Mustek
L I M I T E D

2015 Integrated Annual Report


AORUS
Mustek
ENERGY
Mustek
POS SOLUTIONS
Targus
Lenovo
ThinkServer
SONY
FUJITSU
EVERKI
CORSAIR
GAMING
Microsoft
intel
HUAWEI
poslab
TYAN
POSIFLEX
ASUS
acer
Canon
m2fx
MST
MUSTEK SECURITY TECHNOLOGIES
NComputing
eBeam
SAMSUNG
APC
by Schneider Electric
RCT
MECER
Transcend
Seagate
DELTA
NEC
EPSON
D-Link
Building Networks for People


Mustek
SanDisk
brother
PNY
COOLER MASTER
CHENBRO
XYZprinting
Hisense
life reimagined
TOSHIBA
RICOH
PHILIPS
GIGABYTE
VIVOTEK
MakerBot
BenQ
Thecus
Empowering Professionals
TOMTOM

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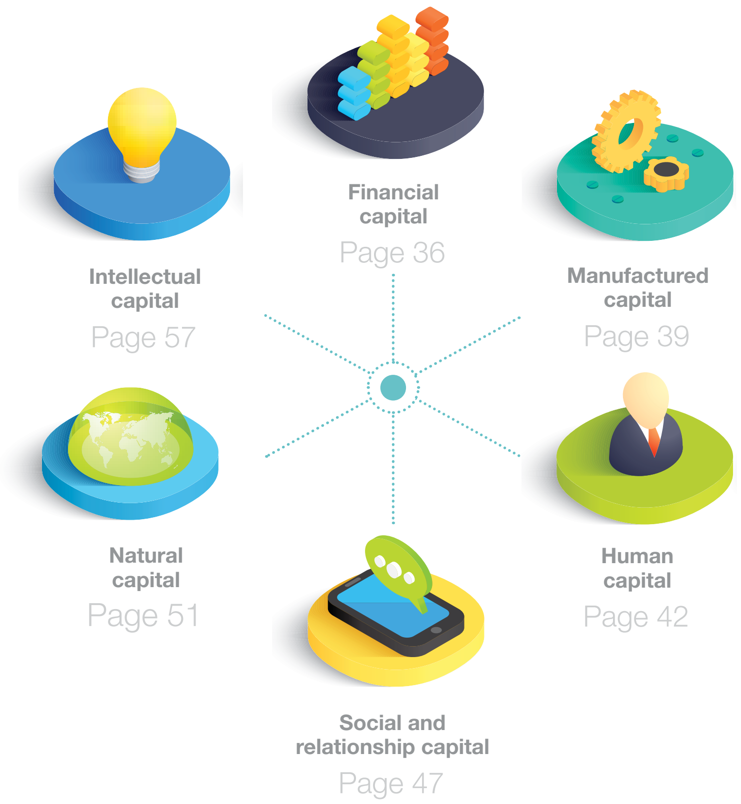
Navigation

The six capitals

All organisations depend on various forms of capital for their value creation and commercial viability. In the International Integrated Reporting <IR> framework, these capitals are defined as financial, manufactured, human, social and relationship, natural and intellectual capital.

The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation. For example, an organisation's financial capital is increased when it makes a profit, and the quality of its human capital is improved when employees become better trained.

Refer to these icons for further information within this report on our six capitals:



Getting your Mustek report

Download these in PDF format from **www.mustek.co.za**, or request your printed copies from:

Mustek Limited
322 15th Road
Randjespark
Midrand, 1685
South Africa

Tel: +27 (0) 11 237 1000
Fax: +27 (0) 11 314 5039
www.mustek.co.za

Feedback on report

We welcome your feedback on this report. Please email your comments to **ltd@mustek.co.za**.

Welcome

Welcome to Mustek's fifth integrated annual report, in which we share the collective thinking behind our strategy for creating long-term value. Throughout the report we address the Group's challenges, our opportunities and the external factors that impact our operational performance and forward-looking strategy.

This integrated annual report is aligned with the requirements of the King Code of Governance Principles for SA (King III Code), the International Integrated Reporting Framework (<IR> Framework) and complies with Global Reporting Initiative (GRI) Guidelines (G4) core application level. More details regarding the report's basis of preparation and presentation are provided on page 80.

This report was approved by the Board on 23 October 2015. The Mustek Limited Board of directors (the Board) acknowledges its responsibility for ensuring the accuracy of this 2015 Integrated Annual Report. The Board has applied its collective expertise to this report and, in its opinion, this report addresses all material issues and presents an integrated and accurate view of Mustek's performance in the year under review.

This integrated report builds on progress, insights and stakeholder feedback received during the year and provides a material review of the Group's financial and non-financial performance driving value creation for the period 1 July 2014 to 30 June 2015.

Forward looking statements

Certain statements in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Mustek Limited, its subsidiaries (the company, or Group) and its investments. Words such as "anticipates, "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will" and "should" and similar expressions are typically indicative of a forward looking statement. These statements are not guarantees of Mustek's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Mustek makes no representations or warranty, express or implied, that the operating, financial or other results anticipated by such forward looking statements will be achieved and such forward looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Due to the point-in-time nature of this integrated annual report, Mustek cannot undertake to continually update the historical information or forward looking statements in this document.

This integrated annual report is our primary report to stakeholders and includes corporate governance and financial information.

Highlights for the year

Financial capital

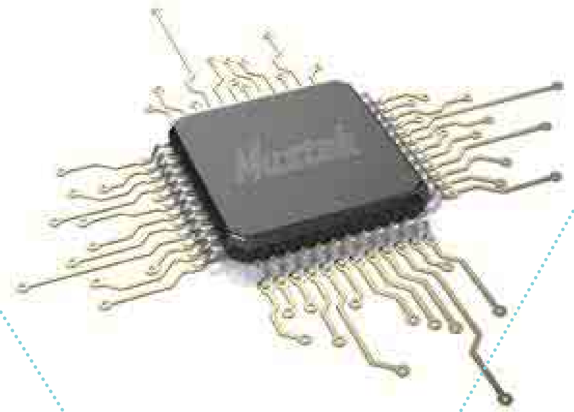
- Revenue growth of 11.5% to R5.31 billion (2014: R4.76 billion), supported by **expanded product ranges**, particularly Huawei Enterprise Solutions, Microsoft volume licensing and sustainable energy
- Forex losses decreased from R23.2 million in 2014 to R0.5 million in the current year due to a more **conservative forex hedging policy**

Revenue
11.5%
2015: R5.31 billion
2014: R4.76 billion

Headline earnings per share
24.2%
2015: 125.05 cents
2014: 100.72 cents

Dividend per share
25.0%
2015: 35.00 cents
2014: 28.00 cents

Net asset value
11.7%
2015: 959.00 cents
2014: 858.67 cents



Manufactured capital

- **Achieved ISO 20000 certification** for IT service management at Gauteng Service Centre, **among the first in South Africa**
- **66 679 units** assembled (2014: 98 137)
- **2.692 million** items sold (2014: 2.198 million)

- **R5 353 250** spent on staff development in the Mustek Group
- Mustek and Rectron **employ 32** Microsoft Certified Technicians

Human capital

- In the most recent Deloitte "Best Company to Work For" survey, Rectron **improved its score** to place 5th in the IT category and 14th overall for medium-sized companies
- In the same survey, Mustek was placed 4th in the IT category and 3rd overall for medium-sized companies

Social and relationship capital

- Mustek and Rectron are now both recognised as **Level-2 B-BBEE** contributors
- Customer satisfaction surveys show that **72.6%** of our customers are **extremely satisfied,** with a further 24.3% being moderately satisfied
- **Rectron Microsoft awards:**
  – Awarded South African Distributor of the Year for Office 365
  – Achieved the highest reseller reach numbers in the Middle East and Africa region for Office 365

Natural capital

- Solar panel installations deliver **impressive savings** as electricity prices continue to rise
- **Solar panels installed** at Rectron's Cape Town, Port Elizabeth and Midrand premises
- Mustek revenue from sustainable energy rose to over **R100 million** per annum, from a zero base, over two years

Intellectual capital

- The Mecer brand maintains **high recognition and reputation**
- Mustek are **market leaders** in **after sales service** support due to fast repair turnaround time
- Introducing products from **emerging technologies**
- Culture of **flexibility**
- **New relationships** in the international ICT market
- Mustek **addresses every level** of the technology stack

For the purpose of integrated reporting, the factors that flow through Mustek for it to create its value are divided into 'six capitals', being financial, manufactured, human, social and relationship, natural and intellectual capital. These capitals underlie much of the disclosure in this integrated annual report.

In the following sections we use the concept of the <IR> Framework's capitals to anchor our disclosure and demonstrate the integration of strategy and sustainable development issues, how we manage each capital and its material aspects and how we've performed.

Corporate profile

Group profile

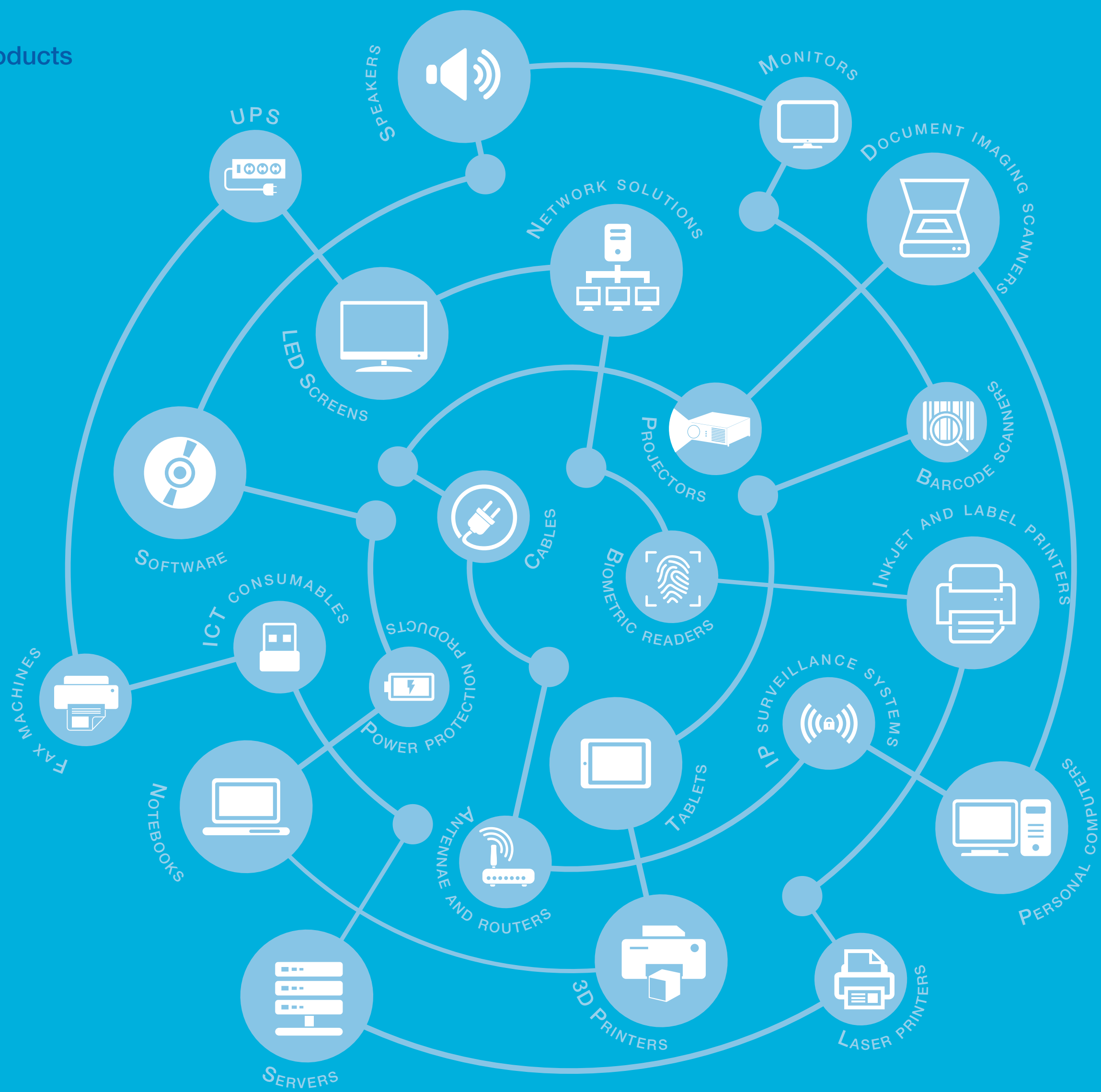
Founded in 1987 by its CEO, David Kan, the Mustek Limited Group was listed on the JSE Limited in 1997 and comprises the wholly owned operations of Mustek and Rectron, as well as significant shareholdings in complementary technology service providers Sizwe Africa IT Group and Khauleza IT Solutions.

From its solid foundation as the largest assembler/distributor of PCs and complementary ICT products in South Africa, Mustek has evolved into a seamless end-to-end provider of ICT solutions – from system design to supplying the hardware, implementing the solution and operating it if required.

Headquartered in Midrand, South Africa, Mustek anticipates ICT trends and adds value to imported components and finished products through planning, bulk purchasing, consolidating shipments, assembly, warehousing and after sales service and support.

The Group utilises a proven distributed sales network to distribute and maintain a wide range of ICT products across South Africa and several other African countries. These are procured through agreements with many of the world's leading brands and from Mustek's in-house Mecer brand.

Our products



Strategy

By combining the best local assembly capabilities with a multinational product portfolio, we offer our customers a wide ranging choice of computing equipment and top-tier ICT brands that address every level of the technology stack. We support this through outstanding service that ensures customer satisfaction.

Mustek's strategy is founded on the intellectual capital contained within its workforce and its ability to expertly apply its financial, manufactured and human capital to the creation of value for all stakeholders.

The Group offers its goods and services through four business units, of which the largest are the Mustek division and Rectron. These two companies market and distribute their brand lines in line with the Mustek business model, but engage two adjacent market segments with a client overlap of about 30%.

Mustek has a 26% shareholding in Sizwe Africa IT Group, which provides strategic exposure to the networking and cloud environments.

Our 36% shareholding in Khauleza IT Solutions is helping develop the objective of being recognised as the single point of contact for all ICT requirements. Khauleza provides industry leading hardware, computing accessories, technical skills and consulting services to customers by being the interface for an expanding network of small, micro and medium enterprises (SMMEs).

This strategy enables Mustek to offer its customers a perfect match for their technology needs, whether driven by configuration and customisation requirements, or through tried and trusted best industry practices and competitive pricing.

Mustek's position in the South African market has been built on an unwavering commitment to customer satisfaction, the development of some of the most sought-after relationships in the international ICT market, adherence to stringent international quality standards and a staffing policy that motivates highly trained and experienced employees to remain in the Mustek fold.

All of this culminates in Mustek being one of the most accessible and professional distributors and end-to-end solutions providers for South African corporations and enterprises of all sizes.

Core values

Mustek's company values are underpinned by its service excellence principles:

Knowledge and attitude

Mustek takes pride in its people, its company, its products and services, and its customers. Mustek acts professionally at all times and is proactive and passionate about what it does and how it builds the company. Mustek invests in the development of its staff to increase its knowledge base and ensure that it supplies its customers with the best technical service. Mustek ensures that all of its technical staff members are accredited in their fields.

Flexibility

In a constantly changing IT landscape, Mustek believes that business flexibility is vital to success. At Mustek, we have a 'can do' attitude that gives us the ability to make whatever operational or product changes are necessary to respond effectively to trends or opportunities. This culture of flexibility allows Mustek to quickly on-board products or rejig the assembly line to offer new lines or quickly meet customers' changing requirements. Mustek's staff are both able and eager to seek innovative solutions to new challenges.

Efficiency

Mustek strives for efficiency, since this enables the company to do more with less, and in so doing ensures quick response times for its customers, whether these are stock turnaround times or the time taken to repair or replace a piece of hardware.

Responsibility and accountability

Mustek believes in integrity, employment equity, care for the environment, respect and human dignity for all. We reward performance and share responsibility at all levels.

Six-year financial review

	2015 R000	2014 R000	2013 R000	2012 R000	2011 R000	2010 R000
SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Revenue	5 310 102	4 764 123	4 737 304	4 143 022	3 506 373	3 409 515
Gross profit	685 919	655 116	636 137	580 916	515 888	485 632
EBITDA	255 646	201 718	166 383	163 139	178 804	154 513
Headline profit	132 838	108 032	78 996	76 344	97 921	63 776
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Assets	3 458 183	2 701 180	2 233 319	2 117 199	1 669 539	1 723 306
Property, plant and equipment	174 709	160 029	120 462	122 625	128 333	143 602
Intangible assets	62 843	60 032	57 489	60 240	67 813	72 114
Investments and loans	139 131	122 483	39 250	40 470	42 177	42 373
Non-current trade and other receivables	—	—	—	—	—	2 619
Deferred tax asset	29 593	29 164	17 487	15 666	23 925	22 025
Current assets	3 051 907	2 329 472	1 934 043	1 609 534	1 407 291	1 440 573
Assets classified as held-for-sale	—	—	64 588	268 664	—	—
Equity and liabilities	3 458 183	2 701 180	2 233 319	2 117 199	1 669 539	1 723 306
Equity attributable to equity holders of the parent	993 748	916 052	826 365	755 732	693 734	617 199
Minority interest	19 268	18 461	12 546	18 426	18 940	24 552
Long-term borrowings	23 127	34 788	6 837	4 712	86 598	132 514
Deferred tax liability	4 576	—	2 324	2 409	5 243	3 591
Non-current deferred income	15 627	14 725	16 650	—	—	—
Current liabilities	2 401 837	1 717 154	1 341 703	1 141 689	865 024	945 450
Liabilities directly associated with assets classified as held-for-sale	—	—	26 894	194 231	—	—

	2015	2014	2013	2012	2011	2010
KEY BALANCE SHEET FIGURES						
Total assets (R000)	3 458 183	2 701 180	2 233 319	2 117 199	1 669 539	1 723 306
Ordinary shareholders' equity (R000)	993 748	916 052	826 365	755 732	693 734	617 199
Return on ordinary shareholders' equity	13.9%	12.3%	10.8%	11.1%	14.4%	10.3%
Net asset value per share (cents)	959	859	762	697	633	563
MARKET INFORMATION AT 30 JUNE						
Ordinary shares in issue	103 623 471	106 682 760	108 433 165	108 469 165	109 547 165	109 547 165
Weighted average number of ordinary shares	106 228 765	107 255 590	108 436 464	108 831 677	109 547 165	110 254 438
Headline earnings per share (cents)	125.1	100.7	72.9	70.2	89.4	57.8
Market price per share (cents)						
– year-end	870	720	555	595	499	410
– highest	980	750	648	635	540	411
– lowest	670	450	539	450	325	154
Number of transactions	3 480	3 380	2 729	3 645	3 351	3 102
Number of shares traded	28 380 892	23 418 429	29 750 208	36 835 543	39 048 010	53 051 163
Value of shares traded (R)	231 259 869	138 378 220	173 588 071	204 105 119	163 229 612	142 440 850
Percentage of issued shares traded	27%	22%	27%	34%	36%	48%
LIQUIDITY AND LEVERAGE						
Interest cover (times)	4.3	4.6	4.1	5.9	8.4	4.1
Net cash (used in) from operating activities (R000)	254 771	(225 798)	142 808	44 602	50 493	159 394
Current ratio (times)	1.3	1.4	1.4	1.4	1.6	1.5
PROFITABILITY						
Operating margin	4.8%	4.2%	3.5%	3.9%	5.1%	4.5%
EMPLOYEES						
Number of employees	1 023	1 020	949	1 122	1 097	1 120

Glossary

EBITDA – earnings before interest, taxation, depreciation and amortisation

Return on ordinary shareholders' equity – net profit for the year as a percentage of average ordinary shareholders' equity (net assets)

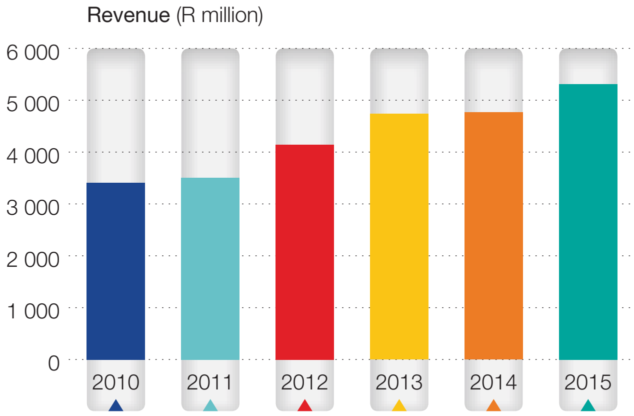
Net asset value (ordinary shareholders' equity) – total assets less total liabilities

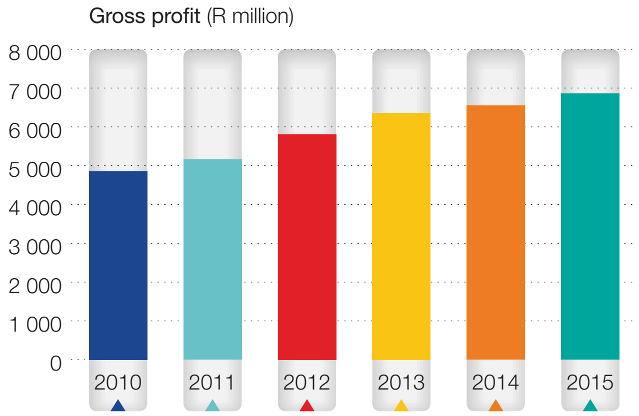
Interest cover – EBITDA divided by net interest paid

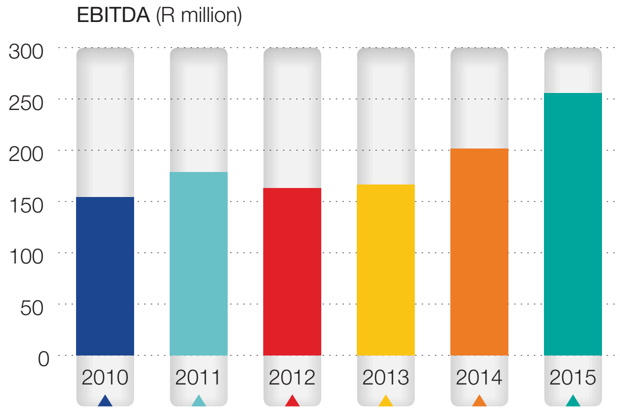
Current ratio – current assets divided by current liabilities

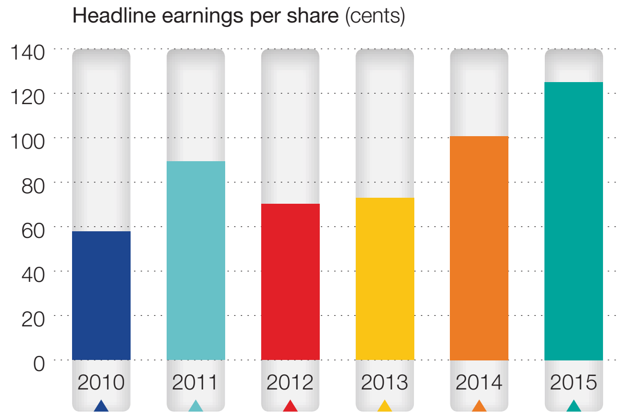
Operating margin – EBITDA as a percentage of revenue

Performance indicators over time

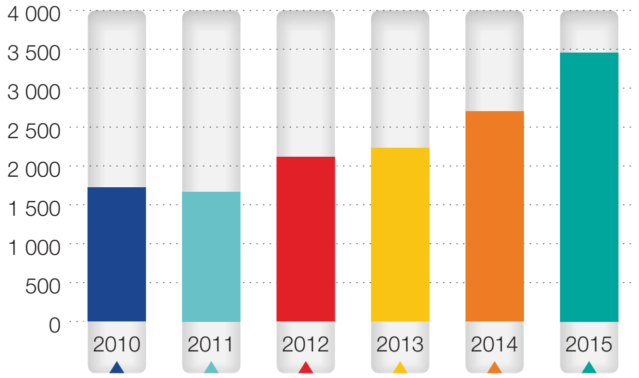




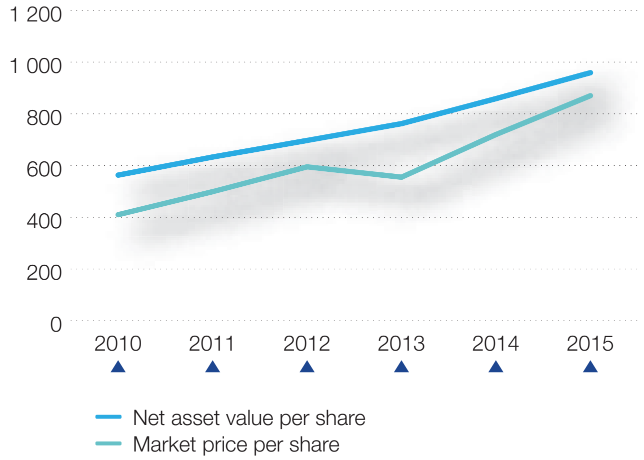




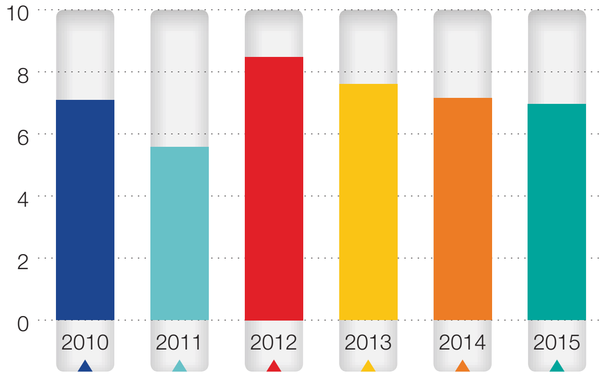
Total assets (R million)



Share price vs NAV at 30 June (cents)



Simple price earnings ratio using HEPS (times)



Our business model

Mustek's business model is based on agile and flexible management with the in-depth industry knowledge to recognise ICT trends early and react quickly. This enables us to identify changing or new markets and to make timely acquisitions or enter strategic partnerships.

Mustek's ability to manoeuvre and expand into adjacent distribution segments is based on:

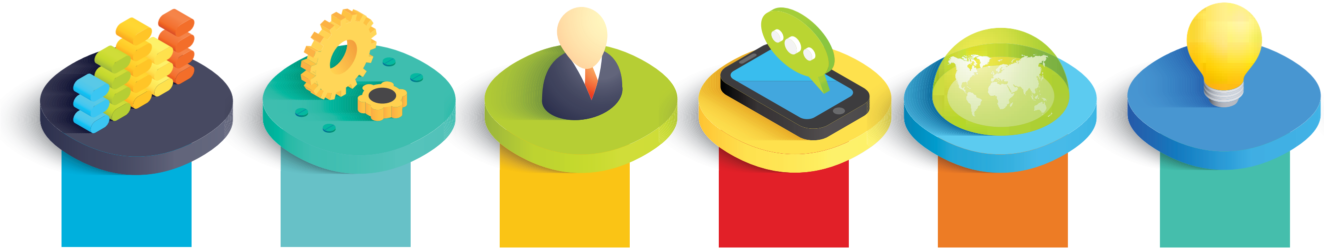
- an outstanding reputation with international vendors
- a close watch on developing trends in digital technology, given that the "Internet of Things" will connect a far broader range of devices than previously associated with IT
- a harmonious workforce that is constantly being upskilled and promoted through definitive career paths
- a loyal and continually growing reseller base numbering in the thousands, from large to small, that competitors can't match. Between Rectron and the Mustek divisions, our resellers extend across most consumer segments and up to the large corporate and public sector organisations
- a long-established and efficient distribution network that is the basis upon which Mustek will extend its reach into new market segments
- South Africa's most reputable ICT assembly line, well versed in customising orders on the fly
- a service department reputed as the best in South Africa's ICT sector.

Our business model is based on the following key elements:

- trend spotting and innovation – we fulfil ever-changing ICT needs by anticipating, identifying, procuring and delivering the right solutions, at the right time and at the right price
- smart acquisitions, shareholdings and partnerships. Mustek extends its reach into aligned business opportunities by identifying and entering into business relationships with well-positioned companies in those spaces
- an indirect business model, supporting a passionate customer base of resellers who in turn supply our portfolio of products and services to all parts of the consumer, business and public sector market
- the development and retention of a dedicated and skilled workforce – committed to outstanding customer service by offering appropriately formulated solutions, correct product specification, and technical expertise and support
- a stockholding policy that allows it to fulfil customer orders in the shortest possible time and support the processing of warranties, returns and replacements
- an expert door-to-door delivery and logistics service
- strong relationships with vendors of leading international ICT brands through agency and distribution agreements
- strong financial controls to manage working capital and realise cash
- adherence to international management system standards
- (ISO 9001, ISO 14001 and ISO 20000) and trusted best industry practices
- certified environmental management systems (ISO 14001) at its Midrand head office and Mustek coastal branches.

ICT MARKET ENVIRONMENT

Inputs



Financial
- Shareholder funds
- Banking funds
- Accounts funding

Manufactured
- Inventory
- Premises – HO and branches
- Warehousing
- Assembly line
- Fleet

Human
- Stable, motivated workforce
- Aligned with Group objectives
- Transparent career paths

Social and relationship
- Stakeholder relationships
- Mecer and multinational brands

Natural
- Power
- Land
- Raw materials processed into components

Intellectual
- IT trend spotting
- Distribution systems
- Retained institutional knowledge

Business activities

INNOVATION
Product knowledge; ICT trends

Meeting the ever-changing ICT needs by anticipating, identifying, procuring and delivering the right products, at the right time and at the right price

END CUSTOMER
Exceeding our customer expectations

Devising accurate solutions, delivering products quickly, offering excellent technical support and efficiently fulfilling warranties and service level agreements

RESELLER
National network of dedicated partners

An indirect business model feeding into the reseller customer base, who in turn supplies Mustek and Rectron products to all parts of the consumer, business and public sector market

TECHNICAL EXPERTISE
Staff development and retention

In-house management of warranties and repairs

Dedicated subject matter experts in place for each product and technology, supported by a research and development division

Service and technical support at all levels

PRODUCT ACQUISITION
Assembly, production and planning

Strong relationships with vendors of leading international ICT brands through non-exclusive agency and distributorship agreements

WAREHOUSING
Logistics
Stock management

Having one of the largest inventories in the country and reasonable stock levels across its branches. An order can be fulfilled in the shortest possible time

DISTRIBUTION
National network of branches/resellers

Door-to-door delivery and logistics service

Outcomes

Financial
- Revenue
- Return on capital
- Dividends
- Profit
- Taxes

Manufactured
- Reduced inventory
- Reduced costs

Human
- ICT experience
- Skills development
- Promotions
- Career path
- Enhanced experience and skills
- Raised service levels

Social and relationship
- Enhanced reputation
- Brand awareness in new segments
- B-BBEE transformation

Natural
- Emissions
- Waste

Intellectual
- Balanced inventory Minimise obsolescence
- Identification of new products / sectors
- Understanding changing consumer needs

FINANCIAL CONTROLS
» Working capital
» Cash generation

GOVERNANCE
» Quality control

AGREEMENTS WITH VENDORS AND RESELLERS

Strategic performance and goals

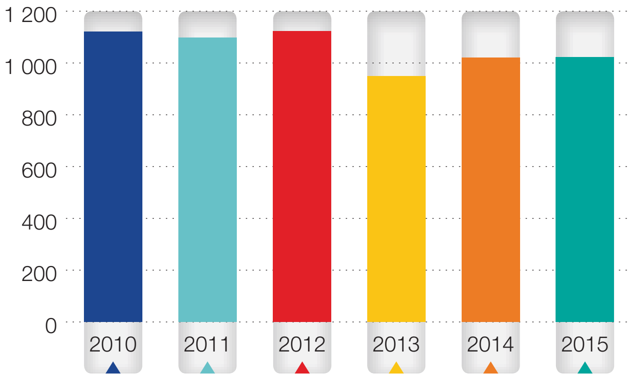
As detailed in last year's integrated annual report, Mustek's strategic initiatives for the year under review were:

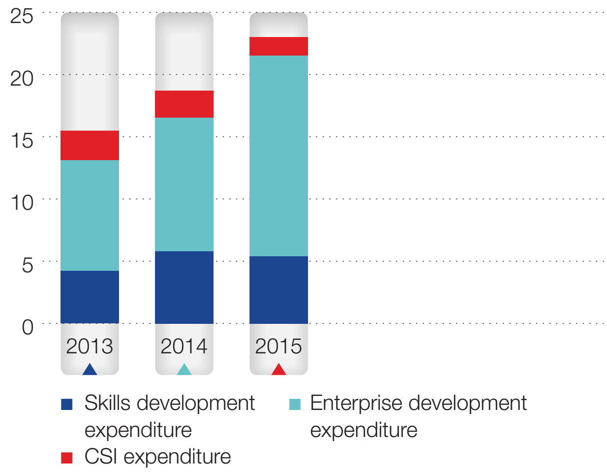
Strategic goal	Performance this year	Future initiatives
Grow the tablet business by offering a range of products to meet the needs of the aspirational, entry level and mass markets	Added or updated entry-level products (in-house Mecer and RCT brands). Broadened the range of vendor branded tablets across the mass and aspirational markets	Keep track of market demands and continue to grow with the market
Continue to differentiate ourselves as a value added solutions provider, not merely a distributor. Acquire further product lines in emerging technologies	Established strategic partnerships and obtained distribution rights for Lenovo ThinkServer, XYZprinting, ASUS Networking and SanDisk	Identify further partnerships in current and adjacent markets
Promote the Group's service capabilities as a standalone brand	Launched more aggressive marketing of service capabilities for most OEM hardware brands	Will continue this marketing plan
Focus on operational efficiencies and cost management	Distribution, administrative and other operating expenses increased by 6.3%	Continuing programme
Build on efficiencies within the Group, installing Rectron sales teams in Mustek branches where Rectron is not represented	Rectron appointed sales executives at certain Mustek branches where Rectron is not represented	Programme to be completed in 2016

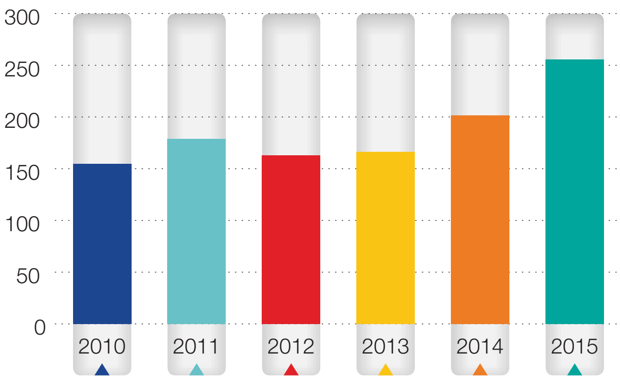
Mustek's additional strategic initiatives for 2016 are:

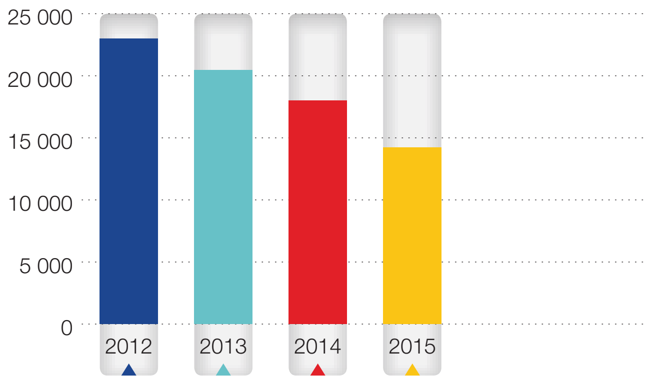
- understand the customer of the future
- position Mustek for an online, e-commerce market
- investigate opportunities in the distribution landscape
- investigate opportunities in the service, support and solutions landscape
- investigate positioning our service centres as public service offerings.

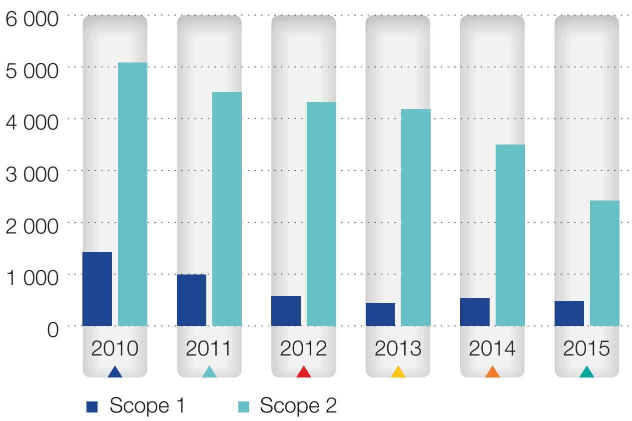
Key statistics

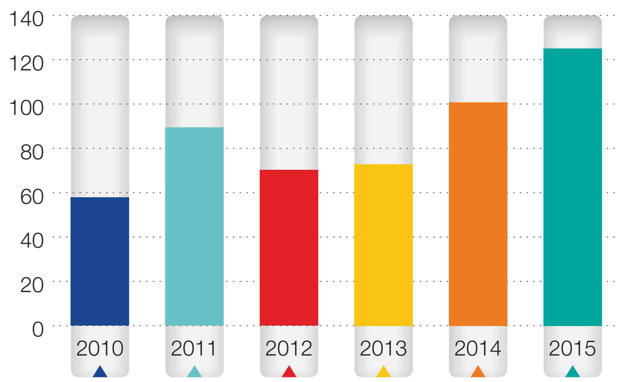












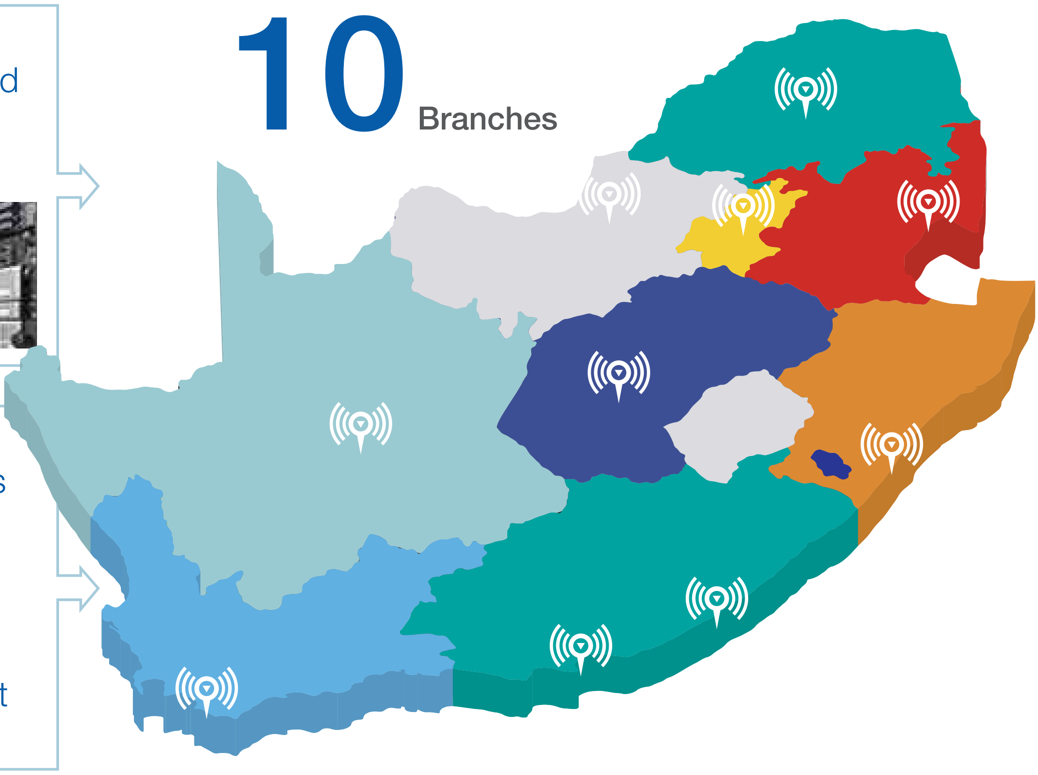
Mustek's core operations and geographical representation

Major activities:
Assembly, distribution and value added hardware solutions

Markets served
Resellers, government, corporate and parastatal key accounts, mass retailers

Focus
Customer service and delivery of complete hardware solutions

10 Branches



Primary products
Desktops, notebooks and tablets, ICT peripherals, POS systems, enterprise infrastructure, networking, Microsoft volume licences

Active resellers
3 632
2014: 2 883

Standards
ISO 9001:2008 (Quality)
ISO 14001:2004 (Environment)
ISO 20000 (Service)

The Mustek company was built upon the Mecer brand established in the 1980s. Ongoing demand for Mecer branded hardware enabled Mustek to develop South Africa's largest and most versatile ICT assembly line and a service department, with a reputation second to none in the country.

Following a major shift in business strategy in 2007, Mustek has strategically added international brands across the IT hardware universe as the components of an endless variety of ICT solutions for end-users.

What Mustek does

Mustek meets the ICT requirements of a wide range of end-users through its distributed sales network. It procures, assembles, distributes and services a comprehensive range of ICT products to a network of more than 3 632 resellers.

In recent years, Mustek has been adding in specific ICT services to complement its hardware, in recognition that clients increasingly prefer a single point of contact for all their ICT requirements.

The Mecer range

Mustek's proprietary brand, Mecer, has remained at the forefront of technology by offering superior quality custom-designed computing solutions for all sectors of the South African market. All Mecer desktops and notebooks incorporate the required local and international IT standards. Mecer has been one of South Africa's top-selling PCs over the past three decades.

The company's modern computerised assembly line is the largest semi-automated computer assembly line in South Africa and has the flexibility for build-to-order and/or customisation. The assembly line allows individual units to be tagged, linking back to the original case serial number as well as a Configuration Management Database that records all date and time stamps.

A portfolio of international brands

The Mecer brand is complemented by a stable of quality imported brands. Other divisions within Mustek support the PC assembly operation by importing and distributing components and peripherals, or providing networking and specialised services. Mustek's strategic position between international manufacturers and the local market adds considerable value to the regional ICT industry through local assembly, branding and marketing. This value chain is supported by competitive pricing due to Mustek's ability to finance deals at attractive rates and obtain bulk discounts on consolidated shipments.

Through the supply of configuration and customisation, tried and trusted best industry practices and competitive pricing, Mustek is positioned to service a wide range of technology needs.

B-BBEE status and human development

Mustek is a Level-2 B-BBEE contributor with ongoing skills development and training recognised as a business imperative. Its B-BBEE status and HR policies are covered in more detail in the human capital section on page 42 of this report.

Recent financial performance/overview

During the review period, Mustek produced highly satisfactory financial results in sluggish economic conditions. Mustek's financial performance can be comprehensively reviewed in the financial statements provided with this report from page 102.

