Mustek
LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

resonate

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Salient features

Revenue
up 17.9%
Six months to December 2022:
R4.91 billion
Six months to December 2021 (restated):
R4.16 billion

Headline earnings per share
down 6.5%
Six months to December 2022:
221.74 cents
Six months to December 2021:
237.09 cents

Net asset value per share
up 14.0%
Six months to December 2022:
2 575.24 cents
Six months to December 2021:
2 259.48 cents

Condensed consolidated statement of comprehensive income

	Unaudited Six months 31 December 2022 R000	Unaudited Six months (restated)* 31 December 2021 R000	Audited Year-end 30 June 2022 R000
Revenue	**4 908 384**	4 163 764	8 909 567
Cost of sales	**(4 217 852)**	(3 487 194)	(7 636 886)
Gross profit	**690 532**	676 570	1 272 681
Foreign currency (losses) profits	**(62 862)**	(56 929)	(73 315)
Reversal of (raising of) impairment on trade receivables	**2 199**	(18 249)	(28 647)
Distribution, administrative and other operating expenses	**(388 188)**	(348 489)	(763 799)
Profit from operations	**241 681**	252 903	406 920
Investment revenues	**8 199**	2 734	6 778
Finance costs	**(76 503)**	(31 132)	(76 751)
Income (loss) from equity-accounted investments	**3 784**	(211)	(1 572)
Other non-operating losses	**(1 257)**	(9 615)	(13 297)
Profit before tax	**175 904**	214 679	322 078
Income tax expense	**(46 618)**	(62 597)	(96 866)
Profit for the period	**129 286**	152 082	225 212
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**6 141**	1 993	(1 714)
Other comprehensive income (loss) for the period net of tax	**6 141**	1 993	(1 714)
Total comprehensive income for the period	**135 427**	154 075	223 498
Profit attributable to:			
Owners of the parent	**129 286**	150 093	219 970
Non-controlling interest	**–**	1 989	5 242
	129 286	152 082	225 212
Total comprehensive income attributable to:			
Owners of the parent	**135 427**	152 086	218 256
Non-controlling interest	**–**	1 989	5 242
	135 427	154 075	223 498
Basic earnings per ordinary share (cents)	**219.35**	232.72	350.96
Diluted basic earnings per ordinary share (cents)	**219.35**	232.72	350.96

** Prior year six months revenue and cost of sales restated. Refer to Prior period error on page 10.*

Condensed consolidated statement of financial position

	Unaudited Six months 31 December 2022 R000	Unaudited Six months 31 December 2021 R000	Audited Year-end 30 June 2022 R000
ASSETS			
Non-current assets			
Property, plant and equipment	227 433	192 284	191 991
Investment property	10 272	10 991	10 412
Right-of-use assets	56 318	57 796	48 859
Goodwill	46 550	54 627	46 550
Intangible assets	114 318	100 187	104 006
Investments in associates	132 146	130 705	122 953
Other loans	11 606	52 130	22 810
Prepayments	–	–	21 228
Deferred tax assets	35 658	32 504	45 441
	634 301	631 224	614 250
Current assets			
Inventories	2 081 703	2 160 678	2 480 187
Loans to associate	679	1 500	2 092
Trade and other receivables	1 833 634	1 507 453	1 475 348
Contract assets	6 241	2 887	3 398
Foreign currency assets	4 582	30 186	48 965
Current tax receivable	1 777	4 700	10 923
Cash and cash equivalents	443 152	313 520	375 323
	4 371 768	4 020 924	4 396 239
TOTAL ASSETS	5 006 069	4 652 148	5 010 486
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated capital	–	–	–
Retained earnings	1 472 400	1 371 321	1 409 811
Foreign currency translation reserve	9 393	6 959	3 252
Equity attributable to equity holders of the parent	1 481 793	1 378 280	1 413 063
Non-controlling interest	–	6 668	–
	1 481 793	1 384 948	1 413 063
LIABILITIES			
Non–current liabilities			
Borrowings and other liabilities	35 527	43 974	48 026
Contract liabilities	21 321	24 424	24 101
Deferred tax liabilities	4 843	2 643	4 743
Lease liabilities	35 594	38 531	29 307
	97 285	109 572	106 177
Current liabilities			
Trade and other payables	2 705 907	3 080 652	3 213 525
Borrowings and other liabilities	2 424	2 360	2 410
Foreign currency liabilities	44 962	54	327
Lease liabilities	24 490	21 997	22 988
Contract liabilities	23 307	25 965	28 050
Current tax payable	13 116	4 987	1 681
Bank overdrafts	612 785	21 613	222 265
	3 426 991	3 157 628	3 491 246
Total liabilities	3 524 276	3 267 200	3 597 423
TOTAL EQUITY AND LIABILITIES	5 006 069	4 652 148	5 010 486

