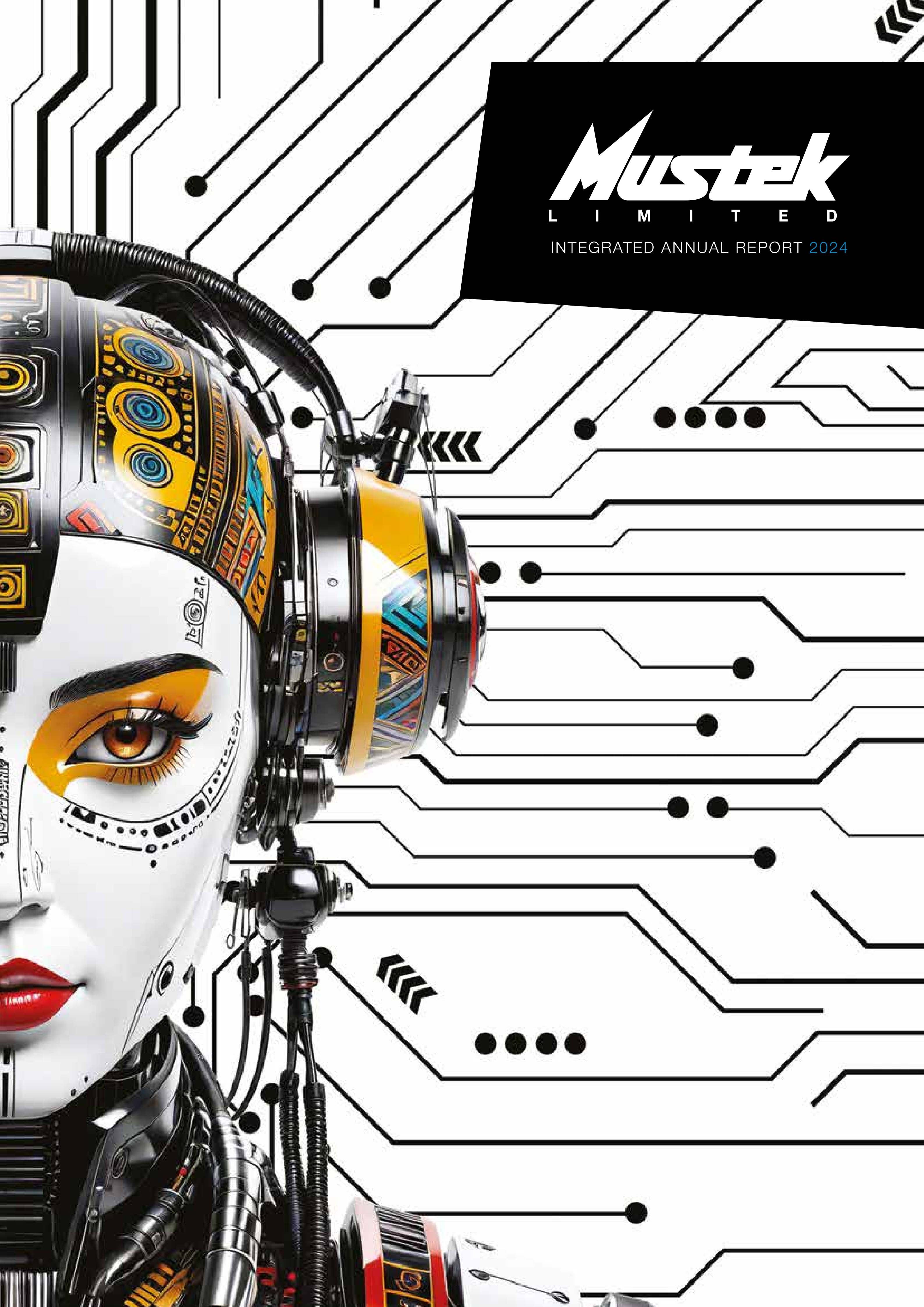


Mustek LIMITED

INTEGRATED ANNUAL REPORT 2024

CONTENTS

Find us online
www.mustek.co.za

Longevity

The Mustek Group's mission is to anticipate stakeholder needs and shape the Group to ensure sustainability and benefits for all stakeholders over the long term. Our strategy prioritises long-term value creation over short-term gains to ensure the Group's growth is financially viable and environmentally responsible. By focusing on sustainable and controlled growth, and maximising working capital efficiency, we remain poised to overcome market challenges and ensure the stability and success of the Mustek Group.

Feedback

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

ABOUT THIS REPORT

Mustek Limited (the Mustek Group or the Group) is pleased to present its Integrated Annual Report for the financial year ended 30 June 2024 (FY24). The report aims to provide a comprehensive, transparent and balanced overview of the Group's performance, governance and prospects on the journey to achieving its strategic objectives – including challenges, highlights and opportunities within the context of external factors that impact operational performance – with the Mustek Group's forward looking strategy providing insights into the Group's future direction.

Reporting principles and frameworks

To ensure preparation of this Integrated Annual Report aligns with global best practice and demonstrates compliance with regulations, the Mustek Group's Board of directors and management referred to the International Financial Reporting Standards (IFRS) Foundation Integrated Reporting Framework (2021), the Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance, the JSE Listings Requirements, the Companies Act 71 of 2008 as amended and the King Report on Corporate Governance™ for South Africa, 2016 (King IV)*.

In accordance with the Integrated Reporting Framework guidelines, the Mustek Group's Integrated Annual Report traditionally illustrated value creation in terms of the six capitals (financial, manufactured, intellectual, human, social and relationship and natural). While this approach to illustrating the Group's application of integrated thinking in its value-creation processes remains relevant, this report focuses on globally relevant environmental, social and governance (ESG) factors considered in sustainable investing decisions. Accordingly, the Group's mission statement reflects focus on sustainability and stakeholder engagement and its approach to corporate reporting has shifted as follows.

During FY24, the Mustek Group Board and company secretary implemented King IV principles and relevant practices. The consolidated and separate annual financial statements were prepared on the going concern basis in accordance with, and in compliance with, IFRS® Accounting Standards and IFRIC® interpretations issued and effective at the time of preparing these financial statements, the Johannesburg Stock Exchange (JSE) Listings Requirements and the Companies Act of South Africa as amended.

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

Reporting boundary and scope

This Integrated Annual Report focuses on the Mustek Group's financial and non-financial performance for the financial year from 1 July 2023 to 30 June 2024.

Mustek Operations and Rectron are major contributors to the Mustek Group's overall performance and value creation. However, the Mustek Group is shifting towards reporting at Group level instead of focusing on specific business units. Where applicable, data is presented for the Group's wholly owned businesses. For further information on investments in subsidiary and associate companies, please refer to notes 16 and 17 of the annual financial statements.

Report approval

The executive directors and senior management of the Mustek Group played a crucial role in the preparation of this Integrated Annual Report. The Board carefully considered the contents of the report and is satisfied that it addresses all material matters, providing a comprehensive and balanced view of the Group's integrated performance and its impacts. The Board approved this report on 4 October 2024.

Assurance

Nexia SAB&T, the Mustek Group's internal auditors, conducted audits of financial and non-financial processes within the Group and its financial statements were independently audited by BDO South Africa, providing an objective assessment of their accuracy and compliance with relevant accounting standards. Additionally, mPowerRatings verified the Group's broad-based black economic empowerment (B-BBEE) contributor levels to ensure transparency and accountability in the Mustek Group's B-BBEE practices. These assurance measures enhance the reliability and credibility of information disclosed in this report.

Forward looking statements

The Integrated Annual Report includes several forward looking statements, which should be understood as projections or expectations about future performance. However, these statements do not guarantee actual future outcomes. The Mustek Group acknowledges there are risks and external factors beyond its control that could result in outcomes that differ from those anticipated by the Group. The forward looking statements in this report have not been reviewed or reported by the Group's auditors. The auditors primarily focused on verifying historical financial information and providing an opinion on the fair presentation of the financial statements as a whole. Therefore, readers should exercise caution when interpreting and relying on the forward looking statements in this report.

GROUP PROFILE

The Mustek Group is a seamless end-to-end information and communications technology (ICT) and sustainable technology solutions provider, founded by David Kan in 1987 and listed on the JSE in 1997. Over the years, it has transformed from a distribution-oriented entity to a cohesive Group with a mission centred on anticipating stakeholder needs for long-term sustainability. The Group's strategic intent is to build strong businesses and create synergies for sustainable success by operating as a unified entity with a shared mission.

As one of South Africa's largest assemblers/distributors of ICT products, the Group's distribution business, facilitated by Mustek Operations and Rectron, contributes approximately 98% of its revenue. Investments in various verticals of the ICT industry have expanded the Group's portfolio to include Mecer Inter-Ed focusing on IT training, Yangtze Optics Africa Cable (YOA) manufacturing fibre optics and Continuous Power Systems (trading as CPS Technologies) specialising in server cabinet design. Under the services and support arm, Khauleza IT Solutions (Khauleza), Mustek Operations and Rectron provide nationwide support to clients.

The Group's dynamic and diversified structure enables comprehensive solutions and services across the entire ICT landscape.

The Mustek Group's specialist product and service categories:

(as at 30 June 2024)

Mustek LIMITED

Distribution

Mustek · Rectron

Imported IT hardware, software and sustainable energy products sold predominantly in the South African market via reseller channels and national retail chains.

Training

Mecer Inter-Ed

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

Manufacturing/assembly

CPS Technologies – 40% shareholding

YOA Cable – 25.1% shareholding

Mustek

IT hardware assembly and manufacturing of optical fibre cables and steel enclosures (server cabinets) for the ICT market in South Africa and the rest of Africa.

Service and support

Mustek · Khauleza IT Solutions – 36% shareholding · Rectron

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

The Group's mission statement and values reflect its commitment to sustainability and meaningful stakeholder engagement as well as the shift from focusing mainly on assembly and distribution to providing end-to-end ICT and sustainable energy solutions.

OUR MISSION

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

OUR VALUES

INTEGRITY, RESPECT AND APPRECIATION

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

KNOWLEDGE AND ATTITUDE

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

FLEXIBILITY

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

RESPONSIBILITY AND ACCOUNTABILITY

The Mustek Group values and counts on our people. Driving shared accountability and acceptance of personal responsibility at all levels, we are accountable and take ownership. We bring solutions not problems.

VALUE CREATION HIGHLIGHTS

Economic

Net asset value per share
2 801.15 cents
(FY23: 2 724.36 cents)

Revenue
R8.5 billion
(FY23: R10.1 billion)

Headline earnings per share
67.13 cents
(FY23: 375.18 cents)

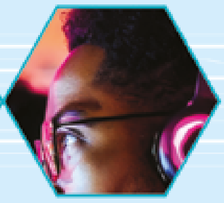
Dividend per share
7.5 cents
(FY23: 77.00 cents)

Social: Human capital

Total employees
1 197
(FY23: 1 232)

Training and development spend
R23.4 million
(FY23: R27.4 million)

Mustek operations ISO27001 certification
Maintained since June 2022



Social: Community development

Corporate Social Investment (CSI) spend
R2.5 million
(FY23: R6.5 million)

B-BBEE rating
Level 1
(FY23: Level 1)

Environmental

Mustek operations: ISO 14001 certification
Maintained for 20 years

AWARDS

Mustek and Rectron voted in the top four most trusted South African ICT distributors in MyBroadband's business technology survey.