Future prospects and forward planning

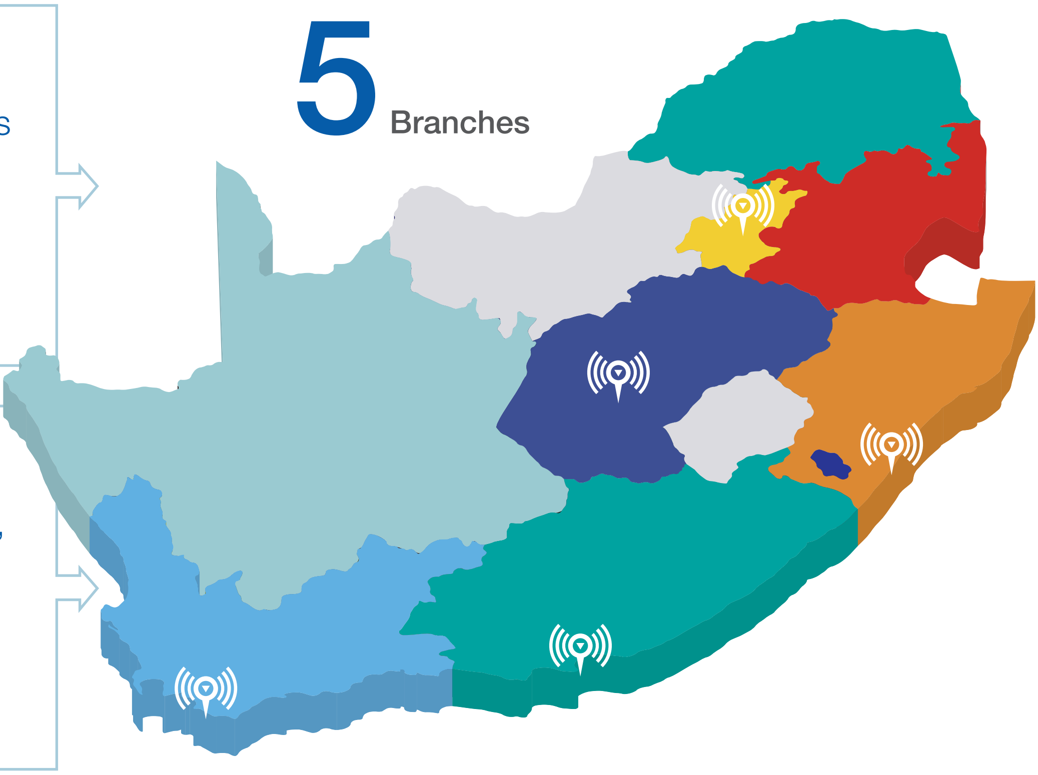
South Africa is a developing nation with an ever growing demand for new technology. With its broad product offering and in-depth understanding of its value proposition, Mustek continues to secure a sustainable future for the company and its stakeholders.

Mustek's core operations and geographical representation (continued)

Major activities:
Rectron is an ICT distributor selling to resellers and retailers in southern Africa

Markets served
All resellers and retailers including e-tail and independent retailers of all sizes

Focus
We specialise in the breadth of customers we have and have a focus on the SMB market space



Primary products
Components, peripherals, software, printing, networking, mobile products and solutions

Active resellers
3 775
2014: 3 746

Brands represented and distributed by Rectron

acer, BenQ, Canon, CHENBRO, COOLER MASTER, CORSAIR GAMING, D-Link, EVERKI, GIGABYTE, Hisense, HUAWEI, intel, Lenovo, MakerBot, Microsoft, PNY, poslab, RCT, RICOH, SAMSUNG, Seagate, SONY, Targus, Thecus, TOMTOM, TOSHIBA, Transcend, TYAN, VIVOTEK

Rectron's promise	Rectron's mission – why do we exist?	Rectron's vision – where are we going?
» Pursuing excellence	» To be the go-to ICT distributor in South Africa by offering value to our customers, shareholders, staff, vendors and the local community	» To deliver the ultimate service excellence in ICT distribution by offering innovative technology solutions through our vendors to all of our customers » To be responsible and accountable for skilling our staff to deliver world class service

Rectron was acquired in 2007 as a wholly owned subsidiary of Mustek Limited.

Rectron is a value added ICT distributor and partner to reseller and retailer channels, offering best value technology and services. The company services the ICT consumer market by delivering components, consumer electronics, peripherals, software, networking products, services and repairs to approximately 3 775 resellers countrywide.

Rectron's biggest asset is its passionate and loyal staff. We have developed a diverse and productive culture through values such as teamwork, open-door policies, front-line leadership, empowerment and the belief that customers decide when a job is well done.

Rectron competes through a large and varied customer base. We pride ourselves on being the leading distributor to small and medium business (SMB) resellers.

What Rectron does

Rectron's core business is the importation and distribution of ICT products and services to computer resellers, retailers and systems integrators across South Africa. Our portfolio of products and services has become one of the most comprehensive in South Africa.

Rectron's five strategically sited branches around South Africa are a vital asset. Each branch is fully equipped to ensure that customers receive personal world class service.

Newly acquired brands that appeal to systems integrators and solutions resellers include Chenbro, Tyan, Thecus and Vivotek. The acquisition of the MakerBot 3D agency was a first in South Africa. 3D printing and the "Maker" movement appears to be a disruptive technology that will create new manufacturing businesses and create a lucrative revenue stream for Rectron.

Our award-winning service department stands out among our resellers as their first choice. Rectron is authorised to repair all Gigabyte products and has recently been awarded services agreements to repair MakerBot and Ricoh printers, as well as BenQ monitors.

B-BBEE status and human capital development

Rectron is a certified Level-2 contributor and helps develop many local SMMEs by providing products, training and services that support sustainable growth. In terms of our social responsibility programme, we provide critical equipment to previously disadvantaged schools and community institutions.

Our staff responded positively to the recent introduction of KPIs and performance appraisals. Together with a new skills development programme, our workforce is being empowered to chart their individual career paths.

Financial performance in 2014/2015

Rectron's turnover and profit have increased steadily year-on-year since a management restructuring in 2011.

This last financial year was highly challenging, due to forex volatility and our investments into new business lines. Despite these hurdles, Rectron sustained the pace of growth recorded over the last three years.

Future prospects and forward planning

The SMB sector within South Africa's reseller group remains our primary focus but our e-commerce offering is growing strongly. Nevertheless, our investments made into new product lines that focus specifically on solutions and the "Internet of Things" (IoT) is bringing larger value and system integration resellers into the Rectron stable, in support of our growth plan for the next five years.

Consumerisation, seamless integration and gadgets are robust growth areas. Our existing relationships with brands such as Lenovo, Acer and TomTom are exciting as clients begin understanding the possibilities and start adopting these technologies.

Specialised product – such as MakerBot 3D printing – will open up new avenues for hardware, and for the ongoing supply of consumables.

Rectron will continue searching for innovative and relevant products that would create new opportunities and niches for our customers.

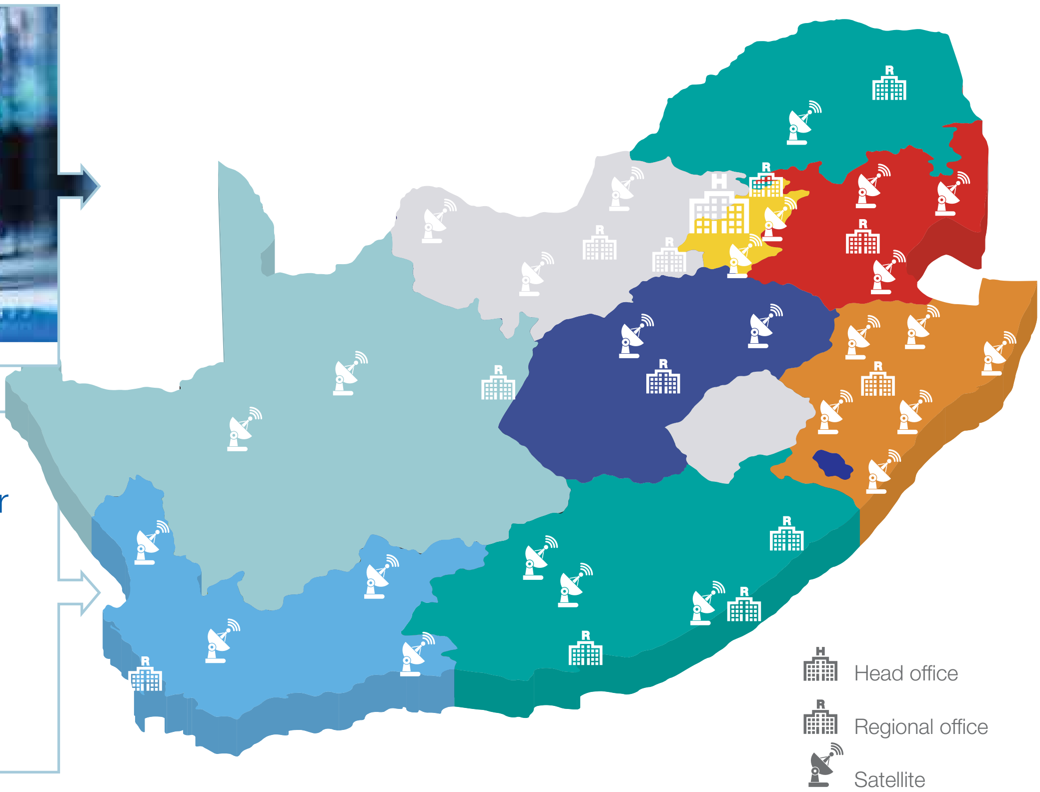
In this current financial year (2015/16), we anticipate that our integrated CRM system will become operational and enable us to align more closely with our clients, while also identifying specific gaps in our products and services ranges.

Mustek's core operations and geographical representation (continued)

Major activities:
Provision of comprehensive ICT service solutions

Markets served
Public and private sector clients

Core business value
Cost saving and user productivity



Our subsidiaries

Who we are

Sizwe Africa IT Group is one of South Africa's leading integrated ICT solutions providers. Driven by passion and skill, we maintain our position as a rapidly expanding, innovative partner of choice for many leading organisations. Our holistic approach ensures that all our clients benefit from the value we contribute across the entire ICT value chain.

Since 2013, Sizwe has transformed in terms of ownership, board, management, process and structure, by effectively responding to the challenges facing the ICT sector. The collective change within the organisation has a direct impact on our agility. As a result of these factors, our stakeholders have experienced heightened client service delivery levels, optimisation and continuous quality management.

Sizwe has achieved a Level-2 B-BBEE rating and company management is totally committed to transformation as the route to innovation and diversity in sustaining our ever-growing operation. Sizwe is building and continually strengthening partnerships with local black-owned SMMEs to contribute to South Africa's economic wellbeing. This undertaking is perpetuated through the Sizwe supplier development programme, which capacitates and up-skills existing and potential suppliers

Our business is divided into three business units:

Suite of service offerings		
Managed services	Unified network solutions	Fibre and facilities management
Offerings	Offerings	Offerings
» National call centre	» Data communication (routing/switching/wireless)	» Backup and redundant power management (generation and UPS)
» Remote management	» Collaboration (voice/video)	» Outside plant optic fibre
» Hosting	» Physical security (access control/video surveillance)	» Facility management
» Managed print services	» Communication security	» Fire detection and suppression
» Desktop computing	» Inside plant copper cabling	» HVAC (heating, ventilation, air handling and cooling)
» Mobile computing	» Inside plant optic fibre	» Tower maintenance
» Enterprise processing		» Civil infrastructures
» Cloud and SAAS		» Mechanical services
» Software		» Diesel replenishment
» Security		» Data centre management
» Rental solutions		

The Sizwe approach

Sizwe Africa IT Group offers the full spectrum of IT services and solutions required by modern enterprises. These range from a dedicated Solutions Architecture division, physical networking and data centre services, to desktop and even cloud-based services.

Our services are provided outright or as part of a managed services contract, supported by the 24 hour Sizwe Service Desk. Sizwe's managed services are custom built for each client through a five-step process:

	» Requirements specification
	» Planning and design
	» Implementation and integration
	» Operations and management
	» Optimisation

Three reasons for our success

A history of excellence

Over the past years, Sizwe has grown from a small consumables operation to one of South Africa's leading ICT solutions providers in both the public and private sectors. We are one of a select few companies listed as a direct acquisition company in the government IT supply channel.

A countrywide reach

Sizwe has expanded to include a network of SMMEs and associated companies in each province, servicing businesses across South Africa. This robust growth has allowed the Group to bring holistic ICT solutions to clients' doors. Boasting a distinctive SMME model, Sizwe ensures continuous support for big industry participants and smaller businesses alike. The company also supports women and youth owned (under 35 years old) businesses. Through our Sizwe SMME Development Programmes, we assist and develop selected businesses with the aim of sub-contracting work to them in future.

A partnership-driven approach

Our strong professional partnerships with multinational manufacturers, suppliers and sub-contractors allow us to maintain the level of service and trust we have built with our clients. We hold the highest standard of quality in service delivery, we employ and develop our staff based on best-practice processes and required skills. The value we add to our clients' businesses has led to long-term relationships with our client base, resulting in a growing awareness of our services. Our in-depth expertise has been facilitated and largely driven by strategic technology partnerships with Cisco, HP, Mustek, Epson, Samsung, Microsoft, Kaseya, Kyocera and Huawei.

Bridging the digital divide

Corporate Social Investment (CSI) is woven into the very fabric of who we are, what we do and what we stand for as an organisation. Our initiatives are in line with our long-standing commitment to touch communities in a tangible and relevant manner by identifying real social needs and responding to them.

Education is a key area of focus for Sizwe Africa IT Group and, as such, we continually pursue key strategic programmes that align with our vision of bridging the digital divide.

Our holistic CSI approach seeks to touch on all aspects of education, ensuring that scholars are equipped with basic material and a relevant educational infrastructure.

As Sizwe's flagship education programme, the Smart Centres initiative has equipped the Walter Sisulu Primary School in the informal settlement of Olivenhoutbosch, Johannesburg, with state-of-the-art technology. This has significantly improved the teaching environment for educators, learners and administrators. Sizwe IT Group is supplying the school with computers, printers, a secure network infrastructure, software and the respective technical know-how and support to make this all work.

This initiative will ensure access for the Walter Sisulu Primary School, to the Gauteng Department of Education eLearning portal that is being used by Gauteng schools for teaching and learning activities. Furthermore, the school has access to a library system as well as a school administration system.

In addition, we recently embarked on a drive to provide school shoes to hundreds of underprivileged learners. The Bana Ba Kgosi Home in Winterveld, Pretoria, was the first beneficiary of this initiative, after which scholars from Bloekombos Primary School in Kraaifontein, Western Cape, also received brand new school shoes. Plans are underway to roll out this programme in all our areas of operation.

Certifications and awards

Sizwe Africa IT Group announced it has achieved the Internet of Things (IoT) Connected Safety and Security Specialisation from Cisco. This accreditation recognises Sizwe Africa IT Group as having fulfilled the training requirements and programme prerequisites to sell, deploy and support Cisco IoT Connected Safety and Security products and solutions.

The Cisco IoT Connected Safety and Security Specialisation enables partners to design, resell, install and maintain video surveillance and access control solutions that fit their customers' security needs.

KHAULEZA IT SOLUTIONS

Major activities:
Procures ICT products and services on behalf of customers

Markets served
Public and private sectors

Focus
Providing ICT-related skills and services through a single interface

Primary brands
Acer, APC, Brandrex, Brother, Cisco, Dell, D-Link, Eaton, Epsom, Enterasys, Fujitsu, HP, Juniper, Krohne, Lenovo, Lexmark, Mecer, Microsoft, Molex, Mustek, N-Computing, NEC, Posifex, Toshiba, X-treme and VMWare

Primary brands
ICT services, communications, ICT advisory and consulting

Khauleza is an ICT and related services provider that acts as a "one-stop" supplier for South African public and private sector clients. The company procures goods and services on behalf of its customers, relieving the burden of managing numerous individual vendors and specialist service providers.

Khauleza has developed a Service Provider Aggregator (SPA) operating model that facilitates comprehensive delivery of all services required for any ICT function. The SPA model allows organisations to work with a single entity in terms of sales, contracts, administration, and relationship interface.

To provide this range of high-level skill and service capability, Khauleza has formed formal alliances with a number of specialist technology firms, leading vendors and SMMEs. Customer satisfaction is ensured as Khauleza verifies that our service providers are requisitely skilled and follow best business practices.

What Khauleza does

Khauleza provides a single point of contact that aligns a customer's ICT requirements with industry leading solutions. A full range of ICT, communication, advisory and consulting services is offered through the partnerships that give Khauleza wide access to hardware, computing accessories and technical skills.

We ensure that all 'partner service providers' (be they strategic partners, shareholders, consortium members, maintenance teams or specialists) are requisitely skilled, follow the required methodologies, and deliver 100% on the agreed solution.

The company has developed a Plan, Deploy, Manage and Maintain (PDMM) methodology that supports all technological environments. PDMM utilises a comprehensive life cycle approach so that strategic goals are reached while Controlled Costs in Technology Ownership (CCTO) are maintained. This approach ensures that all stages of the technology life cycle are carefully managed and worked into a budget.

B-BBEE status and human development

Khauleza is Level-1 B-BBEE certified with a black shareholding of 42.21%. The company has formal alliances with numerous SMMEs and welcomes proposals from any SMME that wishes to partner with us.

As Khauleza provides leading technology we prioritise maintaining the skills and certification of our technicians.

Products and services

Advisory and consulting services

Khauleza's Advisory and Consulting Services Unit

- identifies IT gaps and helps establish priorities and outcomes
- develops customised or innovative solutions
- advises on options, risks, cost benefits, business process impacts and system priorities.

Project management

Khauleza specialises in data recovery projects.

IT infrastructure solutions

Khauleza will assist or implement WAN and LAN design and deployment utilising leading network brands.

IT security services

Khauleza provides information security consulting and operations to protect information, safeguard personal data, and protect networks and machines from malicious attacks.

Service compliance is monitored and reported on against globally recognised frameworks such as ITIL and ISO 27001/2.

Managed services

Khauleza is a Managed Services Provider (MSP), deploying world leading technologies such as N-Able, to fully manage client environments. These services include automation procedures, managed anti-virus, patch management and backup management.

CCTV services

Khauleza offers digital recording technologies ranging from architectures that suit the application requirements of a range of cameras. The versatility and configurability of Khauleza's CCTV surveillance systems allows us to craft services ranging from a few cameras through to large campuses requiring thousands of cameras, or enterprises with multiple networked sites.

Data centre and server room solutions

Khauleza can provide services to or from data centres.

Telecommunications and cabling solutions

Deployment and ongoing maintenance of fibre rings and spurs is a specialty.

Hardware and software sales

Khauleza will procure goods and services on behalf of clients, to spare them having to contractually partner with numerous vendors and specialist service providers.

Enterprise architecture solutions

Enterprise architecture is multi-faceted and an extremely dynamic service. It couples business strategic direction to evolving ITC developments. Khauleza has the enterprise architecture expertise to align the business strategies of its clients with appropriate and/or incoming ICT.

Alternative energy

We provide UPS systems, batteries, battery chargers, generators and solar solutions for data centres, as well as on-site services and preventive maintenance.

Video conferencing

Khauleza designs, implements and maintains video conferencing solutions.

ISO 9001 certification

With the help of specialised consultants, Khauleza has invested heavily in educating our staff in implementing the ISO 9001 Quality Management standard. Khauleza expects to be fully certified by 31 December 2015.

MUSTEK SECURITY TECHNOLOGIES

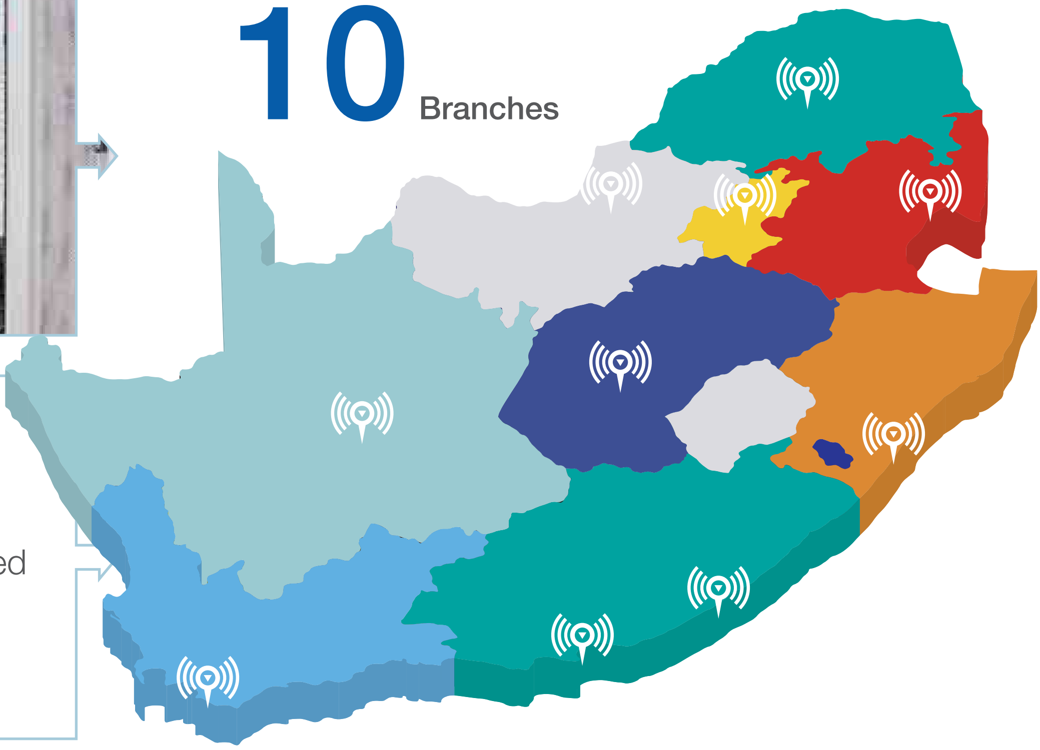
Focus

Turnkey security solutions that include needs analysis, systems design implementation and maintenance.

Standards

ISO 14000; 9000;
OHAS 18001
Compliance with all relevant legislation such as national key point regulations and the incoming POPI Act.

10 Branches



Markets served

Widespread – wherever **security systems** are required in South Africa.

Primary products

Security hardware, software and solutions **customised for client requirements**.

What MST does

Effective security is about having a technology and software mix that fits the client's specific requirements. MST provides complete security solutions that relieve clients from having to assemble their security requirements from a variety of suppliers.

Aimed mainly at the corporate sector, MST uses highest quality products grouped into best practice end-to-end solutions. Guarantees and repairs are serviced through Mustek's renowned service centre.

Products and services

Product	Services
» CCTV cameras » Speed domes » Access control systems » IP-surveillance systems » DVR and NVR systems » Accessories » Video wall hardwire » Facial recognition » Number plate recognition » High sensitivity cameras	» End-to-end security solutions » Systems and equipment component testing » CCTV laboratory programme » Project management in line with Project Management Body of Knowledge (PMBok) Fourth Edition » System auditing and security surveys » Detailed system designs, including specifications » MST system integration through approved Mustek partners » System maintenance through Mustek's call centre and service division » Advanced control room design and implementation » Advanced video wall solutions » Advanced "Green Power" solutions such as transmission systems (microwave, wireless-mesh etc.) » Traditional electronic security systems such as electrified fencing » Advanced IT and security training » Perimeter protection solutions

Standards

MST adheres to all relevant international and South African standards such as:

- ISO 14001
- ISO 9001
- OHAS 18001
- The Private Security Industry Regulatory Authority (PSIRA) Act
- PMBok Fourth Edition Best Practices.

MST is committed to providing and maintaining the highest level of Health, Safety and Environment (HSE) protection standards, thereby preventing occupational accidents, injuries and unnecessary environmental damage. The HSE goals of all MST projects are:

- no time loss due to injury
- maintenance of an accident-free environment
- zero environmental damage.

Future prospects and forward planning

South Africa's sharply increasing security requirements have highlighted the lack of suppliers conforming to acceptable and recognisable standards.

MST is ideally positioned in the security market to provide customers with high quality security solutions that are compliant with all statutory requirements, while producing leading edge products that are unmatched in the South African security market. Our technology goes beyond surveillance video footage and can produce prosecutable evidence.

Advanced technology is the foundation of MST's value offering. The latest equipment, techniques and service are key to prevention and prosecution, thus MST continues to invest heavily in training, research and development.

Mustek's material matters

Materiality

Mustek's Board and executive management present the information in this integrated annual report as relevant or 'material' to our shareholders and key stakeholders for a properly informed understanding of Mustek's performance over the past year, as well as insights on our forward strategy. The Board and executive management evaluated the source information with two primary questions in mind: "Who is our reporting aimed at" and "what decisions will they be able to make from our reporting?"

When deciding what information should be included in this report, the leadership considered the relative importance of each matter in terms of the known or potential effects of these on Mustek's ability to continue creating value. These were prioritised for relevance to the report users, so that non-pertinent information could be set aside, or shared through other channels.

We intend to populate an accurate and complete integrated annual report, yet unburdened with the peripheral data that tends to confuse rather than enlighten.

Material matters

Our stakeholder engagement activities are aimed at identifying and responding to all reasonable and legitimate expectations of shareholders, investors and stakeholders. We report on financial, commercial and sustainable development issues that could impact on our ability to create value now and in the future.

Mustek's potential material matters emerge through our risk management process and shareholder feedback. The Board and Audit and Risk Committee meets at least once a quarter to review all risk management processes, procedures and outcomes. When necessary, external experts facilitate the identification of risks and how these should be mitigated. These risks are discussed in the corporate governance section of this report.

Once identified, these potentially material issues are subjected to a materiality process that considers a topic's qualitative and quantitative aspect; the influence, legitimacy and urgency of the stakeholder raising the topic; the boundary of the topic; and Mustek's ability to affect change with regard to our impact on the topic. The materiality process involves getting the Board and executive management to workshop and prioritise identified issues. Ultimately the decision to report a topic as a material matter is based on the Board's and management's view of the topic.

South Africa's economy, its growth prospects and the ZAR exchange rate

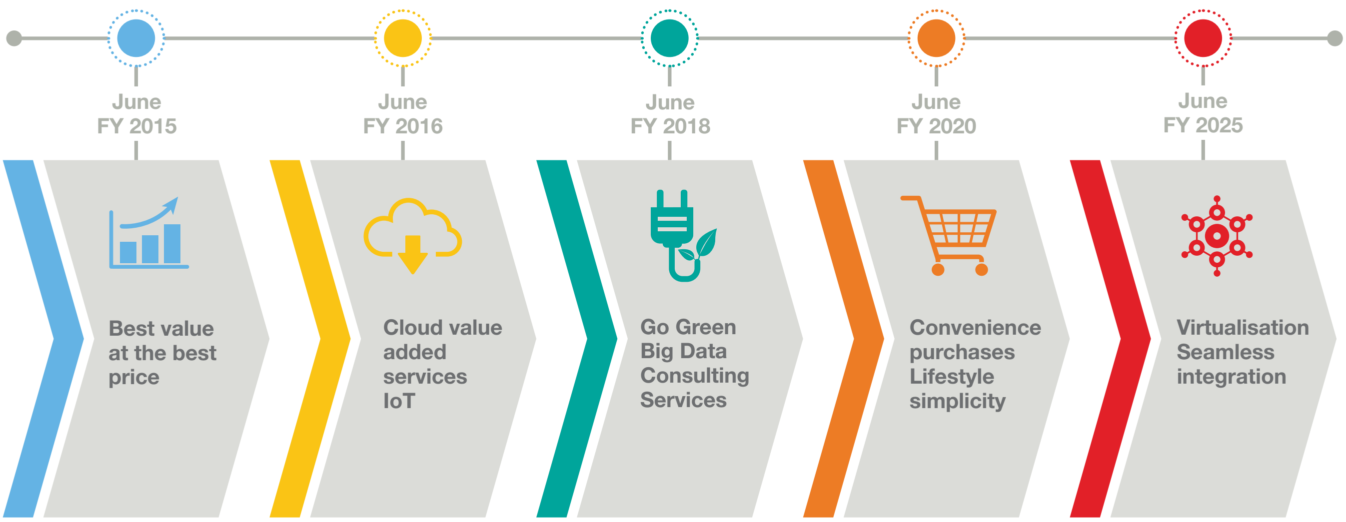
As always, Mustek is materially affected by the broader international and local economic environments, as well as by South Africa's volatile exchange rate.

South Africa's economy has continued to deteriorate, with 2015 GDP anticipated to reach 1.5% at best. The steady downgrade of commodity prices impacts South Africa's economy, as much of the country's international revenue is derived from commodity exports.

The ZAR/USD exchange rate is a major factor in the ICT industry, as the bulk of our imported inventory is paid for in US Dollars. Exchange rate fluctuations affect prices, and the Rand's propensity for sharp movements against other major currencies is an ongoing challenge. Mustek does have a hedging policy in place.

Future customer demand

What are our customers buying from us today?
What will our customers want in one to three and five years?



Anticipate ICT trends internationally and locally

Mustek remains competitive in one of the quickest evolving industries in the world by responding quickly to trends in South Africa and globally.

The world's biggest technology brands will obviously shape their offerings to fit global trends, therefore Mustek has to assess whether the African market is ready to adopt specific products or platforms before bringing these into our inventory.

Profitability and cash flow

Growing sustainable profits year by year to generate cash is the Group's primary objective. Cash generation enables Mustek to create and develop value in all parts of our business. The resilience of our earnings is founded on the relationships with both vendors and resellers. Earnings growth is achieved through acting on opportunities created by technology and the collective skills of our workforce.

Profits, especially cash profits, allow the Group to pay dividends to its shareholders, meet its obligations and reinvest in the future of the business.

Electricity loadshedding

Most of our products require electricity to operate, therefore, the advent of power loadshedding in South Africa from October 2014 has a material effect on our consumer demand. With loadshedding likely to be a factor until at least the end of 2016, consumers are shifting away from the traditional desktop and notebook computers to tablets and devices offering longer battery life. In this case Mustek's end-to-end provider strategy means that, as consumer demand in one of our product categories slips, it grows in another. Loadshedding has also accelerated demand for inverters, solar panels and other products or services in our sustainable energy catalogue.

Attract, develop and retain adequately skilled employees

Attracting and retaining the broad range of necessary skills within the Group is an important area of focus for management. Besides offering market-related remuneration, Mustek enables individual career path choices, supported by skills development programmes.

The Group prioritises recruiting previously disadvantaged persons, whom we train into valuable and experienced ICT industry workers.

Ethical behaviour and governance

Corporate failures, environmental and social challenges, as well as increasing white collar crime, are driving companies to embed strict corporate governance and ethics policies.

Over the past two years all the Group's governance structures and policies have been reviewed against best practice.

Waste – abatement and disposal

The management of waste is the Group's single largest environmental issue and receives significant attention. The bulk of the Group's waste comprises packing materials, including wooden pallets, cardboard, plastic and polystyrene fillers. Recycling this material reduces the amount of waste sent to landfills. Other non-recyclable waste is disposed of in a responsible manner.

Energy consumption and GHG emissions

Mustek installed solar panels on the roof of its Midrand assembly line and offices nearly two years ago, with Rectron following suit during the 2015 financial year.

Reducing our consumption of Eskom generated electricity not only reduces costs, but also makes Mustek an industry leader in mitigating environmental impacts by reducing GHG emissions.

Transformation and maintaining our social licence to operate

Mustek and Rectron readily accept their responsibility to address the imbalances of the past by working to continually improve our B-BBEE scores in terms of the ICT sector codes, while also meeting and exceeding the requirements of related legislation such as the Employment Equity and Skills Development Acts.

For decades Mustek has been renowned for training previously disadvantaged persons to participate in the ICT industry, with our previous employees contributing throughout the sector. As a responsible corporate citizen, we contribute year after year to educating South Africa's learners through school support programmes and dedicated technology.

Maintaining key relationships

A breakdown in relationships with its key suppliers and resellers would negatively affect the profitability of the business. At both Mustek and Rectron, we pay particular attention to maintaining the relationships at both ends of our value chain that are critical to our success. Product and brand managers are tasked with adding value and building strong relationships with Mustek and Rectron's diverse range of international and local suppliers, while key account managers are expected to deliver excellent service to resellers and corporate clients. Underpinning this is the Group's overall commitment to meeting the ever-changing ICT needs by delivering the right products, at the right time and at the right price.

MUSTEK'S ROLE IN TOMORROW'S TECHNOLOGY

The technological world is changing, as consumer expectations and practices evolve. Increasingly, people are turning to technology in the pursuit of excellence and innovation. In this environment, what will tomorrow's technology look like? How is Mustek getting ready for all these changes, and how is it helping to propel them forward?

We are pleased to report an exceptional year, based on a solid 11.5% revenue growth to R5.31 billion and a 24.2% rise in headline earnings per share to 125.05 cents. Our conservative hedging policy reduced forex losses this year to just R0.5 million (2014: R23.2 million), though continuing Rand weakness requires a constant focus on this area. Much of our growth in revenue can be attributed to seeking out attractive brands in adjacent segments in our current ranges and to Microsoft's volume licensing offering. Huawei enterprise solutions and sustainable energy products such as inverters and solar panels were particular drivers of new revenue.

Operational overview

Mustek's ongoing strategy of broadening our range of brands and products, while at the same time adding value through new services and solutions, is paying off through accelerated revenue growth.

South African companies and households are increasingly turning to renewable energy, with our 5 kVA inverters being a top seller. Renewable energy appears to have a bright future, with Mustek's revenue from sustainable energy rising from a zero base to over R100 million per annum in just two years. While the rise of "green power" is timely, electricity supplied by Eskom remains cheaper, for the moment. The Rand's continued slippage against foreign currencies keeps solar technology and battery prices as a prohibitive barrier to entry for many.

Our smooth running distribution business continued to perform well, with both Mustek and Rectron benefiting from attractive new brands entering the product portfolio offering. Huawei's Enterprise Solutions of entry and mid-level servers have been well received, while our strong variety of aspirational tablets more than replaced the revenue being lost by the slowing desktop and notebook markets.

Getting the rights to Lenovo's "Think" range of early and mid-level servers has allowed us to broaden our server portfolio across the board. Our established NEC server high-end offering has shown good growth in data intensive users, with Lenovo's "Think" servers sufficient to meet the demands of 80% of the server market.

Sizwe Africa IT Group and Khauleza IT Solutions, our complementary technology service providers, have bedded down well. Sizwe enhances our networking, cloud storage and related services offering, while Khauleza IT Solutions provides a single point of contact for all ICT requirements. The uptake of cloud services in the small and medium enterprise (SMME) sector has been growing steadily as business becomes aware of the cost and security benefits offered by online backup and processing.

Our business strategy is built on expanding our offering by anticipating trends.

How are the needs of our clients evolving as society becomes more digital and technologically driven?

Our conservative foreign exchange hedging policy works well to minimise risk and keep exchange rate fluctuations under control.

Two damaging but learning events this year were a highly professional robbery and a major fraud case that cost Mustek a combined R17.8 million above our insurance cover. As a result, we have introduced major upgrades to our security measures.

For decades, Mustek has been known as an assembler and distributor of personal computers and complementary ICT products. However, as a business centred on innovation, we are constantly pursuing new avenues of growth and moving up the value chain.

As the digital world becomes more interconnected, designing and delivering end-to-end solutions is becoming a growing priority. Mustek is ideally positioned to combine our global ICT vendor partnerships, in-house expertise and extensive marketing and distribution networks to enable our clients to build technologically sound and profitable businesses.

With consumers and business wanting seamless and effortless integration across all functions and interfaces, cloud, analytics, mobility and social networking, are gaining priority. Mustek has recognised that the "Internet of Things" (IoT) is becoming real and where the Group must position itself. Convergence is no longer a catchphrase but a reality. Moving forward, Mustek intends to set new benchmarks for enabling differentiated solutions, built on our bedrock of quality products and integrating services.

Based on proven assembly and distribution services, Mustek is developing our value offering along the horizontal and the vertical. We continue to expand our range of adjacent product offerings, while we are vertically integrating to seek and offer customised turnkey solutions. This strategy enables Mustek to offer its customers a perfect match for their technology needs, whether driven by configuration and customisation requirements, or through tried and trusted best industry practices and competitive pricing.

Market trends

South Africa is slightly behind the global trend in tablet sales, which are slowing due to market saturation. We expect tablet uptake to continue growing strongly over the next financial year, with incoming Windows 10 tablets boosting the market. Consumers replace tablets much faster than desktops and will acquire up to three new devices during the lifespan of a desktop computer. Although tablets are less expensive than desktops, Mustek makes its return on the volume and margin of the sales.

Android tablets presently dominate the market. This is expected to change as Windows 10 gains market share towards the end of 2015.

Microsoft has shifted strategy remarkably in recent years to aim at the interconnectivity of devices and the cloud. Part of this is to move to a subscription model so that users get locked into its digital eco-system. For millions of users this will be a comfortable experience as they continue using familiar Microsoft Office products, while getting access to additional features through Azure and other Microsoft services.

The venerable Windows XP has become completely redundant and Windows 7 and 8 users may upgrade to Windows 10 free of charge for the first year. The Windows 10 upgrade that commenced in July 2015 was smooth and seamless for the vast majority of Windows 7 and 8 users. By early August 2015, over 25 million worldwide users had upgraded to Microsoft's new operating system. The upgrade has been extremely well received and many report that their PCs are performing better.

The future is upon us

As consumers, we may marvel when innovative products arrive in the marketplace. What we don't realise is that these are generally the result of a long invention and design process that may spend 20 years in development before it appears on the shelves.

Today's research and development (R&D) scientists are working on technologies for the 2030s. An axiom in R&D is that humans overestimate what we can achieve in one year, but vastly underestimate what we can do in 10 years.

For Mustek to thrive, we must understand what technologies are coming down the pipeline and how these will impact on our business. More than any other sector, new technology can disrupt and improve industries, it continues to change societies rapidly, and it is shaping the very nature of human work. Technology can save the planet – or kill it.

Our business strategy is built on anticipating the challenges and how the needs of our clients will change in response to a world that will become more technologically driven year after year.

Smartphones and tablets take the lead

Sales of the traditional desktop computers declined steadily in recent years, while notebook growth has levelled off. The real uptake is in tablets and smartphones – the mobile technologies.

In this last year the bottom fell out of desktop and notebook sales, with tablet volumes overtaking these for the first time. A combination of factors was behind this sudden shift in demand. Tablets are becoming more useful tools for creating media. Other key factors were the gradual shift to cloud services, which reduces the processing and storage load on desktops and laptops, and the increasing interconnectivity between mobile (smartphones and tablets) and desktop devices. Microsoft has identified this niche as a major new market and is aggressively engaging it through cloud services, volume licensing and the launch of Windows 10 as the operating system that will connect all devices.

For Mustek, falling sales in desktops and notebooks were more than compensated for by the rapid growth in our tablet portfolio. We had recognised this trend early, therefore we were able to offer tablet brands with appeal to a wide range of consumers.

In South Africa, the modern and tech savvy consumer will remain connected and productive throughout the day using at least three devices ranging through smartphones, tablets, notebooks and desktops. Upon awakening, the consumer will likely utilise a smart phone as their connection to the outside world while preparing for the day, before switching to a traditional computer at the work station. In the evening, he or she will most probably interface through a tablet.

Microsoft is working to remove the barriers between all these devices to create a seamless and synchronised experience for the user, while changing its revenue model to volume licensing rather than one-off licensing fees. This generates a growing revenue stream and by virtually giving Windows 10 away to millions of consumers, Microsoft is locking them into its IT ecosystem.

We believe in the next few years, Windows 10 tablets and smartphones will gain a significant percentage of the market share presently held by Android and Apple.

Voice recognition for text and for virtual assistance

For years, voice recognition, which converts the spoken voice into written text, has been included in Windows and Apple's OX operating systems, but was hardly used due to its slow and limited functionality. More recently, the advent of voice driven virtual assistants like Siri for Apple and Cortana in Windows 10 has taken voice recognition to where the public is getting more engaged. More advanced voice recognition software such as Nuance's Dragon has been commercially available for over 10 years and has gained popularity among executives, authors and in specific professions such as law, real estate and medicine.

After several false starts, it appears that voice recognition for text and for controlling smartphones, tablets and computers will reach the mainstream. If so, expect the keyboard to become less important in media creation, with mobile in the form of tablets and smartphones growing its market share further at the expense of traditional computer devices.

The explosion of data and the Internet of Things

Two key trends that prompted Mustek to broaden our portfolio of offerings to include end-to-end IT solutions was the exponential increase of data being generated by digital activities and the rise of the so-called "Internet of Things" (IoT), which is a growing network of everyday objects – from industrial machines to consumer goods – that can automatically share information and complete tasks.

Made up of millions of sensors and devices continually streaming data, IoT will connect our cars, our homes, our major appliances and even our city streets to the internet or "the cloud".

The purpose of IoT is to create a world that is safer and uses much less power and other resources through efficient monitoring and automatic rebalancing. Data will be constantly generated in such quantities that existing computer processing and storage will run out of the capacity to process it. Entirely new technologies are being developed to handle the volumes, such as "quantum computing".

The Maker Movement – 3D printing

3D printing technology enables printers to create one-off or multiple 'widgets' without requiring moulds, presses or traditional manufacturing tooling. Computer software directs molten metal, plastic or a wide range of materials through nozzles to build any object layer by layer. This disruptive technology, which can be used at home or in small premises, is transforming manufacturing as we've known it. Massive factories running on expensive equipment will become redundant for many product lines, as 3D printing, makes decentralised, low impact and made-to-order manufacturing possible. Like mobile phones, and possibly, renewable energy, 3D printing could be a technology that enables a new age of industrial production.

Mustek is exploring this new and promising market opportunity and has secured exclusive XYZ 3D printing distribution rights, while Rectron already offers the MakerBot 3D printers. South African consumers are quick adopters of new technology, therefore we will continue seeking the best 3D printing brands and products to add to our traditional printing lines.

Human capital and B-BBEE

Since our founding back in 1987, Mustek has respected and cared for employees, which has been reciprocated by an exceptionally low staff turnover. Many senior managers in Mustek have risen through the ranks from entry level professions.

We engaged equity and service level targets by mapping out and facilitating career paths through every function in the Group, supported by raising our skills and development budgets. Not only does this naturally transform the Group throughout from the bottom up, it coalesces into a viable succession plan based on individual performance, while productivity and service standards continue to rise.

With Rectron improving its B-BBEE score to Level-2, the Group maintained an overall B-BBEE Level-2 rating.

Although the Group scores well in B-BBEE human development and equity ownership, procurement will remain an ongoing challenge, as few of our source components are manufactured in South Africa, or are likely to be in the near future. We have an ongoing and energetically pursued programme in place to procure locally through BEE vendors wherever possible.

Exchange rate impacts

As most of the products imported by the ICT industry are imported and paid for in US Dollars, the US Dollar to Rand exchange rate is a constant concern. Exchange rate fluctuations will obviously affect prices, with the Rand's propensity for sharp movements against other major currencies being a major challenge. The Group's more conservative forex hedging policy has functioned well, with forex losses decreasing from R23.2 million in 2014 to R0.5 million in the 2015 financial year.

Outlook 2016

South Africa's economic reality is particularly volatile and gloomy at this time, with the mining sector being hard-hit by falling commodity prices and labour unrest, while electricity outages hamper all sectors of commercial and public activity. As unemployment continues rising, consumer spending is falling in the lower LSM bands, although the upper LSM 8 to 10 levels appear to be unaffected for now.

A fast growing percentage of our customers, particularly the younger 'millennials', are technologically informed enough to be specific regarding what products or services they require. They can personally resolve most routine hardware or software issues, but will revert to their dealer with more serious faults, which they will expect to be repaired quickly.

Fewer companies are making standardised bulk ITC purchases of computing devices, as these can be assembled for specific purposes. A mining company may require rugged, dustproof machines, for example, while high value employees may want to use their own choice of devices.

These areas are where Mustek is most competitive. We have the in-house expertise, inventory and logistics to turnaround products and support issues quickly, while also being able to customise solutions "on the fly".

In the medium term, Mustek sees our major thrusts as being able to fulfil the end-to-end requirements of tech savvy consumers, as well as fulfil the growing demands of South African education, where digital is replacing paper-based study materials in many places of learning. Mustek has been involved in the education sector for close on two decades and offers the specialised software and inexpensive, rugged tablets to service this important niche.

Corporate governance and appreciation

Sound corporate governance is deeply embedded throughout every level of Mustek's operations and this year we introduced further governance enhancements in line with current best practice, as outlined in the corporate governance section of this report.

The Group maintains a strict zero tolerance approach to corruption, or transgressions of our ethical code.

In this period the Board of directors remained unchanged and we appreciate the stability, continuity and breadth of expertise that the current Board and executive management provide in overseeing Mustek's ongoing strategy.

The foundation of Mustek's ability to grow and thrive into a sustainable future depends on how we "out-compete" our rivals in an industry in which most competitors offer similar products. The foundation of our success is our Mustek people. They provide the expertise, the motivated energy and the hard work to ensure that Mustek always offers better solutions, provides faster turnaround services and solves problems quicker and more efficiently than any competitor. That is the bottom line of what keeps Mustek sustainable and ahead.

