from equity-accounted investments	–	–	–	(12 799)	–	(12 799)
Profit (loss) before tax	198 103	88 904	27 561	(7 827)	(14 077)	292 664
Income tax (expense) benefit	(52 508)	(21 082)	(7 165)	7 703	–	(73 052)
Profit (loss) for the year	145 595	67 822	20 395	(124)	(14 077)	219 612
Attributable to:						
Owners of the parent	145 595	67 822	20 395	(124)	(14 077)	219 612
	145 595	67 822	20 395	(124)	(14 077)	219 612

3. Segmental reporting continued

	Mustek (restated) R000	Rectron R000	MIE (restated) R000	Group R000	Elimination (restated) R000	Total R000
2022						
Revenue						
External sales	5 966 519	2 882 437	60 611	–	–	8 909 567
Inter-segment sales**	191 560	199 913	29 250	–	(420 723)	–
Total revenue	6 158 079	3 082 350	89 861	–	(420 723)	8 909 567
Segment results						
EBITDA*	330 612	121 030	38 718	(35 148)	–	455 212
Depreciation and amortisation	(32 135)	(14 516)	(4 308)	–	2 667	(48 292)
Profit (loss) from operations	298 477	106 514	34 410	(35 148)	2 667	406 920
Investment income	1 658	2 541	–	40 386	(37 807)	6 778
Finance costs	(45 554)	(31 471)	(236)	–	510	(76 751)
Other non-operating gains (losses)	1 972	1 598	–	(4 837)	(12 030)	(13 297)
Loss from equity-accounted investments	–	–	–	(1 572)	–	(1 572)
Profit (loss) before tax	256 553	79 182	34 174	(1 171)	(46 660)	322 078
Income tax (expense) benefit	(72 816)	(22 865)	(9 112)	7 927	–	(96 866)
Profit (loss) for the year	183 737	56 317	25 062	6 756	(46 660)	225 212
Attributable to:						
Owners of the parent	183 737	51 075	25 062	6 756	(46 660)	219 970
Non-controlling interest	–	5 242	–	–	–	5 242
	183 737	56 317	25 062	6 756	(46 660)	225 212

* *Earnings before interest, tax, depreciation and amortisation.*
** *Most of the inter-segment sales are at cost.*

	Mustek R000	Rectron R000	MIE R000	Group R000	Eliminations R000	Total R000
2023						
Other information						
Capital expenditure	64 162	48 491	2 966	–	–	115 619
Assets						
Segment assets	3 369 954	2 124 667	52 097	82 876	(16 312)	5 605 461
Investment in associates	–	–	–	116 984	–	116 984
Current tax assets	936	–	–	–	–	936
Consolidated total assets	3 370 890	2 124 667	52 097	199 860	(16 312)	5 723 381
Liabilities						
Segment liabilities	2 483 710	1 648 340	18 112	–	(4 935)	4 145 227
Current tax liabilities	7 673	2 032	852	–	–	10 557
Consolidated total liabilities	2 491 383	1 650 372	18 964	–	(4 935)	4 155 784
Number of employees at year-end	736	409	60	–	–	1 205

Notes to the annual financial statements continued

3. Segmental reporting continued

	Mustek (restated) R000	Rectron R000	MIE (restated) R000	Group R000	Eliminations (restated) R000	Total R000
2022						
Other information						
Capital expenditure	30 097	19 308	2 654	–	–	52 059
Assets						
Segment assets	2 935 860	1 810 512	41 438	93 799	(7 091)	4 874 518
Investment in associates	–	–	–	125 045	–	125 045
Current tax assets	4 271	6 527	125	–	–	10 923
Consolidated total assets	2 940 131	1 817 039	41 563	218 844	(7 091)	5 010 486
Liabilities						
Segment liabilities	2 177 456	1 407 079	18 826	–	(7 619)	3 595 742
Current tax liabilities	1 681	–	–	–	–	1 681
Consolidated total liabilities	2 179 137	1 407 079	18 826	–	(7 619)	3 597 423
Number of employees at year-end	729	369	50	–	–	1 148

Geographical segments

	East Africa R000	Taiwan R000	South Africa R000	Total R000
2023				
Revenue	67 486	68	10 058 643	10 126 197
(Loss) profit before tax	(4 972)	9 481	288 155	292 664
Income tax benefit (expense)	2 435	(254)	(75 233)	(73 052)
(Loss) profit for the year	(2 537)	9 227	212 922	219 612
Attributable to:				
Owners of the parent	(2 537)	9 227	212 922	219 612
	(2 537)	9 227	212 922	219 612
Other information				
Capital expenditure	359	–	115 260	115 619
Segment assets	60 631	52 975	5 616 660	5 730 266
Current tax assets	138	–	798	936
Consolidated total assets	60 769	52 975	5 617 458	5 731 202

	East Africa R000	Taiwan R000	South Africa R000	Total R000
2022				
Revenue	42 079		8 867 488	8 909 567
(Loss) profit before tax	(2 032)	5 216	318 894	322 078
Income tax expense	(1 212)	(1 016)	(94 638)	(96 866)
(Loss) profit for the year	(3 244)	4 200	224 256	225 212
Attributable to:				
Owners of the parent	(3 244)	4 200	219 014	219 970
Non-controlling interest	–	–	5 242	5 242
	(3 244)	4 200	224 256	225 212
Other information				
Capital expenditure	306		51 753	52 059
Segment assets	53 391	33 171	4 913 001	4 999 563
Current tax assets	–	–	10 923	10 923
Consolidated total assets	53 391	33 171	4 923 924	5 010 486

Refer to note 19 for a quantification of the Group and company's reliance on its largest customers.

4. Revenue

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Revenue from contracts with customers				
Sale of goods	9 986 095	8 801 376	6 503 702	6 042 119
Rendering of services	140 102	108 191	63 147	44 597
	10 126 197	8 909 567	6 566 849	6 086 716

Disaggregation of revenue from contracts with customers

The Group and company have assessed that the disaggregation of revenue by customer segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision makers (CODM) to evaluate the financial performance of the entity.

The Group and company derive revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Sale of goods (revenue earned at a point in time)	9 986 095	8 801 376	6 503 702	6 042 119
Hardware sales				
Dealers	6 471 249	5 519 454	3 876 000	3 436 502
Retailers	1 280 738	1 124 313	606 156	699 075
Public sector supplies	1 779 835	1 716 071	1 779 835	1 716 071
Export	259 232	200 494	122 872	104 296
	9 791 054	8 560 332	6 384 863	5 955 944
Software sales				
Dealers	111 516	154 012	58 474	40 317
Retailers	15 760	43 765	1 790	15 054
Public sector supplies	54 714	27 500	54 714	27 500
Export	3 341	6 362	1 555	1 382
Cloud services (agent)	9 710	9 405	2 306	1 922
	195 041	241 044	118 839	86 175
Rendering of services (revenue earned over time)				
Maintenance and support contracts – net of deferred revenue	13 507	30 001	29 361	27 231
Training courses – net of deferred revenue	92 809	60 756	–	–
	106 316	90 757	29 361	27 231
Rendering of services (revenue earned at a point in time)				
Repair services	33 786	17 434	33 786	17 366
Total revenue from contracts with customers	10 126 197	8 909 567	6 566 849	6 086 716

The Group has applied IFRS 15 which results in a single comprehensive model of accounting for revenue arising from contracts.

Revenue is recognised using a five-step model as follows:
- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is a combination of goods sold, additional warranties sold and service revenue. If maintenance and support services sold relate to a period of more than 12 months, that portion is recognised as deferred revenue.

Notes to the annual financial statements continued

4. Revenue continued

Sale of goods

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. In most instances, the criteria for recognition of revenue are met when a proof of delivery document is signed. The receivable is recognised upon delivery or collection of goods.

The following applies to the sales of goods:

1. Revenue is based on the price specified on the contract.
2. Discounts or rebates are in most instances applied upfront at the time of contract and the price discounted accordingly, except for certain customers where the discount is applied at the time of payment. Customers have long-standing discount and rebate arrangements and revenue is recognised net of these discounts and rebates. Variable consideration is determined upfront.
3. Credit terms are maximum 60 days from statement backed by an insurance element.
4. Our returns policy states 14 days from date of purchase but Consumer Protection Act dictates maximum of 30 days if all return criteria are met. A refund liability and corresponding adjustment to revenue is recognised for expected returns.
5. Warranties are included with the sale of all our goods. The warranty period will vary, dependent on the product sold.

Revenue from services

Revenue for services consists of revenue for the repair of equipment where no supplier warranty exists for the product, as well as service contracts sold alongside equipment and technical installation services on full solution type sales. Revenue for repair services are recognised at a point in time and revenue from service contracts are recognised over time.

Revenue from a contract to provide services and/or maintenance is recognised on a straight-line basis over the period of the contract. Services are provided evenly over the period of the contract.

Mecer Inter-Ed provides training solutions in the form of vendor authorised ICT training courses as well as learnerships and skills programmes as an accredited training provider for various SETAs. Revenue is recognised over the period over which the relevant training course/programme is delivered.

Revenue from software licenses and cloud solutions

For those revenue streams that involve the indirect resale of software licences, there is often considerable judgement in determining whether the Group is acting as principal or agent. The Group's assessment is based primarily on whether it controls the goods or services prior to their transfer to the customer. However, the nature of these products and services means that a purely control-based assessment does not always lead to a clear conclusion. Consequently, the Group additionally considers the other characteristics of principal set out in IFRS 15. These include whether the Group has primary responsibility for fulfilling the contractual promises made to the customer, whether the Group assumes inventory risk and whether the Group has discretion in establishing the selling price.

1. For indirect licence sales related to cloud services the Group is considered to be acting as agent. This is because cloud services require the significant ongoing involvement of the software vendor. The Group does not control the service prior to it being passed to the customer as it is provided as a service delivered by the vendor. Any technical and administrative services provided by the Group are critically dependent on, and so inseparable from, the service provided by the vendor. The Group's role is to arrange for the cloud service to be provided by another party although the vendor invoices the Group and the Group then invoices the customer.

2. For all other indirect licence sales (those not related to cloud services), the Group is considered to be acting as principal. This is because, unlike for cloud licences, the Group's performance obligation requires it to take responsibility for agreeing licence types and quantities with the customer in advance and for fulfilling the promise to provide those licences to the customer. If orders are not placed correctly with the manufacturer, resulting in incorrect licences being rejected by the customer, the Group remains liable to pay the manufacturer. Where licences are also accompanied by the right to software assurance benefits from the software vendor to the customer, the non-critical nature of the software updates means that the customer's ability to derive benefit from the software is not dependent on the continued involvement of the software vendor. Hence the Group is primarily responsible for fulfilling the contractual promise to provide the specified good or service to the customer, managing its delivery, and typically has responsibility for acceptability of the specified good or service. The Group assumes inventory risk in the event of customers not accepting incorrect licences and has discretion in establishing the prices of the goods and services.

4. Revenue continued

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Contract assets	34 869	3 398	10 896	3 398
Reconciliation of contract assets				
Opening balance	3 398	6 105	3 398	6 105
Transfers of contract assets to inventories	(3 398)	(6 105)	(3 398)	(6 105)
New contracts from hardware sales	34 869	3 398	10 896	3 398
Closing balance	34 869	3 398	10 896	3 398
Contract assets is an estimation of the inventory value for expected returns on hardware sales from customers within the return policy period. This estimation was based on historical trends.				
Summary of contract liabilities				
Deferred revenue – maintenance contracts	40 188	43 817	40 188	43 817
Deferred revenue – training contracts	4 673	4 177	–	–
Expected discounts and rebates	2 480	90	2 480	90
Expected refunds to customers	39 078	4 067	13 882	4 067
	86 419	52 151	56 550	47 974
Reconciliation of contract liabilities				
Opening balance	52 151	53 387	47 974	50 401
Deferred income recognised in revenue	(24 541)	(25 444)	(24 541)	(22 458)
Deferred revenue – maintenance contracts	20 912	26 193	20 912	26 193
Deferred revenue – training courses	496	4 177	–	–
Expected discounts and rebates	2 390	(2 804)	2 390	(2 804)
Expected refunds to customers	35 011	(3 358)	9 815	(3 358)
Closing balance	86 419	52 151	56 550	47 974
Split between non-current and current portions				
Non-current liabilities	22 765	24 101	22 765	24 101
Current liabilities	63 654	28 050	33 785	23 873
	86 419	52 151	56 550	47 974

Deferred revenue arises as a result of:

- Various on-site service and maintenance contracts which are separately sold to customers together with certain products. The duration of these service and maintenance contracts varies between one and five years depending on the option the customer selected or the terms of the packages sold.
- Training courses and programmes that are offered by Mecer Inter-Ed. The courses and programmes are short term (less than 12 months).

The income is deferred and recognised as revenue on a straight-line basis over the duration of the underlying service, maintenance contract or training programme. The performance obligation is met proportionately after every month that passes.

Discounts and rebates – this relates to the estimated discounts and rebates that the Group expects to grant to customers on sales made in the current financial year.

Refunds – this relates to the estimated refunds that the Group expects to credit customers on goods returned within the return policy period.

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Deferred revenue maturity analysis				
Year 1	22 097	23 894	17 424	19 717
Year 2	12 384	12 897	12 384	12 897
Year 3	6 911	7 242	6 911	7 242
Year 4	2 694	3 173	2 694	3 173
Year 5	775	788	775	788
	44 861	47 994	40 188	43 817

Notes to the annual financial statements continued

5. Profit from operations

Profit from operations for the year is stated after taking the following into account, among others:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Operating income				
Bad debts recovered	9 363	3 939	9 282	497
Compensation from insurance claims	7 493	18 886	5 010	10 120
Rental income from investment property	2 959	1 465	–	–
The compensation from insurance claims relates mainly to stock losses and damages.				
Auditor's remuneration				
External audit fees	5 989	6 115	3 665	3 445
Other consultation services	47	137	47	91
	6 036	6 252	3 712	3 536
Leases				
Short-term leases	723	831	602	831
Total lease expenses	723	831	602	831
Depreciation and amortisation				
Depreciation of investment property on the cost model	351	366	–	–
Depreciation of property, plant and equipment	20 370	20 491	11 129	9 221
Depreciation of right-of-use assets	27 308	23 442	27 425	25 293
Amortisation of intangible assets	5 819	3 993	5 475	1 215
Total depreciation and amortisation	53 848	48 292	44 029	35 729
Loss (profit) on disposal/scrapping of property, plant and equipment and intangible assets	1 445	(4 196)	1 180	(4 780)
Foreign exchange (losses) gains				
Realised	(109 850)	(33 345)	(71 627)	(8 042)
Unrealised	(16 031)	(88 608)	13 810	(47 648)
Fair value adjustment – open forward exchange contracts	2 735	48 638	1 368	25 997
Net foreign exchange (losses) gains	(123 146)	(73 315)	(56 449)	(29 693)

6. Investment income

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Dividend income				
Group entities:				
Dividends from subsidiaries and associates	–	–	19 731	38 035
Interest income				
Investments in financial assets:				
Bank balances	23 567	5 856	3 936	2 629
Loans to Group companies:				
Subsidiaries	–	–	1 100	1 223
Associates and other receivables	83	922	82	922
Total interest income	23 650	6 778	5 118	4 774
Total investment income	23 650	6 778	24 849	42 809

Dividend income from investments is recognised when:
- the entity's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the entity
- the amount of the dividend can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

7. Finance costs paid

		Group		Company	
		2023 R000	2022 R000	2023 R000	2022 R000
Interest paid on bank overdraft		**49 280**	14 256	**49 270**	13 741
Interest paid on borrowings		**3 453**	2 568	**–**	–
Interest paid on lease liabilities	12	**4 427**	3 872	**6 092**	6 589
Interest paid on letters of credit and trade finance		**117 363**	56 055	**51 914**	26 332
Interest paid on loan from Group companies		**–**	–	**3 453**	2 568
Other interest paid		**9**	–	**–**	–
Total finance costs		**174 532**	76 751	**110 729**	49 230

8. Other non-operating (losses) gains

		Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Gains (losses) on disposals					
Investments in subsidiaries	15	**–**	6 818	**–**	–
Exchange differences reclassified to profit or loss on liquidation of foreign subsidiary		**2 150**	–	**–**	–
		2 150	6 818	**–**	–
Impairment loss/expected credit loss					
Loans to subsidiaries	15	**–**	–	**(5 785)**	(616)
Investments in associates	16	**–**	(10 161)	**–**	–
Other write-offs	16	**–**	–	**(953)**	–
Other loans	17	**(770)**	(10 263)	**(222)**	(1 072)
		(770)	(20 424)	**(6 960)**	(1 688)
Reversal of impairment loss/expected credit loss					
Loans to subsidiaries	15	**–**	–	**–**	11 396
Loans to associates	16	**15**	20	**15**	20
Other loans	17, 19	**–**	289	**84**	235
Other		**160**	–	**78**	–
		175	309	**177**	11 651
Total other non-operating (losses) gains		**1 555**	(13 297)	**(6 783)**	9 963