MECER INTER-ED
- Best Huawei Authorised Learning Partner in South Africa

HUAWEI IDEAHUB
- 2024 H1 Best gold distributor

HUAWEI CONSUMER BUSINESS GROUP
- Mustek operations: Outstanding Distributor Contribution Award

NEWLAND
- Mustek Operations: Partner of the year

LENOVO
- Mustek operations: ISG Distributor of the year
- Mustek operations: Consumer Distributor of the year
- Mustek operations: Relationship Distributor of the year
- Mustek operations: Small Medium Business distributor of the year

OUR OPERATING CONTEXT

The Mustek Group's dynamic and complex operating context is shaped by global megatrends, industry trends and increasing regulation of our industry. We continuously assess the material impacts of these trends in our risk and opportunity identification process, strategic planning sessions and measurement of performance against strategic objectives. We thus ensure the Group remains uniquely positioned to deliver sustainable value to stakeholders.

Macro-economic snapshot

Global trends

Material global megatrends in our operating environment over the past year included rapid technological advancements against a backdrop of slow economic growth affected by shifting population demographics, high inflation and interest rates and geopolitical tensions due to, among others, militarisation and competition for resources threatened by climate change.

Companies operating in the technology industry are expected to play a significant role in addressing climate change through cloud-powered technologies running on renewable energy and facilitating data recording, sharing and reporting to achieve global ESG and decarbonisation goals.

Sustainable technology is emerging as a digital solutions framework enabling ESG outcomes for businesses and customers. US-based technological research firm Gartner has identified economic, environmental and social benefits of responsibly leveraging cloud services, artificial intelligence (AI) and ESG software for sustainable outcomes, which enable resource sharing and process optimisation to reduce environmental impact without impacting data integrity.

Into 2024, the technology industry witnessed a surge in IT spending due to accelerated generative AI (GenAI) adoption and associated services (cloud infrastructure, cybersecurity and edge data centres) as businesses increasingly adopted new digital technologies to optimise their operations and expand their offerings.

Read more about cybersecurity as a material opportunity on page 24.

Gartner expects worldwide IT spending to reach US$5.26 trillion by the end of 2024 (up 7.5% from 2023), including a 24% increase in data centre spend, largely due to planning for GenAI adoption. IT services spending is expected to grow by 7.1% as chief information officers embrace trends and invest in upgrading their business systems. We also expect PC sales to surge when Microsoft ends Windows 10 support in October 2025 and customers seek compatible hardware.

As digital transformation accelerates, regulation of the technology industry is becoming stricter to protect end users and encourage greater transparency and accountability.

South African trends

Amid prevailing global crises and declining trust in local government within a volatile political landscape, South Africa's currency value depreciated and economic growth was weak this year. Inflation and unemployment rates remained persistently high while the country grappled with ongoing electricity, water and logistics constraints due to state-owned entity mismanagement and related infrastructure deterioration. Although the results of the May 2024 elections heralded much-needed change, dramatic government restructuring heightened uncertainty and market volatility.

As we pay for IT imports in US dollars, weakening of the rand against the US dollar continues to impact the selling prices and profit margins of Mustek Group products.

Despite the country's challenging circumstances, including complex business regulations, global competitor entry is accelerating with South African government support. Foreign investors in the local technology industry are attracted by the opportunities we have identified in the evolution of our markets.

OUR OPERATING CONTEXT CONTINUED

Market evolution

Cautiously optimistic that demand for AI PCs is set to increase in South Africa, the Mustek Group continues to drive market share from its broad IT stack, which includes hardware, software and services from edge to infrastructure solutions. The release of AI-capable systems by large original equipment manufacturers (OEMs), including software OEMs, and independent software vendors in 2024 is likely to drive demand in the commercial sector. AI-generated content and large language models require computing power, bandwidth and high data availability, which will drive hardware refresh opportunities and skills development initiatives required to apply these technologies responsibly, securely and sustainably. We expect wider availability of GenAI services like Microsoft Copilot, due to the relaxation of licensing rules, to be the leading driver of this trend. Small and medium-sized businesses, which delayed upgrading their systems due to economic conditions, remain a large PC growth sector. Traditional infrastructure business is also expected to grow as connectivity, storage and cloud repatriation returns workloads closer to end users in edge data centres.

Under mounting pressure to become self-sustainable, companies are pursuing alternative energy management options to ensure business continuity. Accordingly, we expect continued demand for our green energy products, which has declined due to competitive forces in this industry, product composition and efforts to lower stock levels in line with reduced demand for solar and electricity backup products in South Africa.

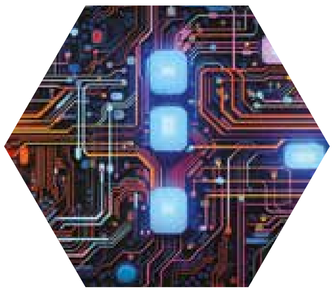
Crucially, operating amid uncertainty, political upheaval and rapid globalisation with new and unknown players entering the market, our sustainability depends on maintaining stakeholders' trust in our supply chain – we must continue to deliver the data privacy, reliability and integrity the market needs urgently.

Impact on strategy

Within this operating context, the Group's key strategic objectives this financial year included working capital management and optimisation of cash flows to ensure efficient utilisation of resources, improve financial flexibility and finance costs and sustain growth. Structural improvements aimed to ensure efficiency in lean operations, maintain healthy cash generation and reduce working capital. This included process automation and data optimisation to ensure operational excellence (agility, innovation and continuous improvement) as well as investment in employee and community development to address the critical skills shortage, unemployment and meaningful social transformation.

Consolidating the Group and streamlining management of critical functions, to strengthen our financial position, remains a strategic priority into 2025. This will include disposing of non-performing assets and consideration of complementary acquisitions that align with our core competencies and pursuit of diverse revenue streams. These include growing our IT training business beyond technical courses to include Internet of Things (IoT) robotics among other emerging trends driven by AI adoption and cybersecurity investments.

We have set targets and key performance indicators (KPIs), which are outlined throughout this report, in response to our operating context.



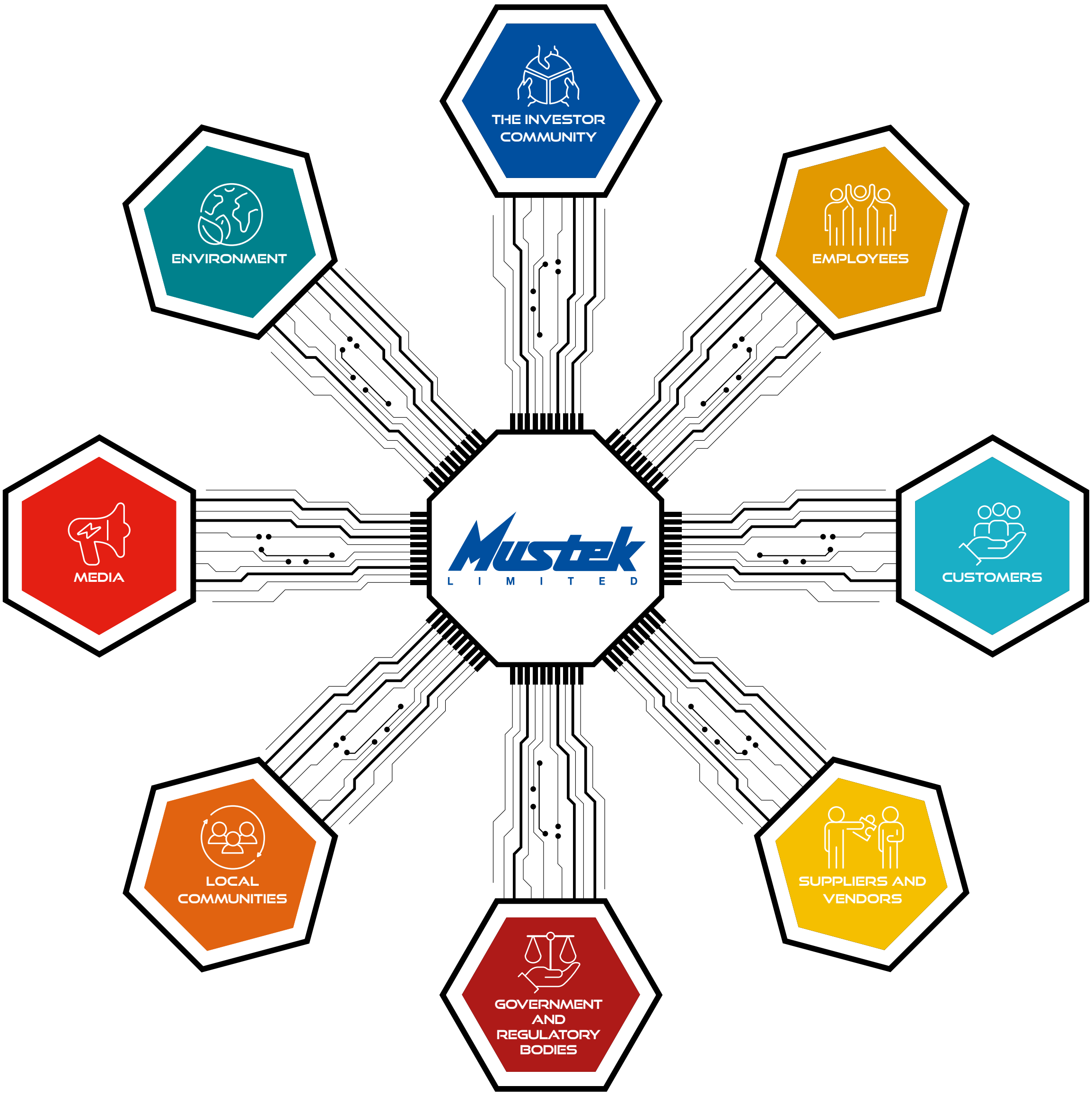
"DESPITE OUR CHALLENGING OPERATING CONTEXT, THE MUSTEK GROUP HAS THE STRENGTH AND AGILITY NEEDED TO MAINTAIN STABILITY AND CREATE SUSTAINABLE VALUE FOR STAKEHOLDERS."

HEIN ENGELBRECHT, CEO

KEY RELATIONSHIPS

The Mustek Group's growth, value creation and sustainability depend on the quality of our relationships with various stakeholders. Building and maintaining stakeholder relationships based on integrity, respect and accountability supports our operations.

Our stakeholder engagement approach proactively seeks to include each stakeholder group in our strategic decision-making and risk and opportunity identification and management processes. We share relevant information, address concerns and proactively consider stakeholders' interests, through various effective communication and engagement channels, to safeguard the Mustek Group's reputation.



Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
THE INVESTOR COMMUNITY (SHAREHOLDERS, PROSPECTIVE INVESTORS, ASSET MANAGERS AND BANKERS)	As maintaining strong relationships is essential, we focus on fostering trust by transparently communicating our activities, strategies and performance. We diligently manage finances, including cash, debt and related risks. The Board is dedicated to achieving our goals with integrity as a responsible corporate citizen.	• share liquidity • debt-to-equity ratio • return on investment (ROI) • disclosure of financial and related information • addressing macro-economic concerns • dividend payments • management of risk and related exposure (including information security) • collaboration with external assurance providers • long-term sustainability • upholding sound governance practices.	• visits to operations • investor presentations and roadshows • JSE's Securities Exchange News Service (SENS) • one-on-one meetings with executive management • interim and full-year financial results and Integrated Annual Report publications • financial information demonstrating conformance with debt covenants • corporate website • feedback emails • annual general meetings (AGM).
EMPLOYEES	Maintaining an open and mutually beneficial relationship with employees is a priority. We recognise the crucial role of employees in our success and sustainability. Employees are vital to achieve the Group's goals. *Read more about employee engagement on pages 46 and 47.*	• job security • working conditions (including health and safety) • competitive and fair remuneration and benefits • incentives and rewards • ongoing training and personal development • succession planning • non-discriminatory work environment • career paths • performance management • sound governance • information security (including personal information).	• induction and orientation for new employees • human resource policies and procedures • employment equity quarterly meetings • one-on-one supervision and instruction sessions with line managers • emails and posters • performance reviews with clear KPIs • regular training • employee engagement surveys • team-building activities and social events.