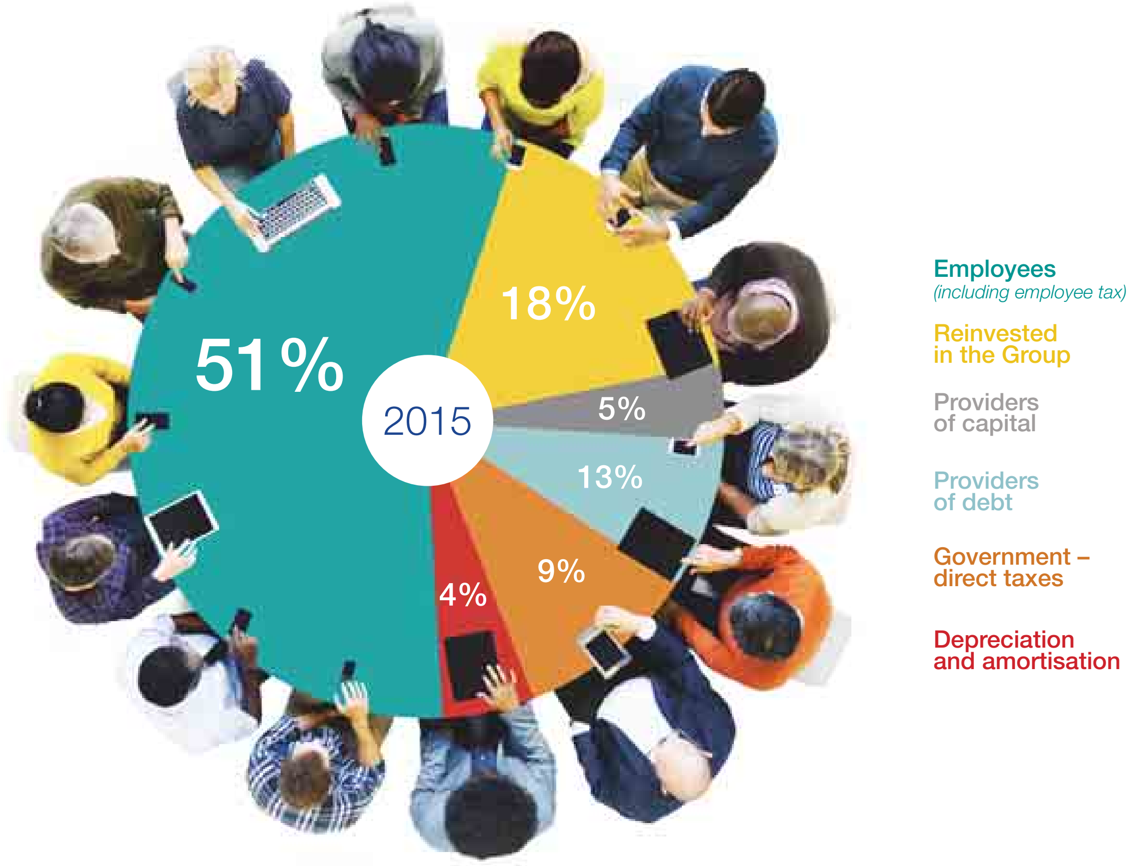
Len Konar
Chairman

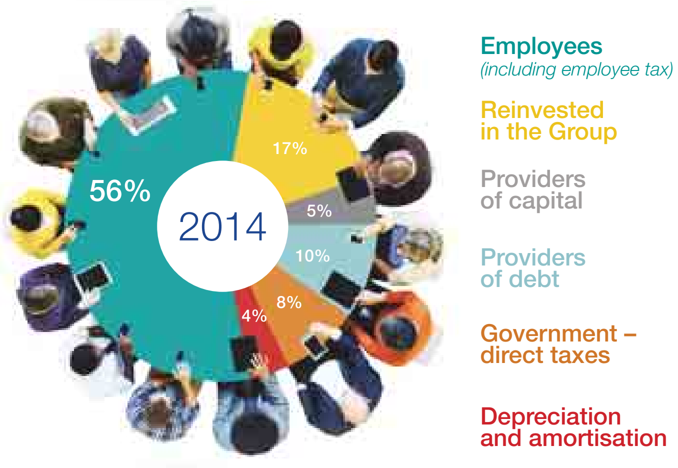
David Kan
Chief Executive Officer

Sharing across society

Mustek utilises the six capitals to create the value that sustains the business and provides shareholder returns. Created value is shared out with our stakeholders to support the economy, government and the communities where our employees live.

Value added

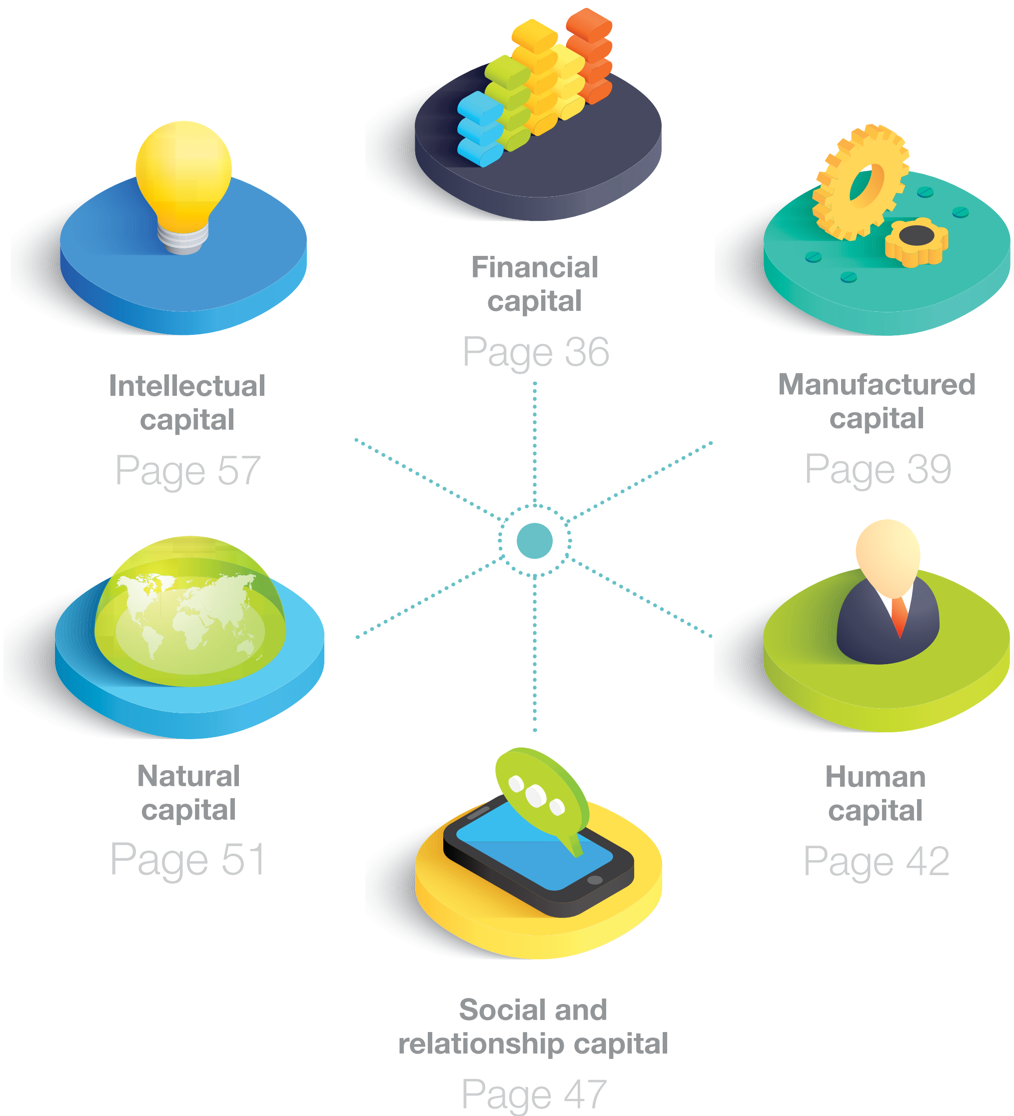




Our capitals

For the purpose of integrated reporting, the factors that flow through Mustek for it to create its value are divided into 'six capitals', being financial, manufactured, human, social and relationship, natural and intellectual capital. These capitals underlie much of the disclosure in this integrated annual report.

In the following sections we use the concept of the Framework's capitals to anchor our disclosure and demonstrate the integration of strategy and sustainable development issues, how we manage each capital and its material aspects and how we've performed.



Financial capital

Financial capital is the pool of funds that is:

- available to a business to produce goods or provide services
- obtained through financing, such as debt, equity or grants, or generated through operations or investments

Profitability and cash flow are the two most visible indicators of Mustek's financial performance.

- **Shareholder funds R993.8 million (2014: R916.1 million)**
- **Banking facilities R2 009.5 million, with 57.9% utilised at 30 June 2015 (2014: R1 398.0 million, 85.0% utilised at 30 June 2014)**
- **Accounts payable funding R2 011.2 million (2014: R1 400.4 million)**

What it is

- access to funding and credit is a critical element of the Group's business model. Financial capital is fundamental to Mustek being able to grow and create wealth, procure, assemble, warehouse and distribute products and services
- the bulk of the Group's financial capital is applied to its inventory holdings, customer credit and fixed assets
- Mustek invests financial capital in cash reserves to meet day-to-day operating expenses, financial liabilities, as and when these fall due, and as a contingency for unexpected events
- the providers of financial capital include the Group's shareholders, bankers and suppliers, all of whom are considered to be important and influential stakeholders.

How we manage and allocate it

Managing and allocating financial capital is a priority for Group governance, the Board and management. Financial capital management includes:

- budgetary controls and monthly management accounts
- delegation of authority from the Board to management, departments and individuals
- access and authority controls embedded in accounting and operating software
- compliance with banking covenants
- working capital controls, including stock, debtors (credit limits) and creditors management
- cash flow and liquidity management
- exchange rate risk management
- internal and external audits.

The executive management is responsible for allocating financial capital, in terms of various parameters and decisions such as:

- board approved budgets
- macro-economic outlook, both locally and internationally
- sales forecasts
- product availability and costs, including shipping
- market penetration and revenue growth targets the current and anticipated availability of credit
- physical warehousing capacity and current inventory levels
- ruling and anticipated exchange rates
- credit exposure
- ability to comply with banking covenants
- introduction of new products
- targeted customer service levels.

Material matter – South Africa's economy, its growth prospects and the ZAR exchange rate

Mustek is exposed to events that occur in the markets from which it acquires its products and to the South African and broader African markets that it offers products and services. It is also affected by the varying exchange rates between currencies in all these markets. Financial results will naturally be impacted by these events.

Although Mustek does not have control over potential economic events, it does apply a hedging policy to minimise foreign currency exchange risk and ensures that it has a broad spread of suppliers. Suppliers may be temporarily or permanently lost in the event of a natural disaster, bankruptcy, or being found to employ dubious practices such as child labour or forced labour.

Mustek's Board and management annually review the Group's strategy, budgets and risks in light of prevailing and predicted macro-economic conditions. However, they cannot assure that adverse local and international macro-economic conditions will materially impact Mustek's financial results.

Material matter – profitability and cash flow

Profitability and cash flow are the two most visible indicators of the Group's financial performance and the primary indicators of management's success. Overall profitability is composed of a variety of elements, from sales volumes, gross profit percentages, operating expenses and tax rates. The importance of the Group's profitability cannot be understated and almost every Group activity is directed towards improving either profitability or cash flow.

Two key activities of the finance department to maximise profitability and cash flow are the management of foreign exchange risk and working capital investment.

Foreign exchange risk management

The bulk of Mustek's inventory is imported from other countries, with purchase predominantly in US Dollar (USD).

Significant and/or abrupt changes in the value of the South African Rand (ZAR) against the USD can impact the Group's financial results in a variety of ways.

Management believes the impact of a strengthening Rand would be greater than a weakening Rand. As such, the Group uses a combination of forward exchange contracts and option structures to manage its foreign currency exposure. This approach, although more costly, provides greater predictability to the Group's earnings.

Working capital management

The Group's business is working-capital intensive and accounts receivable and inventories are both financed. The Group relies largely on revolving credit and vendor financing for its working capital needs.

Inventory control is a central element of the Group's day-to-day activities. Mustek's inventory management system provides it with a variety of indicators relating to inventory ageing and stock turnover. Also critical to inventory management is the procurement process, which is based on extensive research and development of ICT trends, both internationally and in South Africa. This focus on procurement minimises the risk of an obsolete inventory.

The Group's trade receivables are ceded as security against a revolving credit facility. The pricing of this facility is intended to reduce the Group's overall cost of funding. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group performs ongoing credit valuations of the financial condition of customers and, where appropriate, credit guarantee insurance is purchased for 85% to 95% of the value of individual trade receivables, subject to an insurance deductible.

Monitoring and reporting on the quality of the trade receivables book are activities demanded by both the third-party insurer and the provider of funding. Details of the Group's trade receivables can be found in note 16 of the annual financial statements.

Performance

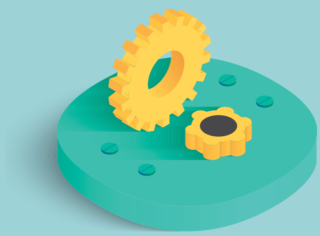
- profitability:
  - EBITDA (earnings before interest, tax, depreciation and amortisation) increased 26.7% to R255.6 million. The operating margin improved to 4.8% from 4.2%
  - a key contributor to this growth was the 11.5% increase in revenue, largely due to the performance of Huawei enterprise solutions division, our Microsoft volume licensing offering, the sustainable energy division and Rectron Australia
  - the gross profit percentage reduced from 13.8%, to 12.9% as a result of a higher percentage of lower gross profit products in the mix, namely Huawei enterprise solutions and Microsoft volume licensing. Although the gross profit percentages achieved by these new lines of business are lower, their contributions to profit are expected to continue growing
  - the gross profit percentage was further impacted as a result of a robbery of inventory at Mustek which resulted in a net loss of R14.0 million. Management has subsequently upgraded the security controls on the premises and increased the quantum of the insured amounts
  - included in other income is a net amount of R26.8 million arising from certain disputes that were settled between Mustek and various parties. The settlement amount remains outstanding at year-end, as the parties agreed to pay the settlement amount to Mustek on or before 1 June 2016. The outstanding amount attracts interest at a rate of 9% per annum
  - there has been a significant improvement in Rectron Australia's revenues and performance. Although the company incurred a loss before tax of R4.0 million for the year under review, it is a significant improvement on the R16.3 million loss incurred during the comparative period. Revenue grew to R269.7 million (2014: R141.7 million) and a further improvement for the 2016 financial year is expected
  - the Group's more conservative forex hedging policy is considered effective, considering the sharp depreciation of the Rand from 30 June 2014 to 30 June 2015. Forex losses reduced from R23.2 million in 2014 to R0.5 million in the current year
  - distribution, administrative and other operating expenses increased by 6.3%, in line with expectations
  - a slight increase in rates and an increase in overdrafts saw the Group's net finance costs increase to R60.1 million (2014: R44.1 million)
  - the contribution from our associates increased mainly as a result of the additional earnings arising from equity accounting Mustek's effective 26% stake in Sizwe Africa IT Group Proprietary Limited for 12 months as opposed to four months in the previous financial year
  - the Group's effective tax rate decreased slightly to 27.2% (2014: 27.4%)
  - profit after tax attributable to owners of the parent of R132.7 million represents an increase of 23.7% on 2014
- return on equity: 13.9% (2014: 12.3%)
- inventory
  - group inventory days: 89 days (2014: 92 days)
  - at year-end R38.6 million (2014: R37.5 million) of inventory was carried below its cost at net realisable value. This represents 3.4% (2014: 3.6%) of the Group's total inventory
  - current ratio 1.3 times (2014: 1.4 times)
- group debtors' days: 86 days (2014: 64 days)
- debt ratio: 70.7% (2014: 65.4%).

More information regarding the Group's operational and geographical segment performance can be found in note 1 to the annual financial statements.

Strategy and prospects

- the finance function will continue to focus on the matrix of products and vendors' contribution to both revenue and gross profit
- supply chain management, especially foreign exchange exposure and the matching of working capital terms, will continue
- opportunities for efficiencies and synergies within the Group, in order to control cost increases, will continue to be investigated
- appropriate restructuring of commission payments for sales and product teams was implemented in 2014 and changes in behaviour made positive contributions to the current year's results. Further opportunities to meet all stakeholder objectives will be pursued in the coming year
- the migration of Rectron to the same IT platform was achieved in 2014. Opportunities to improve synergies between the two operations will receive considerable attention in the 2016 financial year.

Manufactured capital



Manufactured capital consists of the physical objects (as distinct from natural physical objects) that are available to Mustek for use in the production of goods or the provision of services, including:

- buildings
- equipment
- infrastructure

- **Assembled and purchased inventory**
- **Owned/leased offices and branches**
- **Achieved ISO 20000 certification for IT service management at Gauteng Service Centre, among the first in South Africa**
- **The Mecer semi-automated assembly plant with a daily capacity of 1 000 units is the largest in South Africa. It also has the flexibility to assemble, asset tag and image customised orders according to customer needs without delaying production**
- **Rectron's automated warehouse is rated among the most efficient in South Africa**
- **The line has a configuration management data base (CMDB) which records all date and time stamps based on the unit's serial number, detailing the picker, builder, tester and packer**
- **Warehousing**
- **Logistics fleet (owned and outsourced).**

Our assets and products

- the Group's financial capital is invested in a combination of manufactured capital and financial assets (accounts receivable and cash). The Group's single largest investment in manufactured assets, and indeed all its assets, is represented by its inventory of finished goods and inventory in transit
- at 30 June, the Group's inventory amounted to R1.129 billion (2014: R1.036 billion)
- Mustek's local stockholding policy is a competitive differentiator for ordering and delivering stock to customers and in processing warranties, returns and replacements of faulty technology. By maintaining healthy inventory levels at each regional head office, Mustek ensures that warranties, returns and replacements of faulty technology are dealt with quickly and efficiently
- the Group's other manufactured capital is its investment in offices, warehouses, branches, plant, equipment and motor vehicles. The majority of the assets are situated within South Africa, with the Midrand head offices of Mustek and Rectron making up the bulk of the Group's net investment in property, plant and equipment.

How we manage them

- the governance and management of the Group's physical assets is similar to that of its financial capital
- Mustek applies its knowledge and understanding of ICT trends to a formal procurement process to ensure that the correct products, in the right quantities, are procured at the right time, thus mitigating the risk of obsolescence
- specific aspects of this procurement process include logistical planning, bulk buying and consolidation of shipments
- product managers focus on selling slow moving or older inventory items before the demand for the product lines declines significantly
- Mustek and Rectron delivery and logistics teams are fully aware of the distributor, reseller and customer relationship and are able to track inventory through their integrated reseller inventory software. They add value by remitting orders along with delivery notes to customers, thus simplifying life for the reseller
- the Group uses a combination of an in-house vehicle fleet and an outsourced courier service to maximise customer service and fleet utilisation, while minimising costs
- the Group's ability to customise products to meet customer demands means that much of the Group's stock is procured on a back-to-back basis for a specific customer order
- Mustek's management and personnel are committed to providing computer-related equipment and services of the highest quality
- Mustek's research and development (R&D) department performs a critical role in managing the risks inherent in the assembly of a diverse range of components. The department ensures the compatibility of components and the evaluation of products prior to these being assembled
- a complaints register is consistently maintained and reviewed
- Mustek achieved certification to ISO 9002 in 1997, and converted to ISO 9001 in 2003 to ensure that it remained at the forefront of the industry. All of Mustek's business processes are included in the scope of its Quality Management System (QMS), these being the import, sales, assembly, testing, distribution and servicing of computer equipment and technological standards
- Mustek achieved ISO 20000 (Service Management System) certification in 2014 in Gauteng. This standard will be rolled out to other regions
- physical access controls and regular stock counts
- necessary physical controls in terms of the OHS Act
- adequate insurance of assets.

Our supply chain

The Group's supply chain is extremely simple. It procures IT components and finished products from a diverse range of suppliers, internationally and locally. Components are sold by Rectron or assembled by Mustek into Mecer desktop PCs and laptops. The multinational brands are sold through resellers or directly to corporate clients. Mustek's assembly line is used to provide value-added services to corporate clients such as mass set-up and image loading. It holds distribution rights and authorised service agent agreements with the majority of its brands.

Mustek's vendors are primarily international brands who report in depth on the sources of their components acquired through their own supply chains. We also conduct regular due diligence and quality checks of our own suppliers of ITC components.

Assembly and inventory performance

- 66 679 units assembled (2014: 98 137)
- 2.692 million items sold (2014: 2.198 million)
- average complaints percentage 0.052% (2014: 0.038%)
- ISO 9001 certification verified by SABS
- inventory days 89 days (2014: 92 days).

2016 and beyond

- both Mustek and Rectron pride themselves on their broad product ranges and ability to identify and procure developing technologies in a timely fashion to meet the ever-changing thirst for technology
- the Ricoh printer range was recently introduced by Rectron as well as MakerBot 3D printers. Mustek introduced XYZprinting 3D Printers. The maker movement is a growing community that the Group is actively targeting
- the addition of the SanDisk product range to both Mustek and Rectron means the Group now offers the premium brand of camera SD cards, USB sticks and solid state drives to its resellers
- this broad range of products (multinational brands and the Mecer brand) and the Group's reseller base allows market share growth in an expanding market
- the introduction of Huawei, Lenovo ThinkServer, Asus and Brand-Rex networking equipment allows Mustek to target the growing market for servers and networking
- both Mustek and Rectron have been awarded distribution rights for Microsoft's Office 365 product and volume licensing. A Microsoft business unit manager has been appointed to oversee this business
- the move away from South Africa's PC market by the multinationals has provided an opportunity for Mustek in terms of its Mecer brand, which is now the prominent desktop brand in South Africa
- the multinational push of tablets will continue and Mustek is well positioned in this market. In particular, the dominance of Apple in the tablet market is ending as other multinational brands introduce Android and Windows operating software for tablets. This PC-plus market will be a key focus in the IT industry in the years ahead
- in addition to multinational ICT brands, the Group has looked to diversify into sectors such as cloud computing services, security surveillance equipment, Microsoft volume licensing and networking equipment
- Rectron will continue to expand its national footprint by appointing sales executives at Mustek branches
- international expansion into the African continent is challenging at the present time due to inadequate infrastructure including roads, electricity and networks
- the Group will continue to pursue solutions for education and distance learning
- Mustek and Rectron have added multinational ICT brands such as Acer and Lenovo to their product range, enabling both product and support services to a wide-ranging market, from entry level, through the mass market, to aspirational products.

Human capital

Our people's competencies, capabilities and motivation, including their:

- alignment with and support for Mustek's governance and ethics
- ability to understand and implement Mustek's strategy
- drive to improve processes, goods and services, through leadership and collaboration

Our workforce

- R5.35 million spent on staff development in the Mustek Group
- 955 South African direct employees (2014: 955)
- 65% of this workforce is based in Gauteng
- The workforce is categorised by departments, from warehousing and logistics, production and assembly, product managers to sales and support services
- A limited number of employees (approximately 20%) are members of unions; however, no one union's membership exceeds the 30% hurdle necessary to be formally recognised. No collective bargaining agreements are relevant to the Mustek or Rectron workforce.

Mustek workforce by gender, ethnicity and region

MUSTEK NATIONAL STAFF

Race	Total	Female	Race %	Male	Race %
African	359	148	58.04	211	58.77
Coloured	77	33	12.94	44	12.26
Indian	45	12	4.71	33	9.19
Black sub-total	481	193	75.69	288	80.22
White	133	62	24.31	71	19.78
Total	614	255	100.00	359	100.00

EASTERN CAPE

Race	Total	Female	Race %	Male	Race %
African	14	6	40.00	8	44.44
Coloured	12	5	33.33	7	38.89
Indian	0	0	0.00	0	0.00
Black sub-total	26	11	73.33	15	83.33
White	7	4	26.67	3	16.67
Total	33	15	100.00	18	100.00

GAUTENG

Race	Total	Female	Race %	Male	Race %
African	282	112	66.27	170	70.54
Coloured	21	10	5.92	11	4.56
Indian	17	9	5.33	8	3.32
Black sub-total	320	131	77.51	189	78.42
White	90	38	22.49	52	21.58
Total	410	169	100.00	241	100.00

WESTERN CAPE

Race	Total	Female	Race %	Male	Race %
African	21	9	27.27	12	26.67
Coloured	36	12	36.36	24	53.33
Indian	1	0	0.00	1	2.22
Black sub-total	58	21	63.64	37	82.22
White	20	12	36.36	8	17.78
Total	78	33	100.00	45	100.00

KWAZULU-NATAL

Race	Total	Female	Race %	Male	Race %
African	15	8	53.33	7	20.59
Coloured	1	0	0.00	1	2.94
Indian	27	3	20.00	24	70.59
Black sub-total	43	11	73.33	32	94.12
White	6	4	26.67	2	5.88
Total	49	15	100.00	34	100.00

FREE STATE

Race	Total	Female	Race %	Male	Race %
African	7	3	33.33	4	44.44
Coloured	4	3	33.33	1	11.11
Indian	0	0	0.00	0	0.00
Black sub-total	11	6	66.67	5	55.56
White	7	3	33.33	4	44.44
Total	18	9	100.00	9	100.00

NORTHERN CAPE

Race	Total	Female	Race %	Male	Race %
African	4	3	60.00	1	50.00
Coloured	2	2	40.00	0	0.00
Indian	0	0	0.00	0	0.00
Black sub-total	6	5	100.00	1	50.00
White	1	0	0.00	1	50.00
Total	7	5	100.00	2	100.00

LIMPOPO

Race	Total	Female	Race %	Male	Race %
African	7	4	100.00	3	100.00
Coloured	0	0	0.00	0	0.00
Indian	0	0	0.00	0	0.00
Black sub-total	7	4	100.00	3	100.00
White	0	0	0.00	0	0.00
Total	7	4	100.00	3	100.00

MPUMALANGA

Race	Total	Female	Race %	Male	Race %
African	5	0	0.00	5	83.33
Coloured	0	0	0.00	0	0.00
Indian	0	0	0.00	0	0.00
Black sub-total	5	0	0.00	5	83.33
White	2	1	100.00	1	16.67
Total	7	1	100.00	6	100.00

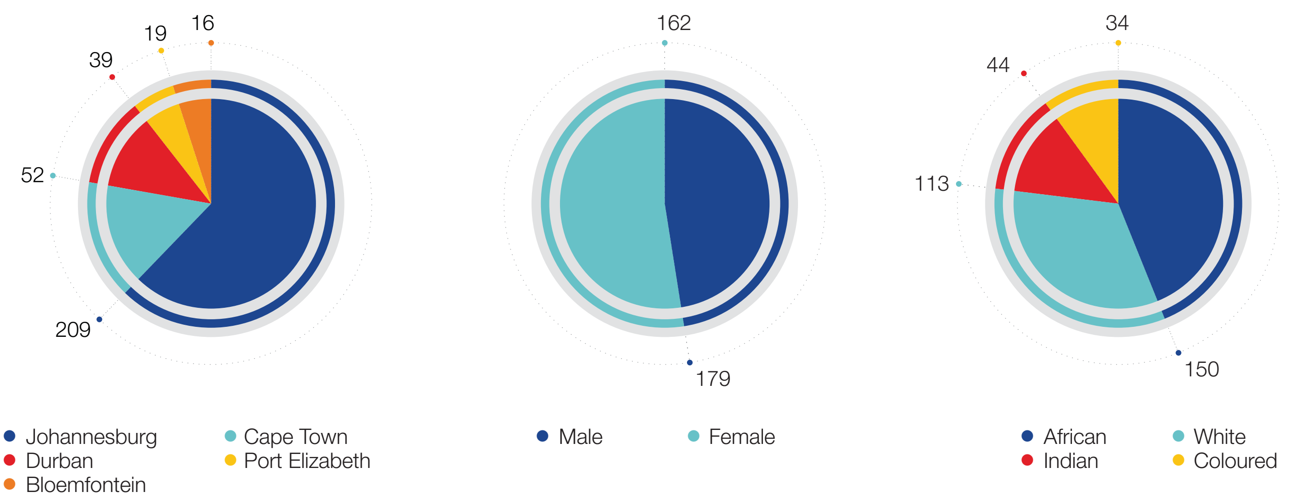
NORTH WEST

Race	Total	Female	Race %	Male	Race %
African	4	3	75.00	1	100.00
Coloured	1	1	25.00	0	0.00
Indian	0	0	0.00	0	0.00
Black sub-total	5	4	100.00	1	100.00
White	0	0	0.00	0	0.00
Total	5	4	100.00	1	100.00

Our management approach

- management maintains a transparent and accessible relationship with its employees, ensuring a harmonious working environment. The Group has a mature and well-entrenched range of effective human resource policies and procedures, all of which are introduced to new employees during their induction
- the Group complies with the Labour Relations Act and all associated labour legislation, as amended, in the spirit of freedom of association
- ongoing skills development and training are recognised as a business imperative and Mustek is committed to developing skills and talent from within the ranks of its employees – striving, at the same time, to develop the industry leaders of the future
- employee development is performed to align the Group with national directives, prioritising skills development for previously disadvantaged individuals (PDIs)
- management focuses on aligning the Group's staff complement with South Africa's economically active population (EAP), racial and cultural demographics

Rectron permanent workforce
Total 341 (excludes five foreigners)



- temporary staff do not qualify for membership to the pension fund or any medical aid
- respect, dignity and fair treatment are core values and the Group has adopted a policy of zero tolerance for any form of discrimination or unfair treatment
- Mustek conforms to all applicable health and safety legislation.

Material matter – attract, develop and retain adequately skilled employees

Mustek competes in a high-tech industry in which the correct skills and experience are always in short supply. To create an environment that attracts new recruits and encourages retention of current employees' demands that we understand the needs of employees and respond accordingly. While remuneration is important to employees, working in an empowering environment with clear policies and procedures supports a culture of learning and development.

To embed this culture within the organisation, both Mustek and Rectron seek to promote or transfer people from within their joint workforce before advertising to the broader job market. Preference is given to individuals in the Group from previously disadvantaged backgrounds. In support of this policy every employee receives quarterly performance reviews. Career development reviews are provided to all employees at least annually.

The Group strives to be a preferred employer for many of South Africa's talented ICT professionals and participates in the annual Deloitte "Best Company to Work For" survey in order to obtain independent feedback from its workforce.

The Group's workforce is varied and diverse and meeting the individual needs requires focused interventions and development. Adult Basic Education and Training (ABET) is provided to all employees who request it and who then continue their studies to obtain a school leaving certificate. Intervention at this early stage of education allows the Group to construct a career path from this foundation, adding value to all parties.

Mustek is a fully accredited member of the Media, Information and Communications Technologies Sector Education and Training Authority (MICT SETA) and reclaims its full development levies every year.

At 30 June 2015, Mustek and Rectron employed 32 Microsoft Certified Technicians.

The following skills management and life-long learning programmes were offered during the reporting period:

- NQF 4 Contact Centre for Disabled
- NQF 4 Technical Support for Abled Learners
- Leadership Development
- Basic Supervisory Skills
- Adult Based Education NQF 2 – NQF 5
- Language Proficiency
- Basic Finance Skills – How to Manage Money
- Basic Finance Skills – How to Manage your Pension

Life-skills training is a critical element of our overall development programme and contributes to the Group's financial performance through reducing risk by:

- drop in stress-related absenteeism
- better skills retention as fewer staff resign due to external financial pressures
- improved staff morale
- reduced number of external financial deductions
- a more focused, safer and productive workforce.

Technical employees are encouraged to obtain certifications in their chosen field, ranging from Microsoft engineers, A+, Server+ and MCITP. Employees are chosen to partake in these training programmes, matching their skill-set with their anticipated progression within the Group.

Bursary options are also made available to employees wishing to better establish themselves within the business. Applications are considered on a case-by-case basis.

Internships are accommodated within the Group in conjunction with Microsoft. This combination provides the individual with both formal training and job experience.

Mustek conforms to all applicable health and safety legislation and conducts its business within the parameters of a Group Safety, Health, Environmental and Quality (SHEQ) manual. The Group's focus on health and safety is driven by staff volunteers who are elected by their peers onto various health and safety committees. These committees meet quarterly to assess company performance in terms of health, safety and related issues.

The Group conducts a comprehensive HIV/Aids strategy and programme, based on the core principle that the human rights and dignity of any employee infected by the virus should, at all times, and under all circumstances, be upheld. The approach also recognises the need to educate all employees regarding HIV/Aids in order to empower them to protect themselves and their loved ones from the disease. This programme also provides antiretroviral drugs to HIV-positive staff as needed. Mustek continues to fund this programme in its entirety, with none of the costs passed on to employees.

A formal succession programme has been introduced, entailing the development of internal employees identified as having the potential to fill business leadership positions in the future. An assessment process maps the capabilities required for different management positions and matches them with the readiness of current or future managers to fill these positions.

Performance

- the Group's total investment in the training and development of employees during the 2015 financial year amounted to R5.35 million (2014: R5.80 million)
- of the above expenditure, R3.98 million was spent on the training and development of black employees
- 51 black employees participated in category B, C and D learning programmes
- 100% of senior management is hired from the local community
- employee turnover for Mustek for the current year amounted to 15.00%
- employee turnover for Rectron for the current year amounted to 11.93%
- return to work and retention rates after parental leave is 100%
- Mustek's absenteeism rate was recorded as 1.28%, and Rectron's as 1.69% for the 2015 year
- in total 33 injuries were recorded, of which 31 injuries were recorded by Mustek, and two injuries were recorded by Rectron during the year. None of these was considered to represent a lost-time injury
- during FY15 Mustek lost 2 042.55 productivity/working days due mainly to sick leave taken by staff nationally
- Mustek was involved in nine CCMA cases during the year (2014: six) and Rectron nil
- no grievances about labour practices have been filed
- no incidents of discrimination or corrective actions taken
- 100% of national staff trained on anti-corruption policies and procedures
- no incidents of corruption.

STAFF TURNOVER

Mustek national staff turnover %	Average Fy15 staff turnover %
Mustek Gauteng	17.00
Mustek KwaZulu-Natal	4.50
Mustek Eastern Cape	13.30
Mustek East London	4.40
Mustek Western Cape	9.10
Mustek Northern Cape	2.70
Mustek Free State	34.20
Mustek Polokwane	15.00
Mustek Mpumalanga	15.50
Mustek North West	5.00
Average national turnover %	15.00

Average hours of training

JUNIOR MANAGEMENT FY15	
Male	273.90
Female	184.75
MIDDLE MANAGEMENT FY15	
Male	9.50
Female	4.50
SEMI SKILLED FY15	
Male	128.55
Female	60.25
SENIOR MANAGEMENT FY15	
Male	0.95
Female	1.00
UNSKILLED FY15	
Male	0.00
Female	7.00

Career development – our response

100% of Mustek's workforce receives regular performance and career development reviews.

Rectron's human capital

The Rectron division manages its own HR function, therefore its Human Capital results are recorded differently. Rectron is moving towards adopting GRI indicators in its reporting systems.

Rectron's human capital highlights:

- designed and implemented a new skills development programme
- executed performance management based on KPIs and appraisals
- R0.88 million spent on training and development of black employees
- increased official Microsoft certified staff by eight and have six interns.

Rectron's BEE investment

Participation in learning programmes	Number of staff
Category B (ABET)	15
Category C	14, including internships
Category D	Learnerships 24

Social and relationship capital

Mustek's social and relationship capital is based on our relationships within and between communities, groups of stakeholders and other networks. Social and relationship capital includes:

- shared norms and common behaviours
- key stakeholder relationships
- intangibles associated with brands and reputation

Maintaining strong relationships with both suppliers and resellers is fundamental to Mustek's ongoing success.

Our stakeholders

The Group defines stakeholders as people, groups or organisations that have a direct interest in the Mustek Group in that they can affect, or be affected by, its operations, policies and procedures. Stakeholders are identified at both the operational level and by the various governance structures of the Group. Identified key stakeholders include:

» the investor community – shareholders, prospective investors, asset managers, analysts and bankers
» employees
» business partners – customers and resellers
» suppliers and vendors
» civil society – local communities and the consumer
» regulatory agencies and government
» The media.

Stakeholder engagement

Proactive and sincere stakeholder engagement is fundamental to the Group preserving and building on its social and relationship capital and moving it further along the road to achieving its goal of a profitable and sustainable business. Stakeholder engagement is undertaken at all levels of the enterprise following the principles of inclusiveness, materiality and responsiveness. The Group's Financial Director, Neels Coetzee, is the Group's Stakeholder Relations Officer.

Stakeholder engagement is conducted in one of two ways: direct engagement involving verbal, direct written or visual communication with targeted stakeholder groupings; or indirect engagement represented by compliance with regulations and standards expected to deliver on stakeholder issues and concerns.

"Direct engagement" is the approach used for investors through: regular presentations and road shows, including operational visits; communication through the Securities Exchange News Service; one-to-one communication with executive management and members of the Board; the publication of interim and full year financial results and an integrated annual report; and the provision of financial information demonstrating conformance with debt covenants.

Direct engagement with the employee stakeholder grouping is conducted through supervisory and disciplinary structures. The methods of communication involve scheduled meetings; briefings; emails and posters; standard policy and procedures documents; one-to-one supervision and instruction; and performance discussions.

A key stakeholder grouping is our reseller base, which between Mustek and Rectron number more than 10 000 resellers. Constant feedback from this group is invaluable for remaining abreast with consumer trends and demands. The Group remains constantly engaged with our resellers through customer surveys, roadshows, personal meetings and incentive schemes. Rectron's recently launched rewards scheme for its resellers has been well received.

Indirect engagement with a variety of stakeholders, in particular those in society and community groupings, is achieved through compliance with a range of regulations and guidelines.

Stakeholder issues

Key stakeholder issues raised through our engagement processes include:

» profitability
» good governance
» job security
» product quality, availability and after sales support (life cycle management)
» customer service
» remuneration
» financial stability
» compliance with legislation and regulations
» corporate citizenship – social investment and transformation
» environmental impacts and "green products".

These issues have been responded to throughout the body of this report.

Material matter – transformation and maintaining our social licence to operate

The Group continues to meaningfully extend its initiatives in employment equity, skills development and corporate social investment, with the budget more than doubled to approximately R10 million.

The Mustek division achieved Level-2 B-BBEE contributor status in its most recent transformation audit.

In a similar audit, Rectron raised its B-BBEE score to Level-2 contributor status.

However, the recent changes to the Codes of Good Practice and their integration into the ICT sector codes will have a significant impact on the Group's contributor status.

The Group has aligned their BEE strategy with the Revised Codes of Good Practice until the Revised ICT Sector Code is gazetted.

The Group submits annual employment equity and workplace skills plans and is fully compliant with the Employment Equity Act (Act 55 of 1998) and the Skills Development Act (Act 97 of 1998).

Underlying the Group's transformation objectives is its commitment to provide historically disadvantaged South Africans with the necessary training and development opportunities, empowering them to transform not only their own lives but those of their families and communities.

In its broadest sense, transformation is a central and strategic priority for the Group. Mustek and Rectron are committed to empowerment and transformation across all divisions and all levels. The skills development and training programmes continue to make good progress and achieve success; these will ensure continuity and high-quality future leaders and will greatly assist in meeting future skills requirements.

The Group has a formal Corporate Social Investment (CSI) programme that focuses its efforts on improving the quality of, and access to, education for previously disadvantaged communities and handicapped individuals.

The Group's CSI spend of approximately R4.8 million (1% of net profit) qualifies it as a Level-3 contributor towards national socio-economic development. Focused primarily on education, Mustek provided:

- resources and materials to previously disadvantaged schools and organisations for people with disabilities
- educational programmes
- grants for specific projects
- "pro bono" professional services and HR support.

The majority of the Group's procurement is represented by imports of goods and equipment not readily available in South Africa. In terms of the IT sector guidelines, these imports may be excluded from the Group's total measured procurement spend.

Mustek meets the definition of a Level-1 B-BBEE contributor in terms of our preferential procurement. The aim is to secure full B-BBEE certificate compliance for all suppliers including EME, QSE, black-owned and black women-owned enterprises. For the past two years, the 70% target for preferential procurement with BEE compliant suppliers was reached. Approximately 47% of the total procurement spend is with local suppliers.

The Group's weighted B-BBEE procurement spend constituted 92% of its total measured procurement spend (after eliminating imports).

The Group procures significant quantities of inputs from internationally recognised manufacturers in the Far East. Following a variety of events over the recent past, the Group is aware of consumers' concerns regarding the working conditions that sometimes exist in some of these countries.

While the Group is focused on providing its customers with affordable quality products, it cannot ignore the possibility that certain of its inputs are produced under unsatisfactory employment conditions. In an effort to minimise this risk, the Group only procures from recognised vendors. When visiting vendors, Mustek personnel pay close attention to the conditions in which the workforce operates.

Material matter – maintaining key relationships

Maintaining strong relationships with both suppliers and resellers is fundamental to the Group's ongoing success and requires having the right people and processes in place. The Group ensures its employees are well equipped with the relevant business and interpersonal skills to deliver excellent service. They are, in turn, supported by processes and systems aimed at ensuring seamless transactions.

Accomplished product and brand managers oversee and nurture relationships with the Group's suppliers.

The Group employs key account managers, who are charged with retaining the loyalty of its resellers and helping them conduct additional business. Fundamental to these relationships is the delivery of outstanding service, underpinned by open channels of communication.

Mustek's product portfolio is one of the broadest in the market incorporating client computing, networking, data centre computing, security, software, peripherals and numerous specialist market segments.

While this makes Mustek one of the most desirable distributors with whom to do business, it places the Group under pressure to ensure its products are always available and of the highest standard.

The Group continually looks for ways to enhance its service offering to its resellers.

This includes:

- keeping abreast of global ICT trends and consistently delivering innovative and fairly priced products
- expanding the Group footprint throughout South Africa and ensuring Mustek and Rectron sales teams are readily available in all regions
- actively supporting SMME resellers to grow through enterprise development support
- instituting incentive and rewards programmes
- ensuring consistent quality of products by vetting all existing and incoming products in the Mustek and Rectron stables through the research and development (R&D) team.

Customer care surveys

Our customers are surveyed monthly. The consolidated averages for the year revealed

- 3.36% were unsatisfied
- 24.03% moderately satisfied
- 72.60% extremely satisfied.

Protection of customer data

In the last year of review, no complaints related to breach of privacy and loss of customer data was reported.

Social and relationship capital (continued)

As Mustek primarily deals with resellers and not with consumers, as part of our terms and conditions we request they remove consumer data before sending hardware in for repair.

Our customers register themselves with us through a website portal. We have a strict policy of protecting customer-related data.

Critical information such as passwords are not stored (only hashes are stored and matched). No credit card information is stored. All customer information is stored on a secure SQL server situated behind a firewall and requiring Microsoft Active Directory authentication for local network access. Databases are physically located within the Mustek head office in Midrand with physical access control. To date there have not been any complaints regarding breaches of customer privacy or loss of customer data.

Rectron frequent buyer rewards

The Rectron rewards incentive programme encourages resellers to earn points by selling the company's products. Qualifying items are allocated a certain number of points, which resellers can accumulate and redeem at any time from a list of prizes available on Rectron's website. These include products from Rectron's inventory as well as unrelated items such as tents and mountain bikes.

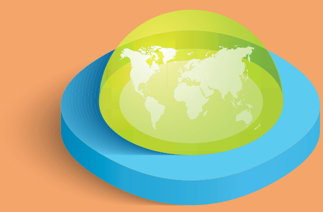
The latest rewards incentive resulted in 4 026 resellers registering for the programme and was a phenomenal success. Rectron's rewards programme contributed noticeably to the overall revenue for the period, which shows a 13% improvement compared with the previous year.

The campaign was so well received by the dealer base that Rectron has decided to launch new loyalty campaigns on an ongoing basis. The rewards incentive is viewed as a foundation for sustainable and permanent customer loyalty.

As positive changes in consumer behaviour become increasingly evident, vendors are starting to utilise Rectron rewards as a strategic marketing vehicle. Rectron's suppliers have enjoyed participating in the incentive as it is ideal for special promotions within brands.

This programme forms part of the company's strategy for growing small businesses as well as giving Rectron the opportunity to reward their most loyal customers.

Natural capital



Natural capital is defined as “all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.” It includes:

- air, water, land, minerals and forests
- biodiversity and eco-system health

Mustek has installed solar panels on primary buildings and is implementing an Energy Management System (EnMS) at the Midrand facility, based on the ISO 50001 international standard.