9. Taxation

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Current				
South African normal tax	**75 057**	94 430	**43 194**	60 016
Foreign tax	**(2 181)**	2 228	**–**	–
Withholding tax	**176**	208	**–**	–
	73 052	96 866	**43 194**	60 016
Comprising				
Normal current tax				
– Current year	**66 897**	96 555	**33 769**	60 028
– Prior year	**(421)**	(995)	**326**	(508)
Normal deferred tax				
– Current year	**7 269**	(2 202)	**9 048**	(840)
– Prior year	**(869)**	1 863	**51**	–
– Rate change	**–**	1 437	**–**	1 336
Withholding tax	**176**	208	**–**	–
	73 052	96 866	**43 194**	60 016
The tax expense relates to the following tax jurisdictions:				
South African Revenue Service	**75 233**	94 638	**43 194**	60 016
Kenya Revenue Authority	**(2 434)**	1 212	**–**	–
Revenue Service Office, New Taipei City Government	**253**	1 016	**–**	–
	73 052	96 866	**43 194**	60 016

Notes to the annual financial statements continued

9. Taxation continued

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Profit before tax	**292 664**	322 078	**187 205**	267 647
	%	%	**%**	%
Applicable tax rate	**27.0**	28.0	**27.0**	28.0
Dividends received	**–**	–	**(2.9)**	(4.0)
Current tax prior year under/over provision	**(0.2)**	(0.3)	**0.2**	(0.2)
Deferred tax asset prior year under/over provision	**(0.7)**	0.6	**–**	–
Capital gains tax	**0.3**	0.2	**–**	–
Change in tax rate	**–**	0.5	**–**	0.5
Loss (profits) from associates already taxed	**1.2**	0.1	**–**	–
Learnership agreements allowances	**(0.3)**	(0.6)	**(0.2)**	(0.3)
Other losses (gains)	**–**	1.3	**–**	(1.2)
Disallowed expenses	**0.2**	0.3	**0.2**	–
Non-taxable income (ETI)	**0.6**	–	**(0.1)**	(0.4)
S12BA renewable energy deduction	**(0.6)**	–	**(1.0)**	–
Tax benefit of winding up international operation	**(1.9)**	–	**–**	–
Foreign tax	**(0.6)**	–	**–**	–
	25.0	30.1	**23.2**	22.4

As communicated by the Minister of Finance during the March 2022 budget speech, the South African income tax rate of 28% was reduced to 27% for years of assessments commencing on or after 1 April 2022.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax effects of temporary differences of the company and subsidiary companies resulted in deferred tax assets and liabilities. The directors have assessed, based on budgeted expectation for future profits, that it is reasonable to assume that future taxable income will be sufficient to allow the tax benefits to be realised. The following are the major deferred tax liabilities and assets recognised at 27% (2022: 27%) except if otherwise indicated:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Deferred tax liability				
Accelerated wear and tear for tax purposes	**(14 325)**	(9 436)	**(9 112)**	(1 213)
Right-of-use asset	**(16 603)**	(13 192)	**(20 969)**	(18 456)
Prepayments	**(1 376)**	(805)	**(1 008)**	(535)
Operating lease assets	**–**	–	**(28)**	(23)
Unrealised exchange gains or losses	**(9 982)**	(8 257)	**(8 166)**	(6 163)
Net contract assets	**(6 473)**	–	**–**	–
Total deferred tax liability	**(48 759)**	(31 690)	**(39 283)**	(26 390)

9. Taxation continued

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Deferred tax asset				
Allowance for expected credit losses	9 818	13 281	10 111	7 427
Minor assets	–	1	–	1
Salary-related accruals/liabilities	31 708	26 127	15 669	17 411
Lease liabilities	17 915	14 120	24 309	21 151
Commission accruals	2 785	3 580	2 785	3 580
Other accruals	1 155	914	1 086	887
Deferred revenue	12 129	13 170	10 851	11 831
Net contract liabilities	8 279	205	1 476	205
Other	96	61	–	–
Deferred tax balance from temporary differences other than unused tax losses	83 885	71 459	66 287	62 493
Tax losses available for set off against future taxable income	–	929	–	–
Total deferred tax asset	83 885	72 388	66 287	62 493
The deferred tax assets and the deferred tax liabilities that relate to income tax in the same jurisdiction, and where the law allows net settlement have been offset in the statement of financial position as follows:				
Deferred tax liability	(5 609)	(4 743)	–	–
Deferred tax asset	40 735	45 441	27 004	36 103
Total net deferred tax asset	35 126	40 698	27 004	36 103
The Group's deferred tax assets relates to the following geographical locations:				
South Africa	38 927	45 232	27 004	36 103
East Africa	1 808	611	–	–
Taiwan	–	–	–	–
	40 735	45 843	27 004	36 103

Notes to the annual financial statements continued

9. Taxation continued

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Reconciliation of deferred tax asset/(liability)				
At beginning of year	40 698	40 723	36 103	36 599
Reduction due to rate change	–	(1 437)	–	(1 337)
Differences in taxable loss	(6)	(2 061)	–	–
Differences on allowances for credit losses	3 270	6 833	2 726	1 477
Differences on amortisation of intangible assets	(2)	(2)	(2)	(2)
Differences on salary-related accruals	(752)	2 894	(1 741)	246
Differences on accelerated wear and tear	(4 880)	1 016	(7 893)	119
Differences on prepayments	(508)	(273)	(473)	(223)
Differences on minor assets	(2)	(2)	–	(2)
Differences on operating lease assets	(519)	–	(5)	(19)
Differences on right-of-use asset	(4 542)	8 969	(2 513)	9 706
Differences on lease liability	4 911	(8 172)	3 158	(9 004)
Differences on commission accrual	(794)	248	(794)	248
Differences on other accruals	(215)	(6 136)	150	77
Differences on unrealised exchange gains and losses	(1 654)	(2 070)	(2 002)	(1 860)
Differences on deferred revenue	(1 073)	582	(980)	1 046
Differences on contract assets and liabilities	2 073	(967)	1 270	(968)
Differences on other temporary differences	(1 707)	(520)	–	–
Movement through the statement of comprehensive income	(6 400)	(1 098)	(9 099)	(496)
Foreign currency translation reserve	828	(460)	–	–
Movement through equity	828	(460)	–	–
Sale of subsidiary	–	1 533	–	–
	35 126	40 698	27 004	36 103

Recognition of deferred tax asset

The Group and company recognises deferred tax assets only when the future recovery of that asset is assessed to be probable.

No unrecognised deductible temporary differences, unused tax losses or unused tax credits existed in the Mustek Group in the current or prior financial year.

10. Property, plant and equipment

	2023			2022		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Land and buildings	130 556	(3 539)	127 017	102 516	(3 489)	99 027
Plant and machinery	94 338	(45 606)	48 732	70 803	(49 749)	21 054
Furniture, fixtures and office equipment	58 849	(31 380)	27 469	49 640	(27 319)	22 321
Motor vehicles	15 229	(8 613)	6 616	14 743	(8 047)	6 696
Computer equipment	82 635	(54 629)	28 006	68 771	(43 882)	24 889
Leasehold improvements	61 872	(40 734)	21 138	57 202	(39 221)	17 981
Total	443 479	(184 501)	258 978	363 675	(171 707)	191 968

	2023			2022		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Company						
Land and buildings	784	–	784	784	–	784
Plant and machinery	50 587	(20 783)	29 804	28 890	(24 145)	4 745
Furniture, fixtures and office equipment	28 507	(13 058)	15 449	21 638	(11 165)	10 473
Motor vehicles	14 201	(7 837)	6 364	13 642	(7 278)	6 364
Computer equipment	53 762	(34 775)	18 987	44 627	(28 070)	16 557
Leasehold improvements	16 038	(16 038)	–	16 038	(15 976)	62
Total	163 879	(92 491)	71 388	125 619	(86 634)	38 985

Notes to the annual financial statements continued

10. Property, plant and equipment continued

Reconciliation of property, plant and equipment

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improve-ments R000	Total R000
Group – 2023							
Opening balance							
Cost	102 516	70 803	49 640	14 743	68 771	57 202	363 675
Accumulated depreciation	(3 489)	(49 749)	(27 319)	(8 047)	(43 882)	(39 221)	(171 707)
Net book value at 1 July 2022	99 027	21 054	22 321	6 696	24 889	17 981	191 968
Additions	28 040	31 247	9 375	1 058	14 550	4 670	88 940
Disposals and scrappings – cost	–	(7 688)	(136)	(562)	(617)	–	(9 003)
Disposals and scrappings – accumulated depreciation and impairment	–	6 550	122	301	374	–	7 347
Foreign exchange movements	–	(5)	(12)	(2)	92	–	73
Depreciation	(50)	(2 426)	(4 224)	(875)	(11 282)	(1 513)	(20 370)
Net book value at 30 June 2023	127 017	48 732	27 446	6 616	28 006	21 138	258 955
Made up as follows:							
Cost	130 556	94 338	58 849	15 229	82 635	61 872	443 479
Accumulated depreciation	(3 539)	(45 606)	(31 380)	(8 613)	(54 629)	(40 734)	(184 501)
	127 017	48 732	27 469	6 616	28 006	21 138	258 978

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improve-ments R000	Total R000
Group – 2022							
Opening balance							
Cost	114 312	69 526	51 142	17 053	62 929	57 763	372 725
Accumulated depreciation	(5 409)	(46 116)	(32 089)	(10 450)	(38 684)	(39 078)	(171 826)
Net book value at 1 July 2022	108 903	23 410	19 053	6 603	24 245	18 685	200 899
Additions	632	1 270	7 436	2 062	11 133	2 057	24 590
Disposal of subsidiary	–	–	(117)	–	(162)	(19)	(298)
Disposals and scrappings – cost	–	(11)	(7 886)	(4 383)	(4 601)	(2 545)	(19 426)
Disposals and scrappings – accumulated depreciation and impairment	–	11	7 445	3 282	4 043	2 543	17 324
Transfers to investment property	(10 520)	–	–	–	–	–	(10 520)
Foreign exchange movements	–	3	3	(1)	(92)	–	(87)
Depreciation	12	(3 629)	(3 590)	(867)	(9 677)	(2 740)	(20 491)
Net book value at 30 June 2022	99 027	21 054	22 344	6 696	24 889	17 981	191 991
Made up as follows:							
Cost	102 516	70 803	49 640	14 743	68 771	57 202	363 675
Accumulated depreciation	(3 489)	(49 749)	(27 319)	(8 047)	(43 882)	(39 221)	(171 707)
	99 027	21 054	22 321	6 696	24 889	17 981	191 968

10. Property, plant and equipment continued

Reconciliation of property, plant and equipment continued

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improvements R000	Total R000
Company – 2023							
Opening balance							
Cost	784	28 890	21 638	13 642	44 627	16 038	125 619
Accumulated depreciation	–	(24 145)	(11 165)	(7 278)	(28 070)	(15 976)	(86 634)
Net book value at 1 July 2022	784	4 745	10 473	6 364	16 557	62	38 985
Additions	–	27 406	6 869	1 002	9 531	–	44 808
Disposals and scrappings – cost	–	(5 709)	–	(443)	(396)	–	(6 548)
Disposals and scrappings – accumulated depreciation	–	4 722	–	281	269	–	5 272
Depreciation	–	(1 360)	(1 893)	(840)	(6 974)	(62)	(11 129)
Net book value at 30 June 2023	784	29 804	15 449	6 364	18 987	–	71 388
Made up as follows:							
Cost	784	50 587	28 507	14 201	53 762	16 038	163 879
Accumulated depreciation	–	(20 783)	(13 058)	(7 837)	(34 775)	(16 038)	(92 491)
	784	29 804	15 449	6 364	18 987	–	71 388

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improvements R000	Total R000
Company – 2022							
Opening balance							
Cost	784	28 750	21 413	15 986	40 656	18 582	126 171
Accumulated depreciation	–	(23 007)	(14 744)	(9 797)	(24 125)	(18 130)	(89 803)
Net book value at 1 July 2022	784	5 743	6 669	6 189	16 531	452	36 368
Additions	–	152	5 087	2 039	6 065	–	13 343
Disposals and scrappings – cost	–	(11)	(4 426)	(4 383)	(2 530)	(2 545)	(13 895)
Disposals and scrappings – accumulated depreciation and impairment	–	11	4 334	3 282	2 218	2 545	12 390
Depreciation	–	(1 150)	(1 123)	(780)	(5 797)	(371)	(9 221)
Net book value at 30 June 2022	784	4 745	10 541	6 347	16 487	81	38 985
Made up as follows:							
Cost	784	28 890	21 638	13 642	44 627	16 038	125 619
Accumulated depreciation	–	(24 145)	(11 165)	(7 278)	(28 070)	(15 976)	(86 634)
	784	4 745	10 473	6 364	16 557	62	38 985

Notes to the annual financial statements continued

10. Property, plant and equipment continued

Property, plant and equipment are carried on the cost model in accordance with IAS 16.

The following useful lives were applied in the current financial year for the depreciation of property, plant and equipment as based on the judgement of management.

Buildings	Straight-line basis – years	20 – 25
Plant and machinery	Straight-line basis – years	5 – 25
Furniture, fixtures and office equipment	Straight-line basis – years	5 – 12
Motor vehicles	Straight-line basis – years	5 – 7
Computer equipment:		
Desktops	Straight-line basis – years	5
Laptops/notebooks	Straight-line basis – years	3 – 5
Printers/scanners	Straight-line basis – years	5 – 6
Displays (large and small)	Straight-line basis – years	3 – 7
Network equipment	Straight-line basis – years	5
UPS	Straight-line basis – years	5 – 11
CCTV cameras	Straight-line basis – years	2 – 6
Leasehold improvements	Straight-line basis – years	Over the period of the initial lease

The directors reviewed the residual values, useful lives and carrying amount of property, plant and equipment at year-end to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The directors applied a residual value of zero to all items of plant and equipment as a result of the fact that plant and equipment are not held for trading and are normally scrapped, apart from motor vehicles for which a residual value of 20% of cost was determined. For the majority of the buildings in the Group and company, residual value exceeds the original costs. Land is not depreciated.

The Group and company do not have any significant planned capital expenditure in the near future.

There are no restrictions over the title to any of the property, plant and equipment. Property, plant and equipment to the value of R64.3 million (2022: R64.3 million) has been pledged as security for a mortgage bond and property, plant and equipment to the value of R36.5 million (2022: R36.5 million) has been pledged as security for a trade finance facility.

11. Investment property

	2023			2022		
	Cost R000	**Accumulated depreciation R000**	**Carrying value R000**	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Investment property	**12 379**	**(2 594)**	**9 785**	12 737	(2 325)	10 412

Reconciliation of investment property

	Opening balance R000	**Foreign exchange movements R000**	**Depreciation R000**	**Total R000**
Group – 2023				
Investment property	**10 412**	**(276)**	**(351)**	**9 785**

	Opening balance R000	Transfers R000	Foreign exchange movements R000	Depreciation R000	Total R000
Group – 2022					
Investment property	–	10 520	258	(366)	10 412

11. Investment property continued

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Buildings are depreciated over 20 years if the residual value of buildings does not exceed the original costs. Land is not depreciated.

During the prior year, the building owned by Mustek East Africa, situated in Nairobi, was fully rented out and thus the property was transferred to investment property from property, plant and equipment at carrying value at that time.

The fair value is likely to lie within the range of R32.6 million to R46.5 million dependant on sale method. Refer note 26.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the respective companies.

Amounts recognised in profit and loss for the year

	Group		Company	
	2023 R000	2022 R000	**2023 R000**	2022 R000
Rental income from investment property	**2 959**	1 465	**–**	–
The table below sets out the future expected rental income per annum for the period of the lease. The below rental amounts have been translated from KES to ZAR at an exchange rate of 0.139 (2022: 0.135)				
Maturity analysis of expected future rental income				
Year 1	**3 183 196**	2 838 137	**–**	–
Year 2	**3 183 196**	2 838 137	**–**	–
Year 3	**3 453 768**	3 079 379	**–**	–
Year 4	**1 439 070**	3 079 379	**–**	–
Year 5	**–**	1 392 136	**–**	–
	11 259 230	13 227 168	**–**	–

Notes to the annual financial statements continued

12. Right-of-use of assets and lease liabilities

The Group leases several assets, including buildings and vehicles. The lease terms range between one and ten years (2022: one – ten years). Short-term leases are recognised on the straight-line basis. The Group has no leases of low-value assets.

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Details pertaining to leasing arrangements, where the Group and company are the lessees, are presented below:				
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are as follows:				
Land and buildings	58 150	44 906	77 664	68 357
Motor vehicles	4 739	3 936	–	–
Equipment	–	17	–	–
	62 889	48 859	77 664	68 357
Additions/Modifications to right-of-use assets				
Land and buildings – additions	38 842	4 810	36 749	2 412
Land and buildings – modifications	(17)	–	(17)	–
Motor vehicles – additions	2 479	–	–	–
	41 304	4 810	36 732	2 412

The lease modifications in the prior year related to changes in the contractual lease term. These changes were not considered to be new contracts but rather modifications to the existing contracts as the modifications did not result in any increases to the scope of the lease contract by adding the right to use one or more underlying assets.