KEY RELATIONSHIPS CONTINUED

Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
CUSTOMERS	We sustain revenue generation and growth by fostering strong partnerships with our reseller base and customers. Our customer-centric approach and culture support customers in their value-creation activities.	• excellent customer service • product quality, availability and after-sales support (lifecycle management) • effectiveness of processing and transacting systems • high degree of technical competence • stock availability and supply chain management • innovation and early adaptation to emerging trends • legislative and regulatory landscape • Consumer Protection Act 68 of 2008 and Protection of Personal Information Act 4 of 2013 (POPIA) compliance • diverse product and service offering across the Group • reputable and sought-after vendors. • Environmental impacts and sustainable products.	• personal management meetings and visits • service management reports • customer surveys • solution and service updates and launches • incentive schemes • web-based reseller portal • corporate website and brochures • roadshows, exhibitions and conferences • contract negotiations • telephonic support • social media interactions.
SUPPLIERS AND VENDORS	We proactively pursue partnerships that facilitate delivery of top-quality sustainable products and solutions. We understand these stakeholders' plans and goals through regular and mutually beneficial communication. We collaborate with renowned international vendors like Huawei, Samsung, Lenovo and Microsoft.	• market penetration and longevity • preferential supplier listing and B-BBEE status • products and pricing • innovation and early adaptation to emerging trends • meeting financial targets • accreditations and quality training programmes • supply chain management • enterprise and supplier development • POPIA compliance and privacy protection.	• preferential supplier agreements • relationship management meetings and visits • performance audits and reports • conferences and exhibitions • certifications and training • contract negotiations.
GOVERNMENT AND REGULATORS	We are subject to government regulations to maintain our operating licences. To achieve compliance with legislation and statutory regulations, we proactively communicate with various regulatory bodies and thus ensure the Group remains a going concern.	• compliance with legislation and regulations • skills development • governance • taxation • import and customs controls • exchange control regulations • diversity and employment equity • empowerment and transformation (including B-BBEE status) • data privacy.	• written correspondence • interim and annual reports • external and internal audits • collaborative forums • business associations • interpersonal meetings.

Stakeholder group	Engagement approach	Topics of importance to them	Communication channels
LOCAL COMMUNITIES	Embracing our responsibility to have a positive impact on local communities, we proactively seek opportunities to contribute to areas where we operate. Our focus on technology education in disadvantaged communities creates valuable relationships. *Read about our community initiatives in our component performance reviews on pages 30 to 37.*	• youth employment • local recruitment and vendors • sustainable social investment • community upliftment • financial education • development and education opportunities in previously disadvantaged communities • environmental impact and sustainable products.	• youth recruitment and learnerships • CSI initiatives • open dialogue.
MEDIA	Print, broadcast and online media channels are crucial communication for engaging with various stakeholders and receiving valuable feedback on perceptions of the Mustek Group.	• interim and annual results • business sustainability • innovation and thought leadership • ESG initiatives.	• results announcements • media statements and editorials • conferences • advertisements.
ENVIRONMENT	The natural environment is a “silent” but critical stakeholder requiring our protection. *Read about our environmental responsibility activities on pages 30 to 37.*	• climate change • pollution.	• energy and emissions (especially solar power) • sustainable water use • recycling and proper waste disposal (especially e-waste).

OUR BUSINESS MODEL

OUR MISSION

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

	ELEMENT	INPUTS
		The resources we depend on
ECONOMIC	Financial and manufactured resources sustain the Mustek Group and the economic value we create for our shareholders.	• shareholder funds: R1.5 billion (FY23: R1.6 billion) • banking facilities: R2.8 billion (FY23: R3 billion) • inventory: R2.3 billion (FY23: R2.8 billion) • Enterprise resource planning (ERP) system at Mustek Operations • relationships with top brands and over 10 000 resellers.
ENVIRONMENT	We consider the natural world's impacts on the Mustek Group and how we use and help to safeguard resources. We understand the importance of protecting the environment and strive to minimise our ecological footprint. We believe sustainable practices are essential for the wellbeing of our planet and the long-term sustainability of our business.	• solar power: 3 555 GJ (FY23: 1 325 GJ) • national grid energy: 9 222 GJ (FY23: 8 969 GJ) • Group non-renewable fuel: 6 615 GJ (FY23: 11 130 GJ) • solar panel distribution • solar training by Mecer Inter-Ed • Extended Producer Responsibility compliance (Section 18 of National Environmental Management: Waste Act 59 of 2008) • safe e-waste disposal awareness campaigns.
SOCIAL: PEOPLE	Our people, who enable the Group's success, are impacted financially and professionally by our decisions.	• total employees: 1 197 (FY23: 1 232) • training and development spend: R23.4 million (FY23: R27.4 million) • Mecer Inter-Ed training value for the Group: R4.4 million (FY23: R12.9 million).
SOCIAL: COMMUNITIES	Our communities are external stakeholders who contribute to our operations and are impacted by our activities.	• brand established in 1987 • CSI spend: R2.5 million • Mandela Day initiatives.
GOVERNANCE	Good leadership, strong processes and structure and ethical business conduct underpin everything we do.	• board of directors and sub-committees • office of the chief executive officer (CEO) • independent auditors: BDO South Africa • internal auditors: Nexia SAB&T.

TRADE-OFFS

	Implementing ERP system	Responding to IT market trends
TRADE-OFFS	The Epicor ERP system used by Mustek Operations since December 2022 is contributing to efficiency gains despite challenges that impaired productivity and customer service during the early implementation phase. ERP enhancements to continue across the Group.	The PC industry grew rapidly in the wake of the COVID-19 pandemic due mainly to the work-from-home trend. Demand has declined in recent years as employees return to offices and end users have less disposable income due to the cost-of-living crisis. In response, the Mustek Group has implemented conservative financial management and strict working capital allocation measures.

ACTIVITIES
How we use our inputs:

SERVICES AND SUPPORT

DISTRIBUTION

TRAINING

MANUFACTURING/ASSEMBLY

OUTPUTS
The products and services we offer:

We are a seamless end-to-end ICT and sustainable technology solutions provider. Group entities include:

MUSTEK OPERATIONS
With a portfolio of international brands, we offer a wide range of ICT solutions to diverse end users through a distributed sales network of over 3 600 resellers.

RECTRON
Our comprehensive portfolio of best-of-breed hardware, software services and solutions mainly serve small and medium-sized enterprise (SME) resellers.

MECER INTER-ED
We provide Information and Communications Technology Sector Education and Training Authority (SETA)-accredited skills development, learnerships and internships as well as international training and certifications as an authorised training partner with some of the biggest technology industry players.

OUTCOMES AND IMPACTS
The value we create, maintain or erode for stakeholders

- revenue: R8.5 billion (FY23: R10.1 billion)
- cash paid to suppliers and employees: R8.7 billion (FY23: R9.5 billion)
- dividends paid: R44.3 million (FY23: R44.8 million)
- tax paid: R14.1 million (FY23: R47.8 million)

- ISO 14001 certification for Mustek Operations
- Greenhouse gas (GHG) emissions (Scope 1 and 2): 3 036 tCO_2e (FY23: 3 432 tCO_2e)
- recycling: 169 tonnes (FY23: 282 tonnes)

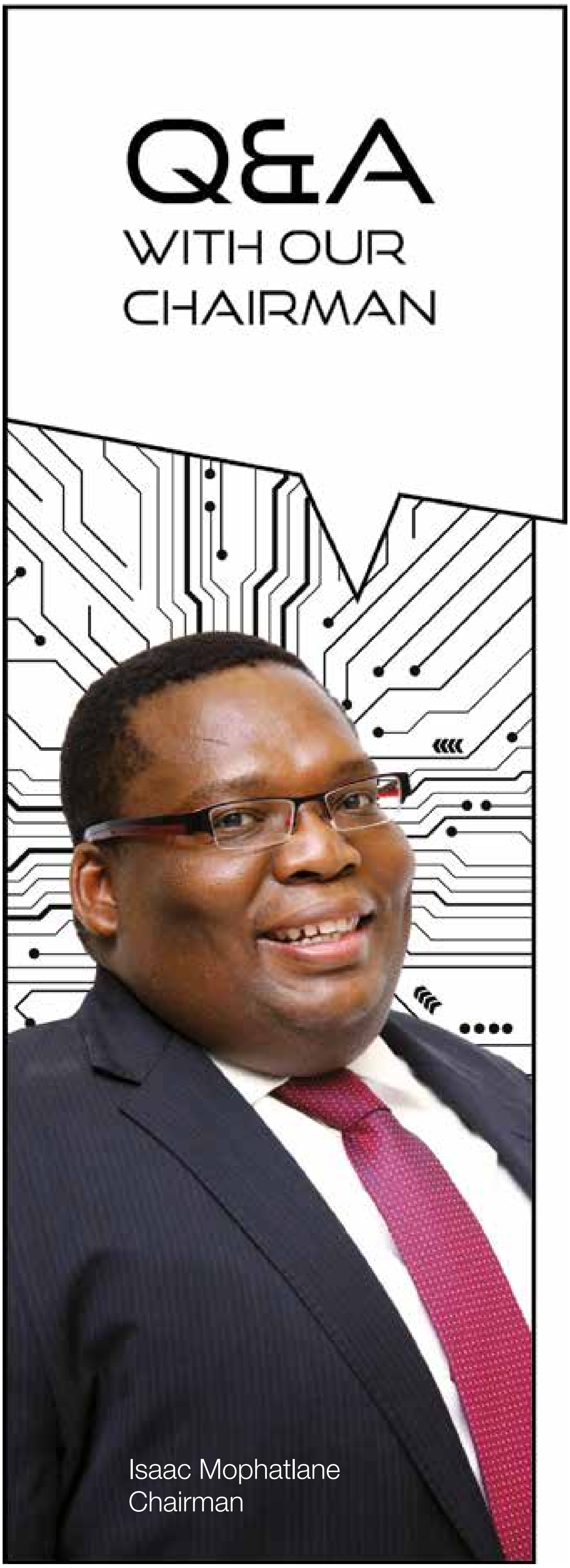
- employee turnover:
  - Mustek Operations: 8.59% (FY23: 11.66%)
  - Rectron: 9.94% (FY23: 11.98%)
- Commission for Conciliation, Mediation and Arbitration (CCMA) cases: 15 (FY23: 14).

- CSI spend: R2.5 million (FY23: R6.5 million).

- B-BBEE: Level 1
- POPIA compliance
- fines and monetary losses due to ESG breaches: 0 (FY23: 0).

Investment in sustainable energy solutions	Responding to sustainable energy demand
We expect long-term financial gains, through reduced electricity spend, from the Group's investment in solar power at head office, Mustek Operations in Cape Town and Rectron in Midrand. This multi-year programme requires considerable investment in the short term but increases our uptime during power outages and reduces our carbon emissions.	Our sustainable energy product offering (solar panels, batteries and inverters) positions the Group to benefit from greater demand for renewable energy. When demand is high, we are challenged to balance customer service and employee wellbeing, which may cause unavoidable service delays.

CHAIRMAN'S INTRODUCTION



Isaac Mophatlane was elected chairman of the Mustek Group Board on 23 November 2023. A renowned local ICT industry veteran and a member of numerous reputable South African boards, he brings valuable experience and insight to our governing team.

Q What is your vision and top priority?