What we use

- Mustek's biggest natural resource input is coal-based electricity sourced from Eskom
- direct energy in the form of petrol and diesel is used to fuel vehicles and generators
- our employees, freight transport and courier services contribute to Scope 3 emissions
- packaging and waste management is where Mustek can best mitigate its impact on the natural environment.

Our management approach

- despite the Group's relatively small impact on the natural environment, we do mitigate our impacts where we can to help minimise climate change and our own operating costs
- Mustek is developing operating policies to address the environmental impact of business activities by integrating efficiency gains, pollution control and waste management activities into operating procedures
- the Mustek division manages its environmental impacts in accordance with best practice through maintaining its ISO 14001 certification since 2004
- Rectron is learning from Mustek's environmental experience to report on energy usage and waste volumes
- the Mustek operation measures its significant environmental impacts, including carbon emissions, power and waste, to better mitigate these impacts and reduce costs
- Rectron's measurement systems are not yet as embedded as Mustek's but are on track for full adoption
- the Group's customers are encouraged to use its e-waste recycling infrastructure to dispose responsibly of obsolete computer equipment.

Mustek's precautionary approach

Precaution involves the systematic application of risk assessment, management and communication. The key element of a precautionary approach, from a business perspective, is to prevent rather than cure.

Mustek is certified to ISO 14001, which is an international standard setting out the criteria for an environmental management system. Identifying the environmental aspects and impacts or risks of Mustek's activities are the departure point for implementing and maintaining ISO 14001. Once these aspects are understood and rated, operational controls or targeted programmes are implemented and managed to reduce any significant potential impacts on the environment.

Mustek sells, distributes and services ICT equipment, therefore waste is our significant impact on the environment. Cardboard, plastic and electronic waste is collected, separated and sent for recycling in terms of a compliant, audited process.

By maintaining ISO 14001 certification, Mustek follows the precautionary approach towards not seriously harming or causing irreversible damage to the environment.

Environmental key performance GRI indicators:

- no incidents of non-compliance were reported with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle
- all products include labelling that indicates:
  - model number
  - input rating
  - output rating (if relevant)
  - a recycling statement is included on all Mecer boxes
- there were no issues of non-compliance with regulations and voluntary codes concerning product and service information and labelling
- electronic waste is collected and responsibly recycled, with 24 tonnes of e-waste recycled by the Mustek Gauteng brand in this financial year
- Mustek's national vehicle fleet (69 vehicles at present) is being incrementally converted to diesel powered for fuel efficiency. About 30% of the current fleet is diesel, with 59% of the vehicles acquired in this period being diesel powered
- no new suppliers were screened using environmental criteria in this period.

Material matter – waste – abatement and disposal

The management of waste is the Group's single largest environmental issue and one that receives significant attention. The majority of the Group's waste is represented by packing materials, including wooden pallets, cardboard, plastic and polystyrene fillers. Recycling this material reduces the amount of waste sent to landfill. Other non-recyclable waste is disposed of in a responsible manner.

Waste also contributes to the Group's emissions, although it has a far more significant impact on landfill sites and wasted resources.

A waste management and disposal company is used by Mustek to recycle and dispose of its waste. The company used is ISO 14001 certified and has an on-site team at Mustek to separate waste into various streams, which are collected and sent for recycling, or disposed of at a permitted landfill site. The tonnage per stream is reported back to Mustek.

Mustek undertakes internal legal audits to ensure that the manner in which waste is disposed of is legally compliant. The 137 tonnes of waste recycled at the Mustek Gauteng operation in this reporting period represents 62% of our total waste, thereby beating our 60% target.

This year we were able to report on waste recycled from some of our larger branches. An additional 18 tonnes of waste was recycled by the Eastern Cape, Western Cape and KwaZulu-Natal branches.

Rectron is also reporting on its waste recycling initiatives and recycled 28 tonnes of waste this year.

Appropriate controls and procedures are in place to manage and dispose of hazardous waste and to ensure the health and safety of employees.

Material matter – energy consumption and GHG emissions

Reducing our electricity consumption from Eskom lowers costs and raises Mustek's profile as a leading provider of renewable energy technology by reducing GHG emissions.

In 2011, the Mustek division set itself a three-year energy reduction target of 20% on the 2010 base year consumption. This target was reached through ongoing staff awareness programmes, the replacement of ICT equipment with energy-efficient units, installing thousands of LED lights and the solar panel project discussed below. These installations will pay for themselves in a few years and will significantly reduce the Group's overall electricity footprint. These initiatives also demonstrate the viability of renewable energy for powering corporate infrastructure.

In 2013 Mustek invested R3.9 million on the installation of 924 solar PV panels on the roof of its Midrand head office and assembly line. The panels reduce the Midrand installation's electrical consumption and its peak demand by approximately 10%, thus minimising the impact of the tariff hike. The installation has a life expectancy of 30 years with a payback period of less than five years.

Based on the success of the Mustek initiative, in 2014 Rectron installed a similar array of solar panels to reduce its energy costs and GHG emissions.

In the past year Mustek has begun implementing an Energy Management System compliant with ISO 50001 to further reduce fossil energy consumption. As part of this process all the inverters were replaced and the geyser pipes, geysers and air-conditioner pipes were insulated. The roof of the building housing Mustek's Surveillance Technology sales team was insulated. All air conditioners in the main building were connected to a single controller to improve efficiency and usage. These now also have timers to ensure they switch off in the evenings.

Responding in whatever small way to the risk of climate change is everyone's responsibility towards future generations. The Group's efforts at reducing emissions are guided by its energy reduction targets.

The Group acknowledges that its supply chain is responsible for emissions and has, in previous periods, attempted to report Scope 3 emissions. During 2014 we put considerable effort into understanding the sources of our Scope 3 emissions and estimate our impact. This exercise was frustrated by the unavailability of data from certain outsourced freight transport providers, therefore we were unable to include reliable Scope 3 figures in this report. Mustek will, however, continue identifying logistics efficiencies and reduce costs and emissions.

Committed to ongoing energy reduction

- in order to sustain Mustek's energy improvements and to ensure continual improvement of energy performance, Mustek is implementing an Energy Management System (EnMS) at the Midrand facility, based on the ISO 50001 international standard
- the Group has extended its environmental measurement and management initiatives to Rectron's operations, which will in time extend to the same reporting statistics as the Mustek division.

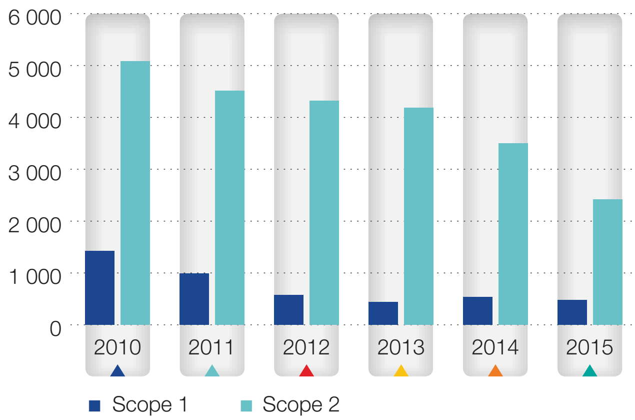
Emissions

Mustek carbon emissions

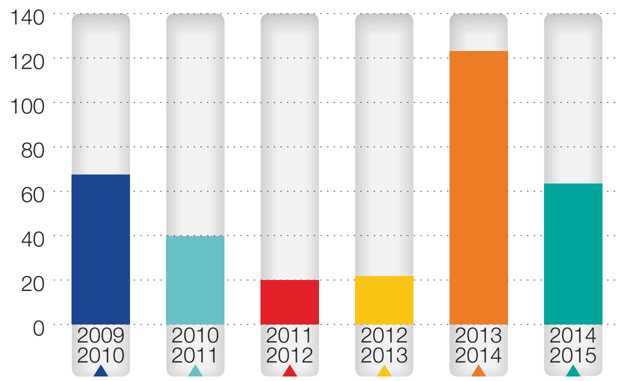
Scope	Emission	CO_2e (tonnes) 2009/2010	CO_2e (tonnes) 2010/2011	CO_2e (tonnes) 2011/2012	CO_2e (tonnes) 2012/2013	CO_2e (tonnes) 2013/2014	CO_2e (tonnes) 2014/2015
Scope 1	Stationary fuels	4.01	12.44	23.46	11.67	9.80	14.53
	Company-owned vehicles	1 349.26	939.96	529.38	403.73	403.21	398.20
	Other fugitive emissions (non-Kyoto gases)	67.54	39.82	19.91	21.72	123.08	63.35
	Sub-total	1 420.81	992.22	572.75	437.12	536.09	476.08
Scope 2	Electricity	5 084.24	4 511.77	4 323.04	4 188.70	3 496.99	2 421.24
	Total	6 505.05	5 503.99	4 895.79	4 625.82	4 033.08	2 897.32
	Number of staff nationally	520	527	555	569	620	614
		12.51	10.44	8.82	8.13	6.50	4.72

	CO_2e 2009/2010	CO_2e 2010/2011	CO_2e 2011/2012	CO_2e 2012/2013	CO_2e 2013/2014	CO_2e 2014/2015
Tonnes of CO_2 per employee:	9.4139653	10.444004	8.8212363	8.1297437	6.5049687	4.7187673
Reduction of CO_2 (tonnes per year)		1 001	608.2	269.8	592.74	1 135.70

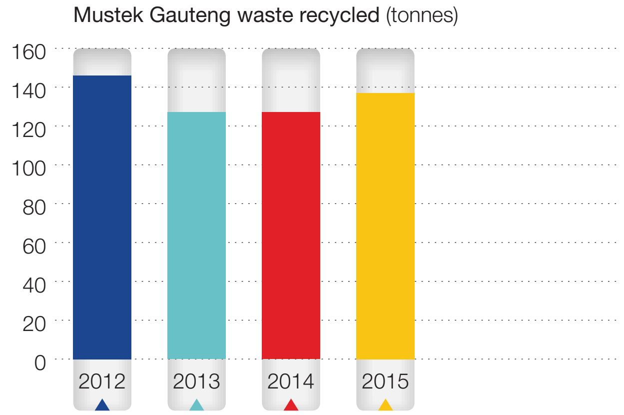
Mustek - Sources of GHG emissions (tonnes CO_2e)

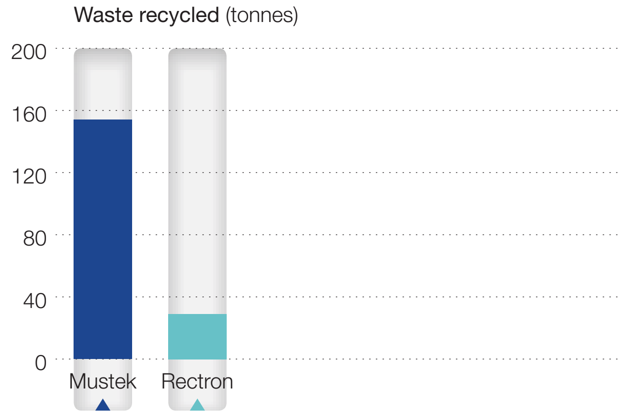


Other fugitive emissions (non-Kyoto gases) (tonnes)



Waste

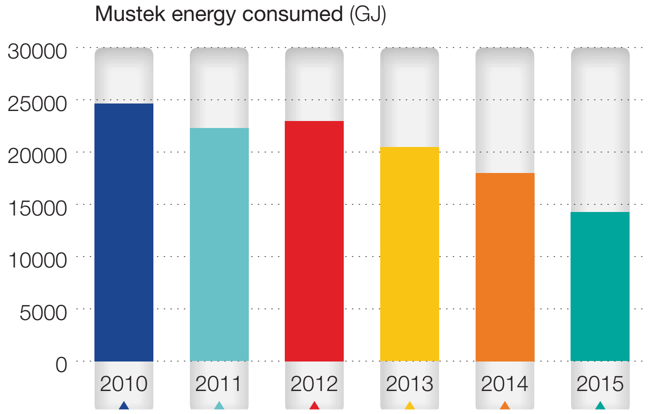




	Tonnes			
Waste recycled	2012	2013	2014	2015
Waste recycled Mustek Gauteng	146	127	127	137
Waste recycled Mustek and Mustek's applicable branches				154
Waste recycled Rectron	n/a	n/a	n/a	29

Energy consumption

Our energy usage reduced considerably over the past year, due to energy saving initiatives and tenants moving out of the premises.



Energy intensity ratio

Energy		2010	2011	2012	2013	2014	2015
		Gigajoules (GJ)/staff complement					
Scope 1 (direct)	Petrol, diesel (vehicles and generators)	6 873	7 074	7 436	5 831	5 783	5 769
Scope 2	Electricity	17 770	15 192	15 226	14 640	12 223	8 462
	Total	24 643	22 266	22 662	20 471	18 006	14 231
	Staff Mustek	520	527	555	569	620	614
	Comztek	171	164	154	126	175	n/a
		691	691	709	695	795	614
	Energy intensity	36	32	32	29	23	23

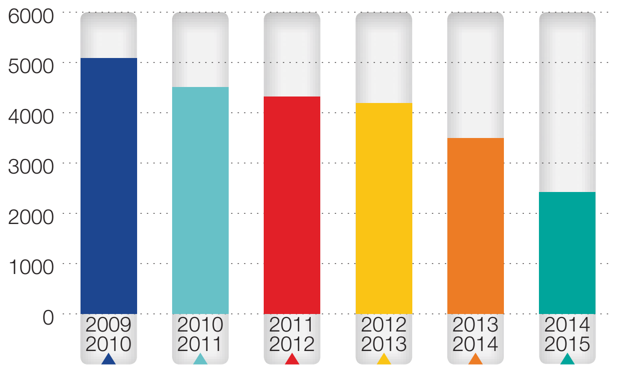
Reduction of energy consumption

Energy		2010	2011	2012	2013	2014	2015
		Gigajoules (GJ) reduced					
Scope 1 (direct)	Petrol, diesel (vehicles and generators)	6 873	7 074	7 436	5 831	5 783	5 769
Scope 2	Electricity	17 770	15 192	15 226	14 640	12 223	8 462
	Total	24 643	22 266	22 662	20 471	18 006	14 231
	Energy reduction in joules		2 377	+396	2 191	2 465	3 775

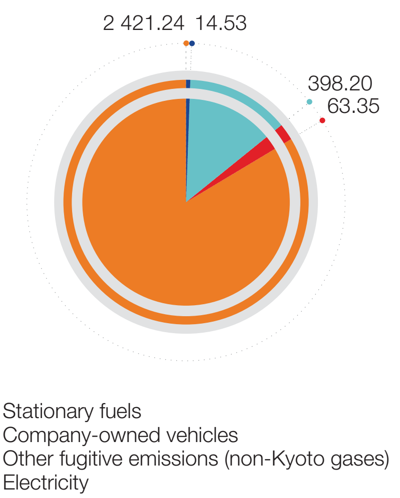
Fuel consumption

Energy		2010	2011	2012	2013	2014	2015
		Gigajoules (GJ)					
Scope 1 (direct)	Petrol	5 142	5 073	5 738	4 377	3 956	3 660
	Diesel (vehicles and generators)	1 731	2 001	1 698	1 454	1 827	2 109
	Total	6 873	7 074	7 436	5 831	5 783	5 769

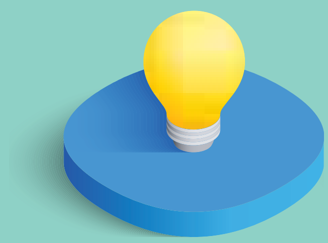
Indirect GHG emissions (Scope 2 electricity) (tonnes CO_2e)



Mustek carbon emissions (tonnes CO_2e)



Intellectual capital



Mustek's knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights and licences
- "organisational capital" such as tacit knowledge, systems, procedures and protocols

Mustek has become a truly complete ITC solutions provider, able to offer any corporate, office or home ITC-related solution on whatever scale throughout South Africa.

In this information age, intellectual capital can be the key factor in whether an enterprise thrives or fails.

Intellectual capital within a company includes its systems, research and development policies, procedures and controls, patents and corporate culture. Intellectual capital dovetails with human capital through employee competence, skills, training and development, which includes knowledge of work procedures, work ethics and values, and experience.

The cumulative value of the intellectual capital that Mustek has refined over nearly four decades informs and drives our evolving business strategy. Building onto the other five capitals, it enables Mustek to remain sustainable and ahead of our competitors.

Mustek's intellectual capital includes:
- ICT industry insight
- competitive intelligence
- corporate culture
- understanding our customers and markets
- assembly lines and logistics management
- our human assets.

How we utilise it

The ICT industry is fiercely competitive and fast moving. Mustek needs to understand industry and consumer trends to stay relevant in future while delivering to high standards in the present.

The Group's intellectual capital is refined through a continual improvement process based on:
- responding to changing needs
- anticipating the needs of customers in the future
- offering comprehensive, high value solutions
- partnering with the best providers of forward-thinking technology solutions and services
- acquiring product lines in emerging technologies
- continually assessing product and service gaps, as well as identifying adjacent opportunities
- improving operational efficiencies and cost management
- identifying and mitigating risks
- upskilling and motivating our workforce.

Mustek brands

Prior to 2008, Mustek focused largely on Mecer, our proprietary brand of PCs, notebooks, servers and peripherals. We complemented the Mecer brand with some networking services and limited distribution of printers and consumables.

However, consequent to the acquisition of sole distributorship of Toshiba notebooks in 2006, the Group took the decision to adopt a horizontal growth strategy and to reposition the Mustek company as a broad-based distributor of premium-brand and premium-quality IT and IT-related products. Essentially, this broad-base distribution strategy incorporates any product that utilises computing or is related to computing. Mustek embarked on an aggressive product expansion programme and now boasts an impressive range of premium-brand products. This strategy now includes vertical growth by way of our broad spectrum services and solutions offering.

Mustek's ongoing interaction with the international ITC industry has kept the Mecer brand at the forefront of technology and it is still South Africa's most popular desktop PC brand.

Mustek has now secured the enviable position of being a truly complete ITC solutions provider, able to offer any corporate, office or home ITC-related solution on whatever scale throughout South Africa.

Excellence through international standards and awards

- Mustek's certifications:
  - ISO 9001:2008 (Quality)
  - ISO 14001:2004 (Environment)
  - ISO 20000 (Service)
  - achieved ISO 20000 accreditation for IT service management at Gauteng Service Centre, among the first in South Africa
- all of Mustek's business processes are included in the scope of its Quality Management System (QMS), these being the import, sales, assembly, testing, distribution and servicing of computer equipment and technological standards
- customer satisfaction surveys show 72.60% of our customers are extremely satisfied
- Rectron Microsoft awards:
  - awarded South African Distributor of the Year for Office 365
  - achieved the highest reseller reach numbers in the Middle East and Africa region for Office 365
- in the most recent Deloitte "Best Company to Work For" survey, Rectron ranked 5th in the IT category and 14th overall for medium-sized companies. In the same survey, Mustek was placed 4th in the IT category and 3rd overall for medium-sized companies
- Sizwe Africa IT Group announced it has achieved the Internet of Things (IoT) Connected Safety and Security Specialisation from Cisco.

King III Principles

as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 1	Principle 1.1	The Board provides effective leadership based on ethical foundations.	Applied	AAA	Code of Ethics and Business Conduct Policy	The ethical foundation on which the Board provides effective leadership is incorporated in the Code of Ethics and Conduct, the Social and Ethics Committee and Board charters. The Group's values on which it builds its foundation are included in the 2015 Integrated Annual Report.
Chapter 1	Principle 1.2	The Board ensures that the company is, and is seen to be, a responsible corporate citizen.	Applied	AAA	Code of Ethics and Business Conduct Policy	The Board ensures that the company is, and is seen to be, a responsible corporate citizen and this is also included in the Board Charter as part of the role of the Board.
Chapter 1	Principle 1.3	The Board ensures that the company ethics are managed effectively.	Applied	AAA	Code of Ethics and Business Conduct Policy	The Board adopted the Code of Ethics and Business Conduct, hereby committing that the company's ethics are being managed effectively. An external whistle-blowing process is in place demonstrating this.
Chapter 2	Principle 2.1	The Board acts as the focal point for, and custodian of, corporate governance.	Applied	AAA	Board Charter	The Board's Charter sets out its responsibilities and the Board meets at least four times per year. Proper minutes are maintained of Board deliberations to ensure that proper corporate governance is being implemented on an ongoing basis.
Chapter 2	Principle 2.2	The Board appreciates that the strategy, risk, performance and sustainability are inseparable.	Applied	AAA	Board Charter	The Board informs and approves the strategy and it is aligned with the purpose of the company, its value drivers and the legitimate interests and expectations of its stakeholders to ensure sustainable outcomes. This principle is also included in the Board Charter.
Chapter 2	Principle 2.3	The Board provides for effective leadership based on an ethical foundation.	Applied	AAA	Code of Ethics and Business Conduct Policy	The Code of Ethics and Business Conduct is a fundamental policy of the Group to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards.
Chapter 2	Principle 2.4	The Board ensures that the company is, and is seen as, a responsible corporate citizen.	Applied	AAA		Through the Audit and Risk Committee, the Board identifies and monitors the non-financial aspects relevant to the business and reviews appropriate non-financial information that goes beyond assessing the financial and quantitative performance of the Group, and looks at other qualitative performance factors, which takes into account broad stakeholder issues.

King III Principles (continued)

as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 2	Principle 2.5	The Board ensures that the company's ethics are managed effectively.	Applied	AAA	Code of Ethics and Business Conduct Policy	All directors and employees are required to comply with the spirit as well as the letter of the Code of Ethics and Conduct and maintain the highest standards of conduct in all dealings.
Chapter 2	Principle 2.6	The Board ensures that the company has an effective and independent Audit Committee.	Applied	AAA		The Audit and Risk Committee consists of three independent non-executive directors.
Chapter 2	Principle 2.7	The Board is responsible for the governance of risk.	Applied	AAA	Group risk register	Through the Audit and Risk Committee, the Board identifies the key risk areas and key performance indicators for the Group. The Board has a process by which these risks are updated regularly.
Chapter 2	Principle 2.8	The Board is responsible for information technology (IT) governance.	Applied	AA	Audit and Risk Committee Terms of Reference	The Board delegated this function to the Audit and Risk Committee to ensure that IT governance is properly implemented. The chief information officer attends Audit and Risk Committee meetings by invitation to report on the relevant IT matters. An IT Steering Committee has also been established.
Chapter 2	Principle 2.9	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	AA	Audit and Risk Committee Terms of Reference	The Audit and Risk Committee oversees this function.
Chapter 2	Principle 2.10	The Board ensures that there is an effective risk-based internal audit conducted.	Applied	AA	Internal audit plan	Internal audit assists the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Chapter 2	Principle 2.11	The Board appreciates that stakeholders' perceptions affect the company's reputation.	Applied	AA		We are working hard at improving our engagement with all our stakeholders. We engage and speak openly on important issues. We have also made it a priority to partner proactively with them in appropriate areas.
Chapter 2	Principle 2.12	The Board ensures the integrity of the company's integrated annual report.	Applied	AAA		This responsibility was delegated to the Audit and Risk Committee to review the integrity of the company's integrated annual report prior to tabling this to the Board for final approval, and publication thereafter.

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 2	Principle 2.13	The Board reports on the effectiveness of the company's internal controls.	Applied	AAA		The internal auditor's primary mandate is to examine and evaluate the effectiveness of the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Board through the Audit and Risk Committee.
Chapter 2	Principle 2.14	The Board and its directors act in the best interests of the company.	Applied	AAA	Declaration and Conflict of Interest Policy	A standard conflict of interest agenda item allows directors to report on real or perceived conflicts. The Board and committees are free to take professional advice in the exercise of their duties. A formal policy on insider trading and dealing with shares was adopted by the Board.
Chapter 2	Principle 2.15	The Board will consider business rescue proceedings or other turnaround mechanisms as soon as the company may be financially distressed, as defined in the Company's Act, 71 of 2008.	Applied	AAA	Board Charter	This was included in the Board Charter and will be applied if necessary.
Chapter 2	Principle 2.16	The Board has elected a Chairman of the Board who is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman of the Board.	Applied	AAA		Dr Len Konar is an independent non-executive director and chairman of the Board.
Chapter 2	Principle 2.17	The Board has appointed the CEO and has established a framework for the delegation of authority.	Applied	AAA	Delegation of Authority Policy	A Delegation of Authority Framework was adopted and the CEO's role is formalised and his performance is evaluated against specific criteria.

King III Principles (continued)

as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 2	Principle 2.18	The Board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent.	Applied	AAA		Four of the Board's seven directors are independent non-executive directors. The Board's size, diversity and demographics was considered and it is seen to be effective.
Chapter 2	Principle 2.19	Directors are appointed through a formal process.	Applied	AAA	Appointment of Directors to the Board Policy	Directors are appointed through a formal process and this is overseen by the Remuneration and Nomination Committee and confirmed by the Board.
Chapter 2	Principle 2.20	The induction of, and ongoing training, as well as the development of directors are conducted through a formal process.	Applied	AA		Following the appointment of new directors, they visit the Group's businesses and meet with senior management, as appropriate and are offered the opportunity to facilitate their understanding of the Group and their fiduciary responsibilities. Directors receive training as and when required on company-specific matters.
Chapter 2	Principle 2.21	The Board is assisted by a competent, suitably qualified and experienced company secretary.	Applied	AAA		Sirkien van Schalkwyk was appointed Company Secretary. She is suitably qualified and was found by the Board to have the necessary knowledge and skills. She is a consultant and remains at an arm's-length basis with the Board.
Chapter 2	Principle 2.22	The evaluation of the Board, its committees and individual directors is performed every year.	Applied	AA		A self-evaluation was conducted by the Board and its sub-committees during 2015. The results were discussed as well as plans to address the identified improvement areas.
Chapter 2	Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating from its own responsibilities.	Applied	AAA	Board Committee Terms of References	Specific responsibilities have been formally delegated to the Board committees with defined terms of reference, duration and function, clearly agreed upon reporting procedures and written scope of authority documented in its formal charters.
Chapter 2	Principle 2.24	A governance framework has been agreed upon between the Group and its subsidiary boards.	Applied	AA		The managing directors of the major subsidiaries attend the Board meetings by invitation and provide a written report on progress in their respective businesses. Management meetings are held in the respective subsidiary companies.

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 2	Principle 2.25	The company remunerates its directors and executives fairly.	Applied	AAA		An approved remuneration philosophy, consisting of fixed pay, a bonus component and participation in an incentive scheme is in place.
Chapter 2	Principle 2.26	The company has disclosed the remuneration of each individual director and prescribed officer.	Applied	AAA		The directors' remuneration is disclosed in the 2015 Integrated Annual Report.
Chapter 2	Principle 2.27	The shareholders have approved the company's remuneration policy.	Applied	AAA		The remuneration philosophy was approved by shareholders at the AGM that was held in 2014 and would again be tabled for shareholder approval at the AGM to be held during 2015.
Chapter 3	Principle 3.1	The Board has ensured that the company has an effective and independent Audit Committee.	Applied	AAA		The committee comprises three independent non-executive directors.
Chapter 3	Principle 3.2	Audit Committee members are suitably skilled and experienced independent non-executive directors.	Applied	AAA		The members and committee attendees have the required financial knowledge and experience to oversee and guide the Board and the Group in respect of the audit and corporate governance disciplines.
Chapter 3	Principle 3.3	The Audit Committee is chaired by an independent non-executive director.	Applied	AAA		The committee is chaired by Mr Ralph Patmore, who is an independent non-executive director.
Chapter 3	Principle 3.4	The Audit Committee oversees integrated annual reporting.	Applied	AA	Audit and Risk Committee Terms of Reference	This function is included in the committee's terms of reference.
Chapter 3	Principle 3.5	The Audit Committee has ensured that a combined assurance model has been applied which provides a coordinated approach to all assurance activities.	Applied	AA		Work is taking place in developing a combined assurance framework to address appropriate coverage of risks without duplication of audit effort.

King III Principles (continued)

as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 3	Principle 3.6	The Audit Committee is satisfied with the expertise, resources and experience of the company's finance function.	Applied	AAA		The committee has satisfied itself with Neels Coetzee's work experience, performance and technical skills in fulfilling his role as financial director and providing leadership to the rest of the financial team.
Chapter 3	Principle 3.7	The Audit Committee should be responsible for overseeing internal audit.	Applied	AA	Internal audit plan	The internal audit department continues to grow and mature and is being reviewed by the committee at each meeting. The company is considering expanding the internal audit department.
Chapter 3	Principle 3.8	The Audit Committee is an integral component of the risk management process.	Applied	AAA		The internal audit plan, approved by the Audit and Risk Committee, is based on risk assessments, which are of a continual nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Committee and senior management.
Chapter 3	Principle 3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	AAA		The Audit and Risk Committee approves the appointment of the external auditor as well as its engagement letter and terms, nature and scope of the audit function and the audit fee.
Chapter 3	Principle 3.10	The Audit Committee has reported to the Board and the shareholders as to how it has discharged its duties.	Applied	AAA		The Audit and Risk Committee advises the Board on issues ranging from the application of accounting standards to published financial information and feedback is provided at each Board meeting. A report from the Audit and Risk Committee is included in the 2015 Integrated Annual Report.
Chapter 4	Principle 4.1	The Board is responsible for the governance of risk.	Applied	AAA		The Board has established a comprehensive control environment ensuring that risks are mitigated and the Group's objectives are attained. Oversight function in terms of risk is delegated to the Audit and Risk Committee and discussed at each meeting with feedback to the Board.

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 4	Principle 4.2	The Board has determined the levels of risk tolerance.	Applied	AAA		The risk tolerance levels have been determined and are discussed at each Audit and Risk Committee meeting.
Chapter 4	Principle 4.3	The Risk Committee and/or Audit Committee has assisted the Board in carrying out its risk responsibilities.	Applied	AAA		The Board's risk responsibilities are delegated to the Audit and Risk Committee. The internal audit plan is based on risk assessments, which are of a continual nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Committee and senior management.
Chapter 4	Principle 4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	AA		All inherent and residual risks are discussed at each Audit and Risk Committee meeting, with feedback provided to the Board. The risk register includes the risks, ratings, internal controls and mitigating actions.
Chapter 4	Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis.	Applied	AA	Group risk register	The inherent and residual risks are discussed at the quarterly Audit and Risk Committee meetings.
Chapter 4	Principle 4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	AAA	Group risk register	The risk registers are continually reviewed and discussed at the quarterly Audit and Risk Committee meetings.
Chapter 4	Principle 4.7	The Board has ensured that management has considered and has implemented appropriate risk responses.	Applied	AAA		Responses in terms of the risk register are being enhanced so as to include detailed responses from subsidiary level.
Chapter 4	Principle 4.8	The Board has ensured the continual risk monitoring by management.	Applied	AAA		The Board has established a comprehensive control environment, ensuring that risks are mitigated and the Group's objectives are attained.

King III Principles (continued)

as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 4	Principle 4.9	The Board has received assurance regarding the effectiveness of the risk management process.	Applied	AAA		External consultants conduct continual reviews in terms of internal controls and systems and attend the Audit and Risk Committee meetings to table their working report.
Chapter 4	Principle 4.10	The Board has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	AAA		The major risks are disclosed in the 2015 Integrated Annual Report.
Chapter 5	Principle 5.1	The Board is responsible for information technology (IT) governance.	Applied	AAA		The Board delegated this function to the Audit and Risk Committee by including IT governance in its charter. An IT Steering Committee assists the Audit and Risk Committee in this regard. A COBIT framework was implemented during the reporting period.
Chapter 5	Principle 5.2	IT has been aligned with the performance and sustainability objectives of the company.	Applied	AAA	IT Steering Committee Terms of Reference	The IT Steering Committee has its own Terms of Reference. The Chief Information Officer attends Audit and Risk Committee meetings by invitation and reports on IT matters.
Chapter 5	Principle 5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework.	Applied	AAA	IT Steering Committee Terms of Reference	The IT Steering Committee has its own Terms of Reference. The Chief Information Officer attends Audit and Risk Committee meetings by invitation and reports on IT matters.
Chapter 5	Principle 5.4	The Board monitors and evaluates significant IT investments and expenditure.	Applied	AAA		IT investments and expenditure are being monitored and approved in terms of the delegation of authority framework.
Chapter 5	Principle 5.5	IT is an integral part of the company's risk management plan.	Applied	AAA		Inherent and residual IT risks are included in the company's risk register and also dealt with separately on a semi-annual basis.

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 5	Principle 5.6	The Board ensures that information assets are managed effectively.	Applied	AAA	Policy regarding backups	The IT Steering Committee has its own Terms of Reference which include the protection and management of information assets.
Chapter 5	Principle 5.7	A Risk Committee and Audit Committee assists the Board in carrying out its IT responsibilities.	Applied	AAA	Audit and Risk Committee Terms of Reference	The Audit and Risk Committee assists the Board in carrying out its IT responsibilities.
Chapter 6	Principle 6.1	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	AAA		The Audit and Risk Committee assists the Board in complying with the applicable laws, rules, codes and standards in the ambit of its terms of reference. The balance of the compliance matters will be delegated to the Social and Ethics Committee.
Chapter 6	Principle 6.2	The Board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business.	Applied	AA		Directors have a working understanding of all applicable laws, rules, codes and standards applicable to the company.
Chapter 6	Principle 6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	AAA		External assurance providers report all non-compliance areas to the Board via the relevant Board sub-committee.
Chapter 6	Principle 6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Partially applied	BB		The company is in the process of further developing a compliance framework to assist the relevant sub-committee in fulfilling its responsibility in this regard.

King III Principles (continued)

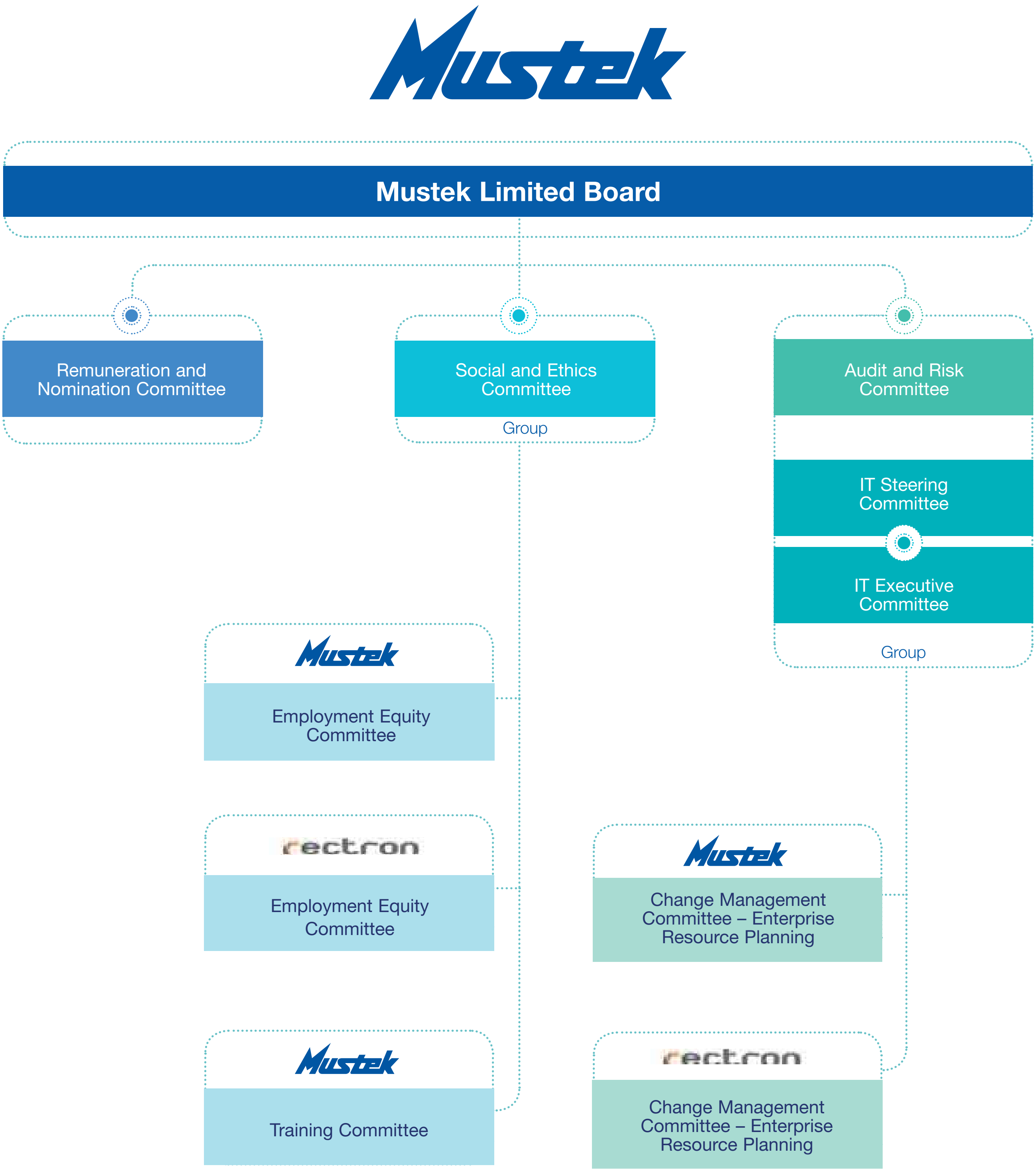
as at 30 June 2015

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 7	Principle 7.1	The Board should ensure that there is an effective risk based internal audit function.	Applied	AAA		The internal audit plan, approved by the Audit and Risk Committee, is based on risk assessments, which are of a continuous nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Committee and senior management.
Chapter 7	Principle 7.2	Internal Audit should follow a risk-based approach to its plan.	Applied	AAA		Refer to 7.1
Chapter 7	Principle 7.3	Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	AAA		A quarterly report from the internal auditors is submitted to the Audit and Risk Committee meetings.
Chapter 7	Principle 7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	AAA		The internal audit function forms part of the Audit and Risk Committee's responsibility as set out in its terms of reference.
Chapter 7	Principle 7.5	Internal Audit should be strategically positioned to achieve its objectives.	Applied	AAA		The internal audit plan was adopted. This is reviewed at the quarterly Audit and Risk Committee meetings which the internal auditors attend by invitation.
Chapter 8	Principle 8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	AA		Although a formal stakeholder engagement process is not yet in place, the Group interacts with its major stakeholders on an ad hoc basis in the normal course of business.
Chapter 8	Principle 8.2	The Board should delegate to management to deal proactively with stakeholder relationships.	Applied	AA		Refer to 8.1

Chapter	Principle	Principle description	Applied/ partially applied/not applied	IoDSA GAI score	Evidence	Explanation/compensating practices
Chapter 8	Principle 8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Applied	AAA		Refer to 8.1
Chapter 8	Principle 8.4	Companies should ensure the equitable treatment of shareholders.	Applied	AAA		Shareholders are all treated equally, notwithstanding their percentage of shareholding in the company.
Chapter 8	Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	AAA		The Board strives to ensure that reporting to stakeholders are relevant, transparent and accurate.
Chapter 8	Principle 8.6	The Board should ensure that disputes are resolved effectively and as expeditiously as possible.	Applied	AAA		All internal dispute resolution mechanisms are in place.
Chapter 9	Principle 9.1	The Board should ensure the integrity of the company's integrated annual report.	Applied	AAA		This forms part of the responsibilities of the Audit and Risk Committee and is included as such in its terms of reference prior to presenting the report to the Board.
Chapter 9	Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Applied	AAA		The Group endeavours to integrate all information to stakeholders in the form of the integrated report, focusing on sustainability on all levels, including finances.
Chapter 9	Principle 9.3	Sustainability reporting and disclosure should be independently assured.	Not applied	L		Sustainability reporting is currently being self-assured; however, this is being reviewed. There is adequate internal capacity to do so presently.

Structure of the highest governing body and committees responsible for decision-making on sustainability issues:

Board reporting structure



Committee members

Board of directors

Len Konar
(Chairman)
(61, Indian male)

Ralph Patmore
(63, white male)

Thembisa Dingaan*
(42, black female)

Mdu Gama
(46, black male)

David Kan
(56, coloured male)

Hein Engelbrecht
(46, white male)

Neels Coetzee
(40, white male)

Remuneration and Nomination Committee

Ralph Patmore
(Chairman)
(63, white male)

Len Konar
(61, Indian male)

Mdu Gama
(46, black male)

Standing invitees:
CEO, MD, FD,
HR Manager,
Company Secretary

Social and Ethics Committee

Len Konar
(Chairman)
(61, Indian male)

Mdu Gama
(46, black male)

Hein Engelbrecht
(46, white male)

Lindi Shortt
(48, white female)

Audit and Risk Committee

Ralph Patmore
(Chairman)
(63, white male)

Thembisa Dingaan*
(42, black female)

Mdu Gama
(46, black male)

Standing invitees:
Chairman of the Board,
CEO, MD, FD,
Internal Auditor,
External Auditors,
Company Secretary

** Resigned on 12 October 2015*

IT Steering Committee

David Kan
(Chairman)
(56, coloured male)

Olga-Lee Levey
(Chief Information Officer)
(43, white female)

Dimitri Tserpes
(Chief Technical Officer)
(50, white male)

Lindi Shortt
(Rectron Managing Director)
(48, white female)

Hein Engelbrecht
(Mustek Managing Director)
(46, white male)

Neels Coetzee
(Mustek Financial Director)
(40, white male)

Gerhard Malan
(Rectron Financial Director)
(34, white male)

Alan Michas
(Rectron Group IT Manager)
(64, white male)

The Board of directors believes that sound corporate governance structures and processes are crucial to delivering responsible and sustained growth of the company for the benefit of all stakeholders. The company has implemented controls to provide reasonable assurance of its compliance with these requirements, insofar as they are applicable.

Transparency, fairness, accountability, responsibility and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. Achieving this objective demonstrates the Group's public accountability and that it conducts its business within acceptable ethical standards.

Statement of compliance

The Board has acquainted itself with the extent to which the company complies with the JSE Listings Requirements and King III. The company has shown commitment to change where necessary during the last few years. The company complies with all requirements, except for the following:

Principle 6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Partially applied	The company is in the process of further developing a compliance framework to assist the relevant sub-committee in fulfilling its responsibility in this regard.
Principle 9.3	Sustainability reporting and disclosure should be independently assured.	Not applied	Sustainability reporting is currently being self-assured, however, this is being reviewed. There is adequate internal capacity to do so presently.

Shareholders are referred to pages 59 to 69 for an analysis of the application of the 75 Corporate Governance Principles as recommended in the King III report.

The Board is satisfied that there have been no material instances of non-compliance during the review period.

Ethical leadership and corporate citizenship

The Group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws. The Board has adopted a Code of Ethics and Business Conduct which is continually reviewed and updated as appropriate. The directors are fully committed to these principles which ensure that the business is managed according to its highest standards within the IT industry, as well as the social, political and physical environment within which the Group operates.

No material ethical leadership and corporate citizenship deficiencies were identified or arose during the review period. The Board, through the Audit and Risk Committee as well as Social and Ethics Committee, monitors compliance with Mustek's Code of Ethics and Business Conduct through various reporting channels, including its internal audit department and the whistle-blower hotline.

Mustek did not receive any requests during the financial year in terms of the Promotion of Access to Information Act. During the financial year, Mustek complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal procedures or sanctions.

Board and directors

The Board acts as the focal point and custodian of corporate governance. Substance above form is effective at all levels, and is an integral part of the Group's corporate culture.

Composition of the Board

The Board is based on a unitary structure and exercises full and effective control over the Group. It comprises seven members, being four independent non-executive directors and three executive directors. There were no changes to the Board during the reporting period and details of the directors are reported on pages 78 and 79 of this report. Thembisa Dingaan resigned from the Board on 12 October 2015.

The Board comprises a majority of non-executive directors, who bring specific skills and experience to the Board. The responsibility of all directors is clearly divided to ensure a balance of power and authority to prevent unfettered powers of decision-making. The executive directors have an overall responsibility for implementing the Group's strategy and managing its day-to-day operations. The Board is of the view that all non-executive directors bring independent judgement to bear on material decisions of the company.

Members of the Board are appointed by the Group's shareholders, although the Board also has the authority to appoint directors to fill any vacancy that may arise from time to time. These appointments, which are a matter for the Board as a whole, are made in terms of a formal and transparent procedure within the appointments to the Board policy and subject to ratification by shareholders at the next annual general meeting.