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5).				
Land and buildings	25 615	21 953	27 425	25 293
Motor vehicles	1 676	1 391	–	–
Equipment	17	98	–	–
	27 308	23 442	27 425	25 293
Other disclosures				
Foreign exchange movements	34	–	–	–
Carrying amount of right-of-use assets derecognised due to lease terminations – buildings and motor vehicles	–	(11 783)	–	(11 783)

12. Right-of-use of assets and lease liabilities continued

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Lease liabilities				
Lease liability reconciliation				
Opening balance	52 295	81 880	78 336	110 492
Additions	41 321	4 810	36 749	2 412
Modifications	(17)	–	(17)	–
Lease termination	–	(12 115)	–	(12 115)
Foreign exchange movements	20	–	–	–
Interest expense	4 427	3 872	6 092	6 589
Lease payments	(30 010)	(26 152)	(31 127)	(29 042)
Closing balance	68 036	52 295	90 033	78 336
The maturity analysis of lease liabilities is as follows:				
Year 1	34 608	25 966	36 681	28 308
Year 2	15 781	25 070	20 228	28 074
Year 3	11 120	5 729	16 333	11 181
Year 4	10 737	662	16 745	7 069
Year 5	7 196	15	14 441	6 935
Onwards	–	–	4 435	11 787
	79 442	57 442	108 863	93 354
Less finance charges component	(11 406)	(5 147)	(18 830)	(15 018)
	68 036	52 295	90 033	78 336
Non-current liabilities	38 230	29 307	60 039	55 188
Current liabilities	29 806	22 988	29 994	23 148
	68 036	52 295	90 033	78 336

The Group and company assess whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determines whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group/company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Group and company as a lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group and company are the lessees, except for short-term leases of 12 months or less.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Group and company have elected not to separate the non-lease components for leases of land and buildings.

Notes to the annual financial statements continued

12. Right-of-use of assets and lease liabilities continued

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the Group or company's incremental borrowing rate.

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (note 7).

The Group and company remeasure the lease liability, when applicable, in accordance with the following table:

Lease liability remeasurement/modification scenarios	Lease liability remeasurement methodology
Change to the lease term.	– discounting the revised lease payments using a revised discount rate.
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	– discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position.

The right-of-use asset is initially measured at cost.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

13. Goodwill

	2023			2022		
	Cost R000	**Accumulated depreciation R000**	**Carrying value R000**	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Goodwill	**54 267**	**(7 717)**	**46 550**	54 267	(7 717)	46 550

The carrying amount of goodwill has been allocated as follows:

	Pre-tax discount 2023	Pre-tax discount 2022	Forecasted cash flows	**2023**	2022
Mustek	**22.63%**	25.53%	Five-year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	**19 274**	19 274
Rectron	**23.29%**	26.82%	Five-year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	**27 276**	27 276
				46 550	46 550

Allocations between cash generating units (CGUs) remained unchanged from the previous financial year.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs were determined using a discounted cash flow model. A value-in-use was calculated and used as the recoverable amount. The key assumptions for the discounted cash flow model, are those regarding discount rates and expected growth rates. Management estimates discount rates using pre-tax rates that reflect management's assessment of the time value of money and their views on the risks specific to the CGUs. Discount rates used are based on a weighted average cost of capital of similar businesses in the same sector and of similar size, adjusted for the risk profile of the business. To be conservative, 2% growth has been forecasted for the short term, with 4.5% (2022:4 – 4.5%) projected thereafter, based on management experience and their expectations of industry and market share growth. Expectation of changes in gross margins and changes in indirect costs are based on past practices and expectations of future changes in the market.

13. Goodwill continued

The discount rate is calculated by using a risk-free rate and adjusted for risk factors.

The impairment models were prepared on the same basis as the comparative year. The forecast cash flow periods and other inputs are all consistent with those of the comparative year.

Sensitivity Analysis

Management has adjusted the cash flows of each CGU for entity-specific risk factors to arrive at the future cash flows expected to be generated from the CGU. The headroom is considered sufficient such that even with a reasonable fluctuation in these risk factors, goodwill will not be impaired.

Reconciliation of goodwill

	Opening balance R000	Disposals through sale of subsidiary R000	Total R000
Group – 2022			
Goodwill	54 627	(8 077)	46 550

14. Intangible assets

	2023			2022		
	Cost R000	Accumulated amortisation R000	Carrying value R000	Cost R000	Accumulated amortisation R000	Carrying value R000
Group						
Computer software	208 504	(83 642)	124 862	193 405	(89 399)	104 006

	2023			2022		
	Cost R000	Accumulated amortisation R000	Carrying value R000	Cost R000	Accumulated amortisation R000	Carrying value R000
Company						
Computer software	153 715	(75 827)	77 888	135 006	(70 591)	64 415

Reconciliation of intangible assets

	Opening balance R000	Additions R000	Foreign exchange movements R000	Amortisation R000	Total R000
Group – 2023					
Computer software	104 006	26 676	(1)	(5 819)	124 862

	Opening balance R000	Additions R000	Scrapping R000	Disposal of subsidiary R000	Foreign exchange movements R000	Amortisation R000	Total R000
Group – 2022							
Computer software	90 004	27 470	(92)	(9 386)	3	(3 993)	104 006

Notes to the annual financial statements continued

14. Intangible assets continued

Reconciliation of intangible assets

	Opening balance R000	Additions R000	Amortisation R000	Total R000
Company – 2023				
Computer software	64 415	18 948	(5 475)	77 888

	Opening balance R000	Additions R000	Scrapping R000	Amortisation R000	Total R000
Company – 2022					
Computer software	49 251	16 449	(70)	(1 215)	64 415

Other information

Intangible assets are carried on the cost model in accordance with IAS 38 Intangible Assets.

There are no restrictions over the title to any of the intangible assets and no intangible assets has been placed as security for any liabilities.

In the current year Mustek went live with its new ERP system. The cost capitalised in Mustek to intangible assets on implementation date amounted to R68.8 million. Rectron is scheduled to implement the new ERP system in the next financial year and the costs incurred in developing the software will be amortised in accordance with IAS 38 Intangible Assets. This software has been assessed for impairment based on the same judgements and estimates used for the goodwill impairment assessment as described in note 13.

Software is written off on a straight-line basis over their remaining useful lives of between 1 and 9.5 years.

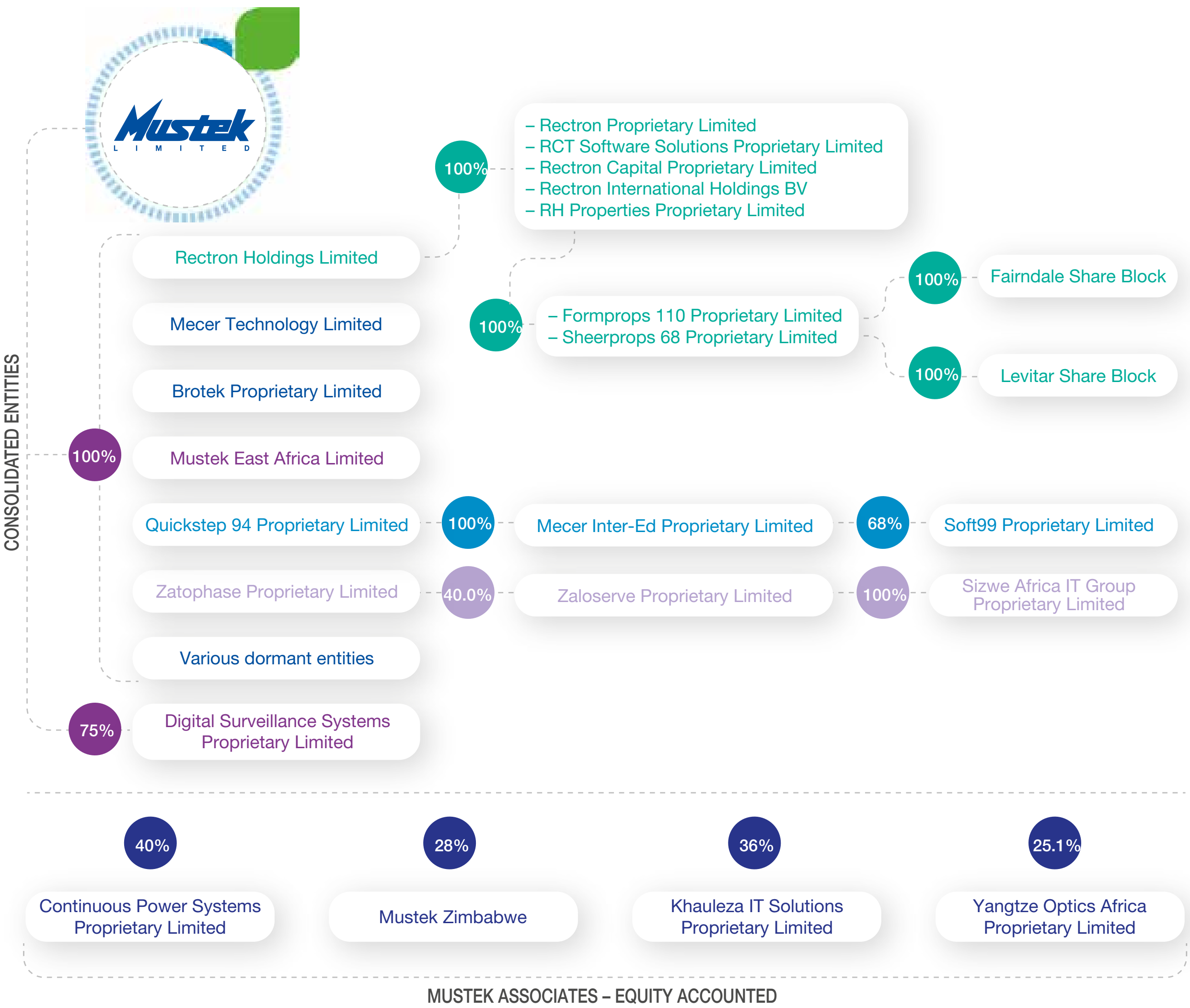
Intangible assets acquired separately.

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

15. Investment in subsidiaries

	Notes	2023 R000	2022 R000
Company			
Net investment in subsidiaries			
Shares at cost less accumulated impairment		243 391	243 391
– opening balance		243 391	243 391
– write-offs and impairment		–	–
Loans owing by subsidiaries		121 480	114 344
– opening balance		114 344	116 470
– decrease in loans		(280)	(8 770)
– foreign exchange movement		7 416	6 644
Loan impairments		(68 583)	(62 798)
– opening balance		(62 798)	(73 578)
– current year impairment adjustments		(5 785)	10 780
Non-current Investment in subsidiaries		296 288	294 937
Loans owing to subsidiaries	22, 23	(104 910)	(89 076)
		191 378	205 861

The following organogram indicates the entities which are controlled or equity accounted by the group, either directly or indirectly through subsidiaries.



Notes to the annual financial statements continued

15. Investment in subsidiaries continued

The following table lists the carrying amounts of the investments in subsidiaries in the company's separate financial statements.

Name of company	Country of incorporation	Nature of activities	2023 % holding	2022 % holding	2023 R000	2022 R000
Ballena Trading 29 Proprietary Limited*	South Africa	Dormant	51	51	5 272	5 272
Brotek Proprietary Limited	South Africa	Property holding	100	100	71 468	71 468
CIS Thuthukani Technology Proprietary Limited*	South Africa	Dormant	100	100	6 793	6 793
Digital Surveillance Systems Proprietary Limited*	South Africa	Dormant	75	75	5 896	5 896
Lithatek Investments Proprietary Limited*	South Africa	Dormant	100	100	19 448	19 448
Makeshift 1000 Proprietary Limited*	South Africa	Dormant	100	100	10 698	10 698
Mecer Technology Limited	Taiwan	Trading	100	100	6 629	6 629
Mustek East Africa Limited (note 1)	Kenya	Trading	100	100	12 315	12 315
Mustek Electronics (Cape Town) Proprietary Limited*	South Africa	Dormant	100	100	3 229	3 229
Mustek Electronics (Durban) Proprietary Limited*	South Africa	Dormant	100	100	1 658	1 658
Mustek Electronics (Port Elizabeth) Proprietary Limited*	South Africa	Dormant	100	100	327	327
Mustek Lesotho Proprietary Limited**	South Africa	Dormant	99	99	–	–
Mustek Limited Company Limited**	South Africa	Dormant	100	100	–	–
Mustek Middle East FZCO*	South Africa	Dormant	100	100	1 392	1 392
Quickstep 94 Proprietary Limited*	South Africa	Investment holding	100	100	2 581	2 581
Rectron Holdings Limited	South Africa	Trading	100	100	115 973	115 973
Tradeselect 38 Proprietary Limited*	South Africa	Dormant	100	100	3 400	3 400
Zatophase Proprietary Limited	South Africa	Investment holding	100	100	35 944	35 944
Total cost					303 023	303 023
Accumulated impairment					(59 632)	(59 632)
Opening balance					(59 632)	(59 632)
Impairment of investment in subsidiaries					–	–
Carrying amount at year-end					243 391	243 391

* *Fully impaired in prior years*
** *Amounts less than R1 000*

Note 1: The investment in Mustek East Africa Limited was impaired by an amount of R5.7 million in previous financial years. A list of the number of shares that is held in each subsidiary is available at the registered office of the company.

In the separate financial statements of Mustek Limited, investments in subsidiaries are carried at cost less accumulated impairments in accordance with IAS 27 Consolidated and Separate Financial Statements.

The Group and company considers an entity to be controlled, when the Group or company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee.

15. Investment in subsidiaries continued

Loans to subsidiaries

	Company	
	2023 R000	2022 R000
Mustek East Africa Limited This loan bears interest at two percent per annum (2022: 2%) and is repayable on demand (management has no expectation to demand settlement of this loan in the foreseeable future). This loan is unsecured.	**51 640**	50 289
Zatophase Proprietary Limited This loan is interest-free and has no fixed terms of repayment (management have no expectation to demand settlement of the loan in the foreseeable future). The loan is unsecured.	**1 257**	1 257
	52 897	51 546

Exposure to credit risk

Loans receivable from Group companies inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The Group distinguishes between the following categories:
- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low risk (Stage 1)
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Financial assets where objective evidence of impairment exists at the reporting date (Stage 3).

For financial assets in Stage 1, 12-month (12m) expected credit losses (ECL) would be recognised while for financial assets in Stage 2 and Stage 3, lifetime expected credit losses would be recognised.

The loss allowance for Group loans receivable is calculated based on 12m expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition.

In determining the amount of expected credit losses, the Group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate. The type of credit loss model used is Moody's Analytics RiskCalc SA financial statement Probability of Default (PD) and Loss Given Default (LGD) model. Refer to note 19 for details on conversion of ratings and historic PD and LGD into an ECL. Foreign counterparties, where their country has a lower credit rating than South Africa, are attributed the higher of their ECL and that of their country.

There has been a change in the estimation techniques and significant assumptions made during the current reporting period. In the previous financial year demand loans and loans with no fixed terms were allocated a 12m ECL or a life time ECL depending on the stage of the loan. In the current year the below assessments were applied:

Where a loan is repayable on demand, an assessment is made regarding the debtor's ability to repay if demand for immediate repayment was made.

If there is evidence that there is insufficient cash and near cash investments to make repayment, it is assumed that the risk is negligible and no ECL is raised.

If there is evidence that there is insufficient cash resources, or a restriction on repayment is imposed by sub-ordination, covenants or any other reason, the term of a loan is estimated by assessing how long it will take to repay in the normal course of business with reference to the cash flow of the debtor entity.

Loans with no fixed terms of repayment have been treated as repayable on demand regardless of the stated intention of management regarding repayment of the loan. The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The Group does not hold collateral or other credit enhancements against Group loans receivable.