Condensed consolidated statement of cash flows

	Unaudited Six months 31 December 2022 R000	Unaudited Six months (restated)* 31 December 2021 R000	Audited Year-end 30 June 2022 R000
Cash flows from operating activities			
Cash receipts from customers	**4 551 254**	3 868 832	8 637 161
Cash paid to suppliers and employees	**(4 675 968)**	(3 584 998)	(8 333 730)
Cash (used in) generated from operations	**(124 714)**	283 834	303 431
Interest income received	**8 157**	2 199	6 241
Finance costs paid	**(76 503)**	(31 132)	(76 751)
Dividends paid	**(44 840)**	(60 095)	(60 095)
Tax paid	**(16 945)**	(49 648)	(101 009)
Net cash (used in) generated from operations	**(254 845)**	145 158	71 817
Purchase of property, plant and equipment	**(25 733)**	(13 473)	(24 590)
Sale/recoupment of property, plant and equipment	**–**	5 496	6 056
Purchase of intangible assets	**(12 773)**	(12 340)	(27 470)
Disposal of subsidiary net of cash disposed	**–**	–	13 756
Decrease in loans to associates	**1 481**	1 750	2 981
Dividends received from associates	**–**	2 520	2 520
Receipts from other loans	**4 408**	5 760	15 451
Increase in non-current prepayments	**–**	–	(21 228)
Net cash used in investing activities	**(32 617)**	(10 287)	(32 524)
Buy back of ordinary shares	**(21 857)**	(66 612)	(97 999)
Repayment of borrowings	**(1 205)**	(1 131)	(2 257)
Proceeds from (repayment to) bank overdrafts	**390 520**	(9 765)	190 887
Payment of lease liabilities	**(12 167)**	(11 522)	(22 280)
Net cash from (used in) financing activities	**355 291**	(89 030)	68 351
Net increase in cash and cash equivalents	**67 829**	45 841	107 644
Cash and cash equivalents at beginning of the period	**375 323**	267 679	267 679
Cash and cash equivalents at end of the period	**443 152**	313 520	375 323

** Prior year six months revenue and cost of sales restated. Refer to Prior period error on page 10.*

Condensed consolidated statement of changes in equity

	Ordinary stated capital R000	Retained earnings R000	Foreign currency translation reserve R000	Equity attributable to equity holders of the parent R000	Non-controlling interest R000	Total equity R000
Balance at 1 July 2021	–	1 345 440	4 966	1 350 406	7 174	1 357 580
Profit for the period	–	150 093	–	150 093	1 989	152 082
Other comprehensive income	–	–	1 993	1 993	–	1 993
Dividends paid	–	(57 600)	–	(57 600)	(2 495)	(60 095)
Buy-back of shares	–	(66 612)	–	(66 612)	–	(66 612)
Balance at 31 December 2021	–	1 371 321	6 959	1 378 280	6 668	1 384 948
Profit for the period	–	69 877		69 877	3 253	73 130
Other comprehensive loss	–	–	(3 707)	(3 707)	–	(3 707)
Disposal of subsidiary	–	–	–	–	(9 921)	(9 921)
Buy-back of shares	–	(31 387)	–	(31 387)	–	(31 387)
Balance at 30 June 2022	–	1 409 811	3 252	1 413 063	–	1 413 063
Profit for the period	**–**	**129 286**	**–**	**129 286**	**–**	**129 286**
Other comprehensive income	**–**	**–**	**6 141**	**6 141**	**–**	**6 141**
Dividends paid	**–**	**(44 840)**	**–**	**(44 840)**	**–**	**(44 840)**
Buy-back of shares	**–**	**(21 857)**	**–**	**(21 857)**	**–**	**(21 857)**
Balance at 31 December 2022	**–**	**1 472 400**	**9 393**	**1 481 793**	**–**	**1 481 793**