A The Mustek Group is a well-established business. I enjoyed the privilege of knowing its founder, the late David Kan. At heart, it is still the typical family business he set up although it is listed. I believe he would want us to continue running it with family values in mind.

In today's challenging operating environment, with slow economic growth, it is remarkable that the business is sustainable and still finding opportunities to retain employees and bring young people on board. For this, we owe a debt of gratitude to David.

To realise his vision for the Group, we need to continue focusing on achieving success in three key areas of the business where there is opportunity for growth: renewable energy, AI and cybersecurity.

Digital transformation is leading the way forward. Many people now have access to the internet and digital skills training, which are advantages our Mecer Inter-Ed business can leverage to sustain the Group and enable us to contribute meaningfully to social upliftment in partnership with others in the private sector and government.

What leadership style are you bringing to the Board?

Apart from my experience and established network in the ICT sector, I share the existing leadership team's extremely engaging and transparent governance approach. The team navigates the toughest operating environments with integrity and resilience.

It is crucial that the business continues to uphold these values to build on the legacy established by David and members of the Board, like my predecessor, Reverend Vukile Mehana, who have left us with a solid foundation for long-term value creation.

What are your plans to sustain the business?

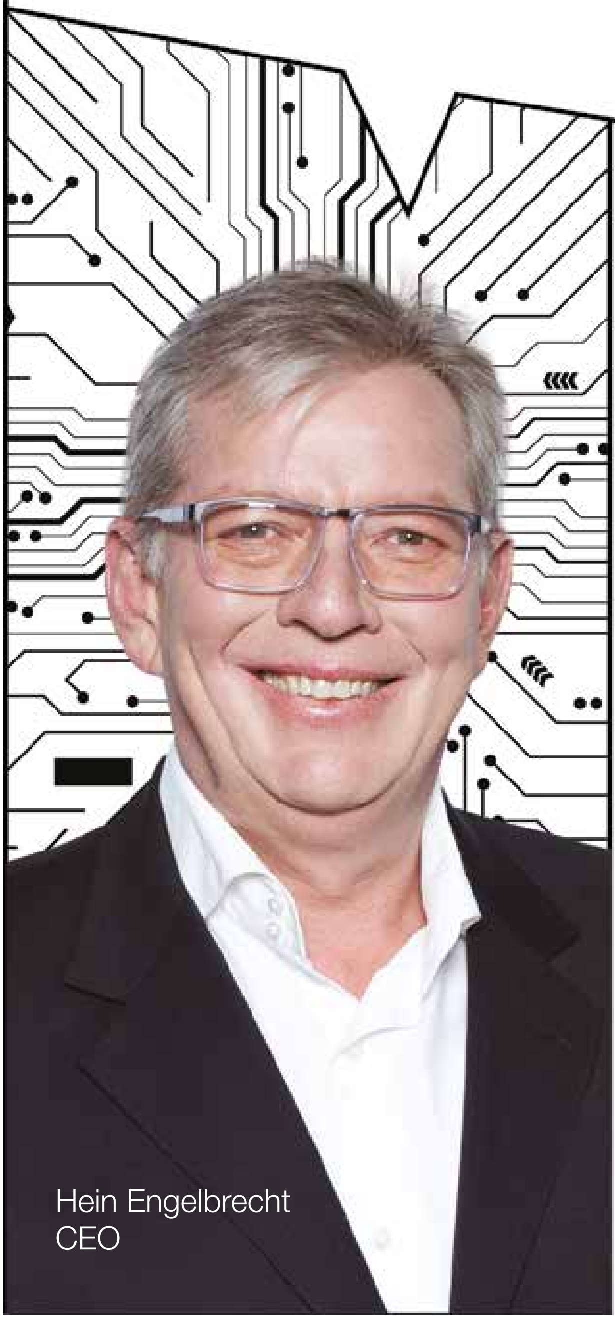
We need to continue working hard in a competitive industry and challenging economy. Teamwork will sustain the business in these tough times and the future ahead of us.

I am grateful to be part of this resilient business built on honesty and hard work and I look forward to contributing to its success in collaboration with the people who are taking it forward into an uncertain yet exciting future.

Isaac Mophatlane
Chairman

CEO'S REVIEW

Our focus was on consolidating and streamlining operations this year with steadfast commitment to reducing costs and refreshing our portfolio for the business to remain sustainable against relentless headwinds within a rapidly evolving operating environment.



Hein Engelbrecht
CEO

Against the relentlessly challenging operating context outlined on pages 5 and 6 of this report, the Mustek Group continued to demonstrate the strength and agility needed in another challenging year to maintain stability and create sustainable value for stakeholders.

We remained at the forefront of the world's digital transformation towards the fourth industrial revolution, based on our expertise and insight on AI and cloud computing acquired over years of using the latest technologies to meet our own needs for improvements in productivity, data accuracy and strategic decision-making capabilities. The Group retained the capacity to provide tried and trusted hardware, software and training with heightened awareness of cybersecurity and our responsibility to address climate change. We recognise that the Group contributes to climate change through our emissions and we are impacted by its effects. The Group is in the early phases of assessing climate-related risks with a view to including detail on our climate-related risks and their impacts in our FY25 integrated annual report.

Although the Group's performance (outlined by our finance director on pages 40 and 41) was not ideal, demand for our products and services remained strong albeit at lower profit margins and we attracted investor attention.

Changes to the Board

We look forward to boosting our performance with Isaac Mophatlane as our new Board chairman. He replaced Reverend Vukile Mehana who retired last year after almost eight years as the Group's chairman.

Isaac has been an independent non-executive director of the Mustek Group since September last year. He is well-known for his wealth of experience and knowledge as an IT business founder in his youth and as a director on boards of various multinational companies, including those engaging with stakeholders in the private and public sectors across Africa.

Outlook

Independent analysts have expressed optimism about our future – some cite growth in upgrades of government's technology infrastructure and the anticipated surge in demand for home office equipment as our future focus areas. We had this in mind when we increased our investment in the Group's Huawei business, which is poised to supply broad-ranging cybersecurity and cloud computing needs – from home offices and small businesses to large organisations. Our offerings come with value-added training, financing, demonstration and managed service provider support not offered by others in our industry.

We have refined our strategic plans (pages 26 and 27) to embrace these and other untapped opportunities such as the potential of our award-winning Mecer Inter-Ed certified training facility to nurture technological skills needed to address rising skills shortages and unemployment.

Mecer Inter-Ed was named Huawei's Learning Partner of the Year for sub-Saharan Africa earlier this year. We are extremely proud of this prestigious accolade that affirms our belief that the Group has capacity to thrive and share value with society in need of champions.

After our financial year-end, we announced the sale of our investment in Zaloserve (no longer part of the Group from 1 October 2024) and our purchase of a 70% interest in CyberAntix (effective on 12 September 2024).

CyberAntix is a South African-owned security operations centre-as-a-service (SOCaaS) company supported by NIL, a leading global SOC provider. CyberAntix has a level 2 B-BBEE score with 68.44% black equity (27.5% black women). Run by a team of highly skilled cybersecurity experts, CyberAntix is known for identifying, preventing or significantly limiting business loss caused by malicious cyber activity. We are pleased to welcome CyberAntix to the Group and look forward to what the future holds.

Thanks

Individually and collectively, the Group is grateful for each person who ensures the sustainable success of this business – from dedicated employees, management and executive teams who work energetically every day to reliable vendors and business partners who support our loyal customers.

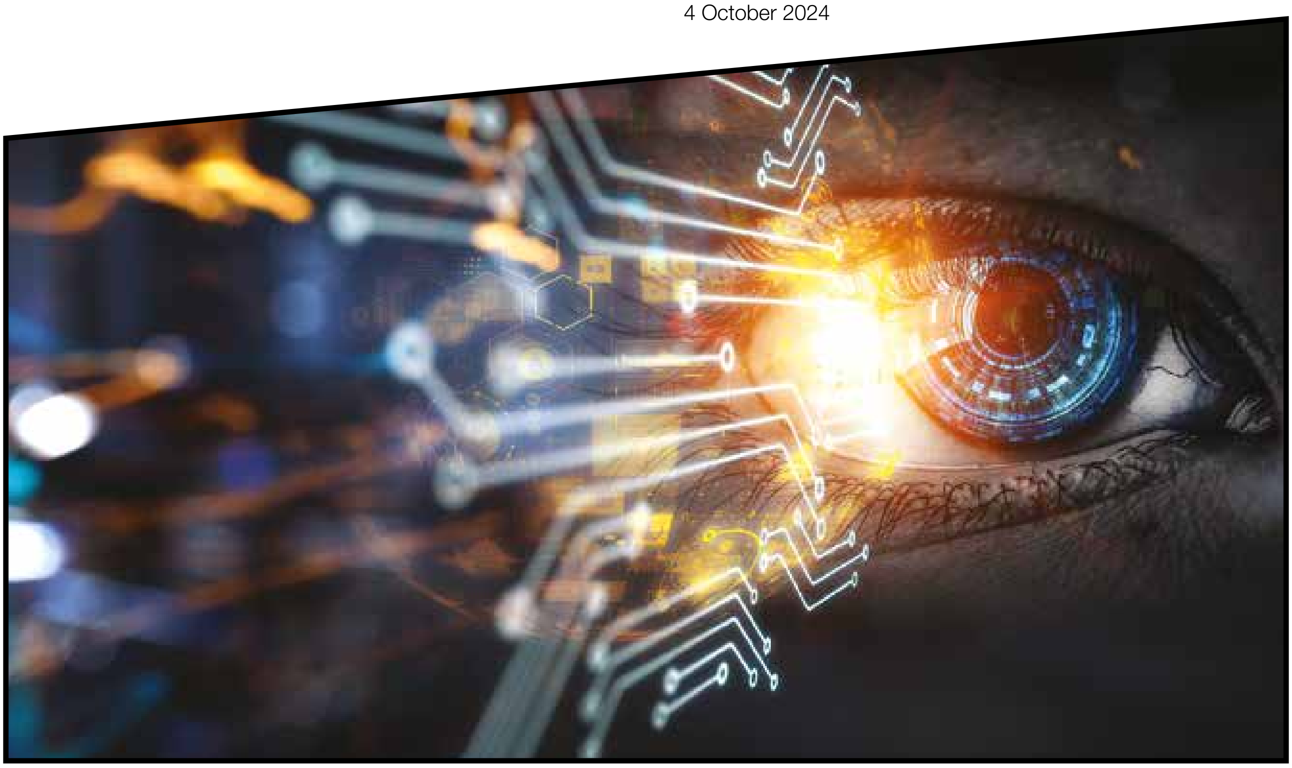
With heartfelt appreciation, you all enable the Mustek Group to create value for our investors and other stakeholders in spite of challenging personal and professional circumstances.

We can certainly look forward to another year with exciting new opportunities because you invested in the sustainability of this business.

Thank you all for your contributions to the Mustek Group family.

Hein Engelbrecht
CEO

4 October 2024



OUR TOP RISKS

Our risk management policy pursues greater stakeholder value, acknowledging that uncertainty is inherent in every entity. As we navigate this dynamic landscape, management is challenged to determine an acceptable level of uncertainty.

Risk management approach

Our approach to risk management extends beyond eliminating risks. We prioritise management of acceptable risks within the Group's predetermined risk appetite.

Effective risk management is a comprehensive process involving identification, assessment, mitigation and treatment of risks that impact our business. This proactive approach equips the Group to make informed decisions and maintain resilience in the face of uncertainties.