Credit rating framework

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due.	12m ECL
In default	Either 90 days past due or there is evidence that the asset is credit impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Lifetime ECL (credit impaired)

Notes to the annual financial statements continued

15. Investment in subsidiaries continued

Credit loss allowances

The following tables set out the carrying amount and the expected credit loss allowances for Group loans receivable:

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Net carrying amount R000
Company – 2023							
Loans to subsidiaries							
Lithatek Investments Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 479	(2 479)	–
Makeshift 1000 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	43 192	(43 192)	–
Mustek East Africa Limited	B2	Moody's Investor Services	In default	12m ECL	58 225	(6 585)	51 640
Mustek Lesotho Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	–
Mustek Limited Company Limited		Internal rating	In default	Lifetime ECL (credit impaired)	3 511	(3 511)	–
Mustek Middle East FZCO		Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	–
Quickstep 94 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	–
Soft 99 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	–
Zatophase Proprietary Limited		Internal rating	Performing	12m ECL	2 095	(838)	1 257
					121 480	(68 583)	52 897

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Net carrying amount R000
Company – 2022							
Loans to subsidiaries							
Lithatek Investments Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 479	(2 479)	–
Makeshift 1000 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	43 192	(43 192)	–
Mustek East Africa Limited	B2	Moody's Investor Services	In default	12m ECL	51 089	(800)	50 289
Mustek Lesotho Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	–
Mustek Limited Company Limited		Internal rating	In default	Lifetime ECL (credit impaired)	3 511	(3 511)	–
Mustek Middle East FZCO		Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	–
Quickstep 94 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	–
Soft 99 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	–
Zatophase Proprietary Limited		Internal rating	Performing	12m ECL	2 095	(838)	1 257
					114 344	(62 798)	51 546

15. Investment in subsidiaries continued

Loans from subsidiaries

	2023 R000	2022 R000
Brotek Proprietary Limited *note 2*	82 698	77 593
CIS Thuthukani Technology Proprietary Limited *note 1*	10 212	10 212
MFS Technologies Proprietary Limited *note 1*	–	1 217
Mecer Inter-Ed Proprietary Limited *note 1*	12 000	–
	104 910	89 076

Note 1: These loans are interest-free and have no fixed terms of repayment.

Note 2: Brotek is made up of two loans with different terms:
The first loan has a balance of R47.7 million (2022: R40.2 million). This loan is interest-free and has no fixed terms of repayment.
The second loan is a back-to-back loan with the mortgage bond received from Nedbank (refer note 22) and advanced to Mustek during June 2020. The balance of this loan is R35.0 million (2022: R37.4 million). This loan is carried at amortised cost and carries the same terms as the mortgage bond disclosed in note 22. R2.3 million (2022: R2.4 million) is repayable in the next 12 months.

Split between non-current and current portions

	2023 R000	2022 R000
Non-current liabilities	32 720	34 950
Current liabilities	72 190	54 126
	104 910	89 076

Classification

Loans to related companies (notes 15 and 16) and entities outside the Group (note 17) are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable from Group companies are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

After initial recognition, financial assets are measured at amortised cost using the effective interest method, net of impairment losses.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable from Group companies measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Fair value of subsidiary loans

The fair value of subsidiary loans receivable and payable approximates their carrying amounts.

Notes to the annual financial statements continued

16. Investment in associate

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Shares at cost	68 128	61 287	40 246	40 246
– opening balance	61 287	85 734	40 246	40 246
– Acquisitions/(write-offs)	6 841	(24 447)	–	–
Impairments	(14 350)	(14 350)	(4 189)	(4 189)
– opening balance	(14 350)	(24 539)	(4 189)	(4 189)
– Adjustment for impairment on investment written off	–	20 350	–	–
– current year impairments	–	(10 161)	–	–
Share of undistributed post-acquisition gains	61 906	74 705	–	–
– opening balance	74 705	74 700	–	–
– current year share of post-acquisition losses	(12 799)	(1 572)	–	–
– current year dividends received from associates	–	(2 520)	–	–
– current year write-offs	–	4 097	–	–
Loans owing by associates	1 300	3 418	1 300	3 418
– opening balance	3 418	13 701	3 418	6 401
– write-off of loans	–	(7 300)	–	–
– repayment of loans	(2 118)	(2 983)	(2 118)	(2 983)
Accumulated impairment on loans	–	(15)	–	(16)
Investment in associates	116 984	125 045	37 357	39 459

Summarised financial information of material associates

	Revenue R000	Profit (loss) before tax R000	Tax R000	Total comprehensive income R000	Dividend received from associate R000
2023					
Summarised statement of profit or loss and other comprehensive income					
Yangtze Optics Africa Proprietary Limited	353 628	47 283	(7 394)	39 889	–
Zaloserve Proprietary Limited	1 241 472	(82 340)	21 468	(60 872)	–
Khauleza IT Solutions Proprietary Limited	20 518	(14 899)	8 957	(5 942)	–
Continuous Power Systems Proprietary Limited	79 063	12 592	(3 400)	9 192	–
	1 694 681	(37 364)	19 631	(17 733)	–

	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000
Summarised statement of financial position					
Yangtze Optics Africa Proprietary Limited	95 748	245 138	–	121 853	219 033
Zaloserve Proprietary Limited	76 583	587 869	20 535	523 802	120 115
Khauleza IT Solutions Proprietary Limited	9 868	6 525	–	1 329	15 064
Continuous Power Systems Proprietary Limited	36 797	48 398	19 273	22 017	43 905
	218 996	887 930	39 808	669 001	398 117

16. Investment in associate continued

Summarised financial information of material associates continued

	Revenue R000	Profit (loss) before tax R000	Tax R000	Total comprehensive income R000	Dividend received from associate R000
2022					
Summarised statement of profit or loss and other comprehensive income					
Yangtze Optics Africa Proprietary Limited	279 150	22 145	(3 347)	18 798	–
Zaloserve Proprietary Limited	931 232	(8 500)	3 326	(5 174)	–
Khauleza IT Solutions Proprietary Limited	40 381	(15 598)	–	(15 598)	2 520
Continuous Power Systems Proprietary Limited	61 752	4 125	(1 155)	2 970	–
	1 312 515	2 172	(1 176)	996	2 520

	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000
Summarised statement of financial position					
Yangtze Optics Africa Proprietary Limited	62 777	226 569	–	117 580	171 766
Zaloserve Proprietary Limited	65 405	402 351	25 365	260 857	181 534
Khauleza IT Solutions Proprietary Limited	1 283	23 471	175	3 572	21 007
Continuous Power Systems Proprietary Limited	33 969	31 533	22 886	11 303	31 313
	163 434	683 924	48 426	393 312	405 620

Notes to the annual financial statements continued

16. Investment in associate continued

The following tables list the net investment in associates for both company and Group:

Company – Unlisted

	Note	Percentage holding 2023	2023 R000	Cost Additions/ (disposals) R000	Opening impairment R000	Additional impairment R000	2022 R000
Mustek Zimbabwe Private Limited	3	–	4 189	–	(4 189)	–	4 189
Khauleza IT Solutions Proprietary Limited		36.0	–	–	–	–	–
Continuous Power Systems Proprietary Limited	1	40.0	–	–	–	–	–
Yangtze Optics Africa Holdings Proprietary Limited	2	25.1	36 057	–	–	–	36 057
Total Company			40 246	–	(4 189)	–	40 246

Group – Unlisted

	Note	Percentage holding 2023	2023 R000	Cost Additions R000	Opening impairment R000	Additional impairment/ write-off R000	2022 R000
Mustek Zimbabwe Private Limited	3	–	4 189	–	(4 189)	–	4 189
Khauleza IT Solutions Proprietary Limited		36.0	–	–	–	–	–
Continuous Power Systems Proprietary Limited	1	40.0	–	–	–	–	–
Zaloserve Proprietary Limited	4	40.0	7 882	6 841	(10 161)	–	21 041
Yangtze Optics Africa Holdings Proprietary Limited	2	25.1	6 057	–	–	–	36 057
Total Group			8 128	6 841	(14 350)	–	61 287

1. With effect from 1 January 2011, Mustek Limited acquired a 40% share in Continuous Power Systems Proprietary Limited. The loan to Continuous Power Systems Proprietary Limited is interest-free and has no fixed repayment terms (management has no expectation to demand settlement of this loan within the next 12 months).
2. Mustek Limited acquired a 25.1% share in Yangtze Optics Africa Holdings Proprietary Limited with effect from 8 March 2016.
3. On 1 July 2002 Mustek disposed of Mustek Zimbabwe. The purchaser irrevocably granted Mustek an option to purchase, at any time, 40% of the entire issued share capital of Mustek Zimbabwe for a nominal value and, as a result, the option investment is treated as an equity investment in an associate company.
4. Mustek Limited owns 100% of Zatophase Proprietary Limited. Zatophase Proprietary Limited owned 36.1% of Zaloserve, the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe) after selling 3.9% of the company on 30 June 2021 to Zaloserve Management Proprietary Limited (Zaloserve Management) in terms of a Management Share Purchase and Shareholding Agreement (the agreement). Zaloserve Management was a company that was intended to be owned by Sizwe's management team. The consideration of R11.0 million for the Group's 3.9% stake was payable on or before 30 June 2026 and was included in other loans (note 17) as at 30 June 2022. On 8 July 2022, it was resolved that the agreement would be cancelled and the transaction reversed. This resulted in the Group reverting back to its 40.0% shareholding and reversing the carrying value of the loan of R6.8 million back to the cost of the investment.

Loans to					Equity accounted share of earnings					Net investment	
2023 R000	Advanced/ (repaid)	Opening impair-ment R000	Reversal of impair-ment R000	2022 R000	2023 R000	Current year profits R000	Current year disposals R000	Dividend received R000	2022 R000	2023 R000	2022 R000
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
1 300	(2 118)	(16)	16	3 418	–	–	–	–	–	1 300	3 402
–	–	–	–	–	–	–	–	–	–	36 057	36 057
1 300	(2 118)	(16)	16	3 418	–	–	–	–	–	37 357	39 459

Loans to					Equity accounted share of earnings					Net investment	
2023 R000	Advanced/ (repaid)/ written off	Opening impair-ment R000	Reversal of impair-ment/ write-off R000	2022 R000	2023 R000	Current year profits (losses) R000	Current year write-off R000	Dividend received R000	2022 R000	2023 R000	2022 R000
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	5 219	(2 139)	–	–	7 358	5 219	7 358
1 300	(2 118)	(15)	15	3 418	11 921	3 677	–	–	8 244	13 221	11 646
–	–	–	–	–	29 663	(24 349)	–	–	54 012	47 384	64 893
–	–	–	–	–	15 103	10 012	–	–	5 091	51 160	41 148
1 300	(2 118)	(15)	15	3 418	61 906	(12 799)	–	–	4 705	116 984	125 045

Notes to the annual financial statements continued

16. Investment in associate continued

Additional information	Nature of business	Principle place of business	Period equity accounted
Mustek Zimbabwe Private Limited	Assembly and distribution of computers and computer components	Zimbabwe	12 months (2022: 12 months)
Khauleza IT Solutions Proprietary Limited	Provider of IT support solutions	South Africa	12 months (2022: 12 months)
Continuous Power Systems Proprietary Limited	Provider of uninterrupted power supply solutions	South Africa	12 months (2022: 12 months)
Zaloserve Proprietary Limited	Group of IT support solutions provider companies	South Africa	12 months (2022: 12 months)
Yangtze Optics Africa Holdings Proprietary Limited	Fibre optics technology	South Africa	12 months (2022: 12 months)

In the separate financial statements of Mustek Limited, investments in associates are carried at cost in accordance with IAS 28. For Group purposes, the investments in associates have been equity accounted in accordance with IAS 28.

The net investment is stated after accumulated impairment charges of R14.3 million (2022: R14.3 million) for the Group and R4.2 million (2022: R4.2 million) for the company. The carrying amounts of the investments approximates the fair values.

The loans are measured, at initial recognition, at fair value plus transaction costs, if any. After initial recognition, these loans are measured at amortised cost using the effective interest method, net of ECL. Refer to note 15 for details on the Group's exposure to credit risk, specifically relating to loans receivable from Group companies.

The Group or company considers significant influence over an entity to be present, when the Group or company can exert significant influence over the executive decision making within the entity. This may be achieved by either a combination of the voting rights associated to the shareholding in the entity, or through significant influence over executive decision making by means of positions and relationships held.

17. Other loans

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Other loans are presented at amortised cost, which is net of ECL, as follows:				
Elimu Technologies Proprietary Limited	–	–	–	–
This loan is unsecured, bears interest at prime and has no fixed repayment terms. This loan has been impaired in full.				
Mustek Executive Share Trust	–	–	36 336	44 643
Note 1, 2 and 3.				
DC Kan	23 410	24 439	–	–
Note 4				
H Engelbrecht	11 525	12 854	–	–
Note 1				
CJ Coetzee	1 390	2 270	–	–
Note 1				
JL Chen	–	845	–	–
Note 2				
Zaloserve Management Proprietary Limited	–	6 841	–	–
This loan bears interest at Repo +1% per annum. The agreement under which the loan was granted was cancelled in the current year (note 16).				
	36 325	47 249	36 3360	44 643

Note 1: Directors of Mustek Limited were issued 3.8 million Mustek Limited shares in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the directors in terms of the rules of the trust. The loan from the Share Trust was in turn funded by a loan from Mustek Limited to the Share Trust. Up to 31 August 2017, these loans bore interest at the South African repo rate plus one percent. From 1 September 2017, the loans are interest-free. Tax on fringe benefits is charged to the loan accounts on a monthly basis. These loans are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment and note 29 for related party disclosure.

Note 2: During the 2015 financial year, 1.9 million Mustek Limited shares were issued to members of the executive management of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the staff members in terms of the rules of the trust deed. The trust deed provides that the board of directors determine the interest rate. Interest was charged at the South African Repo rate plus one percent. From 1 September 2017, these loans were interest-free and deemed fringe benefits. These are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment and note 29 for related party disclosure.

Note 3: In accordance with IFRS 10, Mustek has control over the Mustek Executive Share Trust, as it is exposed and has rights to variable returns from its involvement with the trust and has the ability to affect those returns through its power. Therefore, it is consolidated into the Group. This entity has a 28 February financial year-end which is different to the 30 June year-end of other Group entities (unless stated otherwise).

Note 4: The loan to DC Kan was advanced under the same scenario noted above in note 1. Pending finalisation of his estate, settlement is expected in the next 12 months. The loan has been disclosed as a short-term loan included in trade and other receivables (note 19).

Notes to the annual financial statements continued

17. Other loans continued

Exposure to credit risk

Other loans inherently exposes the Group and company to credit risk, being the risk that the Group or company will incur financial loss if counterparties fail to make payments as they fall due.

Other loans are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for other loans is calculated based on 12-month (12m) expected losses. A rate of 1% (2022:1%) was used for the expected credit loss on certain of the loans (Mustek Share Trust and Director loans) as these loans are expected to have low credit risk as the borrowers have capacity to meet their obligations and sufficient measures are put in place to ensure recoverability of these loans. In determining the amount of expected credit losses for these loans, the Group and company have taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

Credit rating framework

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Lifetime ECL (credit impaired)

Credit loss allowances

The following tables set out the carrying amount and loss allowance for loans receivable (at amortised cost):

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Group – 2023							
A Lai		Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 152	(2 152)	–
Estate late DC Kan		Internal rating	Performing	12m ECL	23 657	(247)	23 410
H Engelbrecht		Internal rating	Performing	12m ECL	11 641	(116)	11 525
CJ Coetzee		Internal rating	Performing	12m ECL	1 404	(14)	1 390
IG3 Education Limited		Internal rating	Doubtful	Lifetime ECL (credit impaired)	5 943	(5 943)	–
					45 797	(9 472)	36 325

17. Other loans continued
Credit loss allowances continued

Instrument	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Group – 2022						
A Lai	Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	2 087	(2 087)	–
DC Kan	Internal rating	Performing	12m ECL	24 686	(247)	24 439
H Engelbrecht	Internal rating	Performing	12m ECL	12 984	(130)	12 854
CJ Coetzee	Internal rating	Performing	12m ECL	2 293	(23)	2 270
JL Chen	Internal rating	Performing	12m ECL	853	(8)	845
IG3 Education Limited	Internal rating	Doubtful	Lifetime ECL (credit impaired)	4 811	(4 811)	–
Zaloserve Management Proprietary Limited	Internal rating	Doubtful	Lifetime ECL (credit impaired)	11 537	(4 696)	6 841
				60 251	(13 002)	47 249

Instrument	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Company – 2023						
A Lai	Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	2 152	(2 152)	–
Mustek Executive Share Trust	Internal rating	Performing	12m ECL	36 702	(367)	36 336
				39 854	(3 519)	36 336

Instrument	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Company – 2022						
A Lai	Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	2 087	(2 087)	–
Mustek Executive Share Trust	Internal rating	Performing	12m ECL	45 094	(451)	44 643
				48 181	(3 538)	44 643

Notes to the annual financial statements continued

17. Other loans continued

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for other loans. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Other loans: Loss allowance measured at 12 month ECL:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Opening balance in accordance with IFRS 9	409	799	451	526
Changes due to investments recognised at the beginning of the reporting period:				
Transfer (to) lifetime expected credit losses (credit impaired)	–	(325)	–	(10)
Reduction due to repayment of loans	(32)	–	(84)	–
Financial assets that have been repaid during the reporting period	–	(65)	–	(65)
Closing balance	377	409	367	451

Other loans: Loss allowance measured at lifetime ECL (credit impaired):

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Opening balance in accordance with IFRS 9	12 593	1 940	3 087	1 940
Changes due to investments recognised at the beginning of the reporting period:				
Transfer from 12-month ECL	–	10 506	–	1 000
Derecognition of loan	(4 696)	–	–	–
Increase in loans	1 198	147	65	147
Closing balance	9 095	12 593	3 152	3 087

18. Inventories

	Group		Company	
	2023 R000	2022 R000	**2023 R000**	2022 R000
Trading inventory	**2 526 992**	2 277 504	**1 532 689**	1 368 701
Allowance for obsolescence	**(109 045)**	(151 073)	**(55 215)**	(103 799)
Trading inventory, net of allowance for obsolescence	**2 417 947**	2 126 431	**1 477 474**	1 264 902
Inventories in transit	**372 388**	353 756	**156 413**	231 593
Total inventories	**2 790 335**	2 480 187	**1 633 887**	1 496 495
Allowance for obsolescence reconciliation				
Opening balance	**(151 074)**	(126 648)	**(103 799)**	(75 718)
Current year reversal (provision)	**19 833**	(43 232)	**26 407**	(46 430)
Amount written off/written down	**22 196**	18 806	**22 177**	18 348
	(109 045)	(151 074)	**(55 215)**	(103 799)

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Service stock and trading stock obsolescence allowances are highly judgemental because of the very competitive nature of the business, the constant change in trends and the extremely short life cycle of the product. Service stock and trading stock is impaired depending on its age as well as specific market conditions. The Group considers stock older than 120-150 days as aged stock. The net realisable value of inventory represents the estimated selling price less all estimated costs to sell and costs to be incurred in the current market at reporting date. The effects of supply and demand conundrums, change in trends and consumer behaviour have been considered in determining the net realisable value of inventory. The Group and company provides for the amount by which the cost of inventory exceeds the net realisable value multiplied by the units of stock on hand at reporting date.