Condensed summarised segment analysis

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

Business segments	Total		Mustek	
	31 Dec 2022 R 000	31 Dec 2021 (restated)* R 000	31 Dec 2022 R 000	31 Dec 2021 (restated)* R 000
Revenue	4 908 384	4 163 764	3 289 220	2 852 574
EBITDA [#]	267 639	276 942	196 771	201 586
Depreciation and amortisation	(25 962)	(24 039)	(19 653)	(14 769)
Profit (loss) from operations	241 681	252 903	177 122	186 817
Investment revenues	8 199	2 734	1 088	329
Finance costs	(76 503)	(31 132)	(45 516)	(19 691)
Other (losses) gains	(1 257)	(9 615)	–	113
Income (loss) from equity-accounted investments	3 784	(211)	–	–
Profit before tax	175 904	214 679	132 693	167 568
Income tax (expense) benefit	(46 618)	(62 597)	(35 907)	(46 781)
Profit (loss) for the period from continuing operations	129 286	152 082	96 787	120 787
Attributable to:				
Owners of the parent	129 286	150 093	96 787	120 787
Non-controlling interest	–	1 989	–	–
	129 286	152 082	96 787	120 787
ASSETS				
Segment assets	4 871 467	4 515 243	3 186 423	2 769 850
Investment in associates	132 825	132 205	–	–
Current tax assets	1 777	4 700	1 707	1 234
Consolidated total assets	5 006 069	4 652 148	3 188 130	2 771 084
LIABILITIES				
Segment liabilities	3 511 160	3 262 213	2 295 694	2 034 338
Current tax liabilities	13 116	4 987	11 416	2 666
Consolidated total liabilities	3 524 276	3 267 200	2 307 110	2 037 004

 # Earnings before interest, taxation, depreciation and amortisation.

** Prior year six months revenue and cost of sales restated. Refer to Prior period error on page 10.*

Rectron		MIE		Group		Eliminations	
31 Dec 2022 R'000	31 Dec 2021 R'000	31 Dec 2022 R'000	31 Dec 2021 R'000	31 Dec 2022 R'000	31 Dec 2021 R'000	31 Dec 2022 R'000	31 Dec 2021 R'000
1 745 873	1 451 422	48 728	44 050	–	–	(175 437)	(184 282)
61 594	70 413	18 270	20 454	(8 997)	(15 511)	–	–
(5 384)	(7 595)	(2 314)	(2 076)	–	–	1 389	401
56 210	62 818	15 956	18 378	(8 997)	(15 511)	1 389	401
6 324	1 288	–	–	788	1 117	–	–
(31 104)	(11 497)	(122)	(87)	–	–	239	143
–	–	–	–	(1 257)	(9 728)	–	–
–	–	–	–	3 784	(211)	–	–
31 430	52 609	15 834	18 291	(5 682)	(24 333)	1 628	544
(8 473)	(14 724)	(4 434)	(5 121)	2 195	4 030	–	–
22 957	37 885	11 400	13 169	(3 487)	(20 303)	1 628	544
22 957	35 896	11 400	13 169	(3 487)	(20 303)	1 628	544
–	1 989	–	–	–	–	–	–
22 957	37 885	11 400	13 169	(3 487)	(20 303)	1 628	544
1 594 114	1 596 374	38 475	45 472	58 156	106 758	(5 701)	(3 211)
–	–	–	–	132 825	132 205	–	–
–	3 466	–	–	70	–	–	–
1 594 114	1 599 840	38 475	45 472	191 051	238 963	(5 701)	(3 211)
1 197 297	1 201 162	24 488	30 230	–	–	(6 319)	(3 517)
591	–	1 109	2 321	–	–	–	–
1 197 888	1 201 162	25 597	32 551	–	–	(6 319)	(3 517)

Condensed summarised segment analysis continued

Geographical segments	Total		South Africa		Mustek East Africa		Mecer Technology (Taiwan)	
	31 Dec 2022 R000	31 Dec 2021 R000	31 Dec 2022 R000	31 Dec 2021 R000	31 Dec 2022 R000	31 Dec 2021 R000	31 Dec 2022 R000	31 Dec 2021 R000
Revenue	4 908 384	4 163 764	4 879 024	4 143 894	29 313	19 870	47	–
Profit (loss) before tax	175 904	214 679	170 816	213 420	1 442	(73)	3 647	1 332
Income tax (expense) benefit	(46 618)	(62 597)	(45 889)	(61 628)	–	(619)	(729)	(350)
Profit (loss) for the period from continuing operations	129 286	152 082	124 927	151 792	1 442	(692)	2 918	982
Attributable to:								
Owners of the parent	129 286	150 093	124 927	149 803	1 442	(692)	2 918	982
Non-controlling interest	–	1 989	–	1 989	–	–	–	–
	129 286	152 082	124 927	151 792	1 442	(692)	2 918	982
ASSETS								
Segment assets	5 004 292	4 647 448	4 897 224	4 520 119	60 906	54 502	46 162	72 827
Current tax assets	1 777	4 700	1 777	4 700	–	–	–	–
Consolidated total assets	5 006 069	4 652 148	4 899 001	4 524 819	60 906	54 502	46 162	72 827