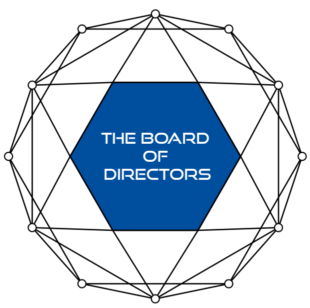
Our commitment to robust risk management practices empowers us to seize opportunities strategically while safeguarding the interests of our stakeholders and ensuring sustainable growth of the Mustek Group.

We are committed to King IV principles promoting risk awareness among members of the Board, Audit and Risk Committee, management and employees. The Social and Ethics Committee also contributes insights into social, governance and ethical risks during our risk management process.

The Group's risk management approach aims to safeguard the sustainability of our business, reputation and brand while enhancing risk transparency for stakeholders. We empower employees to deliver quality services by continuously monitoring and reporting progress against risk management action plans. This supports our growth strategy and enables risk management responsibilities.

Roles and responsibilities

The Group CEO is ultimately accountable for risk management, supported by executives and managers who are responsible for managing risks within their respective areas of control. This collective effort ensures risk management is integrated throughout the Group and aligns with our overarching strategic objectives.



The Board of directors, supported by the Audit and Risk Committee, oversees overall risk governance.

The Board engages with executive management in assessing the Group's risk management status and provides necessary oversight. The Board is also accountable for determining risk tolerance levels and ensuring regular risk assessments.

Executive management plays a critical role in risk management by enabling business unit heads and key function employees to collaborate in effective risk identification, assessment and management. This facilitates comprehensive understanding of risks across the Group and proactive decision-making to mitigate potential threats and capitalise on opportunities.

The Group's governance, risk and compliance executive is our chief risk officer who oversees effective risk management across the Group (including promotion of a risk-aware culture, risk identification and assessment).

Managers and other Group employees consider the Group's risk management policy in their daily activities (including contributing to risk management enhancements).

Internal auditors strengthen risk management with valuable insights and effectiveness assessments.

The collective efforts of managers, employees and internal auditors strengthen our risk management practices, promote a risk-aware culture and safeguard the Group's interests.

THE RISK MANAGEMENT PROCESS

The Group's risk management framework, policy and strategies are reviewed annually by the Audit and Risk Committee to ensure risk management practices remain relevant, effective and aligned with our evolving needs and strategic objectives.

The Mustek Group's ongoing risk management process includes:

RISK IDENTIFICATION

Determining risks with potential impact on successful achievement of the Group's strategic objectives

RISK REPORTING

Regular reporting on risks and the risk management process

RISK ASSESSMENT

Assessing risks in terms of probability and impact

RISK MONITORING

Regular reviews of strategy execution and risk probability and identification of new risks

RISK RESPONSE

Developing effective strategies to address risks (including identification of appropriate risk and action owners)

OUR TOP RISKS CONTINUED

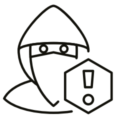
Group risk registers

Our Group governance, risk and compliance executive manages the Group's risk registers, which are reviewed on an ongoing basis as internal and external operating environments change. The risk registers are accessible to all risk and action owners to facilitate their respective functions.

Risk management dashboard

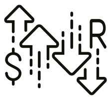
The Group's risk registers revealed the following top 10 risks, ranked according to their residual rating after implementing risk mitigation measures and controls. All of these risks are within tolerance level. With the highest score set at 16, risks 1 to 8 scored 12/16 and risks 9 and 10 scored 10/16.

1 CYBERCRIME

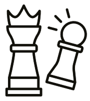


2 CHANGE IN MACRO-ECONOMIC TRENDS

3 TREASURY MANAGEMENT

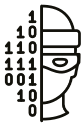


4 INCREASED COMPETITION

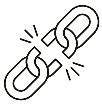


5 STOCK THEFT

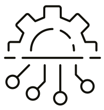
6 SALES FRAUD



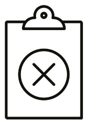
7 INADEQUATE/ POOR TALENT MANAGEMENT



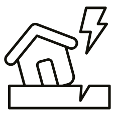
8 IMPLEMENTATION OF NEW BUSINESS MANAGEMENT SOFTWARE

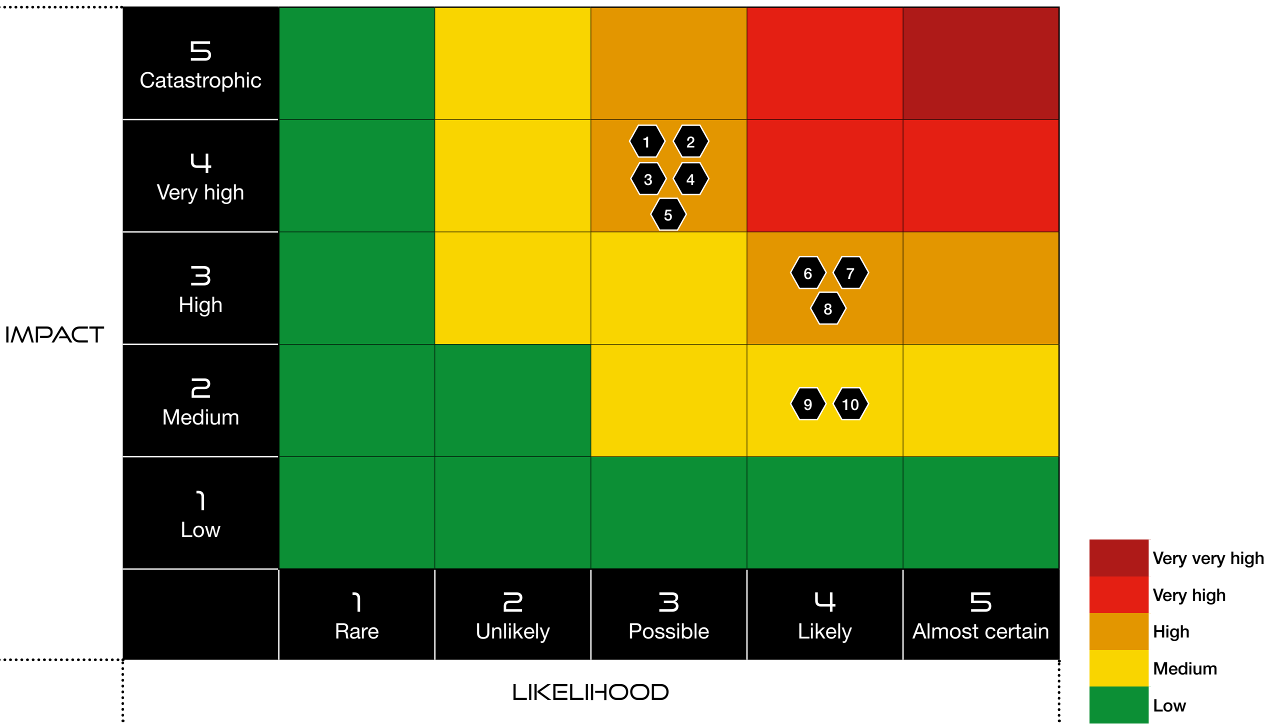


9 NON-COMPLIANCE WITH LAWS AND REGULATIONS



10 BUSINESS CONTINUITY





Risk	Rank	Type	Cause and consequences	Mitigation measures
CYBERCRIME	ONE (FY23: 1)	IT	Unauthorised access by employees or external cyber criminals could result in loss of information privacy, integrity, access to our own systems and occurrence of fraud. This leads to financial losses, POPIA contravention and loss of investor and customer confidence.	• firewall software installed and monitored independently • managed user account and network access restrictions • encrypted data transmission and privacy protection • ensure that we are POPIA and ISO 27001 compliant • use of Machine Learning and Artificial intelligence to proactively seek threats and mitigate breaches • monitoring and maintaining Microsoft Secure score above 75%.
CHANGE IN MACRO-ECONOMIC TRENDS	TWO (FY23: 2)	Strategic	As a global player exposed to the world's developed and developing markets, the Group's operations and financial results are impacted by trends in the macro-economic environment. The South African economy is weakened by state-owned entity mismanagement and the global interest rate/cost-of-living crisis. Globally, fourth industrial revolution/ digitisation poses risks and growth opportunities for ICT businesses despite the impact of geopolitical tensions on ICT manufacturing and supply.	• informed and competent governance structure • focus on managing working capital and stock and reducing operating costs • employee development (including skills plans), retention and salary benchmarking initiatives • robust enterprise risk management framework • aggressive cost control measures.
TREASURY MANAGEMENT (FORMERLY "EXCHANGE RATES" RISK)	THREE (FY23: 3)	Financial	External challenges in treasury management include significant fluctuations in the rand/US dollar exchange rate, availability of banking facilities, persistently high interest rates and stricter loan covenant conditions. Profits decline and the cost of doing business increases.	• hedge foreign currency liabilities through forward exchange contracts and derivatives • manage foreign exposures, loan facilities and covenants • maintain targeted stock levels • continuous monitoring of Group's liquidity and regular solvency and liquidity assessments • ongoing facility and covenant management.

OUR TOP RISKS CONTINUED

Risk	Rank	Type	Cause and consequences	Mitigation measures
INCREASED COMPETITION	FOUR (FY23: N/A)	Strategic	New entrants, raising international capital with minimal infrastructure and disruptive business models, increase competition in our industry. This threatens our market share and profits.	• Group strategy which includes elements of diversification through acquisitions • continuous research on new products and services that can be added • regular engagement and education interventions for dealers • remaining agile and keeping abreast of market trends.
STOCK THEFT	FIVE (FY23: 10)	Operational	External stock theft through armed robberies and highjacked vehicles incurs financial loss and destroys customer confidence and related market share. Employees are also at risk of physical harm and loss of life.	• independent high-security measures on and off site • daily monitoring by security and facilities managers.
SALES FRAUD RISK	SIX (FY23: 4)	Operational	The risk of sales fraud (including orders placed fraudulently under a customer's account) may be aided by unfair competition practices and disgruntled former employees. It leads to reputational damage, financial loss in the form of dispatched stock disputed by the customer and damages customer relationships built on trust and integrity.	• electronic dealer channel verification with sales limits and restricted direct customer communication • employee awareness training, polygraph tests and annual checks for conflicts of interest • credit vetting when processing new customers' applications.
INADEQUATE/ POOR TALENT MANAGEMENT	SEVEN (FY23: N/A)	Strategic	Inadequate talent management could lead to poor succession planning, loss of intellectual capital, high employee turnover, lack of diversity and lack of future skills readiness negatively impacting business sustainability.	HR group strategy has the human capital development and optimisation objectives which include: • talent management (individual development plans, skills audit, trainings and awarenesses, talent forums and classifications. • succession planning (identifying critical positions within the Group, developmental action plans and cross training) • rewarding performance • recognition for innovation.

Risk	Rank	Type	Cause and consequences	Mitigation measures
IMPLEMENTATION OF NEW BUSINESS MANAGEMENT SOFTWARE	EIGHT (FY23: N/A)	Strategic	Mustek Operations experienced teething challenges and inherent change management issues as a result of the implementation of the new ERP software since it went live in December 2022.	• regular meetings with the third-party support service provider and plans to address focus areas highlighted • information security management system controls on the new software • combined assurance that includes ongoing engagements with internal and external parties • transfer of skills to the internal development team responsible for the ERP support.
NON-COMPLIANCE WITH LAWS AND REGULATIONS	NINE (FY23: 6)	Strategic	Non-compliance with laws and regulations may lead to litigation, reputational damage and compromise business sustainability. The consequences include litigation and imprisonment, reputational damage and financial penalties.	• internal and external experts (including assurance providers and auditors) and controls ensure compliance with legislation • accessible Group legal register regularly updated and reviewed annually • employee training in compliance and control implementation • quarterly assessment of compliance risk • quarterly reporting of risk assessment to the Board.
BUSINESS CONTINUITY	TEN (FY23: 9)	IT	Disruption of IT system functionality and consequent loss of data caused by destruction of stock and buildings, due to environmental disasters, threatens business continuity and contingency planning. This may lead to long delays in delivering products and services to customers and could damage our reputation.	• regularly updated disaster management plan for each branch • daily backups of electronic records • remote access to servers and data for key employees.