The cost of inventories recognised as an expense during the year was R8.7 billion (2022: R7.7 billion) and R5.7 billion (2022: R5.3 billion) for the Group and company respectively. Costs relating to outward freight and delivery are included in cost of sales.

The cost of inventories recognised includes R22.1 million for the Group and company (Group 2022: R18.8 million, company 2022: R18.3 milllion), in respect of write-downs to net realisable value.

Majority of the sales between Group entities are at a mark up of 0%.

Inventories that are not provided for, are not expected to be recovered in 12 months or longer after the end of the current financial year.

19. Trade and other receivables

	Group		Company	
	2023 R000	2022 R000	**2023 R000**	2022 R000
Financial instruments at amortised cost:				
Trade receivables	**1 606 004**	1 343 464	**1 001 319**	968 737
Loss allowance	**(64 429)**	(58 655)	**(39 371)**	(32 128)
Trade receivables at amortised cost	**1 541 575**	1 284 809	**961 948**	936 609
Other receivables	**44 198**	33 611	**31 351**	20 933
Other short term receivables (note 17)	**23 410**	24 439	**–**	–
Non-financial instruments:				
VAT	**75 249**	29 630	**64 481**	9 992
Prepayments	**172 195**	124 087	**170 051**	118 626
Total trade and other receivables	**1 856 627**	1 496 576	**1 227 831**	1 086 160
Split between non-current and current portions				
Non-current assets	**–**	21 228	**–**	21 228
Current assets	**1 856 627**	1 475 348	**1 227 831**	1 064 932
	1 856 627	1 496 576	**1 227 831**	1 086 160

The non-current portion of trade and other receivables for 2022 related to a prepayment made for a solar solution in the prior year. The solar solution was put into use in March 2023 and transferred to property, plant and equipment.

Notes to the annual financial statements continued

19. Trade and other receivables continued

Exposure to currency risk

Refer to note 25 for details of currency risk management for trade receivables.

Classification

Trade and other receivables are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at the transaction price. They are subsequently measured at amortised cost, net of impairment losses.

Impairment

The Group and company recognise a loss allowance for expected credit losses ("ECL") on trade receivables. The amount of expected credit losses is updated at each reporting date. The Group and company measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (lifetime ECL) based on the simplified approach, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Other information

The directors consider that the carrying amount of trade and other receivables approximates their fair value, due to their short-term nature.

The Group and company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for expected credit losses. The Group and company have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group and company perform ongoing credit valuations of the financial condition of customers, and where appropriate, credit guarantee insurance is purchased for between 85% to 90% (2022: 85% to 90%) of the value of individual trade receivables subject to an insurance deductible. Note that the majority of trade receivables are encumbered (see note 22).

The average credit period on sale of goods and services is between 30 and 60 days (2022: 30 and 60 days) from date of invoice. Generally, no interest is charged on trade receivables. Of the trade receivable balance at year-end, R96.1 million (2022: R45.5 million) and R96.1 million (2022: R34.0 million) is due from the Group and company's largest customers respectively.

It is the Group and company's policy to provide credit to approved dealers, government departments and parastatals, and to allow an account to exceed its credit limit by a maximum of 50% of the original credit limit for temporary periods, subject to the necessary approval. Limits are revised regularly according to the customer's requirements and payment history. When an insured limit is exceeded temporarily, an application is immediately sent to the insurer requesting an extension of the insured limit.

The credit risk for other receivables is minimal and the balance does not contain material impaired assets except for other short-term receivables. Other short-term receivables in the current year includes the loan to DC Kan. Refer to note 17 for detail of the loan and related expected credit loss allowance.

Write-off policy

Trade receivables that are not covered by our credit insurance are written off when a debt becomes irrecoverable. This is based on factors such as lack of securities, status of surety holder or when it is uneconomical to pursue collection costs.

Expected credit losses

It is the Group and company's policy to provide for impairment based on expected credit losses (collectively assessed). Individual debtors are also assessed and debtors that have defaulted in payments or the probability exists that the debtor is experiencing financial difficulties will also be provided for (individually assessed).

A combination of models derived from internal data and external models was produced on relevant data. For individually material trade receivables and intercompany accounts, we make use of ratings or Moody's Analytics RiskCalc SA financial statement PD and LGD models, adjusted for such items as implied Group support. For the remainder of trade receivables, we perform analysis of empirical evidence of historical defaults and losses with a judgmental overlay which generally includes SA benchmark data, where possible, and measured per risk pool.

Foreign counterparties, where their country has a lower credit rating than South Africa, are attributed the higher of their ECL rating and that of their country.

The Group and company's policy is to define a default as a credit sale that is uncollected after 90 days.

Conversion of ratings and historic PD and LGD into an ECL:

Credit ratings issued by Moody's Investor Service, S&P Global, and Fitch Ratings ("Ratings"), measured PD and LGD's are converted from Through The Cycle ("TTC") to point-in-time ("PIT") measures using Moody's Analytics ImpairmentCalc product and their GCorr economic forecasts and scenarios. ImpairmentCalc then converts (or "conditions") these historic or PIT measures into forward looking measures that constitute the ECL. This conditioning utilises their proprietary models, their database of validated historic macro-economic data and forecast macro-economic data and scenarios with recommended weightings.

This is consistent with the methodology applied in prior periods.

19. Trade and other receivables continued

Expected credit losses continued

Moody's Analytics produces a set of macro-economic forecasts for South Africa that considers the historical accuracy of various forecasters to identify reliable sources. These are incorporated into their GCorr macro-economic forecast set. Based on research conducted by Moody's Analytics they recommend the use of their Baseline, Stronger Near-Term Rebound (S1) ("Bullish"), and Moderate Recession (S3) ("Bearish") forecast sets weighted 40%, 30%, 30% respectively for a forward looking adjustment for the purposes of IFRS 9. They consider both public and private South African company defaults in this research. The methodology does consider the industry of the asset and includes in the calculations likely volatility of that industry to the average impact of the South African economy.

Moody's Analytics does not disclose the specific macro-economic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures. The forecast GDP growth for Q2 2024 ranges from 2.34% to 2.30% with baseline at 0.59%. The current forecast is less optimistic than a similar forecast of six months ago. GDP is not the only factor that determines the extent of the adjustment but is described here to illustrate the extent of impact on the general economy that is being taken into account.

The Group and Company's trade receivables are stated after allowances for expected credit losses. The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed R000	Individually assessed R000	Total R000
Group – 2023			
Balance at the beginning of the year	11 053	47 602	58 655
Transfer to individually assessed	(582)	582	–
Foreign exchange movements	–	(166)	(166)
Net amounts written off as uncollectable	–	(5 152)	(5 152)
Charged to profit and loss	6 537	4 555	11 092
Balance at the end of the year	17 008	47 421	64 429
Group – 2022			
Balance at the beginning of the year	20 678	24 231	44 909
Foreign exchange movements	17	17	34
Net amounts written off as uncollectable	–	(14 935)	(14 935)
Charged to profit and loss	(9 642)	38 289	28 647
Balance at the end of the year	11 053	47 602	58 655
Company – 2023			
Balance at the beginning of the year	7 315	24 813	32 128
Net amounts written off as uncollectable	–	(3 839)	(3 839)
Charged to profit and loss	4 240	6 842	11 082
Balance at the end of the year	11 555	27 816	39 371
Company – 2022			
Balance at the beginning of the year	13 519	12 207	25 726
Net amounts written off as uncollectable	–	(13 312)	(13 312)
Charged to profit and loss	(6 204)	25 918	19 714
Balance at the end of the year	7 315	24 813	32 128

Notes to the annual financial statements continued

19. Trade and other receivables continued

Group – 2023

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
0 – 30 days									
DRC	202	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(2)	200
Lesotho	1 045	Sovereign rate and empirical	B2	44.1	0.28	0.68	0.68	(7)	1 038
Mozambique	766	Sovereign rate and empirical	Caa2	45.4	0.28	1.99	1.99	(15)	751
Namibia	4 015	Sovereign rate and empirical	B1	44.1	0.28	0.48	0.48	(19)	3 996
Eswatini	1 280	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(12)	1 268
Zambia	172	Sovereign rate and empirical	Ca	45.4	0.28	45.42	45.42	(78)	94
Zimbabwe	4 132	Sovereign rate and empirical	Default	100.0	0.28	10 – 100	10 – 100	(1 257)	2 875
South Africa	728 702	Sovereign rate and empirical	Ba1	3.63	0.28	–	0.28	(2 011)	726 691
Total	740 314							(3 997)	736 913
30 – 60 days									
Lesotho	208	Sovereign rate and empirical	B2	44.1	0.47	0.68	0.68	(2)	206
Mozambique	127	Sovereign rate and empirical	Caa2	45.4	0.47	1.99	1.99	(3)	124
Namibia	626	Sovereign rate and empirical	B1	44.1	0.47	0.48	0.48	(3)	623
Eswatini	802	Sovereign rate and empirical	B3	44.1	0.47	0.96	0.96	(8)	794
Zimbabwe	2 622	Sovereign rate and empirical	Default	44.1	0.47	10 – 100	10 – 100	(480)	2 142
South Africa	367 746	Empirical	Ba1	3.63	0.47	–	0.47	(1 727)	366 019
Total	372 131							(2 223)	369 908

19. Trade and other receivables continued

Group – 2023 continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Mozambique	135	Sovereign rate and empirical	Caa2	45.4	1.53	1.99	1.99	(3)	132
Namibia	179	Sovereign rate and empirical	B1	44.1	1.53	0.48	1.53	(3)	176
Eswatini	218	Sovereign rate and empirical	B3	44.1	1.53	0.96	1.53	(4)	214
South Africa	99 392	Empirical	Ba1	3.63	1.53	–	1.53	(1 524)	97 868
Total	99 924							(1 534)	98 390
90+ days									
Mozambique	120	Sovereign rate and empirical	Caa2	45.4	4.07	1.99	4.07	(5)	115
Namibia	560	Sovereign rate and empirical	B1	44.1	4.07	0.48	4.07	(23)	537
Nigeria	1	Sovereign rate and empirical	Caa2	45.4	4.07	1.40	4.07	(1)	–
Eswatini	85	Sovereign rate and empirical	B3	44.1	4.07	0.96	4.07	(4)	81
Zambia	93	Sovereign rate and empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 215	Sovereign rate and empirical	Default	100.0	4.07	10	10	(125)	1 090
South Africa	236 015	Empirical	Ba1	3.63	4.07	–	4.07	(9 654)	226 361
Total	238 089							(9 854)	228 235
Total Group ECL								(17 008)	

Notes to the annual financial statements continued

19. Trade and other receivables continued

Group – 2022

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2022	Indicative ECL amount ZAR	Indicative net balance ZAR
0 – 30 days									
Lesotho	710	Sovereign rate and empirical	B2	42.8	0.21	0.25	0.25	(2)	708
Malawi	171	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Kenya	1 529	Sovereign rate and empirical	B2	42.8	0.21	0.25	0.25	(3)	1 526
Mozambique	32	Sovereign rate and empirical	Caa2	44.1	0.21	0.72	0.72	–	32
Namibia	1 308	Sovereign rate and empirical	B1	42.5	0.21	0.18	0.21	(3)	1 305
Eswatini	1 427	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(5)	1 422
Zimbabwe	1 006	Sovereign rate and empirical	Default	44.8	0.21	10 – 100	10 – 100	(696)	310
South Africa	717 528	Empirical	Ba1	5.7	0.21	–	0.21	(1 507)	716 021
Total	723 711							(2 217)	721 494
30 – 60 days									
Kenya	2 050	Sovereign rate and empirical	B2	42.8	0.33	0.25	0.33	(7)	2 043
Lesotho	208	Sovereign rate and empirical	B2	42.8	0.33	0.25	0.33	(1)	207
Namibia	942	Sovereign rate and empirical	B1	42.5	0.33	0.18	0.33	(3)	939
Eswatini	421	Sovereign rate and empirical	B3	42.8	0.33	0.35	0.35	(1)	420
Zimbabwe	872	Sovereign rate and empirical	Default	44.1	0.33	10 – 100	10 – 100	(463)	409
South Africa	314 248	Empirical	Ba1	5.68	0.33	–	0.33	(1 037)	313 211
Total	318 7414							(1 512)	317 229

19. Trade and other receivables continued

Group – 2022 continued

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2022	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Kenya	579	Sovereign rate and empirical	B2	42.8	1.33	0.35	1.33	(8)	571
Namibia	6	Sovereign rate and empirical	B1	42.5	1.33	0.18	1.33	–	6
Eswatini	14	Sovereign rate and empirical	B3	42.8	1.33	0.35	1.33	–	14
Zambia	3	Sovereign rate and empirical	Ca	44.1	1.33	44.13	44.13	(1)	2
Zimbabwe	723	Empirical	Default	44.1	1.33	10 – 100	10 – 100	(72)	651
South Africa	89 243	Empirical	Ba1	5.6	1.33	–	1.33	(1 188)	88 055
Total	90 568							(1 269)	89 299
90+ days									
Lesotho	710	Sovereign rate and empirical	B2	42.8	5.48	0.35	5.48	(39)	671
Kenya	10 262	Sovereign rate and empirical	B2	42.8	5.48	0.35	5.48	(562)	9 700
Mozambique	32	Sovereign rate and empirical	Caa2	44.1	5.48	0.72	5.48	(2)	30
Namibia	633	Sovereign rate and empirical	B1	42.5	5.48	0.18	5.48	(35)	598
Eswatini	548	Sovereign rate and empirical	B3	42.8	5.48	0.35	5.48	(30)	518
Zimbabwe	982	Sovereign rate and empirical	Default	44.10	5.48	10 – 100	10 – 100	(694)	288
South Africa	85 626	Empirical	Ba1	5.7	5.48	–	5.48	(4 693)	80 933
Total	98 793							(6 055)	92 738
Total Group ECL								(11 053)	

Notes to the annual financial statements continued

19. Trade and other receivables continued

Company – 2023

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
0 – 30 days									
Lesotho	256	Sovereign rate and empirical	B2	44.1	0.28	0.68	0.68	(2)	254
Mozambique	31	Sovereign rate and empirical	Caa2	45.4	0.28	1.99	1.99	(1)	31
Namibia	3 123	Sovereign rate and empirical	B1	44.1	0.28	0.48	0.48	15	3 108
Eswatini	695	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(7)	688
Zambia	46	Sovereign rate and empirical	Ca	45.4	0.28	45.42	45.42	(21)	25
Zimbabwe	3 194	Sovereign rate and empirical	Default	100.0	0.28	10.00	10.00	(319)	2 874
South Africa	403 198	Empirical	Ba1	3.36	0.28	–	0.28	(1 114)	402 084
Total	410 543							(1 479)	409 064
30 – 60 days									
Lesotho	42	Sovereign rate and empirical	B2	44.1	0.47	0.68	0.68	(1)	41
Mozambique	15	Sovereign rate and empirical	Caa2	45.4	0.47	1.99	1.99	(1)	14
Namibia	156	Sovereign rate and empirical	B1	44.1	0.47	0.48	0.48	(1)	155
Eswatini	237	Sovereign rate and empirical	B3	44.1	0.47	0.96	0.96	(2)	235
Zimbabwe	2 380	Sovereign rate and empirical	Default	100.0	0.47	10.00	10.00	(238)	2 142
South Africa	154 663	Empirical	Ba1	3.63	0.47	–	0.47	(727)	153 937
Total	157 493							(970)	156 524