Disaggregation of revenue

The group has assessed that the disaggregation of revenue by customer segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision-maker (CODM) in order to evaluate the financial performance of the entity.

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

	Unaudited six months 31 December 2022 R'000	Unaudited six months 31 December 2021 restated R'000	Audited Year-end 30 June 2022 R'000
Sales of goods (revenue earned at a point in time)			
Hardware sales	**4 715 282**	3 970 735	8 560 332
Dealers	**3 510 196**	2 615 913	5 519 454
Retailers	**293 881**	650 394	1 124 313
Public sector supplies	**844 913**	617 644	1 716 071
Export	**66 291**	86 784	200 494
Software sales	**113 009**	135 257	241 044
Dealers	**80 781**	90 969	154 012
Retailers	**14 033**	25 184	43 765
Public sector supplies	**13 032**	13 494	27 500
Export	**2 115**	2 503	6 362
Cloud services (agent)	**3 049**	3 107	9 405
Rendering of services (revenue earned over time)	**52 162**	47 304	90 757
Maintenance and support contracts	**7 371**	14 263	30 001
Training courses – net of deferred revenue	**44 792**	33 041	60 756
Rendering of services (revenue earned at a point in time)	**27 932**	10 468	17 434
Repair Services	**27 932**	10 468	17 434
Total revenue (external)	**4 908 384**	4 163 764	8 909 567

Headline earnings and dividend per ordinary share

	Unaudited Six months 31 December 2022 R000	Unaudited Six months 31 December 2021 R000	Audited Year-end 30 June 2022 R000
Weighted number of ordinary shares in issue	**58 939 592**	64 494 301	62 676 789
Ordinary number of shares in issue	**57 540 000**	61 000 000	59 000 000
Dividend per ordinary share – declared (cents)	**–**	–	76.00
Dividend per ordinary share – paid (cents)	**76.00**	90.00	90.00
Headline earnings per share (cents)	**221.74**	237.09	357.38
Reconciliation between basic and headline earnings (R000)			
Basic earnings attributable to owners of the parent	**129 286**	150 093	219 970
Group's share of loss (profit) on disposal/recoupment of property, plant and equipment and intangible assets	**536**	(2 917)	(3 020)
Impairment of investment in associate	**870**	5 733	10 161
Group's share of profit on disposal of subsidiary	**–**	–	(4 592)
Non-headline items within associate equity-accounted earnings:			
Group's share of impairment of property, plant and equipment	**–**	–	1 559
Group's share of loss (profit) on sale of property, plant and equipment	**–**	–	(82)
Headline earnings	**130 692**	152 909	223 996
Net asset value per share (cents)	**2 575.24**	2 259.48	2 395.02

Prior period error

During the year ended 30 June 2022 a re-assessment was done on cloud service products that the Group distributes. An analysis was done against the factors noted in IFRS 15 B35-B38 and it was concluded that the Group acts an agent for distribution of these products as opposed to a principal.

This analysis was done after the May 2022 IFRIC Agenda Decision – Principal versus Agent: Software Reseller, was published. Based on the analysis it was concluded that the prior period judgement of recognising sales of cloud service products as a principal was incorrect. The prior period consolidated statement of comprehensive income was restated and the impact of the error for the period ended 31 December 2021 for the Group was as follows:

	As previously reported	Prior period error	2021 restated
Statement of Comprehensive income			
Revenue	**4 187 002**	(23 238)	4 163 764
Cost of sales	**(3 510 432)**	23 238	(3 487 194)
Gross profit	**676 570**	–	676 570

The above-mentioned error did not have an impact on the prior period:
– earnings per share
– diluted earnings per share
– headline earnings per share
– diluted headline earnings per share
– the opening retained earnings balance as at 31 December 2021 or
– the Group profit.