MATERIAL OPPORTUNITIES AND CONCERNS

The Group's risk management processes and shareholder feedback informed the positive and negative material matters of concern to stakeholders included in this Integrated Annual Report. Our Board and executive management ensured the report comprehensively addresses these sustainability-related material matters to transparently demonstrate the Group's impacts over time – and thus drive accountability and sustainable growth. Strategic capitalisation of the opportunities presented by these material matters enhances our market position in the dynamic technology sector.

Material opportunities

1

Group restructuring and prudent capital allocation improves our ability to sustain growth by optimising financial management and resource use. South Africa's new political landscape, despite its challenges, presents significant opportunities for business and investment. The Government of National Unity has potential to steer the country towards economic growth, provided it can navigate ideological differences and address critical issues such as infrastructure and corruption. For investors and businesses, this period of transition could mark the beginning of a more stable and prosperous era for South Africa. One of the Democratic Alliance's primary objectives is to address South Africa's crumbling infrastructure and archaic systems.

2

Cybersecurity and cloud solutions are crucial to mitigate the growing risk of cyber threats and data breaches. End users need to increasingly invest in robust cybersecurity measures to safeguard their assets and data.

3

Self-service offerings included in our diverse range of technology solutions introduces new revenue streams, broadens our customer base and positions the Mustek Group for growth.

4

Data consulting services integrating widespread service and solution offerings enable businesses to navigate the digital transformation journey.

5

ICT skills shortage solutions are needed to grow the South Africa economy. Our Mecer Inter-Ed technical courses can be expanded beyond basic IT training to include IoT qualifications driven by AI and cybersecurity trends.

6

Employer of choice recognition aligns with our ambition to be a competitive talent employer in our industry – enabling the Group to expand into emerging areas where we find opportunities for employee development that supports business growth and sustainability.

Material concerns

1

Geopolitical tensions (particularly between the US and China, Taiwan and China and Russia and Ukraine) adversely impact global manufacture and supply of ICT hardware.

2

Safety and security are among the top risks in South Africa where incidents and threats of external stock theft, through armed robberies and vehicle hijacking, prevail and incur financial and employee loss while eroding customer confidence and market share.

3

Non-performing assets that face ongoing operational challenges and cash flow constraints compromise our financial position and ability to sustain growth.

4

High interest rates and cost of capital – due to unfavourable global and local economic conditions – decrease the Group's revenue and profits and increase operating costs.

5

Breach of bank covenants due to constrained trading environments could damage our high credit standing with financial institutions.

6

Currency devaluation exposes the Group to foreign currency risk. Approximately 60% of the Group's available working capital facilities are US dollar-based so fluctuations in the exchange rate play a significant role in increasing trade finance costs and pricing of our products.

7

Global competitor entry and market disruption by established brands, which can provide similar goods and services at reduced cost, intensifies competition in an already competitive industry grappling with high-operating costs and profit margins squeezed by unfavourable economic conditions.

STRATEGY

Our overarching strategic objective this year was consolidating critical Group functions to strengthen our financial position and thus sustain growth. To reinforce the importance of working capital management, we revised KPIs for individual executive teams.

Group strategy

The Mustek Group's strategy aims to achieve sustainable growth, focusing on ICT-related business in the short (one to two years) and medium (two to five years) term. Supported by exemplary corporate governance (ensuring transparency, accountability and ethical conduct), Group subsidiaries and associate investments collaborate to deliver exceptional results and seize emerging opportunities.

The evolving needs of key stakeholders are at the core of our strategy. We cater for every level of the ICT stack with an extensive range of hardware and software (supported by unparalleled technical expertise and service excellence).

Focus strategic oversight on operating subsidiaries and associate investments

We primarily focus on empowering our operating subsidiaries and associate investments with autonomy and agile decision-making capacity to achieve their goals. Supported by strategic oversight, monitoring performance and alignment with the Group's objectives and overarching vision, our business units drive efficiency and effectiveness.

Identify growth opportunities organically and through acquisition

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

Facilitate collaboration between Group companies

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

Controlled and sustainable growth

We are committed to achieving controlled and sustainable growth through prudent financial management and risk assessment to mitigate potential challenges. We prioritise long-term value creation over short-term gains and thus ensure our growth is financially viable and environmentally responsible.

Maintain high standard of corporate governance

Our success depends on maintaining high corporate governance standards. Rigorous governance practices, ethical conduct and regulatory compliance – with commitment to transparency and accountability – enhance stakeholder trust and foster a positive corporate culture.

We are confident this comprehensive Group strategy enables us to successfully build strong businesses and create synergies for success in an ever-changing business landscape.

Our strategy in action in FY24

Strategic objective	Measurement	Achieved	Comment
Structural improvements in working capital and liquidity management	• achieve set targets • reduce receivables and inventory since June 2023 • implement controls for ordering processes.	×	While the Group has made some progress in improving its working capital structures and management processes, this remains a focus area for FY25. Year-on-year improvements included reductions in inventory by R438 million and trade receivables by R284 million. This release was used in conjunction with cash from operating activities to decrease trade financing from R1.9 billion to R1.4 billion.
Digital transformation/ operational excellence (process automation and data strategy)	• focus on Epicor stabilisation and efficiencies • understand the Group's IT architecture and framework • develop an IT strategy.	✓	The Group experienced significant improvements in Epicor's performance, user acceptance and change management processes. We acquired an understanding and assessment of the IT landscape of the significant wholly owned subsidiary of the Group. A Group IT strategy framework has been developed with detailed strategies in place for significant wholly owned subsidiaries.
Growing product lines in sustainable technologies (water, air and energy solutions)	• assess feasibility and options of water and air products	×	The Group assessed sustainable energy products and did not identify feasible options. We will continue these assessments although this is not a short-term priority.
Grow and develop the Group's human capital	• develop and implement Group HR strategy • develop IDPs for individuals as part of succession planning • stabilise Mustek Operation's HR function.	✓	*Refer to pages 42 to 45 (Employees) for details.*

Looking ahead: Strategic priorities for FY25 and beyond

Focus area	Comment
Continued working capital and liquidity improvements	Targets for each operation have been revised and will remain a focus area to optimise cash generation and strengthen the balance sheet.
Disposing of non-performing assets	The Group will undertake an assessment of all its assets and consider, in the short to medium term, disposal of under-performing assets and/or those that are not a strategic fit.
Acquisitions that make sense for the Group	In line with our overall strategy, we are dedicated to identifying growth opportunities organically and through acquisitions. We continually assess market trends, technological advancements and customer needs to drive innovation and expand our market presence. Strategic acquisitions that complement our existing portfolio and align with our core competencies enable us to diversify revenue streams and strengthen our market position.

SIX-YEAR FINANCIAL REVIEW

	2024 R000	2023 R000	2022 R000	2021 Restated R000	2020 R000	2019 R000
SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Revenue	**8 507 282**	10 126 197	8 909 567	7 992 306	6 397 419	5 845 907
Cost of sales	**(7 467 164)**	(8 713 918)	(7 636 886)	(6 804 339)	(5 487 275)	(5 028 353)
Gross profit	**1 040 118**	1 412 279	1 272 681	1 187 967	910 144	817 554
Distribution, administrative and other operating expenses	**(690 897)**	(903 641)	(817 004)	(671 968)	(662 907)	(574 353)
EBITDA	**349 221**	508 638	455 677	515 999	247 237	243 201
Headline profit	**38 503**	218 527	223 817	305 726	88 992	98 530
SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Assets	**4 888 758**	5 723 381	5 010 486	3 627 062	3 627 154	3 097 323
Property, plant and equipment	**247 775**	258 978	191 991	200 899	187 939	184 981
Investment property	**9 883**	9 785	10 412			
Right-of-use-assets	**96 457**	62 889	48 859	79 274	29 956	–
Intangible assets	**154 210**	171 412	150 556	144 631	126 832	108 794
Investments and loans	**94 548**	129 899	145 763	202 559	195 858	183 776
Prepayments	**–**	–	21 228			
Deferred tax assets	**25 828**	40 735	45 441	43 365	30 710	25 478
Current assets	**4 245 057**	5 049 683	4 396 236	2 956 334	3 055 859	2 594 294
Assets classified as held-for-sale	**15 000**	–	–	–	–	–
Equity and liabilities	**4 888 758**	5 723 381	5 010 486	3 627 062	3 627 154	3 097 323
Equity attributable to equity holders of the parent	**1 516 314**	1 567 597	1 413 063	1 350 406	1 118 659	1 045 944
Non-controlling interest	**–**	–	–	7 174	8 012	7 448
Borrowings and other liabilities	**272**	34 010	48 026	43 479	42 264	8 684
Lease liabilities	**79 191**	38 230	29 307	58 823	10 139	–
Deferred tax liabilities	**3 760**	5 609	4 743	2 642	6 213	8 103
Non-current contract liabilities	**23 201**	22 765	24 101	23 014	17 686	17 514
Current liabilities	**3 266 020**	4 055 170	3 491 246	2 141 524	2 424 181	2 009 630

RATIOS

	2024 R000	2023 R000	2022 R000	2021 R000	2020 R000	2019 R000
KEY BALANCE SHEET FIGURES						
Total assets (R000)	**4 888 758**	5 723 381	5 010 486	3 627 062	3 627 154	3 097 323
Ordinary shareholders' equity (R000)	**1 516 314**	1 567 597	1 413 063	1 350 406	1 118 659	1 045 944
Return on ordinary shareholders' equity	**1.4%**	14.7%	15.9%	23.8%	8.0%	10.3%
Net asset value per share (cents)	**2 801**	2 724	2 395	2 046	1 598	1 494
MARKET INFORMATION AT 30 JUNE						
Ordinary shares in issue	**57 540 000**	57 540 000	59 000 000	66 000 000	70 000 000	70 000 000
Ordinary shares outstanding (excluding treasury shares)	**54 131 857**	57 540 000	59 000 000	66 000 000	70 000 000	70 000 000
Weighted average number of ordinary shares	**57 353 763**	58 245 548	62 676 789	69 197 929	70 000 000	70 722 365
Headline earnings per share (cents)	**67.13**	375.2	357.1	441.8	127.1	139.3
Market price per share (cents)						
– year-end	**978**	1 672	1 639	1 070	704	810
– highest	**1 747**	1 775	1 725	1 095	934	930
– lowest	**825**	1 345	1 028	491	411	600
Number of transactions	**12 018**	4 329	9 885	4 167	2 121	1 482
Number of shares traded	**21 202 855**	18 387 235	32 597 630	30 456 648	13 860 073	17 988 167
Value of shares traded (R)	**244 253 997**	289 676 778	444 644 994	259 664 337	94 602 044	137 351 616
Percentage of issued shares traded	**37%**	32%	52%	44%	20%	25%
LIQUIDITY AND LEVERAGE						
Interest cover (times)	**1.7**	3.4	6.5	7.4	2.5	2.3
Net cash (used in) operating activities (R000)	**(203 451)**	(45 815)	71 817	220 762	339 520	(171 352)
Current ratio (times)	**1.3**	1.2	1.3	1.4	1.3	1.3
PROFITABILITY						
Operating margin	**4.1%**	5.0%	5.1%	6.5%	3.9%	4.2%

PERFORMANCE REVIEWS

Mustek Operations

Overview

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

Performance

Economic

Mustek Operations maintained its position as a leading force in meeting the dynamic needs of the ICT market this year, with the advantage of a diversified portfolio of products and services, despite the tough trading environment. Revenue and profitability declined as customers, under economic pressure, reduced spending and struggled to settle accounts.