19. Trade and other receivables continued

Company – 2023 continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Mozambique	57	Sovereign rate and empirical	Caa2	45.4	1.53	1.99	1.99	(1)	56
Namibia	175	Sovereign rate and empirical	B1	44.1	1.53	0.48	1.53	(3)	172
Eswatini	215	Sovereign rate and empirical	B3	44.1	1.53	0.96	1.53	(3)	212
South Africa	39 661	Empirical	Ba1	3.63	1.53	–	1.53	(608)	39 052
Total	40 108							(615)	39 492
90+ days									
Mozambique	117	Sovereign rate and empirical	Caa2	45.4	4.07	1.99	4.07	(5)	112
Namibia	559	Sovereign rate and empirical	B1	44.1	4.07	0.48	4.07	(23)	536
Eswatini	33	Sovereign rate and empirical	B3	44.1	4.07	0.96	4.07	(1)	32
Zambia	93	Sovereign rate and empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 212	Sovereign rate and empirical	Default	100.0	4.07	10.00	10.00	(121)	1 091
South Africa	200 662	Empirical	Ba1	3.63	4.07	–	4.07	(8 244)	192 503
Total	202 676							(8 436)	194 325

Intercompany balances	Indicative amount at 30 June 2023	Measurement approach	Probability or default or rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	14 442	PG and LGD – RiskCalc	1.75	55.3	0.36	–	0.36	(53)	14 389
Mustek East Africa	229	PG and LGD – RiskCalc	3.30	55.6	0.74	0.68	0.74	(2)	227
Total	14 671							(55)	14 616
Total Company ECL								(11 555)	

Notes to the annual financial statements continued

19. Trade and other receivables continued

Company – 2022

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2022	Indicative ECL amount ZAR	Indicative net balance ZAR
0 – 30 days									
Malawi	171	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Namibia	674	Sovereign rate and empirical	B1	42.5	0.21	0.18	0.21	(1)	673
Eswatini	879	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(3)	876
Zimbabwe	344	Sovereign rate and empirical	Default	44.1	0.21	10.00	10.00	(35)	309
South Africa	520 143	Empirical	Ba1	5.68	0.21	–	0.21	(1 092)	519 051
Total	522 211							(1 132)	521 079
30 – 60 days									
Namibia	876	Sovereign rate and empirical	B1	42.5	0.33	0.18	0.33	(2)	874
Eswatini	291	Sovereign rate and empirical	B3	42.8	0.33	0.35	0.35	(1)	290
Zimbabwe	455	Sovereign rate and empirical	Default	4.1	0.33	10.00	10.00	(45)	410
South Africa	230 936	Empirical	Ba1	5.68	0.33	–	1.33	(761)	230 175
Total	232 558							(809)	231 749
60 – 90 days									
Zimbabwe	723	Sovereign rate and empirical	Default	44.1	1.33	10.00	10.00	(72)	651
South Africa	73 495	Empirical	Ba1	5.68	1.33	–	1.33	(978)	72 517
Total	74 218							(1 050)	73 168
90+ days									
Zimbabwe	320	Sovereign rate and empirical	Default	44.1	5.48	10.00	10.00	(32)	288
South Africa	76 667	Empirical	Ba1	5.68	5.68	–	5.48	(4 203)	72 464
Total	76 987								72 752

Intercompany balances	Indicative amount at 30 June 2022	Measurement approach	Probability or default or rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2022	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	47 856	PG and LGD – RiskCalc	2.01	57.4	0.18	–	0.18	(88)	47 768
Mustek East Africa	198	PG and LGD – RiskCalc	4.65	57.8	0.39	0.25	0.39	(1)	197
Total	48 054							(89)	47 965
Total Company ECL								(7 315)	

19. Trade and other receivables continued

Individually assessed debtors:

The Group and company has identified specific debtors (debtors which have been handed over for legal action) and provided a further ECL % for these debtors based on the risk profile associated with each category as tabled below:

		Group		Company	
	ECL %	Indicative amount at 30 June 2023 R000	Indicative ECL amount R000	Indicative amount at 30 June 2023 R000	Indicative ECL amount R000
2023					
Category 1	20%	28 267	5 287	5 457	1 198
Category 2	20% – 80%	69 151	15 719	859	290
Category 3	80% – 100%	27 550	26 415	27 550	26 328
		124 968	47 421	33 866	27 816

		Group		Company	
	ECL %	Indicative amount at 30 June 2022 R000	Indicative ECL amount R000	Indicative amount at 30 June 2022 R000	Indicative ECL amount R000
2022					
Category 1	20%	18 114	3 962	4 004	1 000
Category 2	20% – 80%	44 984	19 828	–	–
Category 3	80% – 100%	25 199	23 812	25 199	23 813
		88 297	47 602	29 203	24 813

Category 1 – debtors included in this category are impaired at 20% (2022: 20%) as a result of credit insurance being held for the remaining 80% (2022: 80%) of the debt.

Category 2 – debtors included in this category relate to debtors with varying levels of security such as personal suretyships, cessions and guarantees. The assessment of recoverability results in an ECL of between 20% and 80% (2022: 20% and 80%).

Category 3 – debtors impaired at 100% are based on the probability that the debtor will be fully delinquent and low or no recoverability exists for this debt.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, forward exchange contracts, loans and receivables, investments and trade and other receivables.

With respect to the forward exchange contracts, the Group's exposure is on the full amount of the foreign currency due on settlement. The Group minimises credit risk relating to forward exchange contracts by limiting the counterparties to major local and international banks, and does not expect to incur any losses as a result of non-performance by these counterparties.

Financial assets recorded in the financial statements, which are net of impairment losses, represent the company and Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit exposure of forward exchange contracts is represented by the fair value of these contracts.

The company holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on liquidation of the debtor. The collateral held by the Group and company amounted to R255 million (2022: R239 million).

Notes to the annual financial statements continued

20. Cash and cash equivalents

Bank balances and cash comprise cash, funds on call and short-term deposits and are at amortised cost. The carrying amount of these assets approximates their fair value. These financial assets are recognised initially at fair value and subsequently measured at amortised cost. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Bank balances and cash	349 258	375 323	93 091	53 751
Cash generated from operations				
Profit before taxation	292 664	322 078	187 205	267 647
Adjustments for:				
Depreciation and amortisation	53 848	48 292	44 029	35 729
Profits (losses) on disposals and scrappings of property, plant and equipment	1 445	(4 196)	1 180	(4 780)
Fair value adjustments of FECs	(2 735)	(48 638)	(1 368)	(25 997)
Unrealised foreign exchange losses	16 029	88 608	(13 810)	47 648
(Loss) profits from equity-accounted investments	12 799	1 572	–	–
Dividends received	–	–	(19 731)	(38 035)
Interest income	(23 650)	(6 778)	(5 118)	(4 774)
Finance costs paid	174 532	76 751	110 729	49 230
Profit on sale of subsidiary	–	(6 818)	–	–
Allowance for obsolescence and inventory written off	(42 028)	24 426	(48 584)	28 082
Impairment losses on trade receivables and bad debts	11 092	28 647	11 081	19 714
Realisation of FCTR on liquidation of foreign subsidiary	(2 150)	–	–	–
Impairment (reversal) of impairment of loans to subsidiaries	–	–	5 785	(10 780)
Impairment of investment in associate	–	10 161	–	–
(Reversal of impairment) impairment of associate loans	(15)	(20)	(15)	(20)
Impairment of other loans	770	9 974	1 014	837
Write off of other items	(160)	–	–	–
Share-based payment expense	12 119	25 502	9 195	20 371
Changes in working capital:				
Inventories	(268 120)	(1 065 590)	(88 808)	(699 647)
Trade and other receivables	(393 399)	(272 406)	(173 882)	(199 111)
Trade and other payables	351 856	1 070 394	81 744	512 127
Contract assets	(31 471)	2 707	(7 498)	2 707
Contract liabilities	34 268	(1 235)	8 576	(2 427)
	197 694	303 431	101 724	(1 479)

21. Stated capital and earnings per share

	Group 2023	Group 2022	Company 2023	Company 2022
Authorised				
Ordinary shares (000)	250 000	250 000	250 000	250 000
Reconciliation of number of shares issued:				
Opening balance (000)	59 000	66 000	59 000	66 000
Shares bought back and cancelled-funded by retained earnings (000)	(1 460)	(7 000)	(1 460)	(7 000)
	57 540	59 000	57 540	59 000

	R000	R000	R000	R000
Issued				
Opening balance	–	–	–	–
Shares bought back	(21 857)	(97 999)	(21 857)	(97 999)
Share buy backs funded by retained earnings	21 857	97 999	21 857	97 999
Closing balance	–	–	–	–

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's board of directors reviews the capital structure on a semi-annual basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of 60% : 40% (2022: 60% : 40%). The current debt-to-equity ratio is 70% : 30%.

	Number of shares 000	Repurchase price R000	Average repurchase price per share R000
Share repurchases			
Ordinary shares			
Included in the above:			
Total shares repurchased	1 460	21 857	14.97

Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share was based on earnings of R219.6 million (2022: R220 million) and a weighted average number of ordinary shares of 58.2 million (2022: 62.7 million).

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

	Group 2023 R000	Group 2022 R000
Basic earnings per share		
From operations (c per share)	377.05	350.96
Diluted earnings per share		
From operations (c per share)	377.05	350.96

Notes to the annual financial statements continued

21. Stated capital and earnings per share continued

Headline earnings per share

Headline earnings per share is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during a period.

Headline earnings is determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings is presented after tax and non-controlling interest.

	Group	
	2023 R000	2022 R000
Headline earnings per share (c)	375.18	357.38
Diluted headline earnings per share (c)	375.18	357.38
Weighted average number of ordinary shares	58 245 548	62 676 789

	Gross 2023 R000	Net 2023 R000	Gross 2022 R000	Net 2022 R000
Reconciliation between profit (loss) attributable to equity holders of the parent and headline earnings (loss)				
Group				
Profit for the year attributable to equity holders of the parent		219 612		219 970
Basic earnings		219 612		219 970
Adjusted for:				
Group's share of (loss) profit on disposal/recoupment of property, plant and equipment and intangible assets.	1 445	1 055	(4 196)	(3 020)
FCTR recycled to profit and loss	(2 150)	(2 150)	–	–
Group's share of impairment of investment in associate	–	–	10 161	10 161
Group's share of profit on disposal of subsidiary	–	–	(6 818)	(4 592)
Remeasurement items included in associate equity-accounted earnings				
Group's share of impairment of property, plant and equipment	–	–	2 165	1 559
Group's share of loss (profit) on sale of property, plant and equipment	13	10	(113)	(82)
Headline earnings		218 527		223 996

At year-end, no share options were outstanding (2022: no share options were outstanding). The weighted average market price for the current financial year was R15.75 per share (2022: R13.64 per share).

	2023 R000	2022 R000	2023 R000	2022 R000
Dividends per share				
Final (c)	76.00	90.00	76.00	90.00

A final dividend of 77 cents per share (2022: 76 cents) was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only.

22. Borrowings and other liabilities

	Notes	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Held at amortised cost					
Secured					
Mortgage bond		34 994	37 360	–	–
Bank overdrafts		380 999	170 000	380 999	170 000
Unsecured					
Bank overdrafts		479	52 265	–	52 265
Loan from subsidiary	15	–	–	34 994	37 360
Total interest-bearing borrowings		416 472	259 625	415 993	259 625
Interest-free					
Unsecured					
Share-based payment liabilities – non-financial liability	30	25 440	25 963	19 736	20 991
Loans from subsidiaries – financial liability	15	–	–	69 916	51 716
Total interest-free borrowings		25 440	25 963	89 652	72 707
Split between non-current and current portions					
Non-current liabilities		34 010	48 026	33 644	45 281
Current liabilities		407 902	237 562	472 001	287 051
Bank overdrafts		381 478	222 265	380 999	222 265
Short-term portion of long-term borrowings		2 274	2 410	–	–
Short-term portion of share-based payment liability	24	24 150	12 887	18 812	10 660
Loans from subsidiaries	15	–	–	72 190	54 126
Total borrowings		441 912	285 588	505 645	332 332
Maturity analysis:					
The borrowings are repayable as follows:					
On demand or within one year		387 241	240 293	456 678	289 783
Year 2		36 233	15 577	36 233	13 428
Year 3		–	37 300	–	36 703
		423 474	293 170	492 911	339 914
Less finance charges component		(7 002)	(7 582)	(7 002)	(7 582)
		803 713	525 881	485 909	622 115

Additional information

Included in borrowings are the following:

Accounts receivable securitisation loans

Included in bank overdrafts, is an amount of R381 million (2022: R170 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2.1% (2022: JIBAR plus 2%) and is repayable by 22 January 2024 (2022: 23 January 2023). It is the intention of the directors to renew the facility for a further period of 12 months. This loan is classified as subsequently measured at amortised cost. The facility is secured over accounts receivable in Mustek Limited and Rectron Proprietary Limited. A working capital ratio of more than 1.2, as well as a Group net debt-to-equity ratio not exceeding 150%, is required to be maintained by Mustek Limited. Furthermore, the total facility of R580 million (2022: R880 million) is limited to 90% of the trade receivables less than 120 days of age, in Mustek Limited. All facility covenants were met in the current and previous financial year.

During the 2020 financial year, Brotek Proprietary Limited, a company within the Group obtained a mortgage bond of R40 million. The variable interest rate is set at the prime rate less 0.75% and the loan term is five years. Repayments consist of part capital and interest over the remaining loan term.

The mortgage bond is secured by property, with a carrying amount of R64.3 million (2022: R64.3 million).

The mortgage bond, loans from subsidiaries and bank overdrafts are classified as financial liabilities measured at amortised cost. Interest is calculated using the effective interest method, and interest expense is recognised in the statement of comprehensive income.

Refer to note 23 for details of the movement in the borrowings during the reporting period.

Notes to the annual financial statements continued

22. Borrowings and other liabilities continued

Exposure to liquidity risk

Liquidity risk is the risk that the Group or company will not be able to meet its financial obligations as they fall due. In terms of its borrowing requirements, the Group and company ensure that adequate funds are available to meet its expected and unexpected financial commitments by maintaining adequate reserves, banking facilities, reserve borrowing facilities and matching the maturity profiles of financial assets and liabilities.

Included in this note is a listing of the Group and company's borrowing powers, borrowing capacity and banking facilities. The following table details the Group and company's remaining contractual balances for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

	Trade and other payables R000	Borrowings R000	Total R000
Group – 2023			
Non-interest-bearing	1 612 064	–	1 612 064
Variable interest rate instruments	1 914 703	423 474	2 338 177
	3 526 767	423 474	3 950 241
Group – 2022			
Non-interest-bearing	1 391 400	–	1 391 400
Variable interest rate instruments	1 808 228	267 207	2 075 435
	3 199 628	267 207	3 466 835

	Trade and other payables R000	Borrowings R000	Loans from subsidiaries R000	Total R000
Company – 2023				
Non-interest-bearing	990 422	–	69 916	1 060 338
Variable interest rate instruments	930 120	380 999	41 996	1 353 115
	1 920 542	380 999	111 912	2 413 453
Company – 2022				
Non-interest-bearing	953 687	–	51 716	1 005 403
Variable interest rate instruments	909 820	222 265	44 942	1 177 027
	1 863 507	222 265	96 658	2 182 430

Borrowing powers, borrowing capacity and banking facilities

In terms of the Memorandum of Incorporation, the company's borrowing powers are unlimited. The Group and company have the following banking facilities amounting to R3.0 billion (2022: R2.7 billion) and R1.9 billion (2022: R1.7 billion) respectively:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
General overdraft and similar facilities	2 276 037	2 075 076	1 447 260	1 341 704
Letters of credit facilities	763 436	653 940	445 872	358 560
Total facilities	3 039 473	2 729 016	1 893 132	1 700 264
Utilised facilities	(2 331 175)	(2 030 493)	(1 311 119)	(1 132 085)
Unutilised facilities	708 298	698 523	582 013	568 179

22. Borrowings and other liabilities continued

Exposure to currency risk

Refer to note 25 Financial instruments and financial risk management for details of currency risk management for borrowings.