Corporate information

Mustek is a public company incorporated and domiciled in South Africa. The main business of Mustek, its subsidiaries and associates is the assembling, marketing and distribution of Information Communication Technology (ICT) products and services.

Operating results

The half year ended 31 December 2022, was a time of exacerbated market challenges that included the current energy crisis, exchange rate volatility, surging global inflation and subdued consumer spending from the increase in interest rates. Despite the challenges, Mustek (the Group) was able to grow revenue. Profit was however impacted by a lower gross profit margin from reducing high mobility stock levels as at 30 June 2022. The other major impact on profit was increased finance cost from higher interest rates.

Revenue continued on a growth trajectory, increasing by 17.9% to R4.91 billion (2021 restated: R4.16 billion). The growth in revenue was across the board with the Group's two largest segments Mustek and Rectron growing their revenue by 15.3% and 20.3% respectively. This was mainly driven by the increased demand for green energy products, which the Group diversified into a few years ago. The Group's IT training company, Mecer Inter-Ed continues to contribute meaningfully to the Group's revenue and profitability and has been disclosed as a separate operating segment in the current reporting period. Revenue of R48.7 million (31 December 2021: R44.1 million) and profit before tax of R15.8 million (31 December 2021: R18.3 million) was achieved by this segment.

The gross profit margin decreased to 14.1% (31 December 2021 (restated): 16.2%) mainly as a result of margin pressure in the mobility category. Margins were reduced on entry-level notebooks to reduce the high stock levels noted in June 2022. The rest of the Group's margins were stable.

The ZAR / USD exchange rate weakened during the period from the comparative period. Foreign currency losses increased to R62.9 million from R56.9 million in the comparative period.

Distribution, administrative and other operating expenses was carefully managed but grew by 11.4%. This resulted from several costs that grew more than inflation, such as diesel to combat loadshedding. The cost base reduced from 8.4% of revenue in the comparative period to 7.9% currently.

Finance charges increased from R31.1 million to R76.5 million as a result of significantly higher interest rates and increased average debt levels.

Associates contributed a profit of R3.8 million compared to a loss of R0.2 million in the comparative period. Khauleza and Zaloserve continue to be loss-making due to operational challenges and the situation is not expected to improve in the short-term. Continuous Power Systems, an associate that designs and manufactures a wide range of server cabinets and YOA, an associate that manufactures fibre optic cable, traded profitably. They are well placed to grow their contribution to the Group.

Inventory levels have improved compared to year end, however still remain a focus area for further improvement. Inventory days (excluding inventories in transit) as at period end was 86.3 days (31 December 2021: 84.1 days).

Trade receivable days improved marginally to 54.4 days (31 December 2021: 55.5 days).

Mustek's headline earnings per share declined by 6.5% to 221.74 cents (31 December 2021: 237.09 cents). Basic earnings per share declined by 5.7% to 219.35 cents (31 December 2021: 232.72 cents).

Cash flow

The R124.7 million cash used in (31 December 2021: R283.8 million cash from) operations was mainly from an increase in receivables and a decrease in accounts payable. This was funded by bank overdraft facilities and is expected to reverse in the period through to June 2023, in line with historic trends, prior to 2022.

The Group has sufficient banking facilities and no bank covenants have been breached during the period.

Corporate activities

As at 30 June 2022, the Group owned 36.07% of Zaloserve, the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe) after selling 3.93% of the company on 30 June 2021 to Zaloserve Management Proprietary Limited (Zaloserve Management) in terms of a Management Share Purchase and Shareholding Agreement (the agreement). Zaloserve Management was a company that was intended to be owned by Sizwe's management team. The consideration of R11.0 million for the Group's 3.93% stake was payable on or before 30 June 2026 and was included in other loans as at 30 June 2022.

On 8 July 2022, it was resolved that the agreement would be cancelled and the transaction reversed. This resulted in the Group reverting back to its 40.0% shareholding. The impact of the transaction resulted in a further R878 000 impairment loss being recognized on the investment in the associate during the current period.

Group prospects and industry outlook

The Group expects continued strong demand for green energy products given the challenges in resolving South Africa's electricity crisis and recently announced tax incentives for households and businesses on green energy spend. The Group has been successful in asserting its flagship green energy brand, Mecer into the market and continues to grow its range to tap into other markets.