Revenue: R5.77 billion
(FY23: R6.5 billion)

Profit before tax (PBT): R76 million
(FY23: R187 million)

Net profit after tax (NPAT): R66 million
(FY23: R144 million)

Environmental

Mustek Operations' proactive approach to environmental management includes investment in sustainable energy and water solutions as well as comprehensive waste management programmes. We thus aim to reduce our environmental footprint, particularly in terms of carbon emissions and pollution.

Emissions:

- Scope 1: 326 tonnes CO_2e (FY23: 533 CO_2e)
- Scope 2: 1 853 tonnes CO_2e (FY23: 1 683 CO_2e)

Waste recycled:
137 tonnes (FY23: 211 tonnes)

Social

Number of employees:	Training and skills development investment:	CSI spend:
731	R15.7 million	R661 685
(FY23: 737)	(FY23: R17 million)	(FY23: R2 million)

Notable social initiatives

Governance

B-BBEE score:
Level 1
(FY23: Level 1)

Leadership team:

Neels Coetzee (49)
Managing director

Olga-Lee Levey (52)
Chief financial officer

Michael Kan (31)
Product executive

Pascal Macheru (50)
Key accounts executive

Alton Calvin (45)
Channel sales executive

Dimitri Tserpes (59)
Chief technology officer

Ernest Walker (60)
Divisional executive: Western Cape

Vishal Chunilal (52)
Divisional executive: KwaZulu-Natal

Charles Carlson (45)
Chief operating officer

Nicole Orr (49)
Marketing executive

Juan Paul Gough (37)
Software, cloud and solutions executive

Notable social initiatives

Good Morning Angels Fund

Mustek Operations supported this initiative with a donation of IT equipment and cash. Funds raised by this Jacaranda FM radio station initiative support community-based social upliftment.

Project spend: R491 685

Child Welfare Tshwane
NPO Reg No 001-612

Child Welfare Tshwane

Mecer notebooks donated to Child Welfare Tshwane social workers will improve services caring for many vulnerable young children.

Project spend: R170 000

Outcomes: 20 social workers received laptops

PERFORMANCE REVIEWS CONTINUED

Rectron

Overview

Rectron is a leading South African IT distributor with a comprehensive portfolio of best-of-breed hardware and software services and solutions. Its diverse customer base across southern Africa includes SME resellers, system integrators, managed services providers, e-tailers and retailers. The company aims to achieve long-term relevance and success by focusing on positive customer experiences and partnership-driven growth.

Performance

Economic

Rectron's revenue declined during the year under tough trading conditions while the company transitioned into value-added production distribution that improves lives as well as industrial and agricultural processes.

Revenue: R2.8 billion
(FY23: R3.7 billion)

PBT: R10.5 million
(FY23: R88.9 million)

NPAT: R8.8 million
(FY23: R68 million)

Environmental

Emissions:

- Scope 1: 168 tonnes CO_2e
  (FY23: 332 CO_2e)
- Scope 2: 785 tonnes CO_2e
  (FY23: 884 CO_2e)

Rectron's commitment to responsible environmental practices is evident across the company's branches where we are reducing our footprint. In Johannesburg, solar panels reduce grid power consumption and we use borehole water to minimise reliance on municipal resources. In Cape Town, we are pursuing similar eco-friendly practices in our offices. Our off-grid approach in Gqeberha focuses on renewable energy adoption and water conservation through rainwater tanks.

Social

Number of permanent employees: 392
(FY23: 408)

Training and skills development investment: R7.7 million
(FY23: R10.1 million)

CSI spend: R377 530.96
(FY23: R1 million)

Notable social initiatives

Governance

B-BBEE score: Level 2
(FY23: Level 2)

Leadership team:

Spencer Chen (47)
Chief executive officer

Christiaan Engelbrecht (43)
Chief financial officer

Martin Roets (45)
Chief operations officer

Kutlwano Rawana (39)
Chief of people

Notable social initiatives

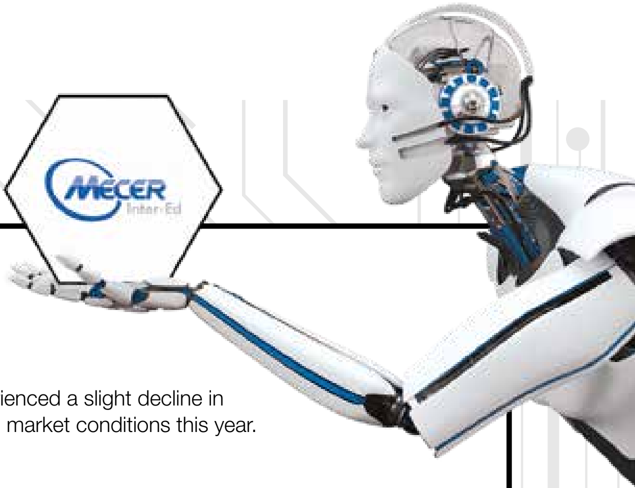
Rectron is committed to supporting our communities through corporate social investment (CSI) that focuses on education that specifically advances Fourth Industrial Revolution (4IR) and Science, Technology, Engineering and Maths (STEM) skills. Education is a critical driver of the overall economic, cultural, social and technical development in our country – by supporting education, we contribute to a sustainable future for our children.

Our CSI programme, named P.E.U for progressive educational upliftment, primarily provides IT equipment and infrastructure to educational institutions that need it for their STEM programs. In FY24, our most notable contribution under this programme was the donation of a DJI Agras drone worth R350 000 to the University of the Free State's Paradys Experimental Farm. Equipped with advanced sensors and imaging technology, the drone can be quickly, easily and accurately deployed over vast territories of land by licensed drone pilots. Data collected by the drone can be used to generate detailed reports on soil health, topography, animal movement and other conditions in real time for targeted interventions.

This investment helps to unlock a myriad of smart farming solutions through drone training, licensing and ongoing projects. The collaboration between Rectron and the university provides an opportunity for students to learn how technology can improve farming techniques. At the same time, it grants Rectron access to the talent that participated in the programme.

Outcomes: Entry into the global drone market (with a projected compound annual growth rate of 25% between 2022 and 2031), driven primarily by agricultural and mining sectors, and greater food security and responsible mineral resource beneficiation in South Africa.

PERFORMANCE REVIEWS CONTINUED



Mecer Inter-Ed

Overview

Mecer Inter-Ed provides SETA-accredited skills development solutions (including skills programmes, learnerships and internships) with internationally recognised certifications as an authorised training partner for Huawei, Microsoft and Amazon Web Services among other global technology giants. The company can design learning solutions and training programmes to address skills gaps and specific requirements. Highly qualified, cross vendor-certified instructors with extensive hands-on experience present the courses. Mecer Inter-Ed is also a certified Pearson VUE testing centre offering various international certification exams.

Performance

Economic

Mecer Inter-Ed experienced a slight decline in revenue due to tough market conditions this year.

Revenue: R85 million
(FY23: R98 million)

PBT: R11.7 million
(FY23: R27.6 million)

NPAT: R9.3 million
(FY23: R20 million)

Environmental

Mecer Inter-Ed does not record GHG emissions and waste recycled but complies with the Group's environmental initiatives aiming to achieve sustainability goals.

Social

Number of employees:
74
(FY23: 87)

Training and skills development investment:
R2.6 million
(FY23: R0.3 million)

CSI spend:
R1.5 million
(FY23: R3.6 million)

Notable social initiatives

Java programming talent development course

Mecer Inter-Ed provides an intensive Java programming course for unemployed youth. After completing the exam at the end of this five-month course, graduates are equipped with a scarce skill in demand worldwide. The international certification unlocks opportunities for employment with blue-chip companies.

Project spend: R1.5 million (FY23: R3.6 million)
Outcomes: 73 (FY23: 72) students graduated from three cohorts and 62 (FY23: 72) secured employment as Java developers at leading service providers

Governance

B-BBEE score*:
Level 1
(FY23: Level 1)

Leadership team:

Gerhard de Beer (49)
Managing director

Tracy Govender (46)
Director: Operations

Morné Hugo (51)
Executive: vendor alliances

Sean Evans (43)
Executive: Business transformation solutions

* *Measured as part of the Mustek Group.*

PERFORMANCE REVIEWS OF ASSOCIATE ENTITIES

Yangtze Optics Africa Cable (YOA)

Overview

The Mustek Group has a 25.1% shareholding in YOA – an optical fibre cable manufacturer operating in the Dube Trade Port industrial development zone of KwaZulu-Natal. Established in 2016 through a partnership between Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC) and the Mustek Group, YOA is positioned as one of Africa's leading fibre cable manufacturing facilities. YOFC is globally recognised as the largest manufacturer and supplier of optical fibre and optical fibre cable products.

Performance

Economic

YOA managed to remain profitable and maintain market share under challenging market conditions this year.

Revenue: R285 million
(FY22: R354 million)

NPAT: R20 million
(FY22: R42 million)

The YOA financial year ends on 31 December.

Environmental

YOA offices implement energy efficiency measures including motion sensors that automatically switch off lights to reduce electricity consumption. Additionally, a water recycling loop system recycles machine wastewater for significant savings in municipal water consumption. Sustainable waste management practices include ongoing segregation of cardboards and sales waste.

Social

Number of employees:
114
(FY23: 98)

Training and skills development investment:
R1.1 million
(FY23: R1.4 million)

CSI spend:
R110 000
(FY23: R99 460 million)

Notable social initiatives:
Back-to-school essentials drive

Every year, YOA sponsors back-to-school essentials (including stationery) to ensure academic success for children in our disadvantaged host community.

Project spend: R110 000 (FY23: R99 460)

Outcomes: 60 (FY23: 55) children in grades one to 12 benefit from this initiative

Governance

B-BBEE score:
Level 1
(FY23: Level 1)

Leadership team:

Pieter Viljoen (53)
Chief executive officer

Siphiwe Meyiwa (57)
Director: Operations

Silindile Gwambe (42)
Director: Human resources

PERFORMANCE REVIEWS OF ASSOCIATE ENTITIES CONTINUED

Khauleza IT Solutions

Overview

The Mustek Group has a 36% shareholding in Khauleza – a national ICT business offering deployment, maintenance and end-user equipment services as well as print-managed and alternative power solutions. The company continually improves and expands its service suite while optimising current offerings.

Performance

Economic

Encouragingly, despite a challenging start to the financial year, Khauleza was able to reduce its net loss significantly and aims to be profitable for the year ending 28 February 2025. Overcoming challenges that impacted financial performance (including declining sales, increased competition and rising operating costs) over the past four years, the company concluded a new contract that secured its sustainability. Over-reliance on a single client is mitigated with prudent allocation of revenue generated from this project to expand the company's client base and foster business growth in a diverse market.

Revenue: R33.7 million
(FY23: R21 million)

NLAT: R4 million
(FY23: R12.8 million)

The Khauleza financial year ends on 28 February.