Members are appointed on the basis of skills, experience and their level of contribution to the activities of the Group. The Remuneration and Nominations Committee is mandated to identify and recommend candidates for the Board's consideration through a formal and transparent process. New appointments are appropriately familiarised with the Group's business through an induction programme. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with the requirements entailed in the Act and King III, as well as being fit-for-purpose.

In terms of the company's Memorandum of Incorporation, one-third of the directors retires at the annual general meeting. Neels Coetzee, Hein Engelbrecht and Ralph Patmore will retire and, being eligible, offer themselves for re-election.

The strategy of the Group is mapped by the Board in annual conference with the executive team. The Board and the executive team met in June 2015 to review and agree on the Group's strategic objectives and the Group's area of focus and growth.

The Board is responsible for monitoring and reporting on the effectiveness of the company's system of internal control. It is assisted by the Audit and Risk Committee in the discharge of this responsibility.

The non-executive directors derive no benefit from the company other than their fees and emoluments as proposed by the Board through the Remuneration and Nomination Committee and approved by shareholders at the Group's annual general meeting.

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. Len Konar is an independent non-executive Chairman and his role is separate from that of the Chief Executive Officer.

He provides overall leadership to the Board and Chief Executive Officer, without limiting the principle of collective responsibility for Board decisions. The Chairman is also responsible for the annual appraisal of the Chief Executive Officer's performance and he oversees the formal succession plan of the Board.

The Chief Executive Officer

The Chief Executive Officer reports to the Board and is responsible for the day-to-day business of the Group and the implementation of policies and strategies approved by the Board. The Executive Committee assists him with this task. Board authority conferred on management is delegated through the Chief Executive Officer, against approved authority levels.

Non-executive directors

All members of the Board have a fiduciary responsibility to represent the best interests of the Group and all of its stakeholders. The Group's non-executive directors contribute to the Board's deliberations and decisions. They have skills and experience to exercise judgement in areas such as strategy, performance, transformation, diversity and employment equity. They are not involved in the daily operations of the company.

Company Secretary

The Board has direct access to the Company Secretary, Sirkien van Schalkwyk. Sirkien van Schalkwyk, aged 38, holds a BLC, LLB and was appointed in 2012 as Mustek's Company Secretary. She has 15 years' experience across a broad spectrum of disciplines including compliance, statutory services and contract management and has acted as Company Secretary for a number of companies including JSE-listed companies.

The Company Secretary undergoes an annual evaluation by the Board whereby the Board satisfies itself as to the competence, qualifications and experience of the Company Secretary. The Board has considered the Company Secretary's performance and delivery during the year and is satisfied with the competence, qualifications, independence and experience of the Company Secretary.

The Company Secretary is not a member of the Board and has an arm's-length relationship with the Board. The Board has considered and is satisfied with the Company Secretary's independence and that an arm's-length relationship is maintained between the company and Sirkien van Schalkwyk.

The Company Secretary arranges training on changing regulations and legislation and may involve the company's sponsors and auditors. The Board recognises the key role that the Company Secretary plays in the achievement of good corporate governance and empowers the Company Secretary accordingly.

The Company Secretary is accountable to the Board to:

- ensure that Board procedures are followed and reviewed regularly
- ensure that 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 their responsibilities should be properly discharged in the best interests of the company
- keep abreast of, and inform, the Board of current and new developments regarding corporate governance thinking and practice.

Sirkien van Schalkwyk carried out the foregoing duties in an exemplary manner.

Board processes

The role of the Board is to establish, review and monitor strategic objectives, the approval of disposals and capital expenditure, and to oversee the Group's systems of internal control, governance and risk management. The Board meets at least four times per year and more often if and when the need arises.

An approved Board Charter is in place and outlines the responsibilities of the Board. Information is supplied to the Board timeously to allow it to comply with its duties and carry out its responsibilities. The Board also enjoys unrestricted access to all company information, records, documents and property. Non-executive directors have access to management without the attendance of executive directors. A range of non-financial information is made available to the Board to enable its members to consider qualitative performance that involves broader stakeholder interest.

The daily management of the company's affairs has been delegated to the Chief Executive Officer, Managing Director and Financial Director who co-ordinate the implementation of Board policies through the Executive Committee.

Full and effective control over all operations of the company is retained by the Board at all times.

Interest in contracts

During the year ended 30 June 2015, none of the directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in note 26 to the annual financial statements.

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest. A Declaration and Conflict of Interest Policy is in place.

Insider trading

No employee of the Group may deal directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding its business. No director or officer of the Group may disclose trade information regarding its business to any external party. Directors or officers of the Group are precluded from trading in the shares of the Group during a closed period or prohibited period determined by the Board.

Any director wishing to trade in ordinary shares of the company, obtains clearance from the Chairman of the Board or, in his absence, the Chief Executive Officer. The directors of the company keep the Company Secretary advised of all their dealings in securities and details of dealings are placed on SENS in line with the JSE Listings Requirements.

Evaluation of Board performance

The Company Secretary conducted a self-evaluation exercise of the Board's performance, mix of skills and individual contributions of directors, its achievements in terms of corporate governance and the effectiveness of its Board committees. The Board was found to have operated and functioned effectively during the period.

Board meeting attendance

The following Board meetings were held during the reporting period, and the attendance was as follows:

Director	22 Aug 2014	14 Nov 2014	19 Feb 2015	18 May 2015
Len Konar	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓
Thembisa Dingaan	✓	✓	✓	✓
Ralph Patmore	✓	✓	✓	✗
David Kan (CEO)	✓	✓	✓	✓
Hein Engelbrecht (MD)	✓	✓	✓	✓
Neels Coetzee (FD)	✓	✓	✓	✓

✓ – Attended
✗ – Absent with apology

Board committees

While the Board remains accountable and responsible for the performance and affairs of the company, it delegates to management and Board committees certain functions to assist it in properly discharging its duties. The nature and scope of authority of each committee is detailed in its terms of reference, which is approved by the Board.

The Chairman of each Board committee reports at each scheduled meeting of the Board and minutes of Board committee meetings are provided to the entire Board. Both the directors and the members of the Board committees are supplied with full and timely information that enables them to properly discharge their responsibilities. All directors have unrestricted access to all Group information.

The Chairman of each Board committee is required to attend the annual general meeting to respond to issues or answer questions raised by shareholders.

The established Board committees are:

Executive Committee

The Executive Committee consists of the Chief Executive Officer, Managing Director, Financial Director and operations directors. The committee meets regularly to review current operations, identify risks and the management thereof, develop strategies and recommend policies for consideration by the Board and implement the strategy, directives and decisions of the Board.

Mustek directors and executive staff as well as operational management have clearly defined responsibilities and levels of authorisation for their respective area of the business. The delegation of these responsibilities is reviewed annually.

Audit and Risk Committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the Audit Committee and Risk Committee operate as a combined committee. The agenda is divided into sections to address audit and risk management responsibilities. The composition of the committee meets the requirements of the Act and King III, consisting of a minimum of three non-executive directors, acting independently.

During the reporting period, the committee consisted of three non-executive directors, all of whom were independent. The members of the committee were Ralph Patmore (chairman), Thembisa Dingaan and Mdu Gama. Thembisa Dingaan resigned on 12 October 2015. The committee's composition is in line with the requirements of the Companies Act, 2008 as amended (the Companies Act).

The Chairman of the Board, the Chief Executive Officer, the Managing Director, the Financial Director, the head of internal audit and the external auditors attend all committee meetings.

During the period under review, the following meetings were held and the attendance of the meetings was as follows:

Member	22 Aug 2014	14 Nov 2014	19 Feb 2015	18 May 2015
Ralph Patmore	✓	✓	✓	✗
Thembisa Dingaan	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓

✓ – Attended
✗ – Absent with apology

The report of the Audit and Risk Committee on pages 95 to 97 of this report sets out its responsibilities and describes how they have been fulfilled.

IT Steering Committee

The IT Steering Committee governs information technology (IT) responsibilities as recommended by King III. The committee met four times during the reporting period to report on their duties in accordance with its terms of reference as approved by the Board. The committee reports to the Board via the Audit and Risk Committee.

The committee is chaired by the chief executive officer and Olga-Lee Levey, a senior employee, is the Chief Information Officer. The members represent all businesses of the Group to ensure consistency in use and application of IT systems and controls.

During the period under review, a roadmap was proposed for the implementation of a governance framework for IT. The IT Steering Committee's composition was reviewed and only executive management was appointed to consider proposals on the use of IT in enabling strategic direction in line with the Group strategy.

An IT Executive Committee was established which is made up of the Chief Information Officer, executive management and manager members across all the branches of Mustek and Rectron. The IT Executive Committee reports to the IT Steering Committee.

The IT infrastructure and applications which provide support for the financial systems, are audited on an annual basis by the external auditors. The Audit and Risk Committee is supported by business system managers, while the IT management team is responsible for evaluating the security of computer systems and applications, and for devising contingency plans for processing financial information in the event of system breakdowns.

Remuneration and Nominations Committee

The committee comprises Ralph Patmore (remuneration chairman), Len Konar (nominations chairman) and Mdu Gama. The Chief Executive Officer, Managing Director, Financial Director and human resources executive attend by invitation. Mdu Gama was appointed as a member effective 31 March 2015.

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 and Board/director interactions.

Although the Board evaluates the Chairman annually, election of the Chairman does not occur annually, but only when required.

During the period under review, the following meetings were held and the attendance of the meetings was as follows:

Member	20 Aug 2014	24 June 2015
Ralph Patmore (Chairman)	✓	✓
Len Konar	✓	✓
Mdu Gama	n/a	✓

✓ – Attended
n/a – Not appointed yet

The report of the Remuneration and Nomination Committee, including the remuneration philosophy, appears on pages 86 to 88 of this report and sets out its responsibilities and describes how they have been fulfilled.

Social and Ethics Committee

The members comprise Len Konar (chairman), Mdu Gama, Hein Engelbrecht and Lindi Shortt. The Chief Executive Officer, Financial Director and Human Resources Executive as well as senior members of management, attend the meetings by invitation.

The committee operates under formal terms of reference in terms of which it is required to meet at least twice a year in order to fulfil the functions assigned to it in terms of the Companies Act regulations and such other functions as are 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.

During the period under review, the following meetings were held and the attendance of the meetings was as follows:

Member	22 Aug 2014	14 Nov 2014	19 Feb 2015	18 May 2015
Len Konar (Chairman)	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓
Hein Engelbrecht	✓	✓	✓	✓
Lindi Shortt	✓	✓	✓	✓

✓ – Attended

The report of the Social and Ethics Committee on pages 89 and 90 of this report sets out its responsibilities and describes how they have been fulfilled.

Accountability and audit

Auditing and accounting

The Board is of the opinion that the auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired. The Group aims for efficient audit processes using its external auditors in combination with the internal audit function and management encourages unrestricted consultation between external and internal auditors. The co-operation of efforts involves periodic meetings to discuss matters of mutual interest, management letters and reports, and a common understanding of audit techniques, methods and terminology.

Risk management

The focus of risk management in Mustek is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the Group. Management is involved in a continual process of developing and enhancing its comprehensive systems for risk identification and management. The risks to the business encompass such areas as the world IT component and product prices, exchange rates, political and economic factors, local and international competition, legislation and national regulations, interest rates, people skills, and general operational and financial risks.

The major risks are the subject of the ongoing attention of the Board of directors and are given particular consideration in the annual strategic plan which is approved by the Board. A strategic risk assessment is carried out on an annual basis.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of Group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the Group promotes ongoing commitment to risk management and control by participating in externally organised risk management and safety systems.

Insurance cover on assets is based upon current replacement values. Consistent with the high standard of risk management, a substantial portion of risk is self-insured at costs well below market premiums. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss.

Internal financial controls

The Board is responsible for ensuring that internal control systems exist that provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition, proper accounting records are maintained and the financial and operational information used in the businesses is reliable.

Internal audit function

The internal audit department continues to grow and mature at Mustek and is an independent appraisal function whose primary mandate is to examine and evaluate the effectiveness of the applicable operational activities, the attendant business risks, including those that arise subsequent to the year-end and the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit and Risk Committee, external auditors and operational management for resolution.

Internal audit is an independent, objective assurance and consulting activity to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It provides:

» assurance that the management processes are adequate to identify and monitor significant risks
» confirmation of the adequacy and effective operation of the established internal control systems
» credible processes for feedback on risk management and assurance.

The internal audit function makes its reports available to the external auditors to ensure proper coverage and to minimise duplication of effort. Internal audit plans are tabled periodically to take account of changing business needs. Follow-up audits are conducted in areas where weaknesses are identified.

The internal audit plan, approved by the Audit and Risk Committee, is based on risk assessments, which are of a continual nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Committee and senior management.

Work is taking place to develop a combined assurance framework to address appropriate coverage of risks without duplication of audit effort.

Relations with shareholders

Communication and engagement with stakeholders is vital to ensure transparency. The Board is committed to appropriate disclosure in its communication and interaction with stakeholders. The Chief Executive Officer and Financial Director act as chief spokespersons for the company and all investor-related correspondence is dealt with by them.

It is the policy of the Group to pursue dialogue with institutional investors, engaging constructively within the frameworks provided by statutory and regulatory environments with regard to the dissemination of information. This helps ensure a fair and accurate representation and valuation of the company and its performance.

The company's annual general meeting provides an important platform for engagement with shareholders as attendance of these meetings offers them an opportunity to participate in discussions relating to company agenda items and to raise potential issues and concerns. Explanatory notes setting out the effects and all proposed resolutions will be included in the notice of annual general meeting.

Leadership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Directorate – executive directors
Non-executive directors
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1. David Kan
Chief Executive Officer

David Kan, aged 56, is the co-founder and a major shareholder of Mustek, and its CEO since the Group's inception in 1987. He holds a BSc (Eng) degree, with a major in mechanical engineering.

2. Hein Engelbrecht
Managing Director

Hein Engelbrecht, aged 46, holds a BCom (Hons) degree, 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 (Pty) Limited. He was appointed to the Board on 1 September 2000.

3. Neels Coetzee
Financial Director

Neels Coetzee, aged 40, 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.

4. Dr Len Konar
Independent non-executive Chairman

Dr Len Konar, aged 61, joined the Mustek Board on 25 November 2003 and was appointed as Chairman on 16 October 2009. Len is a chartered accountant and was previously executive director of The Independent Development Trust where he was, amongst other activities, responsible for the internal audit and investments portfolios. Prior to that, he was professor and head of the Department of Accountancy at the University of Durban-Westville. He is the past patron of the Institute of Internal Auditors South Africa, and a member of the King Committee on Corporate Governance, the Corporate Governance Forum and the Institute of Directors. Dr Konar is also a non-executive director of Exxaro Resources Limited, Illovo Sugar Limited, Lonmin plc, Sappi and Steinhoff International Holdings.

5. Ralph Patmore
Independent non-executive director

Ralph Patmore, aged 63, was appointed to the Board on 16 October 2009. He holds a BCom degree and an MBL from Unisa's School of Business Leadership. He was the CEO of Iliad Africa Limited since inception in 1998 to retirement in September 2008. He is also a non-executive director of Sentula Mining Limited, Calgro M3 Holdings Limited and ARB Holdings Limited.

6. Dr Mdu Gama
Independent non-executive director

Mdu Gama, aged 46, was appointed as a director of Mustek in 2002. He holds an MBA degree, a PhD (Finance) degree and various management qualifications from SA, US and UK universities. He is currently the CEO of Resultant Finance (Pty) Limited and a trustee of the University of Johannesburg Trust Fund.

Basis of preparation and presentation

This integrated report builds on progress, insights and stakeholder feedback received during the year and seeks to provide a detailed overview of the Group's financial and non-financial performance and how it created value for the period 1 July 2014 to 30 June 2015. The company's previous integrated annual report (2014) included sustainable development disclosures which are comparable and consistent with specific indicator disclosures included here.

Frameworks applied

This integrated annual report has been prepared in accordance with the International Integrated Reporting Council's <IR> Framework (the Framework) and the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines.

The Board of directors (the Board) and management have considered the fundamental concepts, guiding principles and content elements recommended in the Framework and have endeavoured to apply these recommendations in the report.

This report also accords with the parameters of the Companies Act 71 of 2008, as amended, the JSE Listings Requirements and, where possible, the recommendations of the King Report on Governance for South Africa 2009 (King III report).

The Group's annual financial statements were prepared in accordance with International Financial Reporting's Standards (IFRS).

Purpose

The purpose of this report is to provide a wide range of stakeholders with concise communication regarding the Group's strategy, governance, performance and prospects, in the context of the external environment, and its creation of value over the short, medium and long term.

Primary audience

In terms of the Framework, integrated reports are prepared primarily for the providers of financial capital to help inform their decision-making regarding financial capital allocations.

Matters not related to finance or governance also impact on the ability of Mustek to create value over the short, medium and long term. These matters, be they social or environmental, are of interest to other stakeholders and are also addressed in this report.

Scope and boundaries

This 2015 Integrated Annual Report presents a holistic review of Mustek Limited, its subsidiaries, joint ventures and associates, financial and non-financial performance for its financial year 1 July 2014 to 30 June 2015. Details of investments in subsidiary and associate companies appear in notes 11 and 12 of the annual financial statements.

The report's commentary focuses on the significant activities and operations of the Group in South Africa, being the trading division of Mustek Limited (Mustek) and a subsidiary company, Rectron Holdings Limited.

The intention of this report is to provide information that will enable shareholders, potential investors and all stakeholders to make an accurate assessment of the value creation offered by Mustek.

Restatements or changes from the prior period

There have been no restatements made to previously reported figures referenced in this report.

Assurance

Mustek continues to develop and apply a combined assurance model, providing management and the Board with confidence regarding the information disclosed in this report. At this stage in its reporting journey, the Group has decided that it is premature to obtain independent assurance for non-financial disclosures.

The company's annual financial statements were independently audited and assured by Deloitte & Touche.

The Group's B-BBEE contributor levels were verified by EmpowerLogic Proprietary Limited.

Board responsibility statement

The executive directors and senior management have been instrumental in the preparation of this report. The Board has applied its mind accordingly, and is of the opinion that this integrated annual report addresses all material matters, and offers a balanced view of the integrated performance of the organisation and its impacts. As such, the Board has fulfilled its responsibilities in terms of the recommendations of the King III Report.

GRI content index

This integrated report was prepared to be in accordance with the GRI's G4 Core standard.

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Glossary of terms

Acquisition	The purchase of one corporation by another, through either the purchase of its shares, or the purchase of its assets.
Android	An open-source operating system used for smartphones and tablet computers.
Apple	An American multinational corporation that designs, develops, and sells consumer electronics, computer software, online services and personal computers.
Assurance	In the context of corporate reports, assurance means that parts of, or the entire report, has been inspected and found to be accurate by independent and suitably qualified professionals.
Business model	A plan for the successful operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.
Cloud computing	The practice of using a network of remote servers hosted on the internet to store, manage, and process data, rather than a local server or a personal computer.
Compliance	The action or fact of complying with a wish or command.
Component	A part or element of a larger whole, especially a part of a machine.
Computing accessories	A peripheral device that connects to a computer system to add functionality. Examples are a mouse, keyboard, monitor, printer and scanner.
Convergence	The tendency that, as technology changes, different technological systems sometimes evolve toward performing similar tasks.
Current ratio	Current assets divided by current liabilities.
Desktop	A computer suitable for use at an ordinary desk.
E-commerce	Commercial transactions conducted electronically on the internet.
Employment equity	A policy or programme designed to reserve jobs for people formerly disadvantaged under apartheid.
End-user	The person who actually uses a particular product.
Fibre (optics)	Thin flexible fibres of glass or other transparent solids that transmit light signals.
Foreign exchange risk	A financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company.
Gross profit	A company's residual profit after selling a product or service and deducting the cost associated with its production and sale.
Hardware	The machines, wiring, and other physical components of a computer or other electronic system.
Headline earnings	A measurement of a company's earnings based solely on operational and capital investment activities.
Hedging policy	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies or securities.
Incentive schemes	A programme implemented by an organisation deliberately intended to induce or encourage a specific action by using incentives.
Interest cover	EBITDA divided by net interest paid.
Internet of Things	A proposed development of the Internet in which everyday objects have network connectivity, allowing them to send and receive data.
Institutional knowledge	A collective set of facts, concepts, experiences and know-how held by a group of people.
King III	King Code of Governance Principles for South Africa.
Kyoto gases	The six greenhouse gases covered by the UNFCCC/Kyoto Protocol.
Managed services	The proactive management of an IT asset or object, by a third party on behalf of a customer.
Microsoft	An American multinational corporation that develops, manufactures, licenses, supports and sells computer software, consumer electronics and personal computers and services.
Net asset value	Ordinary shareholders' equity – total assets less total liabilities.
Networking	Two or more electronic devices, connected together to form a series of communication paths.
Notebook	A laptop computer, especially a small, slim one.
Obsolescence	The condition of no longer being used or useful.
Office 365	A group of Microsoft software plus services subscriptions that provide productivity software and related services to subscribers.
Operating margin	A measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc.
Parastatal	An organisation or industry having some political authority and serving the state indirectly.
Performance indicators	A set of quantifiable measures that a company uses to gauge or compare performance in terms of meeting strategic and operational goals.

Glossary of terms (continued)

Peripherals	Any auxiliary device, such as a computer mouse or keyboard, that connects to and works with the computer.
Private sector	The economy that is not state controlled, and is run by individuals and companies for profit.
Product specification	Written statement of an item's required characteristics documented in a manner that facilitates its procurement or production and acceptance.
Public sector	The part of the economy concerned with providing various government services.
Remuneration	The money paid for work or a service.
Renewable energy	Energy from a source that is not depleted when used, such as wind or solar power.
Reseller	A company or individual (merchant) that purchases goods or services with the intention of reselling them rather than consuming or using them.
Return on equity	The amount of net income returned as a percentage of shareholders' equity.
Revolving credit	Credit that is automatically renewed as debts are paid off.
Scope 3 emissions	Indirect GHG emissions from sources not owned or directly controlled by the entity but related to the entity's activities.
Shareholder	An owner of shares in a company.
Smartphone	A mobile phone that is able to perform many of the functions of a computer, typically having a relatively large screen and an operating system capable of running general-purpose applications.
Software	The programmes and other operating information used by a computer.
Stakeholder	A person with an interest or concern in something, especially a business.
Statutory	Required, permitted, or enacted by statute.
Stock turnaround	The number of times the inventory must be replaced during a given period of time, typically a year.
Subsidiary	A company controlled by a holding company.
Succession planning	A process for identifying and developing internal people with the potential to fill key business leadership positions in the company.
Sustainability	The endurance of systems and processes.
Sustainable energy	Energy obtained from non-exhaustible resources.
Tablet	A small portable computer that accepts input directly on to its screen rather than via a keyboard or mouse.
Technology	Machinery and devices developed from scientific knowledge.
Turnkey	The provision of a complete product or service that is ready for immediate use.
Upgrade	Raise to a higher standard, in particular improve (equipment or machinery) by adding or replacing components.
Value added	The addition of features to a basic line or model for which the buyer is prepared to pay extra.
Vendor	The party in the supply chain that makes goods and services available to companies or consumers.
Warranties	A written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it if necessary within a specified period of time.
White collar crime	Financially motivated non-violent crime committed by business and government professionals.
Volume licensing	A service offered by Microsoft for organisations that require multiple licences, but not the software media, packaging and documentation supplied with the full packaged product.

Acronyms

ABET	Adult Basic Education and Training
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CCTO	Controlled Costs in Technology Ownership
CCTV	Closed circuit television
CMDB	Configuration Management Data Base
CRM	Customer Relationship Management
CSI	Corporate social investment
DVR	Digital video recorder
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EnMS	Energy Management System
G4	Current iteration of Global Reporting Initiative guidelines
GDP	Gross Domestic Product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HO	Head office
HR	Human resources
HVAC	Heating, ventilation, air handling and cooling
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Committee
IoT	Internet of Things
IP	Internet protocol
<IR>	International Integrated Reporting Framework of the IIRC
ISO	International Standards Organisation
IT	Information technology
ITIL	Information Technology Infrastructure Library
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
KVA	1 000 volt amps
LAN	Local area network
LED	Light emitting diode
MICT SETA	Media, Information and Communications Technologies Sector Education and Training Authority
MSP	Managed Service Provider
MST	Mustek Security Division
NVR	Network video recorder
OEM	Original equipment manufacturer
OS	Operating system
PC	Personal computer
PDIs	Previously disadvantaged individuals
PDMM	Plan, deploy, manage and maintain
PMBok	Project Management Body of Knowledge
POS	Point of sale
PSIRA	The Private Security Industry Regulatory Authority
PV	Photovoltaic
QMS	Quality management system
R&D	Research and development
SAAS	Software as a Service
SHEQ	Safety, Health, Environmental and Quality
SMB	Small and medium-sized business
SMME	Small, micro and medium enterprises
SPA	Service provider aggregator (operating model)
UPS	Uninterrupted power supply
WAN	Wide area network
ZAR	South African Rand

Remuneration and Nominations Committee report

The committee comprises three directors, being Ralph Patmore (chairman), Len Konar and Mdu Gama, all of whom are independent non-executive directors. Mdu Gama was appointed as a member of the committee on 31 March 2015.

The Chief Executive Officer, Financial Director, Managing Director, Company Secretary and human resources executive attend the meetings by invitation.

The committee operates under formal Terms of Reference in terms of which it is required to meet at least twice a year in order to fulfil the functions assigned to it.

The Chairman of the Board is not eligible for appointment as chairman of the committee, but presides as chairman when the committee fulfils its oversight responsibilities on nomination matters and Board/director interactions.

During the period under review, the following meetings were held and the attendance of the meetings was as follows:

Member	20 August 2014	24 June 2015
Ralph Patmore (Chairman)	✓	✓
Len Konar	✓	✓
Mdu Gama	n/a	✓

✓ – attended.
n/a – not appointed yet.

This report, which describes how the committee has discharged its responsibilities in respect of the financial year ended 30 June 2015, will be presented to shareholders at the annual general meeting to be held on 11 December 2015.

Remuneration philosophy

Recognising that the Group is operating in a competitive environment, the Mustek remuneration philosophy:

- plays an integral part in supporting the implementation of Mustek's business strategies
- motivates and reinforces individual and team performance
- is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

Mustek's application of remuneration practices in all businesses and functions:

- aims to be market competitive in specific labour markets in which people are employed
- determines the value proposition of the various positions within job families or functions
- ensures that performance management forms an integral part of remuneration, thereby influencing the remuneration components of base pay and incentives
- applies good governance to remuneration practices within approved structures.

The alignment of these remuneration principles aims to meet the strategic objectives of:

- attracting, retaining and motivating key and talented people
- competing in the marketplace with the intention of being a preferred employer
- rewarding individual and business performance and encouraging superior performance.

The remuneration philosophy is based on the following key principles:

- remuneration should support the Group's strategies and be consistent with the organisation's culture of fairness and equity
- remuneration directly correlates with the growth objectives and financial performance targets and actual achievements of the business of the Group
- remuneration should be reviewed and benchmarked regularly through independent external professional service providers to ensure that the Group remains competitive in the diverse markets in which its operates, not applying percentiles rigidly but taking into account industry type, skills scarcity, performance, and legislative structure requirements
- remuneration should be motivated and allow for differentiation to reward higher performers
- individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

Remuneration mix

Mustek's remuneration structure comprises:

- guaranteed packages
- short-term incentives
- long-term incentives.

Guaranteed packages

Following established best market practice, salaries are set with reference to the scope and nature of an individual's role and his or her performance and experience, comparing with the 50th to 75th quartile pay levels of South African companies to ensure sustainable performance and market competitiveness.

Employees receive guaranteed packages which include membership of one of the Group's medical healthcare schemes and a travel or vehicle allowance for necessary business travel. Retirement and risk benefits, including death in-service benefits, also apply, subject to the rules of the post-retirement funds.

Employees' guaranteed remuneration is reviewed and increased annually in June by the Remuneration and Nominations Committee.

Short-term incentives

In addition to guaranteed packages, executive directors and members of senior management participate in an annual performance bonus scheme to reward the achievement of agreed Group financial, strategic and personal performance objectives. These targets are determined by the Remuneration and Nominations Committee and include measures of corporate performance.

For the year ending 30 June 2016, the weighting for short-term incentives will be as follows:

- 60% profit before tax
- 30% working capital management
- 10% discretionary, based on various defined components.

These components will be scored as follows:

Profit before tax

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

Working capital

- if the improvement in net working capital as a percentage of annualised revenue is 20% or more compared with the average for the previous two years, a score of 100% is achieved for this component
- if the improvement in net working capital as a percentage of annualised revenue is between 10% and 20% compared with the average for the previous two years, a score of 75% is achieved for this component
- if the improvement in net working capital as a percentage of annualised revenue is between 0% and 10% compared with the average for the previous two years, a score of 50% is achieved for this component.

Net working capital is calculated by adding receivables and inventory and deducting accounts payable and then dividing it by annualised revenue. The calculation will be done on a quarterly basis and the average score for the year will be used to determine the score for this component.

The Mustek executive directors can earn up to 100% of their annual cost-to-company guaranteed packages as bonuses. The Rectron Proprietary Limited's (Rectron) executive directors and Mustek's Executive Committee members can earn up to 50% of their annual cost-to-company packages as bonuses.

Mustek's Executive Committee members' bonuses will be calculated based on Mustek's performance, whereas Rectron's Executive Directors' bonuses will be calculated based on Rectron's performance. The Mustek executive directors' bonus calculation will be weighted 65% in terms of Mustek's performance and 35% for Rectron's performance.

No short-term incentive will be paid by either Mustek or Rectron if the return on equity achieved for the year ending 30 June 2016 is less than 15%.

Long-term incentives – Mustek Share Appreciation Rights Schemes

Executive directors and a limited number of executive management members participate in the Mustek Share Appreciation Rights Schemes, which are designed to recognise the contributions of senior staff to the growth in the value of the Group's financial position and performance and to retain key employees.

The current Mustek Share Appreciation Rights Scheme will lapse on 8 April 2021 and a new Mustek Share Appreciation Rights Scheme was approved by the Board on 26 August 2015 and will be implemented effective 1 July 2015.

Details of the benefits held by executive directors under the existing long-term incentive schemes are detailed in note 27.

Employee participation

The Group will continue to have its operating decisions made at the appropriate levels of its diverse business. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to always think about how they can do things better. The Group strives to liberate the initiative and energies of its people, because they are the ones who make the difference to the performance of the Group.

Policy on directors' fees and remuneration

The directors are appointed to the Board to bring competencies and experience appropriate to achieving the Group's objectives.

Executive directors

The current employment agreements of executive directors outline the components of their remuneration. At present, remuneration is divided into two components: a fixed component and a variable component comprising an annual performance bonus and long-term incentives in the form of the current Mustek Share Appreciation Rights Scheme, ensuring that a portion of their package is linked to the achievement of improved business performance.

Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors.

Non-executive directors

It is the Group's policy to identify, attract and retain non-executive directors who can add significant value to Mustek. It is also the Group's policy to refresh the Board and committees in line with the needs of the business and shareholders from time to time.

The Executive Committee and other directors at Mustek recommend fees payable to the Chairman and directors for approval by the shareholders. Fees are approved for an annual period commencing on 1 July each year. The annual fees payable to non-executive directors for the period commencing on 1 July 2015 will be recommended to shareholders at the annual general meeting of members to be held on 11 December 2015. Please refer to page 179 for a summary of the fees included in the notice of annual general meeting.

Nomination responsibilities

The committee is responsible for regularly reviewing and making recommendations on the Group's Board structure and the size and composition of the Board. The committee furthermore ensures that an appropriate balance exists between executive, non-executive and independent directors and considers and approves the classification of directors as being independent, in line with the King Code. It assists with the identification and nomination of new directors and appointment by the Board and/or shareholders and oversees induction and training of directors.

Committee evaluation

The Company Secretary conducted a self-evaluation of the committee's performance, mix of skills and individual contributions of members and its achievements in terms of its mandate from the Board. The results were reviewed by the committee, which was satisfied with the overall assessment and execution of its responsibilities.

Ralph Patmore
Remuneration and Nominations Committee Chairman

26 August 2015

Social and Ethics Committee report

Performance for 2014/2015

During the year under review, the committee met on a quarterly basis. This report describes how the committee discharged its responsibilities in respect of the financial year ended 30 June 2015.

UN Global Compact Principles

In accordance with the Regulations to the Companies Act, the company's activities are examined against the 10 UN Global Compact Principles. It is recognised that this will be an ongoing process, and the committee has elected to begin the process by initially focusing on the following three principles: human rights, child labour and the environment.

How the Group has endorsed these principles and complied therewith are reported on more fully elsewhere in this integrated annual report.

The precautionary approach to environmental challenges required by principle 7 is dealt with under the environmental impact section of the integrated annual report and our initiatives relative to the development and diffusion of environmentally friendly technologies are also reported in this integrated annual report.

Ethics management

The Code of Ethics and Business Conduct, which embodies our key principles and values, was reviewed during the year and confirmed to be relevant and effective.

The company's Fraud Prevention Policy was approved, with an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. The "whistle-blowing" facility is working as intended and reported calls are being discussed at quarterly meetings.

Labour

Employment equity policies embody our commitment to implementing employment equity across the Group. Our employment equity forums continue to provide input into the employment equity management of the Group. During the year under review, further attention was given to our compliance with the South African Broad-Based Black Economic Empowerment Act, as well as to the development and advancement of local talent in the other countries in which the Group operates. The five-year employment equity plan will be submitted during the current financial year to the Department of Labour.

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.

Health and safety

The Group continues with its endeavours to constantly improve its health and safety practices. These continue to improve annually and are reported on in this report.

Socio-economic development

In line with our strategic intent to be welcomed in the communities in which we operate, Mustek strives to support the advancement of all communities where its operations are located and our corporate social investment policy entrenches this philosophy. Sustainable community development is achieved, inter alia, through employment, procurement and supply chain development.

The Group provides much-needed employment and other social benefits in the areas in which it operates.

Sustainability

The Group's sustainability framework gives focus to energy and emissions, biodiversity, water, economic factors including outgrower development and agricultural productivity, and product responsibility. These matters are elaborated upon further in this report.

The key sustainability risks and opportunities which received focus in the year under review were:

- energy and carbon management
- increased focus on water usage by adopting a water footprint methodology
- a culture of continual improvement, an initiative to be embedded across the Group.

Consumer legislation

The Group's adherence to the consumer protection laws in the countries in which it operates is regularly monitored and complied with.

Empowerment and employment equity

Mustek places particularly high value on the abilities and contributions made by employees in the development and achievements of its businesses.

The Group is open to new partnerships that will increase shareholder value as well as plough back skills and resources into the South African community.

The Group has employment policies which it believes are appropriate to the business and the market in which it trades. They are designed to attract, motivate and retain quality staff at all levels. Equal employment opportunities are offered to all employees without discrimination.

Around the globe, the Group is an equal opportunities employer. In terms of the Employment Equity Act, the Group strives to afford all staff members opportunities to realise their full potential and advance their careers. The Group is committed to a working environment that is free from discrimination and seeks to develop skills and talent inherent in its work force.

Environment
The underlying philosophy of the Group's environmental policy is the adoption of protective strategies to manage and control the impact of Mustek's operations upon the environment, at the same time as safeguarding its extensive assets and human resources.

Management reporting
Management reporting disciplines include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against the approved budgets. Profit projections and cash flow forecasts are reviewed regularly, while working capital and borrowing levels are monitored on an ongoing basis.

Broad-Based Black Economic Empowerment (B-BBEE)
Mustek remains focused on delivering the identified initiatives in order to reach and improve its targets relating to B-BBEE recognition levels. Mustek has been certified as a Level-2 contributor, which means that Mustek's customers can claim 125 cents in every Rand procured from Mustek.

Evaluation of committee performance
An evaluation of the performance of the committee was carried out and the evaluations recognised that although the committee was in its formative stages, it has had an encouraging start and that progress with the many objectives outlined in the annual work plan was still to be made.

Len Konar (Dr)
Social and Ethics Committee Chairman

26 August 2015

Annual financial statements

Directors' responsibility for financial reporting

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The consolidated and separate financial statements are based on appropriate accounting policies supported by reasonable and prudent judgements, with estimates that have been consistently applied and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Group's independent external auditors, Deloitte & Touche, have audited the consolidated and separate financial statements and their unmodified report appears on page 94.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The 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 foreseeable future.

The annual financial statements set out on pages 102 to 173 were approved by the Board of directors on 26 August 2015 and are signed on its behalf by:

D Konar

D Konar
Chairman

DC Kan
Chief Executive Officer

26 August 2015

Certification by Company Secretary

In terms of section 88(2)(e) of the Companies Act (Act 71 of 2008), as amended (the Act), I certify that for the year ended 30 June 2015, Mustek Limited 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.

S van Schalkwyk
Company Secretary

26 August 2015

The annual financial statements have been prepared by Ernst Nieuwoudt (Group Accountant, CA(SA)), under supervision of Neels Coetzee (Financial Director, CA(SA)).

Independent auditors' report

for the year ended 30 June 2015

To the shareholders of Mustek Limited

We have audited the consolidated and separate financial statements of Mustek Limited, set out on pages 102 to 173, which comprise the statements of financial position as at 30 June 2015, and the statements of comprehensive income, the statements of changes in equity, the cash flow statements for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory statements of information.

Directors' responsibility for the financial statements

The company's 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 the consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements presents fairly, in all material respects, the consolidated and separate financial position of Mustek Limited as at 30 June 2015, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' report, Audit and Risk Committee report and Certification by Company Secretary report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Bester Greyling
Partner

31 August 2015

Audit and Risk Committee report

The Audit and Risk Committee operates under a formal mandate that has been approved by the Board and has conducted its affairs in compliance and discharged its responsibilities as stipulated in the committee terms of reference. The Audit and Risk Committee Terms of Reference are available on request.

Due to the size of the company, the Board made a decision to combine the Audit and Risk Committees and attend to both audit and risk responsibilities in one committee.

Audit and Risk Committee members

The committee consists of three non-executive directors, all of whom are independent. The members of the committee are Ralph Patmore (Chairman), Thembisa Dingaan and Mdu Gama. The committee's composition is in line with the requirements of the Companies Act, 2008 as amended (the Companies Act), having three independent non-executive directors.

The Chairman of the Board, the Chief Executive Officer, the Managing Director, the Financial Director, the head of internal audit, other assurance providers and the external auditors attend all committee meetings.

During the period under review, the following meetings were held and the attendance of the meetings was as follows:

Member	22 Aug 2014	14 Nov 2014	19 Feb 2015	18 May 2015
Ralph Patmore (Chairman)	✓	✓	✓	✗
Thembisa Dingaan	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓

✗ – *absent with apology.*

Roles and responsibilities

The committee's roles and responsibilities include its statutory duties as defined in the Companies Act and the responsibilities assigned to it by the Board. The committee reports to both the Board and shareholders.

External auditor

During the year under review, the committee undertook the following activities:

- nominated Deloitte & Touche as the external auditor, with Mr Bester Greyling as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2015 and ensured that the appointment complied with all legal and regulatory requirements for the appointment of an auditor
- confirmed that the auditor and the designated auditor are accredited by the JSE
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor
- reviewed the effectiveness of the audit and evaluated the effectiveness of the auditor
- obtained a statement from the auditor confirming that its independence was not impaired
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken
- obtained assurances from the external auditor that adequate accounting records were being maintained
- confirmed that no reportable irregularities had been identified nor reported by the auditors under the Auditing Profession Act
- nominated the external auditor and the designated independent auditor for each of the subsidiary companies for the financial year ended 30 June 2015.

Internal control and internal audit

During the year, the committee:

- reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal auditor
- considered the reports of the internal and external auditors of the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems
- reviewed assurance that proper accounting records were maintained and that the systems safeguard the Group's assets against unauthorised use or disposal
- reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response
- assessed the adequacy of the performance of the internal audit function and confirmed it satisfactory.

Financial statements

During the year, the committee:

- confirmed, based on managements' review, that the interim and annual financial statements were drawn up on the going-concern basis
- examined the published interim and annual financial statements and other financial information, prior to the Board's approval
- considered the accounting treatment of significant or unusual transactions and accounting judgements by management
- considered the appropriateness of accounting policies and any changes made
- reviewed the audit report on the annual financial statements
- reviewed the representation letter relating to the annual financial statements signed by management
- considered any weaknesses identified as well as any legal and tax matters that could materially affect the financial statements
- met separately with management, the external auditor and internal auditor
- concluded that the annual financial statements fairly present the financial position of the Group and Company at the end of the financial year and the results of operations and cash flow for the financial year.

Having reviewed the audited annual financial statements of the Group, which are electronically available on the Group's website at **www.mustek.com**, particularly to ensure that disclosure was adequate and that fair presentation had been achieved, the committee has recommended the approval of the annual financial statements to the Board.

Financial Director and finance function

As required by the JSE Listings Requirements 3.84(h), the committee has:

- considered the experience and expertise of the Financial Director, Neels Coetzee, CA(SA), and concluded that these were satisfactory
- considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

Legal, regulatory and corporate governance requirements

During the year under review, the committee:

- reviewed with management all legal matters that could have a material impact on the Group
- monitored complaints received via the Group's ethics line or otherwise
- considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements.

Risk management and information technology

During the year under review, the committee:

- reviewed and approved the Group's risk management plan, defining Mustek's risk management methodology
- reviewed quarterly risk reports containing pertinent risks and opportunities aligned to the Group's vision and mission, emerging events and reportable incidents
- reviewed the Group's policies on the risk assessment and risk management, including fraud risks and information technology and found them to be sound
- received a limited assurance report of management's assessment of the effectiveness of the Group's system of internal control over financial reporting from the external auditors, Deloitte & Touche.

Sustainability

During the year under review, the committee:

- reviewed the sustainability report included in the Group's integrated annual report and satisfied itself that it is consistent with the annual financial statements
- considered the desirability of obtaining external assurance regarding the sustainability review and recommended to the Board that it would serve no useful purpose at this time in view of the developing nature of the Group's sustainability information systems.

Committee evaluation

The Company Secretary conducted a self-evaluation exercise of the committee's performance, mix of skills and individual contributions of members, its achievements in terms of its mandate from the Board. The results were reviewed by the committee, which was satisfied with the overall assessment. Identified areas to be addressed are receiving attention.

Subsequent events

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the end of the period under review.

Election of committee at 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 11 December 2015 that Ralph Patmore and Mdu Gama be re-appointed as members of the Audit and Risk Committee until the next annual general meeting in 2016.

Recommendation of the integrated report for approval by the Board

The annual financial statements were approved by the Board on 26 August 2015. The committee recommended the integrated annual report for approval by the Board.

Ralph Patmore
Audit and Risk Committee Chairman

26 August 2015

Report of the directors

for the year ended 30 June 2015

Introduction

The directors have pleasure in presenting their report on the activities of the company and the Group for the year ended 30 June 2015.

General review

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 from these activities was R184.3 million (2014: R143.6 million).

Share capital

The authorised and issued share capital of the company is detailed in note 18 to the annual financial statements.

Mustek acquired 4 999 289 ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R42 490 958 (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 meetings (AGM) held on 13 December 2013 and 12 December 2014 and comprises 4.64% of the total issued ordinary shares of Mustek at the date of the 2014 AGM.

The general repurchase commenced on 24 November 2014 and continued on a day-to-day basis as market conditions allowed and in accordance with the JSE Limited (JSE) Listings Requirements until 27 May 2015. 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. The highest and lowest prices paid by Mustek for the ordinary shares were 930 cents and 750 cents per share, respectively.

1 940 000 ordinary shares were issued to employees in terms of the Mustek Executive Share Scheme at a price of 836 cents per share. Mustek advanced a loan to the value of R16 218 400 to the Mustek Executive Share Trust, which advanced loans to the employees for the purpose of providing financial assistance in order to acquire the shares. Interest is calculated at the repo rate plus 100 basis points and is repayable on demand. All the rights, title and interest in the shares have been ceded and pledged as security to the lender.