Exposure to interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow and lend funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate instruments. There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

The Group and company's interest rate profile consists of fixed and floating rate loans and bank balances which expose the Group and company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Financial liabilities				
Loans received and bank borrowings linked to LIBOR	–	930 713	–	452 862
Loans received and bank borrowings linked to SOFR	1 240 061	–	739 226	–
Loans received and bank borrowings linked to JIBAR	701 460	489 809	481 460	269 809
Loans received and bank borrowings linked to South African prime rates	299 221	290 182	34 994	89 625
Loans received and bank borrowings linked to other	90 433	357 149	90 433	357 149
	2 331 175	2 067 853	1 346 113	1 169 445
Financial assets				
Loans granted at fixed rates of interest	–	–	58 225	51 089
Bank balances and loans linked to South African prime rates	70 823	85 417	61 447	55 153
Bank balances and deposits linked to LIBOR	–	2 306	–	575
Bank balances and deposits linked to SOFR	24 653	–	10 341	–
Bank deposits linked to money market rates	203 738	268 811	21 305	126
Bank deposits linked to Kenyan prime rates	1 545	529	–	–
Bank deposits linked to other foreign prime rates	48 499	27 203	–	–
	349 258	384 266	151 318	106 943

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments and includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2023	2023	2022	2022
Group				
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
LIBOR 1% (2022: 1%)	–	–	(9 284)	9 284
JIBAR 1% (2022: 1%)	(7 014)	7 014	(4 898)	4 898
South African Prime 1% (2022: 1%)	(2 280)	2 280	(2 048)	2 048
SOFR 1%	(12 154)	12 154	–	–
Other 1% (2022: 1%)	1 629	(1 629)	(606)	606
	(19 819)	19 819	(15 624)	15 624
Company				
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
LIBOR 1% (2022: 1%)	–	–	(4 523)	4 523
JIBAR 1% (2022: 1%)	(4 815)	4 815	(2 698)	2 698
South African Prime rate 1% (2022: 1%)	259	(259)	(345)	345
SOFR 1%	(7 288)	7 288	–	–
Other 1% (2022: 1%)	(686)	686	(3 570)	3 570
	(12 530)	12 530	(11 136)	11 136

Notes to the annual financial statements continued

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

	Opening balance R000	New leases/ modifications R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2023					
Mortgage bond	37 360	–	–	(2 366)	34 994
Lease liabilities	52 295	41 284	41 284	(25 543)	68 036
Bank overdrafts	222 265	–	–	159 213	381 478
Total liabilities from financing activities	311 920	41 284	41 284	131 304	484 508

	Opening balance R000	New leases/ modifications R000	Lease termination R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2022						
Mortgage bond	39 617	–	–	–	(2 257)	37 360
Lease liabilities	81 880	4 810	(12 115)	(7 305)	(22 280)	52 295
Bank overdrafts	31 378	–	–	–	190 887	222 265
Total liabilities from financing activities	152 875	4 810	(12 115)	(7 305)	166 350	311 920

	Opening balance R000	New leases/ modifications R000	Lease termination and other non-cash movements R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Company – 2023						
Lease liabilities	78 336	36 732	–	36 732	(25 035)	90 033
Loans from subsidiaries	89 076	–	3 939	3 939	11 895	104 910
Bank overdraft	222 265	–	–	–	158 734	380 999
Total liabilities from financing activities	389 677	36 732	3 939	40 671	145 594	575 942

	Opening balance R000	New leases/ modifications R000	Lease termination and other non-cash movements R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Company – 2022						
Lease liabilities	110 492	2 412	(12 115)	(9 703)	(22 453)	78 336
Loans from subsidiaries	85 185	–	2 568	2 568	1 323	89 076
Bank overdraft	31 378	–	–	–	190 887	222 265
Total liabilities from financing activities	227 055	2 412	(9 547)	(7 135)	169 757	389 677

24. Trade and other payables

		Group		Company	
		2023 R000	2022 R000	2023 R000	2022 R000
Financial instruments at amortised cost:					
Trade payables		1 312 107	1 230 121	936 556	927 740
Letters of credit and trade finance payables		1 914 703	1 808 228	930 120	909 820
Other payables		211 400	106 473	1 227	1 406
Accruals		88 557	54 806	52 639	24 541
Non-financial instruments:					
Short-term share-based payment liability	22	24 150	12 887	18 812	10 660
VAT payable		1 561	1 010	–	–
		3 552 478	3 213 525	1 939 354	1 874 167

The letters of credit supply a 120 day trade payment term to the Group. The maximum facility available, including bank overdrafts is R3.0 billion (2022: R2.7 billion) and R1.8 billion (2022: 1.7 billion) for the Group and company respectively. For majority of the available facilities interest is calculated at SOFR plus 3.0% (2022: LIBOR plus 1.7% – 3.0%). These facilities are carried at amortised cost, as the interest rate is market related and fair value therefore approximates amortised cost.

Trade payables, letters of credit and trade finance payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases stated is 135 days (2022: 143 days).

Included in accruals above are the following:

- Leave pay accrual: Employee entitlements to annual leave are recognised as services are rendered. An accrual, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to reporting date.
- Bonus accrual: The bonus accrual relates to the annual 13th cheque and other performance bonuses payable to employees of the Group and the company.

Exposure to currency risk

Refer to note 25 Financial instruments and financial risk management for details of currency risk management for trade payables.

25. Financial instruments and risk management

Financial risk management

Overview

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The Group seeks to minimise the effects of operational risks by using derivative financial instruments to hedge exposures. The use of financial derivatives and exposure levels is governed by the Group's policies approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes. The Group enters into financial instruments to manage and reduce the possible adverse impact on earnings of changes in foreign currency exchange rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to notes 15,16,17 and 19 or detailed disclosures.

Foreign currency risk

The Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. It is the Group's policy to enter into foreign exchange forward contracts and options to buy and sell specified amounts of foreign currencies in the future at a predetermined exchange rate for approximately 50% of the Group's foreign currency commitments. The Group uses contracts with terms of up to 120 days. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates, as a means of economic hedging. The foreign currencies in which the Group deals primarily are US Dollars and Euros.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Notes to the annual financial statements continued

25. Financial instruments and risk management continued

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
		2023 R000	2022 R000	2023 R000	2022 R000
US Dollar exposure					
Non-current assets					
Loans to subsidiaries	15	–	–	58 225	51 089
Current assets					
Trade and other receivables	19	46 132	22 821	3 520	–
Cash and cash equivalents	20	24 652	2 167	10 340	575
Current liabilities					
Trade and other payables	24	(2 117 638)	(1 698 633)	(916 545)	(787 697)
Net US Dollar exposure		(2 046 852)	(1 673 645)	(844 459)	(736 033)
Euro exposure					
Current assets					
Cash and cash equivalents	20	325	139	–	–
Current liabilities					
Trade and other payables	24	(167 835)	(236 079)	(167 834)	(236 079)
Net Euro exposure		(167 508)	(235 940)	(167 834)	(236 079)
Other currency exposure					
Current assets					
Trade and other receivables	19	22 859	22 297	–	–
Cash and cash equivalents	20	49 718	27 732	–	–
Current liabilities					
Trade and other payables	24	(28 262)	(21 123)	(282)	(1 544)
Net other currency exposure		44 315	28 906	(282)	(1 544)
Net exposure to foreign currency in Rand		(2 170 045)	(1 880 679)	(1 012 575)	(973 656)

* *Other currencies include Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings (2022: Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings).*

Forward exchange contracts – financial assets and liabilities at fair value through profit and loss

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date and are detailed below:

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2023				
Buy				
US Dollars – less than three months	18.886	70 316	1 327 988	(1 578)
US Dollars – three to six months	18.460	1 000	18 460	614
Euro – less than three months	20.159	12 749	257 007	3 699
			1 603 455	2 735
Foreign currency assets				17 658
Foreign currency liabilities				(14 923)
				2 735

25. Financial instruments and risk management continued

Forward exchange contracts – financial assets and liabilities at fair value through profit and loss continued

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2022				
Buy				
US Dollars – less than three months	15.620	67 663	1 056 896	41 942
US Dollars – three to six months	15.860	1 500	23 794	760
Euro – less than three months	16.766	23 324	391 060	5 936
			1 471 750	48 638
Foreign currency assets				48 965
Foreign currency liabilities				(327)
				48 638

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2023				
Buy				
US Dollars – less than three months	18.887	40 016	755 782	(2 331)
Euro – less than three months	20.159	12 749	257 007	3 699
			1 012 789	1 368
Foreign currency assets				9 218
Foreign currency liabilities				(7 850)
				1 368

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2022				
US Dollars – less than three months	15.716	39 928	627 490	20 060
Euro – less than three months	16.766	23 324	391 060	5 937
			1 018 550	25 997
Foreign currency assets				26 014
Foreign currency liabilities				(17)
				25 997

Notes to the annual financial statements continued

25. Financial instruments and risk management continued

The following significant exchange rates applied for both the Group and the Company during the year:

	Average spot rate		Closing spot rate	
	2023	2022	2023	2022
US Dollar	17.76	15.22	18.74	16.41
Euro	18.62	17.14	20.37	17.11

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group (South African Rand) to an increase or decrease in the respective major currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts, such as cash balances, trade receivables, trade payables and loans and adjusts their translation at the reporting date. The increase and decrease impact of the change are equal on the basis that all other variables remain constant. It ignores the effect of any foreign exchange forward contracts that would have mitigated the risk. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2023 R000	2023 R000	2022 R000	2022 R000
Group				
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
US Dollar 10% (2022 10%)	(204 685)	204 685	(167 364)	167 364
Euro 10% (2022: 10%)	(16 750)	16 750	(23 594)	23 594
	(221 435)	221 435	(190 958)	190 958
Company				
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
US Dollar 10% (2022: 10%)	(84 446)	84 446	(73 603)	73 603
Euro 10% (2022: 10%)	(16 783)	16 783	(23 608)	23 608
	(101 229)	101 229	(97 211)	97 211

26. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and company only have financial instruments that are measured using level 2.

		Group		Company	
Levels of fair value measurements		2023 R000	2022 R000	2023 R000	2022 R000
Level 2					
Recurring fair value measurements					
Assets					
Fair value through profit and loss					
Foreign currency assets	25	17 658	48 965	9 218	26 014
Liabilities					
Fair value through profit and loss					
Foreign currency liabilities	25	14 923	327	7 850	17
Total		2 735	48 638	1 368	25 997

Level 2 financial assets and liabilities consist of assets and liabilities arising from open forward exchange contracts.

Forward exchange contracts are measured at fair value through profit or loss in accordance with IFRS 9.

26. Fair value information continued

Valuation techniques

Investment property – Level 3 (disclosure only)

Level 3 fair values of the investment property in Nairobi (refer to note 11) was determined using a blend of the contractor's, income and comparable approaches within the last two financial years.

Contractor's approach: The basic assumption is that the cost of vacant land summed with the cost of erecting a building will yield the value of the developed property. It was assumed that it will take 18 months for effective reinstatement in the case of an event. The reinstatement cost given includes likely losses of rental income during the anticipated reconstruction period.

Income approach: This is based upon a percentage yield. An investor will be expecting rates of return that will differ according to the type and quality of investment. Given a known or estimated stream of net rental income, the end value is thus driven by the yield that is expected. The choice of yields is made by comparison with such other investments as bear the nearest relationship in such matters as the physical characteristics, use and degree of risk and life of the investment.

Comparison approach: This is also referred to as the 'Direct Capital Comparison Method'. By this method, the valuer equates the value of the property under appraisal to the value of a known comparable property whereby the latter's value is taken to be the best price that can be obtained by the property being valued, with due allowance made for value affecting differences between the subject property and the comparable property such as condition, location, level and amount of services provided, accessibility, plot size, planning and zoning regulations, date of transaction, parties to the transaction, motive of sale and tenure and the unexpired term.

Foreign currency forward contracts – level 2

The fair value of these assets and liabilities are based on valuations received from the financial institutions with which the contracts are held. These valuations are based on the difference between contract exchange rate and the exchange rate at the end of the reporting period.

No changes have been made to the valuation technique.

27. Employee costs and retirement benefit plans

As at 30 June 2023 the Group had 1 205 permanent employees (2022: 1 157) and the company 677 (2022: 685). Employee benefits expense is made up of the following for all employees, including executive directors:

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Employee costs				
Employee salaries and wages	542 972	530 161	333 139	322 683
Pension contributions (defined contribution plan)	1 846	168	–	–
Learnerships	7 731	6 018	4 732	3 987
Temporary staff	10 880	13 530	10 409	13 530
	563 429	549 877	348 280	340 200

Contributions to defined contribution retirement benefit plans are recognised as an expense as they fall due.

The Mustek Group Retirement Fund, a defined contribution fund, was established with effect from 1 January 1998. The fund has been registered by the Registrar of Pension Funds and is governed by the Pension Funds Act No 24 of 1956 as amended. The majority of the Group's employees belong to this fund with employees making direct contributions to the fund.

28. Guarantees and contingent liabilities

Limited guarantees

- Standby letter of credit for Intel International BV, Microsoft Corporation and Vivotek Inc. for US$0.9 million.
- R0.4 million guarantee issued by Standard bank of payment in favour of Growthpoint Properties Limited.
- R5.8 million guarantee of payment issued by Standard Bank in favour of Department of Customs & Excise, South African Revenue Service.
- R3.7 million guarantee of payment in favour of DG Murray Trust, South Africa. This guarantee expires on 30 April 2025.

Legal disputes Insurance settlement

With reference to the insurance settlement dispute that was disclosed in the previous financial year a settlement was reached with Mutual & Federal Risk Financing Limited ("M&FRF") and One Insurance Underwriting Managers (Pty) Ltd ("Onesure") in respect of legal action instituted by Mustek Limited, that Mustek Limited would be paid R10 million (VAT inclusive) in settlement of its claim against such parties. This settlement was paid and accounted for in the current financial period.

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The Group is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

Notes to the annual financial statements continued

29. Related parties

The company had the following related parties and transactions:

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Brotek Proprietary Limited	Loan	(3 453)	(82 698)
	Rental	(6 903)	–
	Cost recoveries	(408)	–
	Dividends	6 400	–
Mecer Inter-Ed Proprietary Limited	Sales	2 006	–
	Rental	2 138	–
	Purchases	(19 275)	(95)
	Dividends	10 000	–
	Cost recoveries	1 136	60
	Loan	–	(12 000)
Mecer Technology Limited	Purchases	(27)	–
	Management fees	(8 718)	(759)
	Dividends	2 059	–
Mustek East Africa Limited (note 2)	Loan	1 100	58 225
	Sales	1 186	228
MFS Technologies Proprietary Limited	Dividends	1 271	–
Rectron Proprietary Limited (note 1)	Sales	107 300	16 608
	Purchases	(214 334)	(14 136)
	Other costs	(14)	–
	Cost recoveries	8 097	–

Note: Refer to note 15 for a list of subsidiaries, their related loans and impairment and further details about these entities.

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 19 for details on expected credit loss allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 15 on details of impairment on loans receivable from subsidiaries.

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Continuous Power Systems Proprietary Limited (note 1)	Loan	82	1 300
	Sales	173	17
	Purchases	(37 081)	(9 322)
Sizwe Africa IT Group Proprietary Limited	Sales	126 392	96 185
	Purchases	(8 506)	(429)
Khauleza IT Solutions Proprietary Limited	Sales	1 679	301
	Purchases	(2 410)	(1 409)
	Rental	160	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	142	22
	Purchases	(1 114)	–

Note 1: Refer to note 16 for details of the loan owing by Continuous Power Systems Proprietary Limited.

29. Related parties continued

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2022			
Related party			
Brotek Proprietary Limited	Loan	(2 568)	(77 593)
	Rental	(6 526)	–
	Cost recoveries	(389)	–
Mecer Inter-Ed Proprietary Limited	Sales	2 614	252
	Rental	1 972	–
	Purchases	(22 233)	–
	Management fees	40	–
	Cost recoveries	540	–
Mecer Technology Limited	Dividends	515	–
	Management fees	(7 387)	(654)
Mustek East Africa Limited (note 2)	Loan	936	51 089
	Sales	281	198
Rectron Proprietary Limited (note 1)	Dividends	35 000	–
	Sales	159 415	55 035
	Purchases	(220 220)	(25 236)
	Loan	287	–
	Cost recoveries	9 273	–

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 19 for details on expected credit loss allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 15 on details of impairment on loans receivable from subsidiaries.

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2022			
Related party			
Continuous Power Systems Proprietary Limited (note 1)	Loan	269	3 402
	Sales	306	27
	Purchases	(25 670)	(4 434)
	Cost recoveries	534	–
Sizwe Africa IT Group Proprietary Limited	Loan	653	–
	Sales	47 732	30 289
Khauleza IT Solutions Proprietary Limited	Rental	185	–
	Sales	896	305
	Purchases	(1 476)	(343)
	Cost recoveries	53	–
	Dividends	2 520	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	63	47
	Purchases	(745)	(42)

Note 1: Refer to note 16 for a complete list of associates and details of loans.

The directors have certified that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regards to directors' interest in contracts does not exist.