Fears of a recession, global inflation, and higher interest rates contributed to a significant decline in the global demand for desktops and notebooks. The same trend was experienced in the local market mainly during quarter 2 of the current financial year. Enterprise buyers are extending PC lifecycles and delaying purchases, meaning the business market will likely not return to growth until 2024.

The device market size has increased significantly over the COVID period. This bodes well for future replacement cycles, despite the current weakness in desktop and notebook demand. In addition, this is driving the demand for new infrastructure to support these devices. This is likely to accelerate the growth of the ICT industry in future years.

Cyber security and cloud solutions remain as top priorities for CIOs. Cyber security and privacy will see more spend as compliance requirements and financial impact of breaches continue to soar. The year of cloud repatriation is here as more organisations carefully plan which workloads to keep in the cloud to optimise costs.

Over the past several years, our investments in new product lines such as networking equipment and sustainable energy have started to contribute meaningfully to both revenue and profit. The Group continues carefully evaluating additional offerings to remain relevant and resonate with the needs of its customers.

In conjunction with strategic partners from across the ICT industry, Mustek remains well positioned for the forthcoming years.

Share repurchase programme

Mustek acquired 1 460 000 ordinary shares of its issued share capital on the open market for a purchase consideration (including costs) in aggregate of R21 857 471. The general repurchase was carried out between 22 December 2022 and 28 December 2022 and in accordance with the JSE Limited (JSE) Listings Requirements. Mustek paid 1 497 cents per share for all the ordinary shares repurchased.

The repurchase of shares will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements in the year to 30 June 2023. This programme will be effected in accordance with the terms of the authority granted by shareholders at the Annual General Meeting held on 5 December 2022. It is currently intended that any shares purchased will be cancelled and de-listed. The market will be notified in accordance with applicable listing rules and regulations if and when repurchases are made.

Dividend

The declaration of cash dividends will continue to be considered by the board at year-end in conjunction with an evaluation of current and future funding requirements and opportunities to repurchase shares. It will be adjusted to levels considered appropriate at the time of declaration.

Basis of preparation

The unaudited condensed consolidated financial results for the period ended 31 December 2022 has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum contain the information required by IAS 34 *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. This set of condensed financial information, which is based on reasonable judgements and estimates, has been prepared using accounting policies and methods of computation that comply with IFRS.

The directors take full responsibility for the preparation of this condensed report. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

Basis of preparation continued

The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 30 June 2022.

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Fair value measurement of financial instruments

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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

Financial assets and liabilities

	Level	Unaudited Six months 31 December 2022 R000	Unaudited Six months 31 December 2021 R000	Audited Year-end 30 June 2022 R000
Fair value through profit or loss: Foreign currency assets				
These financial assets consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets is included in foreign currency profits.	2	**4 582**	30 186	48 965
Fair value through profit or loss: Foreign currency liabilities				
These financial liabilities consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets are included in foreign currency profits.	2	**44 962**	54	327

Transformation

Following an audit by an accredited verification agency, Mustek achieved a level 1 BBBEE rating, using the amended ICT sector codes.

Management has continued to meaningfully extend its initiatives in employment equity, skills development and corporate social investment during the period. The Group is committed to a process of further transformation and economic empowerment of its stakeholders, while continuing to ensure the sustainability and prosperity of the Group in a competitive market sector.

Board of directors

As previously reported, Neels Coetzee was appointed as the Mustek Division's Managing Director, effective 5 July 2022, replacing Hein Engelbrecht in the role. Effective 5 July 2022, Shabana Aboo Baker Ebrahim was appointed as Group Financial Director to replace Neels. There have been no further changes to the board of directors during the period.

Retirement benefit plan

The Mustek Group Retirement Fund is a defined contribution fund and payments to the plan are expensed as they fall due. The majority of the group's employees belong to this fund. The Group does not provide additional post-retirement benefits.

Post-balance sheet events

The directors are not aware of any material event which occurred after period-end and up to the date of this report that requires adjustment or disclosure.

On behalf of the Board of directors

Hein Engelbrecht
Group Chief Executive Officer

Shabana Aboo Baker Ebrahim CA(SA)
Group Financial Director (preparer of Group results)

8 March 2023
Midrand

Corporate information

Mustek Limited

Incorporated in the Republic of South Africa
Registration number: 1987/070161/06
JSE share code: MST
ISIN: ZAE000012373
"Mustek" or "the Group" or "the Company"

www.mustek.co.za

Company secretary

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Sponsor

Deloitte & Touche Sponsor Services Proprietary Limited