Directors

The directors in office at the date of this report were as follows:

Non-executive	Executive	Business address	Postal address
D Konar[1, 3, 4] (Chairman)	DC Kan (Chief Executive Officer)	322 15th Road	PO Box 1638
ME Gama[1, 2, 3, 4]	H Engelbrecht[4, 5]	Randjespark	PARKLANDS
T Dingaan[1, 2]	CJ Coetzee[5]	MIDRAND	2121
RB Patmore[1, 2, 3, 5]		1685	

[1] *Independent.*
[2] *Audit and Risk Committee member.*
[3] *Remuneration and Nomination Committee member.*
[4] *Social and Ethics Committee member.*
[5] *These directors are retiring in terms of the company's Memorandum of Incorporation. In terms of the statutes of the company RB Patmore, H Engelbrecht and CJ Coetzee are available for re-election at the next annual general meeting. Biographical details of all the directors are set out on pages 78 and 79.*

Company Secretary

S van Schalkwyk

Dividends

A final dividend of 28 cents per ordinary share was declared on 26 September 2014 and paid on 6 October 2014. During the previous financial year, a final dividend of 20 cents per ordinary share was declared on 27 September 2013 and paid on 7 October 2013.

Shareholders' spread

At 30 June 2015, insofar as is known, the following shareholders beneficially held more than 5% of the issued Mustek Limited shares:

Shareholding – ordinary shares in issue	Number of shares	% of shares in issue
Old Mutual Life Assurance Company SA Limited	19 625 650	18.9
DK Trust	9 032 442	8.7
Old Mutual Albaraka Equity Fund	6 551 680	6.3
	35 209 772	33.9

2015 Shareholding – ordinary shares in issue	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5 000	816	71.6	1 038 693	1.0
5 001 – 10 000	97	8.5	770 903	0.8
10 001 – 50 000	110	9.6	2 589 070	2.5
50 001 – 100 000	34	3.0	2 617 600	2.5
100 001 – 1 000 000	58	5.1	19 187 534	18.5
Over 1 000 000	25	2.2	77 419 671	74.7
	1 140	100.0	103 623 471	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% of shares in issue
Non-public shareholders				
Directors of the Company	4	0.3	4 798 349	4.6
Companies controlled by directors	1	0.1	2 460 083	2.4
Trusts with directors as trustees	1	0.1	9 032 442	8.7
Public shareholders	1 134	99.5	87 332 597	84.3
	1 140	100.0	103 623 471	100.0

At 30 June 2014, insofar as is known, the following shareholders beneficially held more than 5% of the issued Mustek shares:

Shareholding – ordinary shares in issue	Number of shares	% of shares in issue
Old Mutual Life Assurance Company SA Limited	20 130 458	18.9
DK Trust	8 032 442	7.5
Nedgroup Growth Fund	5 399 491	5.1
	33 562 391	31.5

2014 Shareholding – ordinary shares in issue	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5 000	827	71.5	1 071 363	1.0
5 001 – 10 000	107	9.3	852 671	0.8
10 001 – 50 000	114	9.9	2 547 183	2.4
50 001 – 100 000	26	2.2	1 944 984	1.8
100 001 – 1 000 000	59	5.1	20 771 432	19.5
Over 1 000 000	23	2.0	79 495 127	74.5
	1 156	100.0	106 682 760	100.0

Shareholders' spread *(continued)*

Public/non-public shareholders	Number of shareholders	%	Number of shares	% of shares in issue
Non-public shareholders				
Directors of the company	4	0.3	4 798 349	4.5
Companies controlled by directors	1	0.1	2 460 083	2.3
Trusts with directors as trustees	2	0.2	9 282 442	8.7
Public shareholders	1 149	99.4	90 141 886	84.5
	1 156	100.0	106 682 760	100.0

Fair value adjustments to and impairments of goodwill, other intangible assets, investments in and loans to subsidiaries, associates and other investments

The directors considered the fair value of Mustek's goodwill, investments in and loans to subsidiaries, associates and other investments. Refer notes 10, 11, 12 and 13 to the annual financial statements for more information. The following matters are highlighted with regards to the aforementioned consideration:

Zinox Technologies Limited

Zinox Technologies Limited (Zinox) is a company incorporated in Nigeria. On 13 March 2008, Zinox Technologies Limited issued additional shares as part of a merging transaction. The Group's investment diluted from 30% to 12% as a result of the transaction and the investment was reclassified from an associate to an available-for-sale investment in the 2008 financial year. Due to the restrictive nature of cross-border investment, the investment in Zinox Technologies Limited has been valued at net asset value. Based on the latest financial information available for Zinox Technologies Limited, the net asset value was found to approximate the carrying value of the investment and therefore no fair valuation adjustments or impairments have been recognised for this investment.

On 9 July 2013, Zinox disposed of its investments in Task Systems Limited and Technology Distributions Limited in exchange for Zinox shares. As part of the transaction, the Group increased its shareholding in Zinox to 30% and then disposed of a portion of its investment for a cash consideration of USD850 000. The Group retains its 20% investment in Zinox.

Acquisition of land

On 27 May 2015, the Group acquired a building in Bloemfontein for an amount of R8.8 million.

Other income

Included in other income in the current year is a net amount of R26.8 million relating to certain disputes that were settled between Mustek and various other parties. The settlement amount is still outstanding at year-end as the parties agreed to pay the settlement amount to Mustek on or before 1 June 2016. The outstanding amount attracts interest at a rate of 9% per annum.

Stock loss

The gross profit percentage was further impacted by 0.3% as a result of a robbery at Mustek which resulted in a net loss of R14.0 million. Management has subsequently upgraded the security controls on the premises and is reviewing the insured amounts.

Special resolutions

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

- the company and its subsidiaries are authorised, by way of a general authority, to acquire ordinary shares issued by the company, subject to the provisions of the Companies Act (Act 71 of 2008), as amended, the Listings Requirements of the JSE and the Memorandum of Incorporation of the company
- with effect from 1 July 2014, 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.

Declaration of dividends

A gross dividend of 35 cents per ordinary share was declared as follows after the end of the financial year:

Last day of trade *cum* dividend	Friday, 25 September 2015
First day to trade *ex* dividend	Monday, 28 September 2015
Record date	Friday, 2 October 2015
Payment date	Monday, 5 October 2015

Post statement of financial position events

There have been no significant events subsequent to year-end up until the date of this report that require adjustment to or disclosure in these annual financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Notes	2015 R000	2014 R000
Revenue	2	5 310 102	4 764 123
Cost of sales		(4 624 183)	(4 109 007)
Gross profit		685 919	655 116
Other income		37 826	10 006
Foreign currency losses		(547)	(23 162)
Distribution, administrative and other operating expenses		(489 697)	(460 501)
Profit from operations	3	233 501	181 459
Investment revenues	4	17 364	6 388
Finance costs	5	(77 416)	(50 513)
Other losses	6	—	(739)
Share of profit of associates	12	10 813	6 988
Profit before tax		184 262	143 583
Income tax expense	7	(50 155)	(39 400)
Profit for the year		134 107	104 183
Other comprehensive income			
Exchange differences on translation of foreign operations (not reclassified to profit and loss)		540	3 228
Other comprehensive income for the year, net of tax		540	3 228
Total comprehensive income for the year		134 647	107 411
Profit attributable to:			
Equity holders of the parent		132 720	107 334
Non-controlling interest		1 387	(3 151)
		134 107	104 183
Total comprehensive income attributable to:			
Equity holders of the parent		133 840	109 663
Non-controlling interest		807	(2 252)
		134 647	107 411
Earnings per share (cents)	8		
Basic earnings per ordinary share		124.94	100.07
Diluted basic earnings per ordinary share		124.94	100.07

Consolidated statement of financial position

as at 30 June 2015

	Notes	2015 R000	2014 R000
ASSETS			
Non-current assets			
Property, plant and equipment	9	174 709	160 029
Intangible assets	10	62 843	60 032
Investments in associates	12	61 478	51 589
Other investments and loans	13	77 653	70 894
Deferred tax assets	14	29 593	29 164
		406 276	371 708
Current assets			
Inventories	15	1 129 663	1 036 984
Inventories in transit	15	206 035	232 895
Trade and other receivables	16	1 246 139	839 036
Foreign currency assets	21	8 179	839
Tax assets		2 059	16 555
Bank balances and cash	17	459 832	203 163
		3 051 907	2 329 472
TOTAL ASSETS		3 458 183	2 701 180
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated capital	18	93 354	119 627
Retained earnings		894 636	791 787
Non-distributable reserve		809	809
Foreign currency translation reserve		4 949	3 829
Equity attributable to equity holders of the parent		993 748	916 052
Non-controlling interest		19 268	18 461
Total equity		1 013 016	934 513
Non-current liabilities			
Long-term borrowings	19	23 127	34 788
Deferred tax liability	14	4 576	—
Deferred income	29	15 627	14 725
		43 330	49 513
Current liabilities			
Short-term borrowings	19	2 687	1 474
Trade and other payables	20	2 011 195	1 400 445
Foreign currency liabilities	21	1 373	2 452
Deferred income	29	22 238	35 470
Tax liabilities		2 595	7
Bank overdrafts	19	361 749	277 306
		2 401 837	1 717 154
Total liabilities		2 445 167	1 766 667
TOTAL EQUITY AND LIABILITIES		3 458 183	2 701 180

Consolidated statement of changes in equity

for the year ended 30 June 2015

	Ordinary stated capital R000	Retained earnings R000	Non-distributable reserve* R000	Foreign currency translation reserve R000	Attributable to equity holders of the parent R000	Non-controlling interest R000	Total R000
Balance at 30 June 2013	117 916	706 140	809	1 500	826 365	12 546	838 911
Net profit for the year	—	107 334	—	—	107 334	(3 151)	104 183
Other comprehensive income	—	—	—	2 329	2 329	899	3 228
Dividends paid	—	(21 687)	—	—	(21 687)	—	(21 687)
Acquisition of new subsidiary	—	—	—	—	—	8 167	8 167
Buy back of shares	(36 327)	—	—	—	(36 327)	—	(36 327)
Shares issued	38 038	—	—	—	38 038	—	38 038
Balance at 30 June 2014	119 627	791 787	809	3 829	916 052	18 461	934 513
Net profit for the year	—	132 720	—	—	132 720	1 387	134 107
Other comprehensive income	—	—	—	1 120	1 120	(580)	540
Dividends paid	—	(29 871)	—	—	(29 871)	—	(29 871)
Buy back of shares (refer note 18)	(42 491)	—	—	—	(42 491)	—	(42 491)
Shares issued (refer note 18)	16 218	—	—	—	16 218	—	16 218
Balance at 30 June 2015	93 354	894 636	809	4 949	993 748	19 268	1 013 016

* *Exchange differences arising from the translation of the results and net assets of the Group's foreign operations from their respective functional currencies to the Group's reporting currency, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.*

	2015 R000	2014 R000
Dividend per share (cents)		
Dividend per ordinary share – paid	28.00	20.00
Dividend per ordinary share – proposed	35.00	28.00

Consolidated statement of cash flows

for the year ended 30 June 2015

	Notes	2015 R000	2014 R000
OPERATING ACTIVITIES			
Cash receipts from customers		4 902 999	4 616 623
Cash paid to suppliers and employees		(4 528 976)	(4 700 380)
Net cash from (used in) operations	22	374 023	(83 757)
Investment revenues received	4	17 364	6 388
Finance costs paid	5	(77 416)	(50 513)
Dividends paid		(29 871)	(21 687)
Income taxes paid		(29 329)	(76 229)
Net cash from (used in) operating activities		254 771	(225 798)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(31 340)	(27 908)
Proceeds from sale of property, plant and equipment		600	803
Decrease (increase) in investments in and loans to associates	12	924	(28 639)
Increase in investments and loans	13	(6 759)	(40 178)
Additions to intangible asset	10	(10 151)	(8 699)
Net cash used in investing activities		(46 726)	(104 621)
FINANCING ACTIVITIES			
Issue of ordinary shares	18	16 218	38 038
Buy back of ordinary shares	18	(42 491)	(36 327)
(Decrease) increase in long-term borrowings	19	(10 759)	4 591
Increase (decrease) in short-term borrowings	19	1 213	(37)
Increase in bank overdrafts	19	84 443	60 717
Net cash from financing activities		48 624	66 982
Net increase (decrease) in cash and cash equivalents		256 669	(263 437)
Cash and cash equivalents at beginning of the year		203 163	466 600
Cash and cash equivalents at end of the year	17	459 832	203 163

Company statement of comprehensive income

for the year ended 30 June 2015

	Notes	2015 R000	2014 R000
Revenue	2	3 199 596	3 033 745
Cost of sales		(2 753 399)	(2 578 883)
Gross profit		446 197	454 862
Other income		25 224	3 072
Foreign currency losses		1 344	(18 414)
Distribution, administrative and other operating expenses		(304 607)	(304 880)
Profit from operations	3	168 158	134 640
Investment revenues	4	65 686	11 501
Finance costs	5	(43 886)	(29 206)
Other gains	6	—	3 180
Profit before tax		189 958	120 115
Income tax expense	7	(37 499)	(32 161)
Profit for the year		152 459	87 954
Other comprehensive income, net of tax		—	—
Total comprehensive income for the year		152 459	87 954

Company statement of financial position

as at 30 June 2015

	Notes	2015 R000	2014 R000
ASSETS			
Non-current assets			
Property, plant and equipment	9	34 194	27 801
Intangible assets	10	11 848	9 478
Investments in subsidiaries	11	263 195	258 341
Investments in associates	12	14 105	15 029
Other investments and loans	13	67 912	61 153
Deferred tax asset	14	18 326	21 729
		409 580	393 531
Current assets			
Inventories	15	738 214	698 032
Inventories in transit	15	68 745	89 085
Trade and other receivables	16	788 037	440 786
Foreign currency assets	21	5 870	655
Tax asset		1 360	15 743
Bank balances and cash	17	328 006	120 368
		1 930 232	1 364 669
TOTAL ASSETS		2 339 812	1 758 200
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated capital	18	93 354	119 627
Retained earnings		598 286	475 698
Total equity		691 640	595 325
Non-current liabilities			
Long-term borrowings	19	1 108	10 937
Deferred income	29	15 627	14 725
		16 735	25 662
Current liabilities			
Short-term borrowings	19	1 155	17
Trade and other payables	20	1 151 704	721 884
Foreign currency liabilities	21	126	1 552
Loans owing to subsidiaries	11	112 683	122 895
Deferred income	29	22 238	35 468
Bank overdrafts	19	343 531	255 397
		1 631 437	1 137 213
Total liabilities		1 648 172	1 162 875
TOTAL EQUITY AND LIABILITIES		2 339 812	1 758 200

Company statement of changes in equity

for the year ended 30 June 2015

	Ordinary stated capital R000	Retained earnings R000	Total R000
Balance at 30 June 2013	117 916	409 431	527 347
Net profit for the year	—	87 954	87 954
Other comprehensive income	—	—	—
Dividends paid	—	(21 687)	(21 687)
Buy back of shares	(36 327)	—	(36 327)
Shares issued	38 038	—	38 038
Balance at 30 June 2014	119 627	475 698	595 325
Net profit for the year	—	152 459	152 459
Other comprehensive income	—	—	—
Dividends paid	—	(29 871)	(29 871)
Buy back of shares (refer note 18)	(42 491)	—	(42 491)
Shares issued (refer note 18)	16 218	—	16 218
Balance at 30 June 2015	93 354	598 286	691 640

Company statement of cash flows

for the year ended 30 June 2015

	Notes	2015 R000	2014 R000
OPERATING ACTIVITIES			
Cash receipts from customers		2 852 345	2 964 872
Cash paid to suppliers and employees		(2 624 535)	(3 025 720)
Net cash from (used in) operations	22	227 810	(60 848)
Interest received	4	8 118	4 598
Finance costs paid	5	(43 886)	(29 206)
Dividends received	4	57 568	6 903
Dividends paid		(29 871)	(21 687)
Income taxes paid		(19 713)	(57 288)
Net cash from (used in) operating activities		200 026	(157 528)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(16 979)	(10 240)
Proceeds from sale of property, plant and equipment		601	416
Increase in investments in subsidiaries	11	—	(21 796)
Increase in loans to subsidiaries	11	(15 066)	(12 219)
Decrease (increase) in loans to associates	12	924	(13 473)
Additions to intangible asset	10	(9 181)	(7 108)
Increase in investments and loans	13	(6 759)	(40 178)
Net cash used in investing activities		(46 460)	(104 598)
FINANCING ACTIVITIES			
Issue of ordinary shares	18	16 218	38 038
Buy back of ordinary shares	18	(42 491)	(36 327)
(Decrease) increase in long-term borrowings	19	(8 927)	2 496
Increase (decrease) in short-term borrowings	19	1 138	(164)
Increase in bank overdrafts	19	88 134	50 155
Net cash from financing activities		54 072	54 198
Net increase (decrease) in cash and cash equivalents		207 638	(207 928)
Cash and cash equivalents at beginning of the year		120 368	328 296
Cash and cash equivalents at end of the year	17	328 006	120 368

Accounting policies

for the year ended 30 June 2015

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act of South Africa.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below, and are presented in South African Rand. These are consistent with the policies applied in the preparation of the annual financial statements for the financial year ended 30 June 2014.

Adoption of new and revised International Financial Reporting standards and interpretations

The following standards and interpretations were effective during the current financial year, but had no material impact on accounting policies, transactions, balances or disclosures:

IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting. Applicable to annual periods beginning on or after 1 January 2014.
IFRS 10	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – Applicable to annual periods beginning on or after 1 January 2014.
IFRS 12	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – Applicable to annual periods beginning on or after 1 January 2014.
IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – Applicable to annual periods beginning on or after 1 January 2014.
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Applicable to annual periods beginning on or after 1 January 2014.
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) – Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. Applicable to annual periods beginning on or after 1 January 2014.
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) – Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. Applicable to annual periods beginning on or after 1 July 2014.
IFRS 2	Annual Improvements 2010 – 2012 Cycle – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'. Applicable to annual periods beginning on or after 1 July 2014.
IFRS 3	Annual Improvements 2010 – 2012 Cycle – Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. Applicable to annual periods beginning on or after 1 July 2014.
IFRS 8	Annual Improvements 2010 – 2012 Cycle – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly. Applicable to annual periods beginning on or after 1 July 2014.
IFRS 13	Annual Improvements 2010 – 2012 Cycle – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Applicable to annual periods beginning on or after 1 July 2014.
IAS 16	Annual Improvements 2010 – 2012 Cycle – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount. Applicable to annual periods beginning on or after 1 July 2014.
IAS 38	Annual Improvements 2010 – 2012 Cycle – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount. Applicable to annual periods beginning on or after 1 July 2014.

IAS 24 Annual Improvements 2010 – 2012 Cycle – Clarify how payments to entities providing management services are to be disclosed. Applicable to annual periods beginning on or after 1 July 2014.

IFRS 1 Annual Improvements 2011 – 2013 Cycle – Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only). Applicable to annual periods beginning on or after 1 July 2014.

IFRS 3 Annual Improvements 2011 – 2013 Cycle – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. Applicable to annual periods beginning on or after 1 July 2014.

IFRS 13 Annual Improvements 2011 – 2013 Cycle – Clarify the scope of the portfolio exception in paragraph 52. Applicable to annual periods beginning on or after 1 July 2014.

IAS 40 Annual Improvements 2011 – 2013 Cycle – Clarifying the inter-relationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. Applicable to annual periods beginning on or after 1 July 2014.

IFRIC 21 Levies – Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Applies to annual periods beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements – Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC – 12 Consolidation – Special Purpose Entities. Applicable to annual reporting periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements – Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Applicable to annual reporting periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities – Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Applicable to annual reporting periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (2011) – Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. Applicable to annual reporting periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (2011) – This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Applicable to annual reporting periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Applicable to annual periods beginning on or after 1 January 2013.

IFRS 11 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Applicable to annual periods beginning on or after 1 January 2013.

IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Applicable to annual periods beginning on or after 1 January 2013.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 9	Financial Instruments (2009) – Introduces new requirements for classifying and measuring financial assets. No effective date is stated.
IFRS 9	Financial Instruments (2010) – A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. No effective date is stated.
IFRS 9	Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013) – A revised version of IFRS 9 which introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. No effective date is stated.
IFRS 9	Financial Instruments (2014) – A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. Effective for annual periods beginning on or after 1 January 2018.
IFRS 14	Regulatory Deferral Accounts – Permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Applicable to an entity’s first annual IFRS financial statements for a period beginning on or after 1 January 2016.
IFRS 15	Revenue from Contracts with Customers – IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. Applicable to an entity’s first annual IFRS financial statements for a period beginning on or after 1 January 2018.
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) – Applicable to annual periods beginning on or after 1 January 2016.
IAS 16	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) – Applicable to annual periods beginning on or after 1 January 2016.
IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) – Applicable to annual periods beginning on or after 1 January 2016.
IAS 16	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) – Applicable to annual periods beginning on or after 1 January 2016.
IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) – Applicable to annual periods beginning on or after 1 January 2016.
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27) – Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Applicable to annual periods beginning on or after 1 January 2016.
IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. Applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016.
IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. Applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016.

IFRS 5 Annual Improvements 2012 – 2014 Cycle – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. Applicable to annual periods beginning on or after 1 July 2016.

IFRS 7 Annual Improvements 2012 – 2014 Cycle – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements. Applicable to annual periods beginning on or after 1 July 2016.

IAS 9 Annual Improvements 2012 – 2014 Cycle – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. Applicable to annual periods beginning on or after 1 July 2016.

IAS 34 Annual Improvements 2012 – 2014 Cycle – Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference. Applicable to annual periods beginning on or after 1 July 2016.

IAS 1 Disclosure Initiative (Amendments to IAS 1) – Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports. Applicable to annual periods beginning on or after 1 July 2016.

IFRS 10 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. Applicable to annual periods beginning on or after 1 July 2016.

IFRS 12 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. Applicable to annual periods beginning on or after 1 July 2016.

IAS 28 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. Applicable to annual periods beginning on or after 1 July 2016.

IFRIC 21 Levies – Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Applies to annual periods beginning on or after 17 June 2014.

The directors anticipate that all of the above standards and interpretations will be adopted in the Group and company's financial statements for the periods commencing after 1 July 2014 and that the adoption of those interpretations will have no material impact on the financial statements of the Group and company in the period of initial application.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling shareholder's share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholder in excess of the non-controlling shareholder's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after re-assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

Non-current assets held for sale

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes. Consolidated revenue excludes sales to Group companies.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at statement of financial position date
- servicing fees included in the price of the products sold are recognised by reference to the proportion of the total cost of providing the service for the product, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Deferred revenue represents amounts received for services not yet rendered.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

Interest revenue 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings
- exchange differences on transactions entered into in order to hedge certain foreign currency risks
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in currency units using exchange rates prevailing on the statement of financial position date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense as they fall due. Contributions made to state-managed retirement benefit schemes are dealt with as contributions to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based payments

The Group issues equity-settled share options to certain employees. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Fair value is measured using a binomial tree that adheres to all the Black-Scholes option pricing principles. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each statement of financial position date.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Property, plant and equipment

All items of plant and equipment are stated at cost less accumulated depreciation, except for land, which is not depreciated.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in the estimates accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Intangible assets

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.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of intangible and tangible assets, excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost or 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. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with IAS 18 – Revenue.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 – Financial Instruments.

Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 21.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 21. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment's revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could, based on the judgement of management, include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of approximately 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held-for-trading or it is designated as at FVTPL.

A financial liability is classified as held-for-trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 – Financial Instruments:

Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 21.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Interest rate swaps

The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued, are included in trade receivables and trade payables, respectively. Payments and receipts under interest rate swap contracts are recognised in the statement of comprehensive income on a basis consistent with corresponding fluctuations in the interest payments on floating rate financial liabilities.

Redeemable preference shares

Preference shares, which are redeemable on a specific date or at the option of the shareholder, are presented in long-term liabilities. The dividends received on preference shares are recognised as investment income. The dividends paid on preference shares are recognised as finance costs.

Segments

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment and segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. Segment revenue, expenses and results include transfers between business segments (primary segments) and between geographical segments (secondary segments). Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- measurement of and disclosure of investment in associates (refer note 12).
- revenue recognition (refer notes 2 and 29).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- residual values and useful lives of property, plant and equipment (refer note 9)
- impairment of goodwill (refer note 10)
- valuation of investments (refer notes 13 and 21)
- inventory provisions (refer note 15)
- recoverability of accounts receivable (refer note 16)
- fair value of derivatives and other financial instruments (refer note 21).

Notes to the annual financial statements

for the year ended 30 June 2015

1. SEGMENTAL REPORTING

Business segments

The Group determines operating segments based on the manner in which information is provided internally to the key decision-makers, being executive management and the Board of directors.

For management purposes, the Group is currently organised into the following segments and these segments are the basis on which the Group reports its primary segment information:

Mustek Assembly and distribution of computer products and peripherals, including Mecer-branded products and related services.
Rectron Distribution of computer components and peripherals.
Group Includes investments in associates and other investments and loans. Refer to notes 12 and 13 for more information about their activities.

2015	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
REVENUE					
External sales	3 191 582	2 118 520	—	—	5 310 102
Inter-segment sales	55 336	281 839	—	(337 175)	—
Total revenue from continuing operations	3 246 918	2 400 359	—	(337 175)	5 310 102
SEGMENT RESULTS					
EBITDA*	181 055	67 865	6 726	—	255 646
Depreciation and amortisation	(17 607)	(4 538)	—	—	(22 145)
Profit from operations	163 448	63 327	6 726	—	233 501
Investment revenues	8 742	8 673	6 160	(6 211)	17 364
Finance costs	(45 022)	(32 394)	(6 211)	6 211	(77 416)
Share of associates' net profit (refer note 12)	—	—	10 813	—	10 813
Profit (loss) before tax	127 168	39 606	17 488	—	184 262
Income tax expense	(33 895)	(12 652)	(3 608)	—	(50 155)
Profit (loss) for the year	93 273	26 954	13 880	—	134 107

2014	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
REVENUE					
External sales	2 947 080	1 817 043	—	—	4 764 123
Inter-segment sales	144 324	284 149	—	(428 473)	—
Total revenue from continuing operations	3 091 404	2 101 192	—	(428 473)	4 764 123
SEGMENT RESULTS					
EBITDA*	178 372	51 403	(28 057)	—	201 718
Depreciation and amortisation	(13 286)	(6 973)	—	—	(20 259)
Profit (loss) from operations	165 086	44 430	(28 057)	—	181 459
Investment revenues	8 364	2 300	1 579	(5 855)	6 388
Finance costs	(29 687)	(20 826)	(5 855)	5 855	(50 513)
Other losses (refer note 6)	—	—	(739)	—	(739)
Share of associates' net profit (refer note 12)	—	—	6 988	—	6 988
Profit (loss) before tax	143 763	25 904	(26 084)	—	143 583
Income tax (expense) benefit	(41 719)	(6 734)	9 053	—	(39 400)
Profit (loss) for the year	102 044	19 170	(17 031)	—	104 183

** Earnings before interest, tax, depreciation and amortisation.*

1. SEGMENTAL REPORTING *(continued)*

BUSINESS SEGMENTS *(continued)*

2015	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
OTHER INFORMATION					
Capital expenditure	35 278	6 214	—	—	41 492
ASSETS					
Segment assets*	2 167 473	1 102 220	125 671	(718)	3 394 646
Investment in associates	—	—	61 478	—	61 478
Consolidated total assets	2 167 473	1 102 220	187 149	(718)	3 456 124
LIABILITIES					
Segment liabilities**	1 602 795	806 986	—	32 791	2 442 572
Number of employees at year-end	652	371	—	—	1 023

2014	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
OTHER INFORMATION					
Capital expenditure	27 326	9 282	—	—	36 608
ASSETS					
Segment assets*	1 538 634	975 748	118 912	(258)	2 633 036
Investment in associates	—	—	51 589	—	51 589
Consolidated total assets	1 538 634	975 748	170 501	(258)	2 684 625
LIABILITIES					
Segment liabilities**	1 092 894	651 050	—	22 716	1 766 660
Number of employees at year-end	674	346	—	—	1 020

GEOGRAPHICAL SEGMENTS

2015	Mecer East Africa R000	Rectron Australia R000	South Africa R000	Total R000
Revenue	49 481	268 696	4 991 925	5 310 102
(Loss) profit for the year	(928)	(4 000)	139 035	134 107
OTHER INFORMATION				
Capital expenditure	314	1 374	39 804	41 492
Segment assets*	55 280	135 021	3 265 823	3 456 124

2014	Mecer East Africa R000	Rectron Australia R000	South Africa R000	Total R000
Revenue	60 881	141 660	4 561 582	4 764 123
Profit (loss) for the year	684	(11 208)	114 707	104 183
OTHER INFORMATION				
Capital expenditure	348	1 288	34 972	36 608
Segment assets*	61 905	122 677	2 500 043	2 684 625

* *Excludes current tax assets.*
** *Excludes current tax liabilities.*

2. REVENUE

An analysis of the Group and company's revenue for the year is as follows:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Sales of goods	5 297 032	4 756 322	3 186 704	3 025 944
Rendering of services	13 070	7 801	12 892	7 801
	5 310 102	4 764 123	3 199 596	3 033 745

The directors are satisfied that the recognition of the revenue in the current year is appropriate, taking into account the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 – Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after taking the following items into account:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Auditor's remuneration:				
Audit fees	4 871	5 532	3 300	3 111
Fees for other services	238	482	62	222
Expenses	—	10	—	—
	5 109	6 024	3 362	3 333
Staff costs	283 622	263 566	192 347	188 054
Refer note 27 for details with regards to directors' emoluments.				
Depreciation of property, plant and equipment:				
Land and buildings*	20	683	—	—
Improvements to leased premises	1 966	3 709	2 212	1 534
Plant and machinery	2 925	2 191	1 400	778
Furniture, fixtures and office equipment	2 894	2 358	694	620
Computer equipment	5 868	4 205	4 774	3 144
Motor vehicles	1 131	982	953	809
	14 804	14 128	10 033	6 885

** The decrease in depreciation is due to a change in the estimate of the residual value of land and buildings. The depreciation on land and buildings would have been R0.3 million in the current financial year if the estimate of residual value of land and buildings was not changed.*

3. PROFIT FROM OPERATIONS *(continued)*

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Amortisation of intangible assets	7 341	6 131	6 811	5 760
Net profit (loss) on disposal of property, plant and equipment:				
Furniture, fixtures and office equipment	(2)	268	—	3
Computer equipment	—	6	—	3
Motor vehicles	48	(102)	48	(84)
	46	172	48	(78)
Operating lease expenses:				
Land and buildings	25 882	23 369	23 688	21 212
Furniture, fixtures, office and computer equipment	18	2	18	—
Motor vehicles	1 815	1 753	—	—
	27 715	25 124	23 706	21 212
Pension contributions (defined contribution plan)	11 056	9 769	7 797	7 046
Foreign exchange (losses) gains:				
Realised	4 552	(23 661)	1 482	(20 811)
Unrealised	(11 905)	2 113	(5 882)	3 294
	(7 353)	(21 548)	(4 400)	(17 517)
Fair value adjustments:				
Open foreign exchange contracts gains (losses)	6 806	(1 614)	5 744	(897)
	6 806	(1 614)	5 744	(897)

Other income

Included in other income in the current year is a net amount of R26.8 million relating to certain disputes that were settled between Mustek and various other parties. The settlement amount is still outstanding at year-end as the parties agreed to pay the settlement amount to Mustek on or before 1 June 2016. The outstanding amount attracts interest at a rate of 9% per annum.

Stock loss

The gross profit percentage was further impacted by 0.3% as a result of a robbery at Mustek which resulted in a net loss of R14.0 million. Management has subsequently upgraded the security controls on the premises and is reviewing the insured amounts.

4. INVESTMENT REVENUES

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Investment revenue on financial instruments not at fair value through profit or loss:				
Interest received on bank balances and cash	17 364	6 388	4 715	4 158
Interest received from subsidiaries and joint venture	—	—	3 403	440
Dividends from subsidiaries and joint venture	—	—	57 568	6 903
	17 364	6 388	65 686	11 501

5. FINANCE COSTS

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Finance costs on financial instruments not at fair value through profit or loss:				
Interest paid on bank overdrafts	33 877	24 975	31 895	23 134
Interest paid on loans	981	2 086	—	169
Interest paid on letters of credit and trade finance	32 806	16 033	11 991	5 903
Other interest paid	195	251	—	—
Interest on forward points	9 557	7 168	—	—
	77 416	50 513	43 886	29 206

6. OTHER (LOSSES) GAINS

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Impairment of subsidiary loan receivable (refer note 11)	—	—	—	(952)
(Loss) profit from disposal of investment (refer note 13)	—	(739)	—	4 132
	—	(739)	—	3 180

7. INCOME TAX EXPENSE

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
South African normal tax	(50 061)	(43 586)	(37 499)	(32 161)
Foreign tax	(45)	4 221	—	—
Dividends tax	(49)	(35)	—	—
	(50 155)	(39 400)	(37 499)	(32 161)
Comprising:				
Normal current tax				
– Current year	(45 967)	(51 830)	(33 910)	(39 008)
– Prior year	(397)	640	(186)	17
Normal deferred tax				
– Current year	(4 067)	12 301	(3 432)	6 843
– Prior year	325	(476)	29	(13)
Withholding tax	(49)	(35)	—	—
Income tax expense for the year	(50 155)	(39 400)	(37 499)	(32 161)
Tax rate reconciliation				
Profit before tax	184 262	143 583	189 958	120 115
South African statutory rate of tax	28.0%	28.0%	28.0%	28.0%
Dividends received	0.0%	0.0%	(8.5%)	(1.6%)
Dividends tax	0.0%	0.0%	0.0%	0.0%
Current tax prior year under-provision	0.2%	(0.4%)	0.1%	0.0%
Deferred tax prior year over-provision	(0.2%)	0.3%	0.0%	0.0%
Disallowed expenses (non-taxable profits)	(0.8%)	(0.5%)	0.1%	0.4%
Effective tax rate	27.2%	27.4%	19.7%	26.8%

8. EARNINGS PER SHARE

The calculation of the basic and headline earnings per share is based on the following data:

	GROUP 2015 R000	GROUP 2014 R000
Basic earnings (profit for the year attributable to equity holders of the parent)	132 720	107 334
Group's share of after tax loss on disposal of property, plant and equipment	118	(41)
Group's share of loss from disposal of shares in subsidiary (refer note 11)	—	739
Headline earnings	132 838	108 032
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	106 229	107 256
Effect of dilutive potential ordinary shares – share options	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	106 229	107 256

At year-end, no share options were outstanding (2014: no share options were outstanding). The weighted average market price for the current financial year was R8.15 per share (2014: R5.94 per share).

	GROUP 2015 Cents	GROUP 2014 Cents
Earnings per share		
– Headline earnings per ordinary share	125.05	100.72
– Basic earnings per ordinary share	124.94	100.07
– Diluted headline earnings per ordinary share	125.05	100.72
– Diluted basic earnings per ordinary share	124.94	100.07

9. PROPERTY, PLANT AND EQUIPMENT

GROUP – 2015 Cost	Opening balance R000	Additions R000	Disposals R000	Exchange differences R000	Closing balance R000
Land and buildings	86 689	8 852	—	(1 321)	94 220
Improvements to leased premises	50 976	1 118	—	50	52 144
Plant and machinery	49 347	5 323	(31)	26	54 665
Furniture, fixtures and office equipment	38 101	3 723	(329)	(280)	41 215
Computer equipment	34 663	10 142	(912)	45	43 938
Motor vehicles	14 013	2 182	(953)	(15)	15 227
	273 789	31 340	(2 225)	(1 495)	301 409

Accumulated depreciation	Opening balance R000	Current year R000	Disposals R000	Exchange differences R000	Closing balance R000
Land and buildings*	5 739	20	—	(44)	5 715
Improvements to leased premises	23 535	1 966	—	14	25 515
Plant and machinery	25 375	2 925	(31)	16	28 285
Furniture, fixtures and office equipment	27 737	2 894	(327)	(198)	30 106
Computer equipment	26 499	5 868	(912)	35	31 490
Motor vehicles	4 875	1 131	(401)	(16)	5 589
	113 760	14 804	(1 671)	(193)	126 700

** The decrease in depreciation is due to a change in the estimate of the residual value of land and buildings. The depreciation on land and buildings in the current financial year would have been R0.3 million if the estimate of residual value of land and buildings was not changed. A register of all land and buildings is available for inspection at the registered office.*

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

COMPANY – 2015 Cost	Opening balance R000	Additions R000	Disposals R000	Closing balance R000
Land	784	—	—	784
Improvements to leased premises	15 333	668	—	16 001
Plant and machinery	15 531	4 677	—	20 208
Furniture, fixtures and office equipment	12 626	963	—	13 589
Computer equipment	27 601	8 546	—	36 147
Motor vehicles	11 991	2 125	(889)	13 227
	83 866	16 979	(889)	99 956

Accumulated depreciation	Opening balance R000	Current year R000	Disposals R000	Closing balance R000
Improvements to leased premises	11 769	2 212	—	13 981
Plant and machinery	10 527	1 400	—	11 927
Furniture, fixtures and office equipment	8 990	694	—	9 684
Computer equipment	21 208	4 774	—	25 982
Motor vehicles	3 571	953	(336)	4 188
	56 065	10 033	(336)	65 762

GROUP – 2014 Cost	Opening balance R000	Amounts transferred from assets classified as held-for-sale R000	Additions R000	Disposals R000	Transfers to inventories R000	Exchange differences R000	Closing balance R000
Land and buildings	48 453	26 078	9 276	—	—	2 882	86 689
Improvements to leased premises	49 088	—	1 887	—	—	1	50 976
Plant and machinery	45 049	—	4 265	—	—	33	49 347
Furniture, fixtures and office equipment	32 356	3 123	3 875	(1 611)	—	358	38 101
Computer equipment	30 358	—	6 311	(1 782)	(273)	49	34 663
Motor vehicles	12 186	2 163	2 294	(2 884)	—	254	14 013
	217 490	31 364	27 908	(6 277)	(273)	3 577	273 789

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Accumulated depreciation	Opening balance R000	Amounts transferred from assets classified as held-for-sale R000	Current year R000	Disposals R000	Transfers to inventories R000	Exchange differences R000	Closing balance R000
Land and buildings	2 255	2 467	683	—	—	334	5 739
Improvements to leased premises	19 826	—	3 709	—	—	—	23 535
Plant and machinery	23 166	—	2 191	—	—	18	25 375
Furniture, fixtures and office equipment	23 862	2 737	2 358	(1 502)	—	282	27 737
Computer equipment	23 990	—	4 205	(1 769)	—	73	26 499
Motor vehicles	3 929	2 163	982	(2 375)	—	176	4 875
	97 028	7 367	14 128	(5 646)	—	883	113 760

COMPANY – 2014 Cost	Opening balance R000	Additions R000	Disposals R000	Transfers to inventories R000	Closing balance R000
Land	784	—	—	—	784
Improvements to leased premises	13 808	1 525	—	—	15 333
Plant and machinery	14 701	830	—	—	15 531
Furniture, fixtures and office equipment	11 779	854	(7)	—	12 626
Computer equipment	22 695	5 179	—	(273)	27 601
Motor vehicles	10 982	1 852	(843)	—	11 991
	74 749	10 240	(850)	(273)	83 866

Accumulated depreciation	Opening balance R000	Current year R000	Disposals R000	Transfers to inventories R000	Closing balance R000
Improvements to leased premises	10 235	1 534	—	—	11 769
Plant and machinery	9 749	778	—	—	10 527
Furniture, fixtures and office equipment	8 373	620	(3)	—	8 990
Computer equipment	18 064	3 144	—	—	21 208
Motor vehicles	3 115	809	(353)	—	3 571
	49 536	6 885	(356)	—	56 065

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Net book value				
Land and buildings*	88 505	80 950	784	784
Improvements to leased premises	26 629	27 441	2 020	3 564
Plant and machinery	26 380	23 972	8 281	5 004
Furniture, fixtures and office equipment	11 109	10 364	3 905	3 636
Computer equipment	12 448	8 164	10 165	6 393
Motor vehicles	9 638	9 138	9 039	8 420
	174 709	160 029	34 194	27 801

** Includes land and buildings with a book value of R25.3 million (2014: R25.3 million) encumbered as security for a liability of R23.1 million (2014: R24.7 million) (refer note 19).*

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

Buildings	20 years
Improvements to leased premises	over period of the initial lease
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 to 10 years
Computer equipment	3 years
Motor vehicles	5 years

The directors reviewed the residual values, useful lives and carrying amount of its property, plant and equipment to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The directors judged a residual value of zero as a result of the fact that plant and equipment are not held for trading and are normally scrapped. The residual value of land and buildings normally exceeds the original costs. Land is not depreciated.

10. INTANGIBLE ASSETS

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Goodwill				
Cost	54 267	54 267	—	—
At the beginning of the year	54 267	54 267	—	—
Accumulated impairments	(6 249)	(6 249)	—	—
At the beginning of the year	(6 249)	(6 249)	—	—
Carrying amount	48 018	48 018	—	—
Software*				
Cost	79 281	69 127	56 148	46 967
At the beginning of the year	69 127	60 451	46 967	39 885
Additions	10 151	8 699	9 181	7 108
Transfers to inventories	—	(26)	—	(26)
Exchange differences	3	3	—	—
Accumulated amortisation*	(64 456)	(57 113)	(44 300)	(37 489)
At the beginning of the year	(57 113)	(50 980)	(37 489)	(31 729)
Amortisation	(7 341)	(6 131)	(6 811)	(5 760)
Exchange differences	(2)	(2)	—	—
Carrying amount	14 825	12 014	11 848	9 478
Total	62 843	60 032	11 848	9 478
Distribution rights and development cost**				
Cost	10 336	10 336	—	—
At the beginning of the year	10 336	10 336	—	—
Accumulated amortisation and impairments**	(10 336)	(10 336)	—	—
At the beginning of the year	(10 336)	(10 336)	—	—
Carrying amount	—	—	—	—
Total intangible assets	62 843	60 032	11 848	9 478

* *Software is written off on a straight-line basis over three years.*
** *Distribution rights and development cost are amortised on a straight-line basis over three years.*

The Group acquired 51% of Ballena Trading 29 Proprietary Limited on 9 May 2009 from the developers of Blubox software, who retained the remaining 49% shareholding. Ballena Trading 29 Proprietary Limited obtained the sole right to distribute Blubox software in South Africa. Blubox software uses state-of-the-art-image compression algorithms to compress and store photos and images, with image compression support for over 60 popular image formats. The total distribution right was recognised at the purchase price and counterparty contributions of R10.34 million.

This distribution right was not yet in the condition necessary for it to be capable of operating in the manner intended by management and has therefore not been amortised as at 30 June 2014, nor as at 30 June 2015. Taking into account the nature of the software industry and the risk of software obsolescence, the book value of the asset was impaired over a three-year period, with the last remaining book value of the distribution right to the amount of R3.4 million being impaired during the 2013 financial year.

10. INTANGIBLE ASSETS *(continued)*

	GROUP 2015 R000	GROUP 2014 R000
The carrying amount of goodwill had been allocated as follows:		
Mustek Free State	3 205	3 205
Brotek	16 069	16 069
Mustek East Africa	468	468
Rectron	27 276	27 276
Digital Surveillance Systems	1 000	1 000
	48 018	48 018

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units 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 cash-generating units were determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, expected volume growth rates, and expected changes to selling prices and direct costs. 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 cash-generating units. The growth rates are 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, expectations of future changes in the market and a view on expected inflation rates.

Management prepared a five-year cash flow forecast and a perpetual cash flow forecast, based on the Group's share of 2015 financial year net contributions generated by the cash-generating units to which goodwill can be attributed and applying a long-term growth rate of 5% per annum (2014: 5%) and discounted at a rate of 9.25% (2014: 9.00%). The net present value of these cash flows was found to exceed the carrying amount of goodwill and therefore the goodwill is not expected to be impaired.

11. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2015 R000	2014 R000
Shares at cost	283 921	283 921
– opening balance	283 921	262 125
– additions	—	21 796
Impairment charges	(119 022)	(119 022)
Opening carrying value adjustments	(119 022)	(118 070)
Current year impairment of investments and loans	—	(952)
Loans owing by subsidiaries	98 296	93 442
Non-current investments in subsidiaries	263 195	258 341
Loans owing to subsidiaries	(112 683)	(122 895)
	150 512	135 446

	Ownership interest 2015 %	Ownership interest 2014 %	Shares at cost 2015 R000	Shares at cost 2014 R000	Loans to (from) 2015 R000	Loans to (from) 2014 R000	Net investment 2015 R000	Net investment 2014 R000
DIRECT – Unlisted								
Ballena Trading 29 Proprietary Limited[9]	51	51	5 272	5 272	—	—	—	—
Brobusmac Investments Proprietary Limited[2, 4]	100	100	1 575	1 575	(7 960)	(7 960)	(6 385)	(6 385)
Brotek Proprietary Limited[2]	100	100	71 468	71 468	(65 838)	(74 935)	5 630	(3 467)
CIS Thuthukani Technology Proprietary Limited[2, 4]	100	100	6 793	6 793	(10 212)	(10 212)	(3 419)	(3 419)
Digital Surveillance Systems Proprietary Limited[4, 12]	75	75	5 896	5 896	—	—	—	—
Lithatek Investments Proprietary Limited[1, 2, 4]	100	100	19 448	19 448	2 479	2 479	—	—
Makeshift 1000 Proprietary Limited[1, 2, 3, 9]	100	100	10 698	10 698	43 192	43 192	50	50
Mecer Finance Proprietary Limited[4]	100	100	*	*	—	—	—	—
Mecer Technology Limited[8, 22]	100	100	6 629	6 629	—	—	6 629	6 629
Mustek Capital Proprietary Limited[4, 13, 14]	100	100	100	100	(10 520)	(10 520)	(10 420)	(10 420)
Mustek Limited Company Limited[2, 8]	100	100	*	*	3 511	3 511	—	—
Mandarin Trading House Proprietary Limited[2, 4]	100	100	*	*	—	(1 115)	—	(1 115)
Mustek East Africa Limited[5, 17, 19]	100	100	12 315	12 315	26 362	22 375	32 945	28 958
Mecer Proprietary Limited[4]	100	100	*	*	—	—	—	—
MFS Technologies Proprietary Limited[2, 4]	100	100	*	*	(1 323)	(1 323)	(1 323)	(1 323)
Mustek Electronics (Cape Town) Proprietary Limited[2, 4]	100	100	3 229	3 229	(3 216)	(3 216)	13	13
Mustek Electronics (Durban) Proprietary Limited[2, 4]	100	100	1 658	1 658	(1 433)	(1 433)	225	225
Mustek Electronics (Port Elizabeth) Proprietary Limited[2, 4]	100	100	327	327	(270)	(270)	57	57
Mustek Investments Proprietary Limited[4]	100	100	*	*	—	—	—	—
Mustek International Proprietary Limited[4]	100	100	*	*	—	—	—	—

11. INVESTMENTS IN SUBSIDIARIES *(continued)*

	Ownership interest		Shares at cost		Loans to (from)		Net investment	
	2015 %	2014 %	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
DIRECT – Unlisted *(continued)*								
Mustek Management Proprietary Limited[4]	100	100	*	*	—	—	—	—
Mustek Middle East FZCO[2, 15]	100	100	1 392	1 392	1 118	1 118	—	—
Mustek Lesotho Proprietary Limited[2, 18]	99	99	*	*	952	952	—	—
Planet Internet Proprietary Limited[4]	100	100	*	*	—	—	—	—
Quickstep 51 Proprietary Limited[4, 23]	100	100	*	*	—	—	—	—
Quickstep 94 Proprietary Limited[1, 2, 9]	100	100	2 581	2 581	18 567	18 442	1 766	1 641
Quickstep 95 Proprietary Limited[4]	100	100	*	*	—	—	—	—
Rectron Holdings Limited[7]	100	100	115 973	115 973	—	—	115 973	115 973
Tradeselect 38 Proprietary Limited[2, 4]	100	100	3 400	3 400	(11 911)	(11 911)	(8 511)	(8 511)
Zatophase Proprietary Limited[21]	65	65	15 167	15 167	—	—	15 167	15 167
INDIRECT – Unlisted								
Datazone Limited[10, 16]	100	100	—	—	—	—	—	—
First Campus Proprietary Limited[4]	100	100	—	—	—	—	—	—
Formprops 110 Proprietary Limited[4]	100	100	—	—	—	—	—	—
Inter-Ed Proprietary Limited[1, 4]	100	100	—	—	—	—	—	—
Mecer Inter-Ed Proprietary Limited[7, 11]	100	100	—	—	—	—	—	—
PWS Investments Proprietary Limited[4]	100	100	—	—	—	—	—	—
Rectron Electronics Proprietary Limited[6]	50	50	—	—	—	—	—	—
Secure Electronic Commerce Proprietary Limited[4]	100	100	*	*	—	—	—	—
Sheerprops 68 Proprietary Limited[4]	100	100	—	—	—	—	—	—
Soft 99 Proprietary Limited[7, 11, 20]	68	68	—	—	2 115	1 373	2 115	1 373
			283 921	283 921	(14 387)	(29 453)	150 512	135 446

The net investment is after impairment charges against the investments and loans of R119.0 million (2014: R119.0 million).

Mecer Inter-Ed supplies educational software and hardware solutions to its customers. The other trading subsidiaries' activities comprise the procurement, assembly, distribution and servicing of computers and printers, related components and allied products. A list of the number of shares that is held in each subsidiary is available at the registered office of the company. None of the loans receivables has been secured.

11. INVESTMENTS IN SUBSIDIARIES *(continued)*

[1] *These loans have been subordinated in favour of all other creditors of the subsidiary. The loans have been partially impaired.*

[2] *These loans are interest-free and have no fixed terms of repayment.*

[3] *The loan receivable by Makeshift 1000 Proprietary Limited from Preworx Proprietary Limited, an associate of Makeshift 1000 Proprietary Limited, was fully impaired in previous financial years. This impairment was based on the present value of the expected repayments on this loan.*

[4] *Dormant companies registered and incorporated in South Africa.*

[5] *Active trading company registered and incorporated in Kenya.*

[6] *Active trading company registered and incorporated in Australia.*

[7] *Active trading company registered and incorporated in South Africa.*

[8] *Active company registered and incorporated in Taiwan.*

[9] *Non-trading investment company or property company registered and incorporated in South Africa.*

[10] *Non-trading investment company or property company registered and incorporated in the United States of America.*

[11] *Goodwill arising on acquisitions has been fully impaired at acquisition date.*

[12] *On 1 January 2009, Digital Surveillance Systems Proprietary Limited ("DSS") sold its business and all its assets and liabilities to Mustek Limited and became dormant on that date. The purchase price of the assets and liabilities is dependent on the performance of the DSS product line until 31 December 2013. A loan has been recognised based on the estimated potential further consideration payable. The loan is regarded as a fair value through profit or loss financial instrument with any resultant gain or loss recognised in profit or loss. No fair value gain or loss was recognised during the current or previous financial years. With effect from 1 September 2010, Mustek Limited acquired an additional 25% shareholding in DSS at a purchase price of R1.9 million.*

[13] *On 1 June 2010, Mustek Limited acquired 100% of the issued share capital of Mustek Capital Proprietary Limited. The company was previously consolidated as a special purpose vehicle in order to obtain loans secured over trade receivables bought from Mustek Limited. The structure of the securitisation was subsequently changed and replaced with a long-term overdraft facility with Bank of China Limited, repayable on 31 January 2014.*

[14] *This loan has been subordinated in favour of the Bank of China Limited.*

[15] *Company registered and incorporated in the United Arab Emirates. The company ceased trading during the previous financial year and is in the process of realising assets and settling liabilities as at 30 June 2013. The full amount of the investment, as well as the loan, was impaired in previous financial years.*

[16] *Datazone Limited was liquidated on 31 December 2010 and declared a liquidation dividend of R16.4 million to its parent company, Makeshift 1000 Proprietary Limited.*

[17] *The investment Mustek East Africa Limited was impaired by an amount of R5.7 million in previous financial years. The impairment represented the amount by which the net investment in the company exceeded its net asset value.*

[18] *Mustek Lesotho Proprietary Limited was incorporated with the main aim of providing on-site service to Standard Bank in Lesotho in terms of a service contract with Standard Bank. The entity has however been dormant since the beginning of the current financial year.*

[19] *This loan bears interest at two percent per annum and is repayable on demand.*

[20] *The first R0.5 million of this loan is interest free and the remaining portion bears interest at prime. The loan has no fixed repayment terms.*

[21] *Mustek Limited acquired a 65% share in Zatophase Proprietary Limited on 10 March 2014.*

[22] *Mustek Limited acquired a 100% share in Mecer Technology Limited by means of investments of R5.5 million (USD0.5 million) and R1.1 million (USD0.1 million) on 28 January 2014 and 23 April 2014 respectively.*

[23] *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). Entity is currently dormant and in the process of deregistration.*

* *Original cost less than R500*

The interest of the company in the aggregate net profit (loss) after tax of subsidiaries and joint ventures is:

	2015 R000	2014 R000
Net aggregate profits	38 081	28 997
Net aggregate losses	(5 518)	(3 402)

12. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Shares at cost	51 969	51 969	4 189	4 189
– opening balance	51 969	51 969	4 189	4 189
Impairments	(24 539)	(24 539)	(4 189)	(4 189)
– opening balance	(24 539)	(24 539)	(4 189)	(4 189)
Share of post-acquisition gains	19 943	9 130	—	—
– opening balance	9 130	2 142	—	—
– current year share of post-acquisition gains	10 813	6 988	—	—
Loans owing by associates	21 405	22 329	14 105	15 029
Opening balance	22 329	8 856	15 029	1 556
(Decrease) increase in loans	(924)	13 473	(924)	13 473
Fair valuation adjustments to loans	(7 300)	(7 300)	—	—
Investments in associates	61 478	51 589	14 105	15 029
The aggregate assets, liabilities and results of operations of associates at year-end are summarised as follows:				
Total assets	172 306	310 216	71 343	68 966
Total liabilities	123 941	240 491	38 182	37 072
Revenue	1 094 326	546 870	327 924	316 504
Profit before tax	37 492	29 595	2 195	15 837
Income tax expense	(10 559)	(6 915)	(676)	(4 406)
Net profit for the year	26 933	22 680	1 519	11 431

12. INVESTMENTS IN ASSOCIATES *(continued)*

	Percentage holding		Cost		Loans to		Equity accounted share of earnings		Net investment	
	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
COMPANY										
Unlisted										
Mustek Zimbabwe Private Limited[2]	—	—	4 189	4 189	—	—	—	—	—	—
Khauleza IT Solutions Proprietary Limited[1]	36	36	—	—	—	—	—	—	—	—
Continuous Power Systems Proprietary Limited[5]	40	40	—	—	6 595	8 180	—	—	6 595	8 180
Zaloserve Proprietary Limited[6]	40	40	—	—	7 510	6 849	—	—	7 510	6 849
			4 189	4 189	14 105	15 029	—	—	14 105	15 029
GROUP										
Unlisted										
Mustek Zimbabwe Private Limited[2]	—	—	—	—	—	—	656	1 226	656	1 226
A Open Proprietary Limited[3]	43	43	—	—	—	—	—	—	—	—
Preworx Proprietary Limited[4]	38	38	24 447	24 447	7 300	7 300	(4 097)	(4 097)	—	—
Khauleza IT Solutions Proprietary Limited[1]	36	36	—	—	—	—	7 868	6 555	7 868	6 555
Continuous Power Systems Proprietary Limited[5]	40	40	—	—	—	—	2 128	2 225	2 128	2 225
Zaloserve Proprietary Limited[6]	40	40	23 333	23 333	—	—	13 388	3 221	36 721	26 554
			51 969	51 969	21 405	22 329	19 943	9 130	61 478	51 589

The net investment is after impairment charges against and fair value adjustments of the investments and loans of R31.8 million (2014: R31.8 million) for the Group and R4.2 million (2014: R4.2 million) for the company.

Additional information	Nature of business	Country of incorporation	Period equity accounted
Mustek Zimbabwe Private Limited	Assembly and distribution of computers and computer components	Zimbabwe	12 months (2014: 12 months)
Khauleza IT Solutions Proprietary Limited	Provider of IT support solutions	South Africa	12 months (2014: 12 months)
Continuous Power Systems Proprietary Limited	Provider of uninterrupted power supply solutions	South Africa	12 months (2014: 12 months)
Zaloserve Proprietary Limited	Group of IT support solutions provider companies	South Africa	12 months (2014: 4 months)
A Open Proprietary Limited	Dormant	South Africa	12 months (2014: 12 months)
Preworx Proprietary Limited	Remote access diagnostics technology	South Africa	12 months (2014: 12 months)

[1] *During November 2009, Mustek Limited acquired a 26% share in this company at a nominal consideration, and provided working capital to the amount of R2.2 million in the form of a shareholders' loan. During the current financial year, an additional shareholding of 10% was acquired at a consideration of R10.00.*

[2] *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.*

[3] *Dormant company registered and incorporated in South Africa.*

[4] *This loan is unsecured, interest-free and has no fixed terms of repayment. The investment and loan in this company were impaired to R nil in previous financial years.*

[5] *With effect from 1 January 2011, Mustek Limited acquired a 40% share in Continuous Power Systems Proprietary Limited.*

[6] *Mustek Limited acquired a 65% share in Zatophase Proprietary Limited on 13 March 2014 (refer note 11). Zatophase Proprietary Limited acquired a 40% share in Zaloserve Proprietary Limited on 13 March 2014. Furthermore Mustek Limited advanced a loan of R6.7 million to Zaloserve Proprietary Limited on 13 March 2014. This loan bears interest at prime.*

13. OTHER INVESTMENTS AND LOANS

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Shares at cost	24 506	24 506	9 251	9 251
– opening balance	24 506	33 877	9 251	13 751
– disposals	—	(9 371)	—	(4 500)
Loans	59 565	52 806	59 565	52 806
Fair value adjustments	(6 418)	(6 418)	(904)	(904)
– opening balance	(6 418)	(6 418)	(904)	(904)
	77 653	70 894	67 912	61 153

	Ownership interest		Shares at cost		Loans to		Net investment	
	2015 %	2014 %	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
COMPANY								
Unlisted								
A Lai[2]	—	—	—	—	1 000	1 000	1 000	1 000
Columbus Technologies Proprietary Limited[1]	—	—	—	—	1 303	1 817	1 303	1 817
M Cameron[3]	—	—	—	—	818	741	818	741
Option – Mecer Capital Proprietary Limited[5]	—	—	250	250	—	—	—	—
Simple Process Engineering Solutions Proprietary Limited[6]	—	—	—	—	654	654	—	—
Zinox Technologies Limited[7]	20	20	9 001	9 001	—	—	9 001	9 001
Elimu Technologies Proprietary Limited[8]	—	—	—	—	3 079	2 112	3 079	2 112
Omni Capital Proprietary Limited[10]	—	—	—	—	9 206	8 390	9 206	8 390
Mustek Executive Share Trust[9, 11]	—	—	—	—	43 505	38 092	43 505	38 092
			9 251	9 251	59 565	52 806	67 912	61 153

13. OTHER INVESTMENTS AND LOANS *(continued)*

	Ownership interest		Shares at cost		Loans to		Net investment	
	2015 %	2014 %	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
GROUP								
Unlisted								
Casetek International Co Limited[4]	8	8	5 514	5 514	—	—	—	—
Zinox Technologies Limited[7]	20	20	9 741	9 741	—	—	9 741	9 741
DC Kan[9]	—	—	—	—	23 538	22 555	23 538	22 555
H Engelbrecht[9]	—	—	—	—	13 075	12 530	13 075	12 530
CJ Coetzee[9]	—	—	—	—	3 138	3 007	3 138	3 007
JW Viviers[12]	—	—	—	—	561	—	561	—
O Levey[12]	—	—	—	—	850	—	850	—
JL Chen[12]	—	—	—	—	1 043	—	1 043	—
VL Chunilal[12]	—	—	—	—	865	—	865	—
MR de Klerk[12]	—	—	—	—	435	—	435	—
Mustek Executive Share Trust[9, 11]	—	—	—	—	(43 505)	(38 092)	(43 505)	(38 092)
			24 506	24 506	59 565	52 806	77 653	70 894

All companies, trusts and individuals are registered or resident in South Africa, except for Casetek International Co Limited and Zinox Technologies Limited, which are registered in Taiwan and Nigeria respectively.

All these loans are carried at amortised cost. The fair values of these loans approximate the carrying amounts thereof.

[1] *The loan is unsecured, bears interest at 8.5% and is payable on 31 July 2014. The loan is guaranteed by Brainware Solutions AG (a company registered in Switzerland).*

[2] *This loan is secured, interest free and has no fixed terms of repayment.*

[3] *This loan is unsecured, bears interest at 10% per annum and is repayable on demand.*

[4] *The investment has been fully impaired in previous financial years.*

[5] *This investment represents an amount paid in order to secure an option to purchase the share capital of Mustek Capital Proprietary Limited. On 1 June 2010, Mustek Limited exercised this option and acquired 100% of the issued share capital of Mustek Capital Proprietary Limited (refer note 11).*

[6] *This loan is unsecured, bears interest at the South African prime bank overdraft rate and was payable on 1 December 2010. The full amount of the loan was, however, impaired during previous financial years.*

[7] *On 13 March 2008, Zinox Technologies Limited issued additional shares as part of a merging transaction. The Group's investment diluted from 30% to 12% as a result of the transaction and the investment was reclassified from an associate to an available-for-sale investment. The equity accounted profit share at date of dilution was R14.6 million and the loan was capitalised as cost of the investment. During the current financial year, the merging transaction was reversed and the Group's shareholding in Zinox Technologies Limited increased to 30%. The Group sold 10% of its 30% shareholding effective 9 July 2013 for a total consideration of R8.6 million. Due to the restrictive nature of cross-border investment, the investment in Zinox Technologies Limited has been valued at net asset value. Based on the latest financial information available for Zinox Technologies Limited, the net asset value was found to approximate the carrying value of the investment and therefore no fair valuation adjustments or impairments have been recognised for this investment.*

[8] *This loan is unsecured, bears interest at prime and has no fixed repayment terms.*

[9] *3.8 million Mustek Limited shares were issued to directors 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 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. All of these loans bear interest at the South African repo rate plus one percent and have no fixed repayment terms.*

[10] *This loan was granted on 13 March 2014 and bears interest at prime.*

[11] *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). There are no specific reasons determining why the year-end of this entity is different to that of other Group entities.*

[12] *During the current 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. The loan from the share trust was in turn funded by a loan from Mustek Limited to the share trust. All of these loans bear interest at the South African repo rate plus one percent and have no fixed repayment terms.*

14. DEFERRED TAX ASSETS AND LIABILITIES

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 28% (2014: 28%) except if otherwise indicated:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Tax loss	9 504	8 808	—	—
Provision for doubtful debts	1 030	(2 516)	1 243	(2 325)
Amortisation of intangible assets	17	19	17	19
Salary-related provisions	8 592	11 212	8 592	11 212
Accelerated wear and tear for tax purposes	(6 686)	(4 663)	(2 219)	(1 481)
Prepayments	(904)	(619)	(436)	(365)
Minor assets	14	3	13	2
Operating lease liabilities	761	682	634	552
Provision for commission	2 197	1 286	2 013	1 254
Other provisions	5 792	5 645	861	799
Unrealised exchange gains and losses	(3 923)	(2 769)	(2 994)	(1 993)
Deferred revenue	10 602	14 055	10 602	14 055
Unrealised capital gains	(2 120)	(2 120)	—	—
Unrealised fair value capital gain on investment	141	141	—	—
	25 017	29 164	18 326	21 729
Deferred tax assets	29 593	29 164	18 326	21 729
Deferred tax liabilities	(4 576)	—	—	—
	25 017	29 164	18 326	21 729

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

14. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

	GROUP				COMPANY	
	Total 2015 R000	Total 2014 R000	Amounts resulting from temporary differences 2014 R000	Amounts transferred from assets classified as held-for-sale 2014 R000	2015 R000	2014 R000
Reconciliation between opening and closing balances:						
Deferred tax asset at the beginning of the year	29 164	15 163	15 163	—	21 729	14 899
Differences on taxable loss	696	5 575	4 938	637	—	—
Differences on provision for doubtful debts	3 546	(3 506)	(3 979)	473	3 568	(3 473)
Differences on amortisation of intangible assets	(2)	(3)	(3)	—	(2)	(3)
Differences on salary-related provisions	(2 620)	6 622	6 622	—	(2 620)	6 622
Differences on accelerated wear and tear	(2 023)	(1 410)	(1 410)	—	(738)	(738)
Differences on prepayments	(285)	(118)	(118)	—	(71)	38
Differences on minor assets	11	(7)	(7)	—	11	(7)
Differences on lease liability	79	(683)	(683)	—	82	(722)
Differences on provision for commission	911	1 030	1 030	—	759	1 030
Differences on other provisions	147	2 660	1 999	661	62	32
Differences on unrealised exchange gains and losses	(1 154)	(522)	(522)	—	(1 001)	(311)
Differences on deferred revenue	(3 453)	4 363	4 363	—	(3 453)	4 363
Differences on unrealised capital gains	—	—	—	—	—	—
Foreign currency translation reserve	405	(405)	(405)	—	—	(1)
	(3 742)	13 596	11 825	1 771	(3 403)	6 830
Deferred tax movement through the statement of comprehensive income – continuing operations	(3 742)	13 596	11 825	—	(3 403)	6 830
Deferred tax movement through the statement of financial position	(405)	405	405	—	—	—
Foreign currency translation reserve	(405)	405	405	—	—	—
	25 017	29 164	27 393	1 771	18 326	21 729

15. INVENTORIES

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Gross finished goods	1 165 372	1 081 035	762 341	731 232
Provision for obsolescence	(35 709)	(44 051)	(24 127)	(33 200)
Finished goods, net of provision for obsolescence	1 129 663	1 036 984	738 214	698 032
Inventories in transit	206 035	232 895	68 745	89 085
Total inventories	1 335 698	1 269 879	806 959	787 117

Service stock and trading stock obsolescence provisions are highly judgemental because of the very competitive nature of the business and the extremely short life cycle of the product. Service stock is impaired depending on its age. The net realisable values of inventories are used to manage their cost. The net realisable value of inventory represents the estimated selling price in the current market at statement of financial position date. The Group provides for the amount which the cost of inventory is higher than the net realisable value multiplied by the units of stock on hand at statement of financial position date. Included above are the carrying amounts of inventory stated at net realisable value for the Group and company of R38.6 million (2014: R37.5 million) and R23.3 million (2014: R23.6 million) respectively.

The cost of inventories recognised as an expense during the year was R4 545.7 million (2014: R4 035.4 million) and R2 684.4 million (2014: R2 513.6 million) for the Group and company respectively.

The cost of inventories recognised includes R5.9 million (2014: R5.1 million) in respect of write-downs to net realisable value.

Sales between Group entities were made at an average mark-up of 0.8%.

No inventories that were not provided for, are expected to be recovered in 12 months or longer after the end of the current financial year.

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Gross trade receivables	1 054 238	804 843	626 649	421 783
Doubtful debt allowance	(15 795)	(14 740)	(11 881)	(11 543)
Net trade receivables	1 038 443	790 103	614 768	410 240
Other receivables	207 696	48 933	173 269	30 546
Total current trade and other receivables	1 246 139	839 036	788 037	440 786

Included in trade and other receivables for the current year is an amount of R nil (2014: R9.7 million) relating to disposed subsidiary Mecer Digital Do Brazil Limited. The Chief Executive Officer of Mustek Limited, DC Kan, provided a personal guarantee of USD2.8 million if this amount was not paid by 30 August 2010. The outstanding amount has been repaid in full by DC Kan during the current financial year.

16. TRADE AND OTHER RECEIVABLES *(continued)*

Other information

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group'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 doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The provision for doubtful debts was based on a combination of specifically identified doubtful debtors and providing for older debtors. The directors believe that the provision appears to be appropriate and not excessive. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group performs ongoing credit valuations of the financial condition of customers, and where appropriate, credit guarantee insurance is purchased for 85% (2014: 85%) of the value of individual trade receivables subject to an insurance deductible. Note that the majority of trade receivables are encumbered (see above and note 19).

The average credit period on sale of goods and services is between 30 and 60 days (2014: 30 and 60 days) from date of invoice. Generally, no interest is charged on trade receivables. Of the trade receivable balance at year-end, R257.7 million (2014: R188.6 million) and R98.8 million (2014: R23.6 million) is due from the Group and the company's largest customers, respectively. Trade receivables are stated at amortised cost, which normally approximates their fair value due to short-term maturity.

It is the Group's policy to provide credit terms with deferred payment terms 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.

Doubtful debt allowance

The Group and company's trade receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Balance at the beginning of the year	14 740	7 900	11 543	5 465
Amounts transferred from assets classified as held-for-sale	—	1 447	—	—
Net amounts written off as uncollectible	(9 165)	(4 145)	(8 601)	(2 457)
Charged to profit and loss	10 220	9 538	8 939	8 535
Balance at the end of the year	15 795	14 740	11 881	11 543

Refer note 21 for an analysis of the credit quality of trade receivables that are neither past due nor impaired, as well as an analysis of the age of financial assets that are past due but not impaired.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash, funds on call and short-term deposits. The carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

18. STATED CAPITAL AND SHARE PREMIUM

	GROUP AND COMPANY 2015 R000	2014 R000
Authorised share capital		
250 000 000 ordinary shares (2014: 250 000 000)		
Issued share capital/ordinary stated capital		
Opening balance: 106 682 760 ordinary shares (2014: 108 433 165 ordinary shares of R0.008 each)	119 627	117 916
Shares bought back: 4 999 289 ordinary shares (2014: 5 550 405 ordinary shares of R0.008 each)	(42 491)	(36 327)
Shares issued: 1 940 000 ordinary shares (2014: 3 800 000 ordinary shares)	16 218	38 038
Closing balance: 103 623 471 ordinary shares (2014: 106 682 760)	93 354	119 627

	Number of shares 000	Number of shares 000
Ordinary shares		
Balance at beginning of the year	106 683	108 433
Shares bought back	(5 000)	(5 550)
Shares issued	1 940	3 800
Balance at end of the year	103 623	106 683

19. BORROWINGS

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Interest bearing				
Unsecured – at amortised cost				
Bank overdrafts	361 749	277 306	343 531	255 397
Secured – at amortised cost				
Mortgage and term loans	23 096	24 724	–	–
Total interest-bearing borrowings	384 845	302 030	343 531	255 397
Interest free				
Unsecured – financial liabilities				
Cash-settled share-based payment liability	–	9 101	–	8 984
Interest free				
Unsecured – non-financial liabilities				
Operating lease liabilities	2 718	2 437	2 263	1 970
Total interest-free borrowings	2 718	11 538	2 263	10 954
Total borrowings	387 563	313 568	345 794	266 351
The borrowings are repayable as follows:				
On demand or within one year	362 966	278 780	344 686	255 414
In the second year	3 572	11 896	480	10 269
In the third to fifth years inclusive	21 025	22 892	628	668
Total borrowings	387 563	313 568	345 794	266 351
Bank overdrafts	(361 749)	(277 306)	(343 531)	(255 397)
Amounts due for settlement within 12 months	(16 481)	(1 474)	(14 949)	(17)
Long-term borrowings	9 333	34 788	(12 686)	10 937
Consisting of:				
Interest-bearing borrowings	384 845	302 030	343 531	255 397
Interest-free borrowings	2 718	11 538	2 263	10 954
	387 563	313 568	345 794	266 351

19. BORROWINGS *(continued)*

Additional information

Included in borrowings are the following:

Accounts receivable securitisation loans

Included in bank overdrafts, is an amount of R315.4 million (2014: R255.1 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2.2% (2014: 2.2%) and is repayable by 11 October 2015 (2014: 31 January 2015). This loan is classified as held to maturity and carried at amortised cost. The facility is secured over accounts receivable in Mustek Limited and a working capital ratio of more than one needs to be maintained by Mustek Limited. Furthermore, the total facility of R480 million (2014: R360 million) is limited to 90% of the trade receivables less than 90 days of age, in Mustek Limited.

Mortgage and term loans

Included in mortgage and term loans, is a loan of R23.1 million (2014: R24.7 million), denominated in Australian Dollar, bearing interest at a fixed interest rate of 8.3%, secured over land and buildings with a net book value of R25.3 million (2014: R25.3 million) and with interest and capital payments commencing on 1 March 2006 and payable until 31 March 2026.

Operating lease liabilities

Operating lease liabilities occur in the earlier years of long-term operating lease contracts with fixed escalation clauses. An equal amount is expensed every year while the cash flows normally escalate. These liabilities are not financial instruments, are not secured and do not have an interest component attached to them.

All obligations are denominated in Rand, except as noted above.

Borrowing powers, borrowing capacity and banking facilities

In terms of the Memorandum of Incorporation, the company's borrowing powers are unlimited. The Group has the following banking facilities amounting to R2 009.5 million (2014: R1 398.8 million):

	GROUP	
	2015 R000	2014 R000
General overdraft and similar facilities	975 935	833 494
Letters of credit facilities	1 033 518	565 316
Total facilities	2 009 453	1 398 810
Utilised facilities	(1 164 201)	(1 188 700)
Unutilised facilities	845 252	210 110

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Letters of credit and trade finance payables	797 449	448 420	403 078	204 763
Trade payables	1 149 467	890 116	713 842	482 391
Other payables	39 652	21 405	17 890	3 670
Accruals	24 627	40 504	16 894	31 060
Total trade and other payables	2 011 195	1 400 445	1 151 704	721 884

The Group obtained import letters of credit facilities to replace the trade finance facility of the previous years. The letters of credit supplies a 120 day trade payment term to the company. The maximum facility available to the company is R1 033.5 million (2014: R597.6) and interest is calculated at LIBOR plus 2.2% (2014: 2.2%). These facilities are carried at amortised cost, as the interest rate is market related and fair value therefore approximates amortised cost.

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases stated is 156 days (2014: 121 days).

Trade and other payables are stated at amortised cost, which normally approximates their fair value due to their short-term maturity.

20. TRADE AND OTHER PAYABLES *(continued)*

The following movements occurred in accruals:

GROUP 2015	Leave pay accrual R000	Bonus accrual R000	Total R000
Opening carrying amount	9 329	31 175	40 504
Additional accrual	9 503	14 113	23 616
Amounts used	(8 375)	(31 118)	(39 493)
Closing carrying amount	10 457	14 170	24 627
COMPANY 2015			
Opening carrying amount	7 485	23 575	31 060
Additional accrual	8 432	7 108	15 540
Amounts used	(7 656)	(22 050)	(29 706)
Closing carrying amount	8 261	8 633	16 894

GROUP 2014	Leave pay accrual R000	Bonus accrual R000	Total R000
Opening carrying amount	9 177	8 958	18 135
Amounts transferred to assets classified as held-for-sale	1 634	—	1 634
Additional accrual	11 890	39 291	51 181
Amounts used	(13 343)	(17 074)	(30 417)
Amounts unused reversed	(29)	—	(29)
Closing carrying amount	9 329	31 175	40 504
COMPANY 2014			
Opening carrying amount	8 365	4 409	12 774
Additional accrual	10 984	30 466	41 450
Amounts used	(11 864)	(11 300)	(23 164)
Closing carrying amount	7 485	23 575	31 060

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 statement of financial position date.

The bonus accrual relates to performance bonus targets achieved and the annual 13th cheque payable to employees of the Group and the company.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

21.1 Categories of financial instruments

GROUP 2015	Notes	Total R000	Held-for-trading* R000	Loans and receivables R000	Available-for-sale R000	Financial liabilities at amortised cost R000	Finance lease receivables and payables R000	Equity and non-financial assets and liabilities R000
ASSETS								
Non-current assets								
Property, plant and equipment	9	174 709	—	—	—	—	—	174 709
Intangible assets	10	62 843	—	—	—	—	—	62 843
Investments in associates	12	61 478	—	61 478	—	—	—	—
Other investments and loans	13	77 653	—	58 911	18 742	—	—	—
Deferred tax asset	14	29 593	—	—	—	—	—	29 593
Current assets								
Inventories	15	1 335 698	—	—	—	—	—	1 335 698
Trade and other receivables	16	1 246 139	—	1 156 125	—	—	—	90 014
Foreign currency assets	21	8 179	8 179	—	—	—	—	—
Tax assets		2 059	—	—	—	—	—	2 059
Bank balances and cash	17	459 832	—	459 832	—	—	—	—
TOTAL ASSETS		3 458 183	8 179	1 736 346	18 742	—	—	1 694 916
EQUITY AND LIABILITIES								
Capital and reserves								
Ordinary share capital	18	93 354	—	—	—	—	—	93 354
Retained earnings		894 636	—	—	—	—	—	894 636
Non-distributable reserve		809	—	—	—	—	—	809
Foreign currency translation reserve		4 949	—	—	—	—	—	4 949
Equity attributable to equity holders of the parent		993 748	—	—	—	—	—	993 748
Non-controlling interest		19 268	—	—	—	—	—	19 268
Total equity		1 013 016	—	—	—	—	—	1 013 016
Non-current liabilities								
Long-term borrowings	19	23 127	—	—	—	23 127	—	—
Deferred tax liability	14	4 576	—	—	—	—	—	4 576
Deferred income	29	15 627	—	—	—	—	—	15 627
Current liabilities								
Short-term borrowings	19	2 687	—	—	—	2 687	—	—
Trade and other payables	20	2 011 195	—	—	—	2 004 309	—	6 886
Foreign currency liabilities	21	1 373	1 373	—	—	—	—	—
Deferred income	21	22 238	—	—	—	—	—	22 238
Tax liabilities		2 595	—	—	—	—	—	2 595
Bank overdrafts	19	361 749	—	—	—	361 749	—	—
Total liabilities		2 445 167	1 373	—	—	2 391 872	—	51 922
TOTAL EQUITY AND LIABILITIES		3 458 183	1 373	—	—	2 391 872	—	1 064 938

** There are no financial instruments designated as fair value through profit and loss.*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.1 Categories of financial instruments *(continued)*

GROUP 2014	Notes	Total R000	Held-for-trading* R000	Loans and receivables R000	Available-for-sale R000	Financial liabilities at amortised cost R000	Finance lease receivables and payables R000	Equity and non-financial assets and liabilities R000
ASSETS								
Non-current assets								
Property, plant and equipment	9	160 029	—	—	—	—	—	160 029
Intangible assets	10	60 032	—	—	—	—	—	60 032
Investments in associates	11	51 589	—	51 589	—	—	—	—
Other investments and loans	13	70 894	—	52 152	18 742	—	—	—
Deferred tax asset	14	29 164	—	—	—	—	—	29 164
Current assets								
Inventories	15	1 269 879	—	—	—	—	—	1 269 879
Trade and other receivables	16	839 036	—	810 615	—	—	—	28 421
Foreign currency assets	21	839	839	—	—	—	—	—
Tax assets		16 555	—	—	—	—	—	16 555
Bank balances and cash	17	203 163	—	203 163	—	—	—	—
TOTAL ASSETS		2 701 180	839	1 117 519	18 742	—	—	1 564 080
EQUITY AND LIABILITIES								
Capital and reserves								
Ordinary share capital	18	119 627	—	—	—	—	—	119 627
Retained earnings		791 787	—	—	—	—	—	791 787
Non-distributable reserve		809	—	—	—	—	—	809
Foreign currency translation reserve		3 829	—	—	—	—	—	3 829
Equity attributable to equity holders of the parent		916 052	—	—	—	—	—	916 052
Non-controlling interest		18 461	—	—	—	—	—	18 461
Total equity		934 513	—	—	—	—	—	934 513
Non-current liabilities								
Long-term borrowings	19	34 788	—	—	—	34 788	—	—
Deferred tax liability	14	—	—	—	—	—	—	—
Deferred income	29	14 725	—	—	—	—	—	14 725
Current liabilities								
Short-term borrowings	19	1 474	—	—	—	1 474	—	—
Trade and other payables	20	1 400 445	—	—	—	1 400 136	—	309
Foreign currency liabilities	21	2 452	2 452	—	—	—	—	—
Deferred income	29	35 470	—	—	—	—	—	35 470
Tax liabilities		7	—	—	—	—	—	7
Bank overdrafts	19	277 306	—	—	—	277 306	—	—
Total liabilities		1 766 667	2 452	—	—	1 713 704	—	50 511
TOTAL EQUITY AND LIABILITIES		2 701 180	2 452	—	—	1 713 704	—	985 024

** There are no financial instruments designated as fair value through profit and loss.*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.1 Categories of financial instruments *(continued)*

COMPANY 2015	Notes	Total R000	Held-for-trading* R000	Loans and receiv-ables R000	Avail-able-for-sale R000	Financial liabilities at amor-tised cost R000	Finance lease receiv-ables and payables R000	Equity and non-financial assets and liabilities R000
ASSETS								
Non-current assets								
Property, plant and equipment	9	34 194	–	–	–	–	–	34 194
Intangible assets	10	11 848	–	–	–	–	–	11 848
Investments in subsidiaries	11	263 195	–	–	–	–	–	263 195
Investments in associates	12	14 105	–	14 105	–	–	–	–
Other investments and loans	13	67 912	–	58 911	9 001	–	–	–
Deferred tax asset	14	18 326	–	–	–	–	–	18 326
Current assets								
Inventories	15	806 959	–	–	–	–	–	806 959
Trade and other receivables	16	788 037	–	747 994	–	–	–	40 043
Foreign currency assets	21	5 870	5 870	–	–	–	–	–
Tax assets		1 360	–	–	–	–	–	1 360
Bank balances and cash	17	328 006	–	328 006	–	–	–	–
TOTAL ASSETS		2 339 812	5 870	1 149 016	9 001	–	–	1 175 925
EQUITY AND LIABILITIES								
Capital and reserves								
Ordinary share capital	18	93 354	–	–	–	–	–	93 354
Retained earnings		598 286	–	–	–	–	–	598 286
Total equity		691 640	–	–	–	–	–	691 640
Non-current liabilities								
Long-term borrowings	19	1 108	–	–	–	1 108	–	–
Deferred income	29	15 627	–	–	–	–	–	15 627
Current liabilities								
Short-term borrowings	19	1 155	–	–	–	1 155	–	–
Trade and other payables	20	1 151 704	–	–	–	1 151 704	–	–
Foreign currency liabilities	21	126	126	–	–	–	–	–
Loans owing to subsidiaries	11	112 683	–	–	–	112 683	–	–
Deferred income	29	22 238	–	–	–	–	–	22 238
Bank overdrafts	19	343 531	–	–	–	343 531	–	–
Total liabilities		1 648 172	126	–	–	1 610 181	–	37 865
TOTAL EQUITY AND LIABILITIES		2 339 812	126	–	–	1 610 181	–	729 505

* *There are no financial instruments designated as fair value through profit and loss.*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.1 Categories of financial instruments *(continued)*

COMPANY 2014	Notes	Total R000	Held-for-trading* R000	Loans and receivables R000	Available-for-sale R000	Financial liabilities at amortised cost R000	Finance lease receivables and payables R000	Equity and non-financial assets and liabilities R000
ASSETS								
Non-current assets								
Property, plant and equipment	9	27 801	—	—	—	—	—	27 801
Intangible assets	10	9 478	—	—	—	—	—	9 478
Investments in subsidiaries	11	258 341	—	—	—	—	—	258 341
Investments in associates	12	15 029	—	15 029	—	—	—	—
Other investments and loans	13	61 153	—	52 152	9 001	—	—	—
Deferred tax asset	14	21 729	—	—	—	—	—	21 729
Current assets								
Inventories	15	787 117	—	—	—	—	—	787 117
Trade and other receivables	16	440 786	—	436 081	—	—	—	4 705
Foreign currency assets	21	655	655	—	—	—	—	—
Tax assets		15 743	—	—	—	—	—	15 743
Bank balances and cash	17	120 368	—	120 368	—	—	—	—
TOTAL ASSETS		1 758 200	655	623 630	9 001	—	—	1 124 914
EQUITY AND LIABILITIES								
Capital and reserves								
Ordinary share capital	18	119 627	—	—	—	—	—	119 627
Retained earnings		475 698	—	—	—	—	—	475 698
Total equity		595 325	—	—	—	—	—	595 325
Non-current liabilities								
Long-term borrowings	19	10 937	—	—	—	10 937	—	—
Deferred income	29	14 725	—	—	—	—	—	14 725
Current liabilities								
Short-term borrowings	19	17	—	—	—	17	—	—
Trade and other payables	20	721 884	—	—	—	721 884	—	—
Foreign currency liabilities	21	1 552	1 552	—	—	—	—	—
Loans owing to subsidiaries	11	122 895	—	—	—	122 895	—	—
Deferred income	29	35 468	—	—	—	—	—	35 468
Tax liabilities		—	—	—	—	—	—	—
Bank overdrafts	19	255 397	—	—	—	255 397	—	—
Total liabilities		1 162 875	1 552	—	—	1 111 130	—	50 193
TOTAL EQUITY AND LIABILITIES		1 758 200	1 552	—	—	1 111 130	—	645 518

* *There are no financial instruments designated as fair value through profit and loss.*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management

The Group's Board of directors provides financial risk management services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's objectives, policies and processes for measuring and managing these risks are detailed below.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk 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 interest rates and foreign currency exchange rates.

21.2.1 Market risk

The Group's activities expose it primarily to the risks of fluctuations in foreign currency exchange rates, interest rates and equity price risks.

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

The Group enters into various derivative financial instruments to manage its exposure to foreign currency risk, including foreign exchange forward contracts and call and put options to manage the exchange rate risk arising on foreign denominated transactions.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how profit before taxation and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

21.2.1.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

It is the Group's policy to enter into foreign exchange forward contracts 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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.1 Market risk *(continued)*

21.2.1.1 Foreign currency risk management *(continued)*

At statement of financial position date, the company and Group had contracted to buy/sell the following amounts under forward exchange contracts:

	Rate		Foreign currency		Contract value		Fair value assets (liabilities)	
GROUP	2015 R/US$	2014 R/US$	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
BUY:								
US Dollars								
Less than three months	12.07	10.67	51 752	37 958	624 460	404 846	7 003	(1 262)
Three to six months	12.50	10.76	1 000	3 173	12 501	34 134	(188)	(351)
							6 815	(1 613)
Euros								
Less than three months	14.09	—	23	—	324	—	(9)	—
							(9)	—
Foreign currency assets							8 179	839
Foreign currency liabilities							(1 373)	(2 452)
							6 806	(1 613)
COMPANY								
BUY:								
US Dollars								
Less than three months	12.02	10.66	32 734	28 674	393 397	305 771	5 753	(896)
Three to six months	—	—	—	—	—	—	—	—
							5 753	(896)
Euros								
Less than three months	14.09	—	23	—	324	—	(9)	—
							(9)	—
Foreign currency assets							5 870	655
Foreign currency liabilities							(126)	(1 552)
							5 744	(897)

The following significant exchange rates applied for both the Group and the company during the year:

	Average spot rate		Closing spot rate	
	2015 R	2014 R	2015 R	2014 R
US Dollars	11.45	10.39	12.16	10.58
Euro	13.73	14.11	13.62	14.44

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.1 Market risk *(continued)*

21.2.1.1 Foreign currency risk management *(continued)*

The Group and company have various monetary assets and liabilities in currencies other than their functional currency. The following table represents the net currency exposure (net carrying amount of foreign denominated monetary assets and liabilities) of the Group and company according to the different functional currencies of each entity within the Group.

	2015			2014		
Functional currency (liabilities) assets	United States Dollar R000	Euro R000	Other* R000	United States Dollar R000	Euro R000	Other* R000
GROUP						
South African Rand	(737 933)	(64 758)	33 514	(720 897)	(46 601)	16 587
Kenyan Shilling	(20 196)	—	8 977	(20 380)	—	11 001
	(758 129)	(64 758)	42 491	(741 277)	(46 601)	27 588
COMPANY						
South African Rand	(372 369)	(64 759)	—	(388 391)	(46 602)	—
	(372 369)	(64 759)	—	(388 391)	(46 602)	—

** Other currencies include British Pound, United Arab Emirates Dirham, Namibia Dollar, Lesotho Maluti and Zambian Kwacha.*

Foreign currency sensitivity analysis

The Group is mainly exposed to the United States Dollar and the Euro. The following table details the Group's sensitivity to a 10% increase and decrease in the United States Dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number represents a gain while a negative number represents a loss. A 10% decrease in the United States Dollar against each foreign currency exchange rate would have an equal but opposite effect, 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. There were no changes in the methods and assumptions used in preparing the foreign currency sensitivity analysis.