Notes to the annual financial statements continued

29. Related parties continued

	Group 2023 R000	Group 2022 R000	Company 2023 R000	Company 2022 R000
Key management personnel compensation				
Short-term employee benefits	80 208	69 038	54 580	54 148
Share appreciation rights expense	12 119	25 502	9 194	20 371
	92 327	94 540	63 774	74 519

30. Directors' emoluments

Directors' emoluments, consisting of short-term benefits during the year, were as follows:

	2023 R000	2022 R000
Total directors' emoluments		
Executive	27 553	28 060
Non-executive	1 998	1 775
	29 551	29 835

Executive

2023

Directors' emoluments	Basic salary R000	Bonuses and performance related payments R000	Expense allowances R000	Fringe benefits on interest-free loan R000	Long service award and leave payout R000	Share appreciation rights exercised R000	Total R000
Services as director							
H Engelbrecht	4 863	4 106	270	892	45	3 279	13 455
CJ Coetzee	3 366	2 492	96	120	–	2 700	8 774
S Aboo Baker Ebrahim	2 958	2 366	–	–	–	–	5 324
	11 187	8 964	366	1 012	45	5 979	27 553

2022

Directors' emoluments	Basic salary R000	Bonuses and performance related payments R000	Expense allowances R000	Fringe benefits on interest-free loan R000	Long service award and leave payout R000	Share appreciation rights exercised R000	Total R000
Services as director							
DC Kan	3 461	–	271	492	522	2 320	7 066
H Engelbrecht	3 789	3 613	270	288	–	3 903	11 863
CJ Coetzee	2 985	2 742	96	54	36	3 218	9 131
	10 235	6 355	637	834	558	9 441	28 060

30. Directors' emoluments continued

Executive

2023

Directors' emoluments	Fees for services as director R000	Total R000
VC Mehana	568	568
RB Patmore	487	487
S Thomas	528	528
PM Marlowe	415	415
	1 998	1 998

2022

Directors' emoluments	Fees for services as director R000	Total R000
VC Mehana	512	512
RB Patmore	439	439
S Thomas	449	449
PM Marlowe	375	375
	1 775	1 775

Outstanding non-executive director fees of R0.4 million (2022: R0.14 million) are included in trade and other payables.

Directors' shareholding

At 30 June 2023, the directors in office at year-end collectively held the following direct and indirect interests in shares in the company, which represents 4.6% (2022: 4.3%) of the issued share capital of the company. (No change occurred between 30 June 2023 and 19 September 2023):

	Direct		Indirect	
	2023	2022	2023	2022
H Engelbrecht	1 750 000	1 750 000	–	–
CJ Coetzee (note 1)	888 743	800 000	–	–
	2 638 743	2 550 000	–	–

These shareholdings exclude phantom share options held. The remainder of the directors do not hold any shares.

Note 1: Includes 496 666 (2022: 407 923) shares held through contracts for difference.

Notes to the annual financial statements continued

30. Directors' emoluments continued

Share-based payments

Share appreciation rights scheme

The object and purpose of the scheme is to incentivise certain selected senior employees by granting phantom share options to such employees to enable them to benefit from an improvement in the price of the company's shares as listed on the JSE, in the manner and on the terms and conditions set out in the scheme.

The directors may, on an annual basis or from time to time, grant options to employees selected by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee shall determine the number of share appreciation rights (SARS). The price at which SARS may be granted will be the average market price of the ordinary shares of the company on the JSE, as certified by the Company Secretary, for the 30 days immediately preceding that on which the employee is granted the phantom share option. All SARS granted will remain in force for a period of six months after the vesting period of three years.

SARS may only be exercised by an employee or retired employee subject to the achievement of certain performance hurdles that may be determined by the directors from time to time.

The price at which SARS may be exercised will be the weighted average market price of the ordinary shares of the company on the JSE, for the 30 days immediately preceding that on which the employee is exercising the phantom share option. Upon the exercising of the SARS, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of SARS, less any tax that may at that time be applicable to such a cash bonus.

The total liability at year-end amounted to R25.4 million (2022: R26 million) and R19.7 million (2022: 21 million) for Group and company respectively.

	Weighted average price (Rands)		Number of options	
	2023	2022	**2023**	2022
Phantom shares outstanding at the beginning of the year	**8.87**	7.19	**4 121 525**	6 032 471
Phantom shares granted during the year	**15.64**	10.17	**1 371 608**	1 855 869
Phantom shares exercised during the year	**7.12**	7.30	**(2 519 720)**	(2 875 825)
Phantom shares that lapsed during the year	**10.10**	8.16	**(241 471)**	(890 990)
Phantom shares outstanding at year-end	**12.83**	8.87	**2 731 942**	4 121 525

A total of 1 371 608 phantom shares were granted to a number of employees during the current financial year. 1 894 863 phantom shares with a grant price of R6.77 and 624 857 phantom shares with a grant price of R8.18 were exercised during the year. The shares that lapsed was due to employees that left the Group during the current year.

The fair values were calculated using a trinomial tree that adheres to all the binomial option-pricing model principles. All these share options are cash settled. The inputs into the model were as follows:

	30 June 2023	30 June 2022
Share price	**R16.72**	R16.39
Grant price	**R6.77/R10.17/R15.64**	R8.18/R6.77/R10.17
Fair value	**R9.95/R6.79/R3.89**	R8.21/R9.62/R6.93
Expected volatility	**29.00%/30.00%/30.00%**	24.30%/29.92%/36.85%
Expected life	**0 years/1 year/2 years**	0 years/1 year/2 years
Risk-free rate	**8.88%/8.83%/8.69%**	5.77%/7.21%/7.78%
Expected dividend yield	**4.50%/4.50%/4.00%**	5.50%/4.50%/4.00%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous four years. The Group and company recognised an expense of R12.1 million and R9.2 million respectively (2022: R25.5 million and R20.37 million, respectively) related to cash-settled share appreciation rights during the current year.

30. Directors' emoluments continued

Outstanding phantom shares are exercisable at the following values and in the following periods ending 30 June:

	2024	2025	2026	Number of undelivered phantom	Total Rand value
Option price					
R10.17	–	1 405 158	–	1 405 158	14 290 457
R15.64	–	–	1 326 784	1 326 784	20 750 902
	–	1 405 158	1 326 784	2 731 942	35 041 359

The directors have the following phantom share options outstanding:

Undelivered phantom shares at 30 June 2023

Grant date	Grant price	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
2 September 2021	R10.17	–	225 355	185 587	410 942
30 September 2022	R15.64	125 506	179 294	152 400	331 819
		125 506	404 649	337 987	742 761

Reconciliation of outstanding director phantom shares	Strike price/ exercise price	Date awarded/ exercised/ lapsed	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
Opening balance			–	554 055	456 281	1 010 336
Phantom shares granted	R15.64	30 September 2022	125 506	179 294	152 400	457 200
Phantom shares exercised	R16.75	26 June 2023	–	(328 700)	(270 694)	(599 394)
Closing balance			125 506	404 649	337 987	868 142

Undelivered phantom shares at 30 June 2022

Grant date	Grant price	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
20 February 2020	R 8.18	304 808	–	–	304 808
2 September 2020	R 6.77	–	328 700	270 694	599 394
2 September 2021	R 10.17	–	225 355	185 587	410 942
		304 808	554 055	456 281	1 315 144

Per the rules of the phantom share scheme, in the event of death of an employee the employee's phantom shares will lapse one year after death. Thus, because the phantom shares granted to DC Kan on 20 February 2020 were exercisable within the one year period after his death (25 June – 31 December 2022), the executor of the estate was entitled to exercise those shares and thus they are reflected as undelivered as at 30 June 2022. These shares were exercised in November 2022.

Notes to the annual financial statements continued

31. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group has prepared financial forecasts for the next financial year. The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the forecasts and the following:

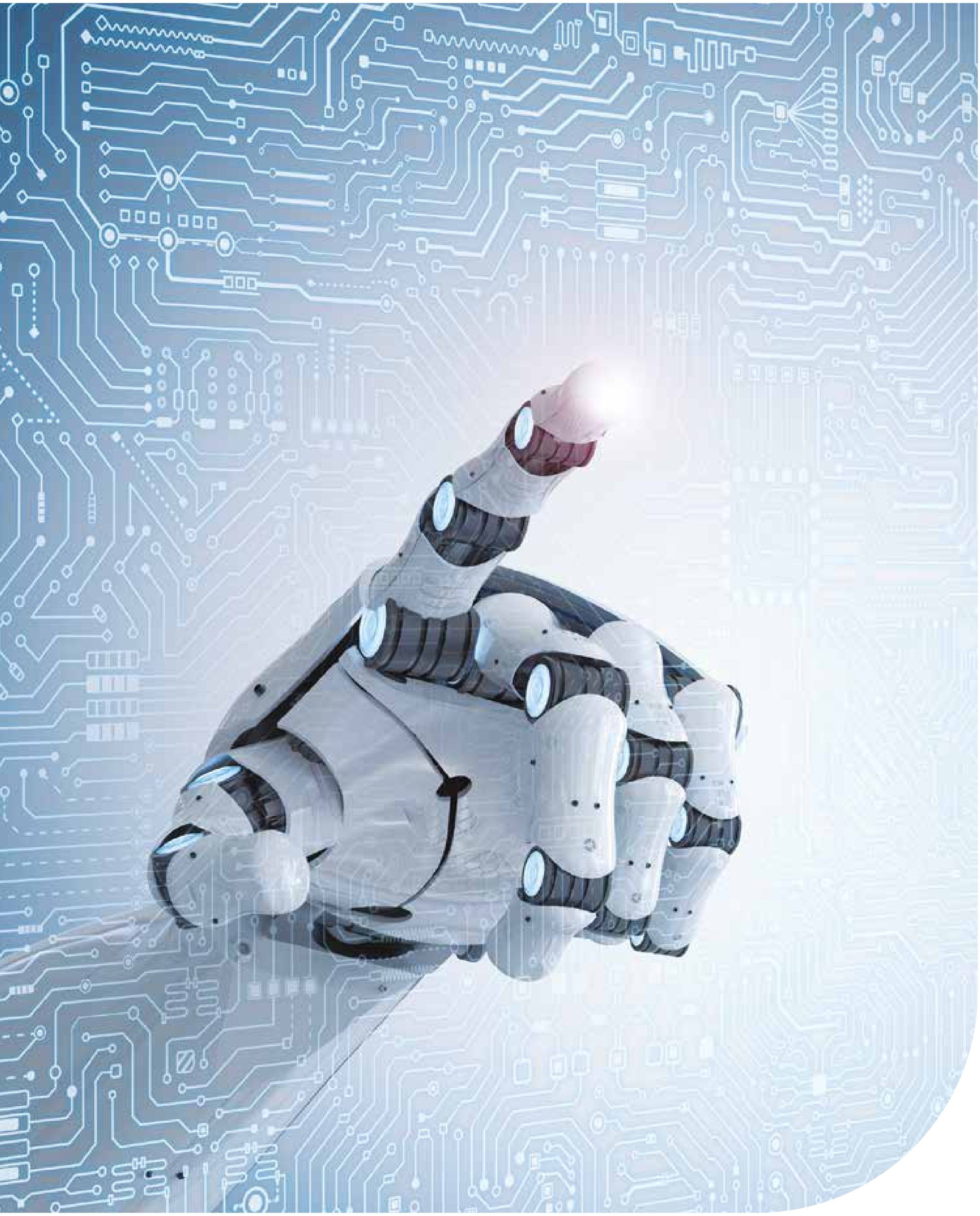
- The Group continues to have the ongoing support of its banking group and access to undrawn facilities of R660 million (refer to note 22) as well as R349 million in cash and cash equivalents as at 30 June 2023;
- As at 30 June 2023, the Group had R1 024 million in net working capital, no significant capital commitments and lease commitments of R35 million due within one year; and
- The Group was in compliance with its financial covenants at 30 June 2023 and is forecasting covenant compliance at 31 December 2023 and 30 June 2024.

32. Tax paid

	Group		Company	
	2023 R000	2022 R000	2023 R000	2022 R000
Balance at beginning of the year	9 242	1 723	3 024	1 694
Current tax for the year recognised in profit or loss	(66 650)	(95 768)	(34 095)	(59 520)
Adjustment in respect of businesses sold including exchange rate movements	–	2 278	–	–
Balance at end of the year	9 621	(9 242)	7 359	(3 024)
	(47 787)	(101 009)	(23 712)	(60 850)

33. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that requires adjustment to or disclosure in the financial statements.



Glossary

AGM	Annual general meeting
AI	Artificial intelligence
B-BBEE	Broad-based black economic empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief executive officer
COVID-19	Coronavirus disease
CRM	Customer relationship management
CSI	Corporate Social Investment
EE	Employment equity
ERA	E-waste Recycling Authority
ERP	Enterprise resource planning
ESG	Environmental, social and governance
ETA	Enterprise transformation agreement
GDP	Global domestic product
GHG	Greenhouse gas
HEPS	Headline earnings per share
HR	Human resources
ICT	Information and communications technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IoT	Internet of Things
ISG	Infrastructure Solutions Group
ISO	International Organization for Standardization
IT	Information technology
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance™* for South Africa 2016
KPI	Key performance indicator
MD	Managing director
NPAT	Net profit after tax
NLAT	Net loss after tax
NPC	Non-profit company
OTP	One-time PIN
PBT	Profit before tax
PC	Personal computer
POPIA	Protection of Personal Information Act
QSE	Qualifying small enterprise
ROE	Return on equity
ROI	Return on investment
SED	Socio-Economic Development
SENS	Securities Exchange News Service
SETA	Sector Education and Training Authority
SHEQ	Safety, health, environment and quality
SME	Small and medium-sized enterprise
SMME	Small, medium and micro enterprise
STEM	Science, technology, engineering and mathematics
TRIFR	Total recordable injury frequency rate
USD	US Dollar
YOA	Yangtze Optics Africa Cable
YOFC	Yangtze Optical Fibre and Cable Joint Stock Limited Company
ZAR	South African Rand

Company information

Mustek Limited

Incorporated in the Republic of South Africa
Registration number: 1987/070161/06
JSE share code: MST
ISIN: ZAE000012373
(Mustek or the Group or the company)

www.mustek.co.za

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Sponsor

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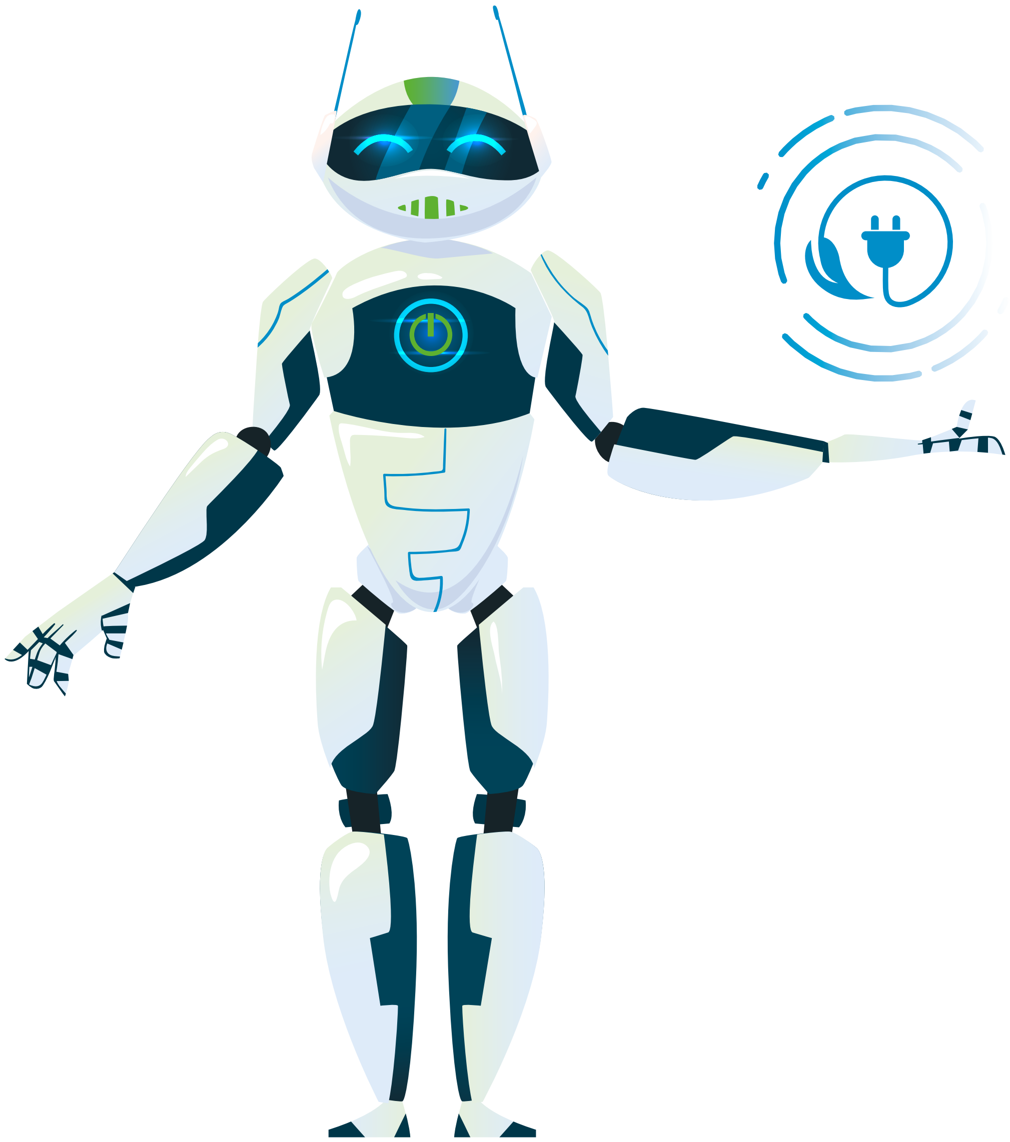

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www.mustek.co.za