	2015 R000	2014 R000
GROUP		
Profit before tax	73 586	72 226
COMPANY		
Profit before tax	30 761	34 179

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.1 Market risk *(continued)*

21.2.1.2 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow 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 borrowings. 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	
	2015 R000	2014 R000	2015 R000	2014 R000
Financial liabilities				
Loans received at fixed rates of interest	23 096	24 724	—	—
Loans received and bank borrowings linked to LIBOR	815 542	470 329	403 079	204 763
Loans received and bank borrowings linked to JIBAR	343 656	255 397	343 531	255 397
	1 182 294	750 450	746 610	460 160
Financial assets				
Loans granted at fixed rates of interest	2 122	2 558	2 122	2 558
Loans granted and bank deposits linked to South African prime rates	209 612	171 437	62 331	56 419
Bank deposits linked to LIBOR	290 056	58 844	261 812	50 647
Bank deposits linked to money market rates	14 202	13 302	3 863	13 302
Bank deposits linked to Australian prime rates	439	9 115	—	—
Bank deposits linked to Kenyan prime rates	898	2 149	—	—
Bank deposits linked to other foreign prime rates	935	137	—	—
	518 264	257 542	330 128	122 926

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the statement of financial position date. The analysis is prepared assuming the amount of the instrument outstanding at the statement of financial position date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group and company's profit before tax for the year ended 30 June 2015 would decrease/increase by R6.4 million (2014: R4.7 million) and R4.2 million (2014: R3.4 million), respectively.

21.2.1.3 Price risk

The Group is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If equity had been 5% higher/lower:

- profit before tax for the year ended 30 June 2015 and 30 June 2014 would have been unaffected as the equity investments are classified as available-for-sale with all fair value adjustments recognised directly in equity
- investment revaluation reserve for the year ended 30 June 2015 would decrease/increase by R nil (2014: R nil).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.2 Credit risk

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 among approved counterparties.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, foreign exchange forward contracts, loans and receivables, investments and trade and other receivables. Financial guarantees granted also subject the Group to credit risk.

With respect to the foreign exchange forward contracts, the Group's exposure is on the full amount of the foreign currency payable on settlement. The Group minimises credit risk relating to foreign exchange forward 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.

Refer to notes 16 and 17 for additional information relating to credit risk.

The maximum credit exposure of forward exchange contracts is represented by the fair value of these contracts.

The maximum credit exposure of financial guarantee contracts granted is the maximum amount the Group could be required to pay, or fund, without consideration of the probability of the actual outcome.

The Group 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 amounted to R723.8 million (2014: R540.7 million) and R352.8 million (2014: R218.4 million) for the Group and company, respectively.

There has been no significant change during the financial year, or since the end of the financial year, to the Group or company's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

	GROUP		COMPANY	
	2015 %	2014 %	2015 %	2014 %
High	–	–	–	–
Medium	–	–	–	–
Low	100	100	100	100
	100	100	100	100

Definitions:

High: The probability exists that the debtor has defaulted in payments and entered into a delinquency scenario.

Medium: The probability exists that the debtor is experiencing financial difficulties and is in arrears. The debtor is being managed closely to collect all overdue accounts.

Low: No default in payment has occurred or is anticipated for the debtor.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.2 Credit risk *(continued)*

The following represents an analysis of the age of financial assets that are past due but not impaired:

	Total R000	1 – 30 days past due R000	31 – 60 days past due R000	61 – 90 days past due R000	91 – 120 days past due R000
GROUP 2015					
Trade and other receivables – South Africa	86 456	44 692	11 724	7 433	22 607
Trade and other receivables – non-South African	15 908	3 856	251	577	11 224
	102 364	48 548	11 975	8 010	33 831
GROUP 2014					
Trade and other receivables – South Africa	56 065	24 303	12 801	6 873	12 088
Trade and other receivables – non-South African	15 178	2 416	1 634	1 681	9 447
	71 243	26 719	14 435	8 554	21 535
COMPANY 2015					
Trade and other receivables – South Africa	81 508	39 744	11 724	7 433	22 607
Trade and other receivables – non-South African	15 908	3 856	251	577	11 224
	97 416	43 600	11 975	8 010	33 831
COMPANY 2014					
Trade and other receivables – South Africa	55 524	23 881	12 755	6 849	12 039
Trade and other receivables – non-South African	15 178	2 416	1 634	1 681	9 447
	70 702	26 297	14 389	8 530	21 486

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.3 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

In terms of its borrowing requirements, the Group ensures 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 note 19 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 maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and company can be required to pay.

	Total R000	0 – 1 year R000	2 years R000	3 – 5 years R000	5 years + R000
GROUP 2015					
Non-interest-bearing	1 213 746	1 213 746	–	–	–
Variable interest rate instruments	1 159 198	1 159 198	–	–	–
Fixed interest rate instruments	23 096	1 350	1 350	4 050	16 346
	2 396 040	2 374 294	1 350	4 050	16 346
GROUP 2014					
Non-interest-bearing	952 025	952 025	–	–	–
Variable interest rate instruments	725 726	725 726	–	–	–
Fixed interest rate instruments	24 723	1 445	1 445	4 335	17 498
	1 702 474	1 679 196	1 445	4 335	17 498
COMPANY 2015					
Non-interest-bearing	748 626	748 626	–	–	–
Variable interest rate instruments	746 610	746 610	–	–	–
	1 495 236	1 495 236	–	–	–
COMPANY 2014					
Non-interest-bearing	517 121	517 121	–	–	–
Variable interest rate instruments	460 159	460 159	–	–	–
	977 280	977 280	–	–	–

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.2 Risk management *(continued)*

21.2.4 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 19, 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 net debt-to-equity ratio of 30% to 40%.

Group equity comprises equity attributable to equity holders of the parent.

The gearing ratio at year-end was:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Total interest-bearing debt	1 182 294	750 450	746 610	460 160
Bank balances and cash	(459 832)	(203 163)	(328 006)	(120 368)
Net interest-bearing debt	722 462	547 287	418 604	339 792
Equity	993 748	916 052	691 640	595 325
Net debt-to-equity ratio	72.7%	59.7%	60.5%	57.1%
Total debt-to-equity ratio	119.0%	81.9%	107.9%	77.3%
21.3 Net (losses) gains on financial instruments				
Net gains (losses) on financial instruments analysed by category are:				
Financial assets and financial liabilities at fair value through profit or loss, classified as held-for-trading	6 806	(1 614)	5 744	3 235
Loans and receivables (including bank and cash)	17 364	6 388	65 686	10 549
Financial liabilities held at amortised cost	(84 768)	(72 061)	(48 286)	(46 723)
Net (losses) gains attributable to financial instruments	(60 598)	(67 287)	23 144	(32 939)

21.4.1 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.4.2 Analysis of fair value measurements of financial assets and liabilities recognised in the statement of financial position

Fair value measurements of financial assets and liabilities are analysed as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels of financial assets and liabilities during the current or previous financial year.

Level 3 financial assets consist of shares held in Zinox Technologies Limited (refer note 13). The inputs used to measure the fair value of this investment are the Group's share of the net asset value of Zinox Technologies Limited.

GROUP 2015	Level 1 R000	Level 2 R000	Level 3 R000
Held-for-trading			
Foreign currency assets	–	8 179	–
Foreign currency liabilities	–	(1 373)	–
Total – held-for-trading	–	6 806	–
Available-for-sale			
Other investments and loans	–	–	18 741
Total – available-for-sale	–	–	18 741
Total financial assets and (liabilities) at fair value	–	6 806	18 741

COMPANY 2015	Level 1 R000	Level 2 R000	Level 3 R000
Held-for-trading			
Foreign currency assets	–	5 870	–
Foreign currency liabilities	–	(126)	–
Total – held-for-trading	–	5 744	–
Available-for-sale			
Other investments and loans	–	–	9 001
Total – available-for-sale	–	–	9 001
Total financial assets and (liabilities) at fair value	–	5 744	9 001

Reconciliation of Level 3 fair value measurements of financial assets and (liabilities):

	Short-term borrowings R000	Long-term borrowings R000	Other investments and loans R000
GROUP 2015			
Opening balance	–	–	18 741
Closing balance	–	–	18 741
COMPANY 2015			
Opening balance	–	–	9 001
Closing balance	–	–	9 001

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.4.2 Analysis of fair value measurements of financial assets and liabilities recognised in the statement of financial position *(continued)*

GROUP 2014	Level 1 R000	Level 2 R000	Level 3 R000
Held-for-trading			
Foreign currency assets	—	839	—
Foreign currency liabilities	—	(2 452)	—
Total – held-for-trading	—	(1 613)	—
Available-for-sale			
Other investments and loans	—	—	18 741
Total – available-for-sale	—	—	18 741
Total financial assets and (liabilities) at fair value	—	(1 613)	18 741

COMPANY 2014	Level 1 R000	Level 2 R000	Level 3 R000
Held-for-trading			
Foreign currency assets	—	655	—
Foreign currency liabilities	—	(1 552)	—
Total – held-for-trading	—	(897)	—
Available-for-sale			
Other investments and loans	—	—	9 001
Total – available-for-sale	—	—	9 001
Total financial assets and (liabilities) at fair value	—	(897)	9 001

Reconciliation of Level 3 fair value measurements of financial assets and (liabilities):

	Short-term borrowings R000	Long-term borrowings R000	Other investments and loans R000
GROUP 2014			
Opening balance	—	—	18 741
Closing balance	—	—	18 741
COMPANY 2014			
Opening balance	—	—	9 001
Closing balance	—	—	9 001

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

21.4.2 Analysis of fair value measurements of financial assets and liabilities recognised in the statement of financial position *(continued)*

The fair values of financial assets and financial liabilities are determined as follows:

Other investments and loans

Due to the restrictive nature of cross-border investment, the investment in Zinox Technologies Limited has been valued at net asset value. Based on the latest financial information available for Zinox Technologies Limited, the net asset value was found to approximate the carrying value of the investment and therefore no fair value adjustments or impairments have been recognised for this investment (refer note 13).

21.4.3 Fair value disclosure

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	2015		2014	
	Carrying amount R000	Fair value R000	Carrying amount R000	Fair value R000
GROUP				
Financial assets				
Loans and receivables:				
Non-current trade and other receivables	–	–	–	–
Financial liabilities				
Borrowings:				
Loans received at fixed rates of interest	23 096	12 195	24 724	12 973
COMPANY				
Financial assets				
Loans and receivables:				
Non-current trade and other receivables	–	–	–	–
Financial liabilities				
Borrowings:				
Loans received at fixed rates of interest	–	–	–	–

21.4.4 Assumptions used in determining fair value of financial assets and liabilities

Non-current trade and other receivables

The interest rate used to discount the cash flows of the non-current trade and other receivables is the South African prime rate of 9.25% (2014: 9.0%) and holding the credit risk margin constant.

Borrowings

The fair value of the fixed rate loans is determined based on interest rates applicable on similar loans on 30 June 2015 and 30 June 2014, respectively. All other variables remained constant.

22. NET CASH FROM OPERATIONS

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Profit for the year	134 107	104 183	152 459	87 954
Adjustments for:				
Income tax expense	50 155	39 400	37 499	32 161
Interest income	(17 364)	(6 388)	(8 118)	(4 598)
Finance costs	77 416	50 513	43 886	29 206
Dividend income	—	—	(57 568)	(6 903)
Depreciation of property, plant and equipment	14 804	14 128	10 033	6 885
Net loss (profit) on disposal of plant and equipment	(46)	(172)	(48)	78
Unrealised foreign exchange losses (profit)	11 905	(2 113)	5 882	(3 294)
Fair value adjustments of derivative instruments	(6 805)	1 614	(5 744)	897
Share-based payment	7 796	6 956	6 443	6 839
Amortisation of intangible assets	7 341	6 131	6 811	5 760
Loss (profit) on disposal of associate	—	739	—	(4 132)
Share of profit of associates	(10 813)	(6 988)	—	—
Impairment of investment in subsidiary	—	—	—	952
Operating cash flows before movements in working capital	268 496	208 003	191 535	151 805
Working capital movements	105 527	(291 760)	36 275	(212 653)
(Increase) decrease in inventories	(65 819)	(463 875)	(19 842)	(283 922)
(Increase) decrease in trade and other receivables	(407 103)	(147 500)	(347 251)	(68 873)
(Decrease) increase in deferred income	(13 232)	17 504	(13 230)	17 503
Increase in trade and other payables	591 681	302 111	416 598	122 639
Net cash (used in) from operations	374 023	(83 757)	227 810	(60 848)

23. OPERATING LEASE ARRANGEMENTS

The Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Cash due:				
During the ensuing year	28 252	23 423	24 455	20 106
In the second year	12 786	21 939	9 561	19 144
In the third to fifth year inclusive	8 244	8 275	5 579	6 002
Thereafter	413	1 620	413	1 620
	49 695	55 257	40 008	46 872
Operating lease liability	2 718	2 437	2 263	1 970
To be expensed:				
During the ensuing year	26 916	23 393	23 302	20 089
In the second year	12 033	20 473	9 081	17 859
In the third to fifth year inclusive	7 697	7 628	5 031	5 628
Thereafter	331	1 326	331	1 326
	49 695	55 257	40 008	46 872

Operating leases payments represent rentals payable by the Group for the use of the properties from which it operates. The duration of these leases varies between one and seven years. None of these leases has any renewal or purchase options, nor is any of these leases subject to any restrictive terms.

24. GUARANTEES AND CONTINGENT LIABILITIES

Limited guarantees

- standby letter of credit for Intel International BV for US$0.5 million
- US$3.0 million guarantee of payment in favour of Bank of China Limited on behalf of Mustek East Africa Proprietary Limited
- US$1.0 million guarantee of payment in favour of HSBC Bank PLC on behalf of Mustek East Africa Proprietary Limited
- US$0.5 million guarantee of payment in favour of Lenovo PC HK Limited on behalf of Mustek East Africa Proprietary Limited
- R4.5 million guarantee of payment in favour of Department of Customs & Excise, South African Revenue Service.

Legal dispute

- the Group has no significant legal matters pending.

25. RETIREMENT BENEFIT PLANS

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. Refer note 3 for contributions to fund.

26. INTERESTS OF DIRECTORS IN CONTRACTS

Mustek Limited has entered into a lease agreement with Mustek Electronics Properties Proprietary Limited, with effect from 1 September 2011 and terminating on 31 August 2016. David Kan, Chief Executive Officer of Mustek Limited, is both a director and the majority shareholder of Mustek Electronics Properties Proprietary Limited. Lease payments to the amount of R14.7 million (2014: R15.6 million) were paid with regards to the lease agreement (refer note 27).

The aforementioned transaction was done at arm's length.

Apart from the aforementioned lease agreement, 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.

27. RELATED-PARTY TRANSACTIONS

During the 2015 financial year the company had the following related parties:

SUBSIDIARIES

2015 Related party	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
Brobusmac Investments Proprietary Limited	Loan	—	(7 960)
Mecer Technology Limited	Management fees	(5 477)	—
Makeshift 1000 Proprietary Limited[4]	Loan	—	43 192
Mustek Capital Proprietary Limited[1]	Loan	—	(10 520)
Mustek East Africa Limited[1]	Sales	2 287	—
	Loan	(3 987)	26 362
Mustek Lesotho Proprietary Limited[6]	Sales	—	—
	Loan	—	952
Mustek Limited Company Limited[2]	Loan	—	3 511
Mustek Middle East FZCO[1, 5]	Loan	—	1 118
Quickstep 94 Proprietary Limited[3]	Purchases	(10)	—
	Management fees	120	—
	Loan	(867)	20 682
Rectron Holdings Limited[1]	Sales	55 336	718
	Purchases	(281 839)	(32 073)
Tradeselect 38 Proprietary Limited	Loan	—	(11 912)

Note: Refer to note 11 for a complete list of subsidiaries and further details about these entities.

[1] *Amounts receivable or payable are unsecured and no guarantees have been given or received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.*
[2] *R3.5 million of the amount outstanding has been impaired to date.*
[3] *R16.8 million of the amount outstanding has been impaired to date.*
[4] *R43.1 million of the amount outstanding has been impaired to date.*
[5] *R1.1 million of the amount outstanding has been impaired to date.*
[6] *R1.0 million of the amount outstanding has been impaired to date.*

ASSOCIATES

2015 Related party	Type of transaction	Amount of transaction received R000	Amount receivable R000
Continuous Power Systems Proprietary Limited[1]	Loan	1 576	6 604

Note: Refer to note 12 for a complete list of associates.

[1] *Amounts receivable are unsecured and no guarantees have been received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.*

27. RELATED-PARTY TRANSACTIONS *(continued)*

OTHER RELATED PARTIES

2015 Related party	Nature of relationship	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
Columbus Technologies Proprietary Limited[1]	Previous associate	Loan	513	1 304
Mustek Electronics Properties Proprietary Limited[2]	Common directorship	Operating lease	(14 735)	—

[1] *Columbus Technologies Proprietary Limited is no longer a related party but the loan amount above was made to Columbus Technologies Proprietary Limited while it was an associate of the company.*
[2] *Amounts receivable or payable are unsecured and no guarantees have been given or received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.*

During the 2014 financial year the company had the following related parties:

SUBSIDIARIES

2014 Related party	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
Brobusmac Investments Proprietary Limited	Loan	—	(7 960)
Mecer Technology Limited	Investment	(6 629)	—
	Management fees	(1 687)	—
	Purchases	(3 138)	(900)
Makeshift 1000 Proprietary Limited[4]	Loan	—	43 192
Mustek Capital Proprietary Limited[1]	Loan	—	(10 520)
Mustek East Africa Limited[1]	Sales	3 221	(1 081)
	Loan	(1 834)	22 375
Mustek Lesotho Proprietary Limited[6]	Sales	—	—
	Loan	339	952
Mustek Limited Company Limited[2]	Loan	—	3 511
Mustek Middle East FZCO[1, 5]	Loan	—	1 118
Quickstep 94 Proprietary Limited[3]	Purchases	(9)	—
	Management fees	120	—
	Loan	(1 000)	19 815
Rectron Holdings Limited[1]	Sales	144 324	258
	Purchases	(284 149)	(22 458)
Tradeselect 38 Proprietary Limited	Loan	—	(11 912)

Note: Refer to note 11 for a complete list of subsidiaries and further details about these entities.

[1] *Amounts receivable or payable are unsecured and no guarantees have been given or received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.*
[2] *R3.5 million of the amount outstanding has been impaired to date.*
[3] *R16.8 million of the amount outstanding has been impaired to date.*
[4] *R43.1 million of the amount outstanding has been impaired to date.*
[5] *R1.1 million of the amount outstanding has been impaired to date.*
[6] *R1.0 million of the amount outstanding has been impaired to date.*

27. RELATED-PARTY TRANSACTIONS *(continued)*

ASSOCIATES

2014 Related party	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
Khauleza IT Solutions Proprietary Limited[1]	Loan	—	—
Continuous Power Systems Proprietary Limited[1]	Loan	(6 624)	8 180

Note: Refer to note 12 for a complete list of associates.

[1] Amounts receivable or payable are unsecured and no guarantees have been given or received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.

OTHER RELATED PARTIES

2014 Related party	Nature of relationship	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
Columbus Technologies Proprietary Limited[1]	Previous associate	Loan	(144)	1 817
Mustek Electronics Properties Proprietary Limited[2]	Common directorship	Current account	442	—
	Common directorship	Operating lease	(15 604)	—

[1] Columbus Technologies Proprietary Limited is no longer a related party but the loan amount above was made to Columbus Technologies Proprietary Limited while it was an associate of the company.
[2] Amounts receivable or payable are unsecured and no guarantees have been given or received. No amount has been provided as doubtful and no expense has been recognised in respect of bad or doubtful debts due from the related party.

Key management personnel compensation

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Short-term benefits	18 098	24 035	9 340	14 763
Share-based payments	7 796	6 956	6 443	6 839
	25 894	30 991	15 783	21 602

27. RELATED-PARTY TRANSACTIONS *(continued)*

Directors' emoluments, consisting of short-term benefits during the year, were as follows:

2015	Fees for services R000	Basic salary R000	Expense allowances R000	Pension contri-butions R000	Bonus and perfor-mance-related R000	Total R000
Executive directors	—	6 344	831	489	1 676	9 340
DC Kan	—	2 223	465	202	632	3 522
H Engelbrecht	—	2 420	270	200	632	3 522
CJ Coetzee	—	1 701	96	87	412	2 296
Non-executive directors	1 174	—	—	—	—	1 174
T Dingaan	201	—	—	—	—	201
ME Gama	251	—	—	—	—	251
D Konar	410	—	—	—	—	410
RB Patmore	312	—	—	—	—	312
	1 174	6 344	831	489	1 676	10 514

2014	Fees for services R000	Basic salary R000	Expense allowances R000	Pension contri-butions R000	Bonus and perfor-mance-related R000	Total R000
Executive directors	—	6 112	789	422	6 306	13 629
DC Kan	—	2 168	423	190	2 378	5 159
H Engelbrecht	—	2 329	270	150	2 378	5 127
CJ Coetzee	—	1 615	96	82	1 550	3 343
Non-executive directors	1 134	—	—	—	—	1 134
T Dingaan	189	—	—	—	—	189
ME Gama	228	—	—	—	—	228
D Konar	397	—	—	—	—	397
RB Patmore	320	—	—	—	—	320
	1 134	6 112	789	422	6 306	14 763

27. RELATED-PARTY TRANSACTIONS *(continued)*

Directors' shareholding

At 30 June 2015, the directors collectively held the following direct and indirect interests in shares in the company, which represents 15.7% (2014: 15.5%) of the issued share capital of the company. (No change occurred between 30 June 2015 and 26 August 2015):

	Beneficial			
	Direct		Indirect	
	2015	2014	2015	2014
DC Kan	2 288 046	2 288 046	11 492 525	11 742 525
H Engelbrecht	1 750 000	1 750 000	–	–
CJ Coetzee[1]	735 000	735 000	–	–
D Konar	25 303	25 303	–	–
	4 798 349	4 798 349	11 492 525	11 742 525

These shareholdings exclude options held. The remainder of the directors do not hold any shares.

[1] *The 2015 holding includes 300 000 shares held through contracts for difference (2014: 300 000 shares held through contracts for difference).*

Share-based payments

Share appreciation rights scheme

The object and purpose of the scheme is to incentivise certain selected senior employees by granting 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 phantom shares which are to be the subject of each option. The price at which an option may be granted will be, in respect of each phantom share which is the subject of that option, the average market price of the ordinary shares of the company on the JSE, as certified by the Company Secretary, for the 30 trading days immediately preceding that on which the employee is granted the option. Each option granted will remain in force for a period of seven years after the date of the granting of the option.

Each option 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 an option may be exercised will be, in respect of each phantom share which is the subject of that option, the closing market price of the ordinary shares of the company on the JSE, as certified by the Company Secretary, on the trading day immediately preceding that on which the employee or retired employee so exercises the option. Upon the exercising of an option, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of phantom shares, less any tax that may at that time be applicable to such a cash bonus.

27. RELATED-PARTY TRANSACTIONS *(continued)*

Share-based payments *(continued)*

Share appreciation rights scheme (continued)

	Weighted average price 2015	Weighted average price 2014	Number of options 2015	Number of options 2014
Phantom shares outstanding at the beginning of the year	R4.71	R4.71	3 300 000	3 300 000
Phantom shares granted during the year	R6.16	R6.16	750 000	750 000
Phantom shares outstanding at year-end	R4.98	R4.98	4 050 000	4 050 000

750 000 phantom shares were granted to an employee during the previous financial year. 3 300 000 phantom shares were granted to employees in the 2012 financial year. The fair values were calculated using a trinomial tree that adheres to all the Black-Scholes option-pricing model principles. All these share options are cash settled. The inputs into the model were as follows:

	30 June 2015	30 June 2014
Share price	R8.70	R7.20
Grant price	R4.71 / R6.16	R4.71 / R6.16
Expected volatility	26% / 30%	24% / 26%
Expected life	0 years / 2 years	1 year / 3 years
Risk-free rate	6.744% / 6.728%	6.52% / 7.34%
Expected dividend yield	3.1% / 3.1%	2.7% / 3.0%

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 total expenses of R7 795 814 and R6 443 250 respectively (2014: R6 956 365 and R6 839 250 respectively) related to cash-settled share appreciation rights during the current year. A similar amount has been included as part of other payables.

Outstanding phantom shares are exercisable at the following values and in the following periods ending 30 June:

Option price	2016	2017	2018	Number of undelivered phantom shares	Total Rand value
R4.71	3 300 000	–	–	3 300 000	15 543 000
R6.16	250 000	250 000	250 000	750 000	4 620 000
	3 550 000	250 000	250 000	4 050 000	20 163 000

The directors have the following phantom share options outstanding:

Director	Grant price	Grant date	Undelivered phantom shares at 30 June 2015	Undelivered phantom shares at 30 June 2014
DC Kan	R4.71	1 July 2011	1 500 000	1 500 000
H Engelbrecht	R4.71	1 July 2011	1 050 000	1 050 000
CJ Coetzee	R4.71	1 July 2011	750 000	750 000
			3 300 000	3 300 000

27. RELATED-PARTY TRANSACTIONS *(continued)*

Executive share trust

No new options have been granted under this scheme after 1 December 2006. The scheme consisted of both a share option scheme where options can be awarded by either the company or the trust and a share purchase scheme where shares are purchased through the trust. In terms of the option scheme, participants were granted options to acquire shares in the company. In terms of the share purchase scheme, shares were offered to employees for purchase. There are no share purchase offers outstanding as at 30 June 2014.

Until 30 June 2003, the trust did not own any shares. On 1 July 2003 the trust was offered 2 895 358 options at R5.00 each to be delivered equally over a five-year period. The trust accepted and exercised the full option and was issued 2 316 286 shares until 30 June 2015 (2014: 2 316 286). In turn, the trust allocated the shares for transfer to participants at R5.00 each after obtaining the necessary permission from the JSE Issuer Regulations division.

	Weighted average price		Number of options	
	2015	2014	2015	2014
Options undelivered at the beginning of the year	R9.45	R9.45	1 940 000	5 740 000
Options delivered during the year	R8.36	R10.01	(1 940 000)	(3 800 000)
Options undelivered at year-end	—	R8.36	—	1 940 000

No share options were granted to employees in the current financial year (2014: nil). The fair values were calculated using a binomial tree that adheres to all the Black-Scholes option-pricing model principles. All these share options are equity-settled and therefore only valued upon granting.

The Group and company recognised total expenses of R nil (2014: R nil) related to equity-settled share options during the current and previous years respectively. All expenses relating to the outstanding share options have been expensed.

	2015	2014
Number of options held by:		
Employees	—	1 940 000
	—	1 940 000

No options due for delivery before 30 June 2015 (2014: 1 940 000) were undelivered. The weighted average price of the options outstanding at year-end is R0.00 per option (2014: R8.36).

The directors have the following share options outstanding or delivered to them after being accepted at the following dates:

2015 Director	Offer price	Acceptance date	Undelivered shares at 30 June 2014	Due for delivery during the year	Delivery date	Undelivered shares at 30 June 2015
DC Kan	R10.01	29 June 2006	—	—	23 June 2014	—
H Engelbrecht	R10.01	29 June 2006	—	—	23 June 2014	—
CJ Coetzee	R10.01	29 June 2006	—	—	23 June 2014	—
			—	—		—

2014 Director	Offer price	Acceptance date	Undelivered shares at 30 June 2013	Due for delivery during the year	Delivery date	Undelivered shares at 30 June 2014
DC Kan	R10.01	29 June 2006	2 250 000	2 250 000	23 June 2014	—
H Engelbrecht	R10.01	29 June 2006	1 250 000	1 250 000	23 June 2014	—
CJ Coetzee	R10.01	29 June 2006	300 000	300 000	23 June 2014	—
			3 800 000	3 800 000		—

28. CAPITAL EXPENDITURE

On 27 May 2015, the Group acquired land with buildings thereon in Bloemfontein for an amount of R8.8 million.

Apart for the capital expenditure mentioned above, the Group and company do not have any significant planned capital expenditure in the near future.

29. DEFERRED INCOME

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Deferred income realising in the next 12 months	15 627	35 470	15 627	35 468
Deferred income reclassified to long-term liabilities	22 238	14 725	22 238	14 725
Total deferred income	37 865	50 195	37 865	50 193

Deferred income arises as a result of various on-site service and maintenance contracts which are sold to customers together with certain products. The duration of these service and maintenance contracts varies between three and five years depending on the option the customer selected or the terms of the packages sold.

The income is deferred and recognised as revenue on a straight-line basis over the duration of the underlying service or maintenance contract.

30. POST-STATEMENT OF FINANCIAL POSITION EVENTS

There have been no significant events subsequent to year-end up until the date of this report that require adjustment to or disclosure in these annual financial statements.

Notice of annual general meeting

MUSTEK LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1987/070161/06)
Share code: MST ISIN: ZAE000012373
("Mustek" or "the company" or "the Group")

Notice is hereby given that the annual general meeting of the company's shareholders will be held at Mustek Limited's head office at 322 15th Road, Randjespark, Midrand on Friday, 11 December 2015 at 10:00 (the annual general meeting).

Purpose

The purpose of the meeting is to present, consider and adopt the financial statements of the company for the year ended 30 June 2015; to transact the business set out in this notice of annual general meeting (AGM notice) by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder; and to transact such other business as may be transacted at the annual general meeting.

Record date, attendance and voting

	2015
Record date in order to be eligible to receive the AGM notice	Friday, 30 October 2015
AGM notice posted to shareholders	Tuesday, 10 November 2015
Last date to trade in order to be eligible to vote at the annual general meeting	Friday, 27 November 2015
Record date in order to be eligible to vote at the annual general meeting	Friday, 4 December 2015
Last day to lodge forms of proxy for the annual general meeting (by 10:00)	Thursday, 10 December 2015
Annual general meeting (at 10:00)	Friday, 11 December 2015
Results of the annual general meeting released on SENS	Friday, 11 December 2015

1. Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.

2. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the company's transfer secretaries at the address given below by not later than 10:00 on Thursday, 10 December 2015.

3. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

4. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.

5. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

6. In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the annual general meeting as sufficient identification.

Agenda

1. Presentation and consideration of the annual financial statements of the Group, including the reports of the directors and the Audit and Risk Committee for the year ended 30 June 2015 as set out in the company's integrated annual report 2015 of which this AGM notice forms part of; and

2. To consider and, if deemed fit, approve, with or without modification, the following special and ordinary resolutions:

   Note:
   For any of the ordinary resolutions numbers 1 to 8 and 10 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

   For any of the special resolutions numbers 1 to 3 to be adopted, more than 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

   For ordinary resolution number 9 to be adopted, more than 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

1. Ordinary business

1.1 Ordinary resolution number 1: Re-election of Hein Engelbrecht

"Resolved that Hein Engelbrecht, who retires by rotation in terms of the Memorandum of Incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of Hein Engelbrecht may be viewed on page 79 of the integrated annual report of which this notice forms part.

The Remuneration and Nominations Committee has considered Hein Engelbrecht's past performance and contribution to the company and in, accordance with article 5.1.8 of the Memorandum of Incorporation of the company, recommends that Hein Engelbrecht is re-elected as a director of the company.

1.2 Ordinary resolution number 2: Re-election of Neels Coetzee

"Resolved that Neels Coetzee, who retires by rotation in terms of the Memorandum of Incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of Neels Coetzee may be viewed on page 79 of the integrated annual report of which this notice forms part.

The Remuneration and Nominations Committee has considered Neels Coetzee's past performance and contribution to the company and in, accordance with article 5.1.8 of the Memorandum of Incorporation of the company, recommends that Neels Coetzee is re-elected as a director of the company.

1.3 Ordinary resolution number 3: Re-election of Ralph Patmore

"Resolved that Ralph Patmore, who retires by rotation in terms of the Memorandum of Incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of Ralph Patmore may be viewed on page 79 of the integrated annual report of which this notice forms part.

The Remuneration and Nominations Committee has considered Ralph Patmore's past performance and contribution to the Company and in, accordance with article 5.1.8 of the Memorandum of Incorporation of the company, recommends that Ralph Patmore is re-elected as a director of the company.

Reason for ordinary resolutions numbers 1 to 3

The reason for ordinary resolutions numbers 1 to 3 is that article 5.1.8 of the Memorandum of Incorporation of the company and, to the extent applicable, the Companies Act, requires that a component of the directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

1.4 Ordinary resolution number 4: Confirmation of the re-appointment of the auditors

"Resolved that the re-appointment of Deloitte & Touche as independent auditors of the company for the ensuing year (the designated auditor being Martin Bierman) on the recommendation of the company's Audit and Risk Committee be hereby ratified."

Reason for ordinary resolution number 4

The reason for ordinary resolution number 4 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company as required by the Companies Act.

1.5 Ordinary resolution number 5: Appointment of Ralph Patmore as a member to the Audit and Risk Committee

"Resolved that Ralph Patmore be elected a member of the Audit and Risk Committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act."

An abbreviated *curriculum vitae* in respect of Ralph Patmore may be viewed on page 79 of the integrated annual report of which this notice forms part.

1.6 Ordinary resolution number 6: Appointment of Mdu Gama as a member to the Audit and Risk Committee

"Resolved that Mdu Gama be elected a member of the Audit and Risk Committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act."

An abbreviated *curriculum vitae* in respect of Mdu Gama may be viewed on page 79 of the integrated annual report of which this notice forms part.

Reason for ordinary resolutions number 5 and 6

The reason for ordinary resolutions number 5 and 6 (inclusive) is that the company, being a public listed company, must appoint an audit committee as prescribed by sections 66(2) and 94(2) of the Companies Act, which also requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

1.7 Ordinary resolution number 7: Endorsement of remuneration philosophy

To endorse the company's remuneration philosophy, as set out in the remuneration report on pages 86 to 88 of the integrated annual report, by way of a non-binding advisory note.

Reason for ordinary resolution number 7

The reason for ordinary resolution number 7 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders at the annual general meeting of a company.

1.8 Ordinary resolution number 8: Placing unissued shares under directors' control

"Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 11 December 2015, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the Memorandum of Incorporation of the company, and the provisions of the Listings Requirements of the JSE Limited (JSE), save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that the Board requires authority from shareholders in terms of article 3 of its Memorandum of Incorporation to issue shares in the company. This general authority, once granted, allows the Board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required *inter alia* in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio that may be required from time to time. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue at 11 December 2015 and subject to the further restrictions set out in ordinary resolution number 9 below.

1.9 Ordinary resolution number 9: General authority to issue shares for cash

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash placed under their control as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 23 October 2015, provided that:

- the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 5% of the company's issued share capital (5 181 173) of that class. For purposes of determining whether the aforementioned 5% has been or will be reached, the securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

The reason for ordinary resolution number 9

For listed entities wishing to issue shares, it is necessary for the Board not only to obtain the prior authority of the shareholders as may be required in terms of their Memorandum of Incorporation contemplated in ordinary resolution number 9 above but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements of the JSE. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares in compliance with the Listings Requirements of the JSE. The authority granted in terms of this resolution number 9 must accordingly be read together with the authority granted in terms of ordinary resolution number 8 above and any exercise thereof will be subject to the conditions contained in ordinary resolution number 9.

Note: This resolution requires the approval of not less than 75% of the votes cast by shareholders present or represented by proxy and entitled to vote at this annual general meeting.

1.10 Ordinary resolution number 10: Authority to action

"Resolved that any one director of the company and/or the Company Secretary is hereby authorised to do all such things and sign all such documents as deemed necessary to implement the ordinary and special resolutions as set out in this notice convening the annual general meeting at which these resolutions will be considered."

The reason for ordinary resolution number 10

The reason for ordinary resolution number 10 is to ensure that the resolutions voted favourably upon are duly implemented through the delegation of powers provided for in terms of clause 5.3 of the company's Memorandum of Incorporation.

2. Special business

2.1 Special resolution number 1: Remuneration of non-executive directors

"Resolved that the remuneration payable to the non-executive directors be approved on the following basis with effect from this annual general meeting until the next annual general meeting held in 2016:

Category	Recommended remuneration
Chairman (note 1)	R319 500 annual retainer
Board member	R84 700 annual retainer R12 750 per meeting attended
Audit and Risk Committee	
Chairman	R68 000 annual retainer R16 000 per meeting attended
Member	R37 400 annual retainer R10 100 per meeting attended
Remuneration and Nominations Committee	
Chairman	R59 700 annual retainer R17 000 per meeting attended
Member	R45 795 annual retainer R13 300 per meeting attended
Employment Equity Committee	
Chairman	R26 600 annual retainer
Member	R16 000 annual retainer
Social and Ethics Committee	
Chairman	R23 500 annual retainer R8 500 per meeting attended
Member	R9 600 annual retainer R4 250 per meeting attended

Note 1:

The Chairman's retainer includes fees payable for attending and chairing all Board meetings, as well as attending all Audit and Risk Committee meetings.

Reasons for and effect of special resolution number 1

The reason for the proposed special resolution, is to comply with section 66(9) of the Companies Act, which requires the approval of directors' fees prior to the payment of such fees.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

2.2 Special resolution number 2: Financial assistance to related and inter-related companies

"Resolved that the Board of directors of the Group be and is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 4), to authorise the Group to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company of the Group ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine."

Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to provide a general authority to the Board of directors of the Group for the Group to grant direct or indirect financial assistance to any company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

2.3 Special resolution number 3: Authority to repurchase shares by the company

"Resolved as a special resolution that the company and its subsidiaries be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the Memorandum of Incorporation of the Company, the Listings Requirements of the JSE and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, namely that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted
- a resolution has been passed by the Board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position or required shareholder spread of the Group

- the general repurchase is authorised by the company's Memorandum of Incorporation
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five-business day period
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf
- the company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE."

Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of its Memorandum of Incorporation and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company and/or its subsidiaries must, *inter alia,* be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

3. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolution number 3 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the Group position would not be compromised as to the following:
   - the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this annual general meeting and for a period of 12 months after the purchase
   - the consolidated assets of the Group will at the time of the annual general meeting and at the time of making such determination be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group
   - the ordinary capital and reserves of the Group after the purchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the annual general meeting and after the date of the share purchase
   - the working capital available to the Group after the purchase will be sufficient for the Group's requirements for a period of 12 months after the date of the share repurchases;

   and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group.

2. For the purposes of considering special resolution number 3, and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:
   - directors and management (pages 78 and 79)
   - major shareholders (page 99)
   - directors' interests in securities (page 170)
   - share capital of the company (page 145)
   - contingent liabilities (page 165)
   - responsibility statement (page 182)
   - material changes (page 182).

3. For purposes of special resolution number 2, the Board of directors of the company will only utilise the general authority bestowed upon them to provide direct or indirect financial assistance related to inter-related companies to the extent that the directors, after considering the amount of financial assistance to be granted, are of the opinion that:
   - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as defined in the Companies Act, 2008 as amended)
   - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company
   - all conditions or restrictions regarding the granting of financial assistance as set out in the company's memorandum of incorporation have been satisfied and that the Board of directors have passed a resolution authorising the granting of the said financial assistance ("the Board resolution") under their general authority so granted, the company which will then provide written notice of the Board resolution to all shareholders:
     – within 10 days after adoption of the Board resolution, if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution(s) during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the Board resolution; or
     – within 30 business days after the end of the financial year, in any other case.

4. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

5. The directors, whose names are reflected in this integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the Listings Requirements of the JSE.

6. Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report up to the date of this AGM notice.

By order of the Board

S van Schalkwyk
Company Secretary

23 October 2015

Form of proxy

MUSTEK LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1987/070161/06)
Share code: MST ISIN: ZAE000012373
("Mustek" or "the company" or "the Group")

FORM OF PROXY – for use by certificated and "own name" dematerialised shareholders only at the annual general meeting of shareholders to be held at Mustek Limited's head office at 322 15th Road, Randjespark, Midrand on Friday, 11 December 2015 at 10:00 (the annual general meeting).

I/We (please print name in full) ______________________________

of (address) ______________________________

____

being a shareholder/s of Mustek Limited, holding ____________ shares in the company hereby appoint:

1. ______________________________ or, failing him/her,

2. ______________________________ or, failing him/her,

3. ______________________________ or failing him/her,

4. the chairman of the annual general meeting,
as my proxy to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 30 June 2015			
Ordinary resolution number 1: To re-elect Hein Engelbrecht as director			
Ordinary resolution number 2: To re-elect Neels Coetzee as director			
Ordinary resolution number 3: To re-elect Ralph Patmore as director			
Ordinary resolution number 4: Confirmation of auditors' re-appointment			
Ordinary resolution number 5: Appointment of Ralph Patmore to Audit and Risk Committee			
Ordinary resolution number 6: Appointment of Mdu Gama to Audit and Risk Committee			
Ordinary resolution number 7: Endorsement of remuneration philosophy			
Ordinary resolution number 8: Placing of shares under the directors' control			
Ordinary resolution number 9: General authority to issue shares for cash			
Ordinary resolution number 10: Authority to action			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Financial assistance to related and inter-related companies			
Special resolution number 3: General authority to the company and its subsidiaries to repurchase shares			

(indicate instruction to proxy by way of a cross in the space provided above)
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this ____________ day of ____________ 2015

Signature ______________________________

Please read the notes on the reverse side hereof.

Notes

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own name registration.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to those whose names follow.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

4. Dematerialised shareholders who wish to attend the meeting or to vote by way of proxy must contact their participant or broker who will furnish them with the necessary authority to attend the meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her participant or broker.

5. Forms of proxy must be lodged at the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 10:00 on Thursday, 10 December 2015.

6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the Chairman of the meeting.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

9. The Chairman shall be entitled to reject the authority of a person signing the form of proxy:
   - under a power of attorney, or
   - on behalf of a company

   unless that person's power of attorney or authority is deposited at the registered office of the transfer secretaries not less than 24 hours before the meeting.

10. Where shares are held jointly, all joint holders are required to sign the form of proxy.

11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.

13. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

14. A resolution put to the vote shall be decided by a show of hands, unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting.

15. The directors have not made any provision for electronic participation at the annual general meeting.

Corporate information

Company Secretary
Sirkien van Schalkwyk
1 Carlsberg
430 Nieuwenhuyzen Street
Erasmuskloof Extension 2, 0181
PO Box 4896
Rietvalleirand, 0174
Telephone: +27 (0) 12 751 6000

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown, 2107
South Africa
Telephone: +27 (0) 11 370 5000

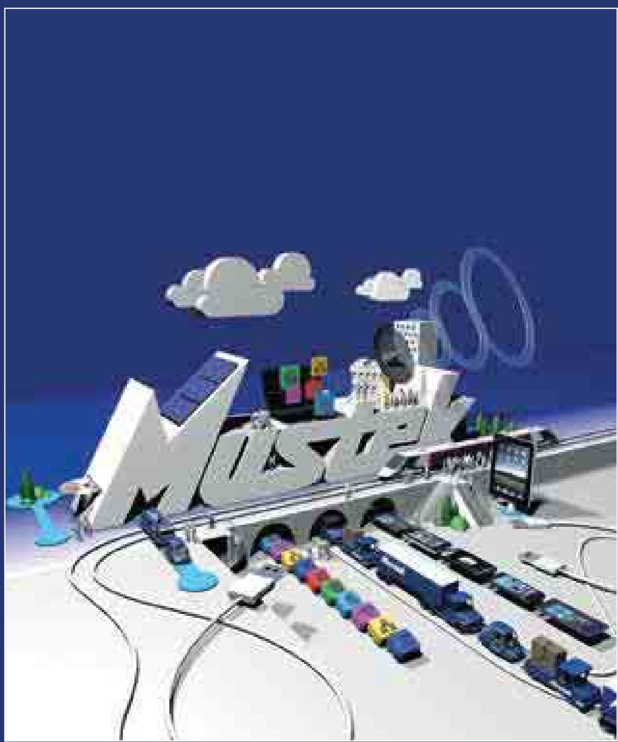
Registered office
322 15th Road
Randjespark
Midrand, 1685

Postal address
PO Box 1638
Parklands, 2121

Contact numbers
Telephone: +27 (0) 11 237 1000
Facsimile: +27 (0) 11 314 5039
Email: ltd@mustek.co.za

Sponsor
Deloitte & Touche Sponsor Services Proprietary Limited

BASTION GRAPHICS



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