Environmental

Emissions:
- Scope 1: 77.76 tonnes CO_2e
- Scope 2: 54 tonnes CO_2e

Water used:
280 megalitres (FY23: 233 megalitres)

Waste recycled:
1.2 tonnes (FY23: 790 kg)

Waste generated:
5.5 tonnes (FY23: 5 tonnes)

Social

Number of employees:
38
(FY23: 78)

CSI spend:
R28 220
(FY23: R36 165)

Training and skills development investment:
R365 056
(FY23: R314 000)
- Employee training: R77 636 (FY23: R29 375)
- Learnerships: R259 200 (FY23: R284 625)

Notable social initiatives

Thuto-Thebe Teacher Centre

The Thuto-Thebe Teacher's Centre in Ga-Rankuwa, a training provider for teachers in the area, is of special importance to Khauleza. It serves as a base for our learnership and training programmes that empower local, unemployed youth with skills that can help them to break into the job market. In FY24, we donated two laptops and a projector to the Centre to support their training programmes in which up to 30 teachers can participate at a time.

Project spend: R45 000

Governance

B-BBEE score:
Level 1 qualifying small enterprise (QSE)
(FY23: Level 1 QSE)

Leadership team:

Raymond Elias Risk (67)
Chief executive officer

Julius Siyabonga Maclean (41)
Director

CPS Technologies

Overview

The Mustek Group has a 40% shareholding in CPS Technologies – a leading manufacturer and supplier of high-quality server cabinets and related solutions. The product range includes innovative server cabinets, tablet charging trolleys and outdoor enclosures with air conditioning.

Economic

CPS Technologies' 2024 financial year surpassed targets and recorded record sales orders, which enabled the company to expand its product line with an additional imported machine despite market uncertainty. The company is encouraged by exports and projects that enable its sustainability.

Revenue: R63 million
(FY23: R71.2 million)

NPAT: R10.2 million
(FY23: R4.6 million)

The CPS Technologies financial year ends on 28 February.

Environmental

Emissions:
Not yet monitored

Waste generated:
123.32 tonnes

Water used:
2.5498 megalitres

CPS Technologies ensures chemicals used in operations are environmentally safe and biodegradable for minimal impact on the ecosystem. The company's waste management strategy actively promotes the circular economy by using recyclable powder. Reputable service providers also recycle steel materials. In addition, a specialist service provider recycles water stored in chemical tanks.

Social

Number of employees:
61
(FY23: 76)

Training and skills development investment:
R0.1 million
(FY23: R0.3 million)

Notable social initiatives

Supporting employees

CPS Technologies, as a medium-sized company, focuses its corporate social responsibility spend on employee wellbeing. The company provides financial assistance to employees' families struggling under unforeseen circumstances and other challenges.

Governance

B-BBEE score:
Level 4
(FY23: 4)

Leadership team:

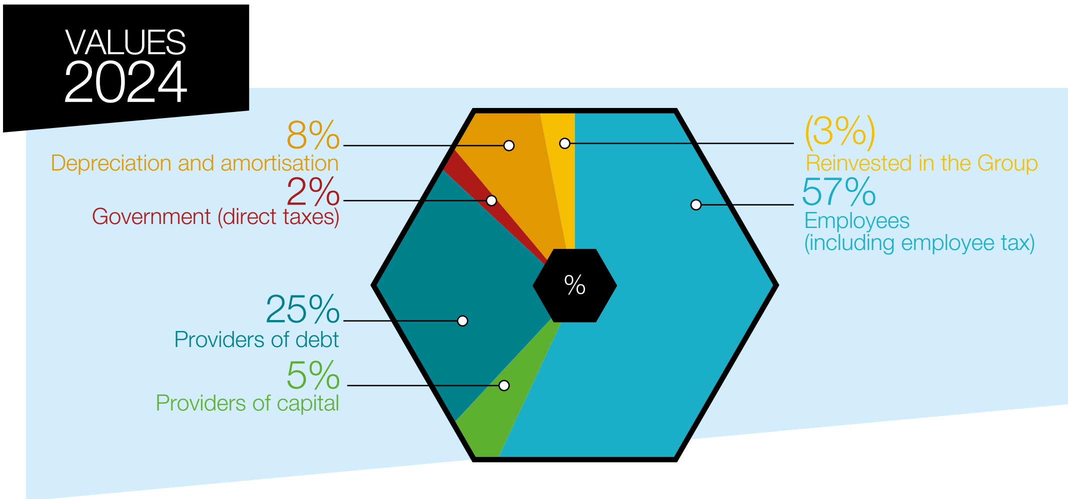
Carlos Vizcarra (68)
Chief executive officer and managing director

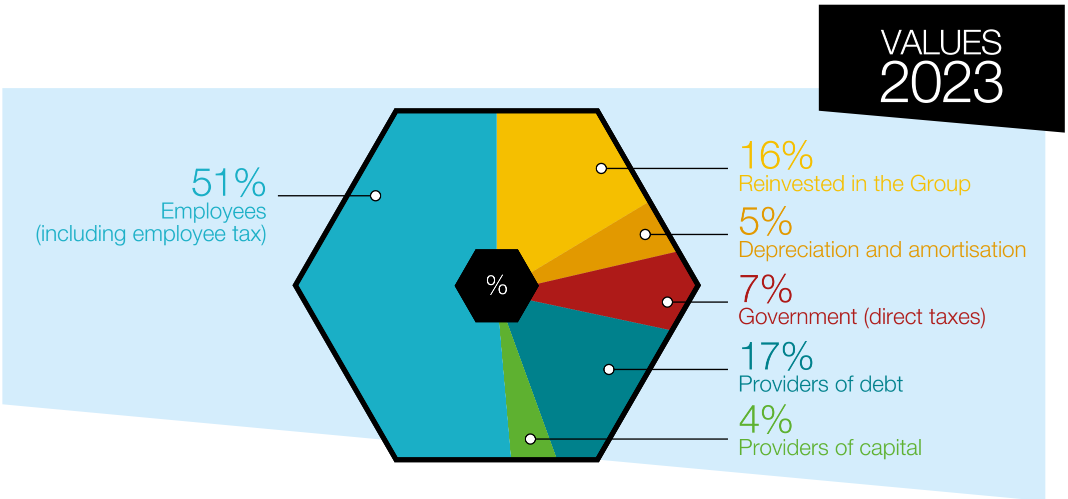
Reg Lane (78)
Chief operations officer

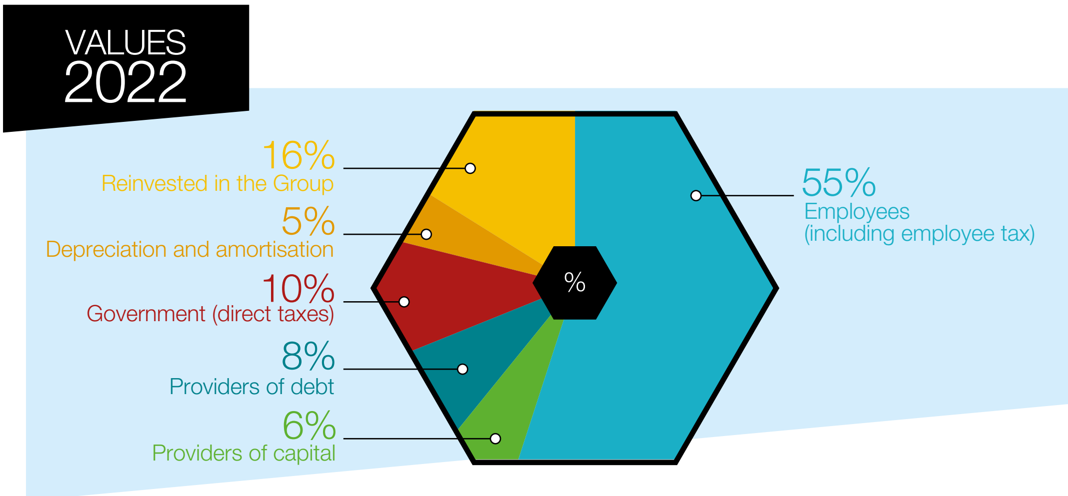
Mark Lane (47)
Design manager

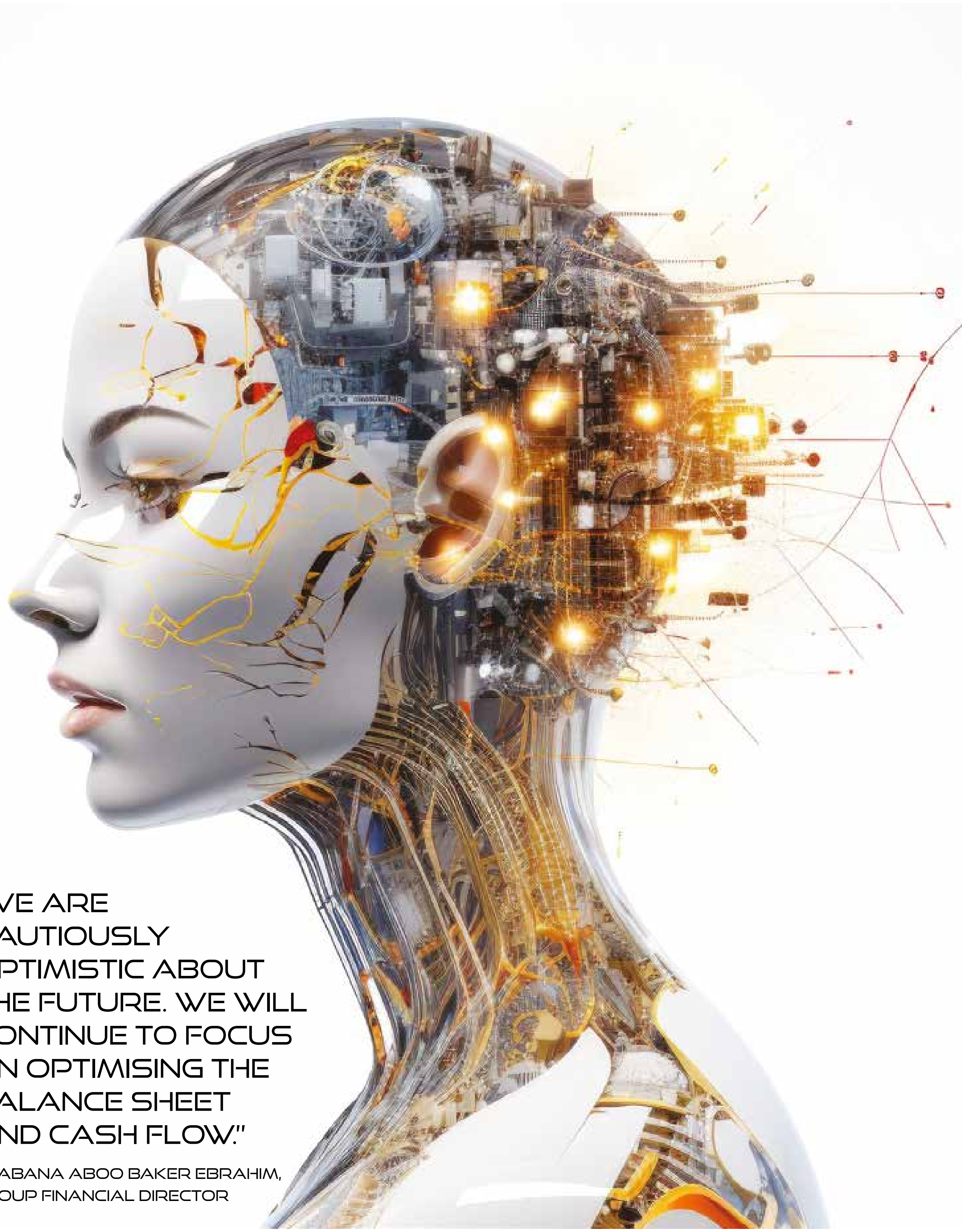
Kevin Lane (45)
Marketing and distribution manager

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED





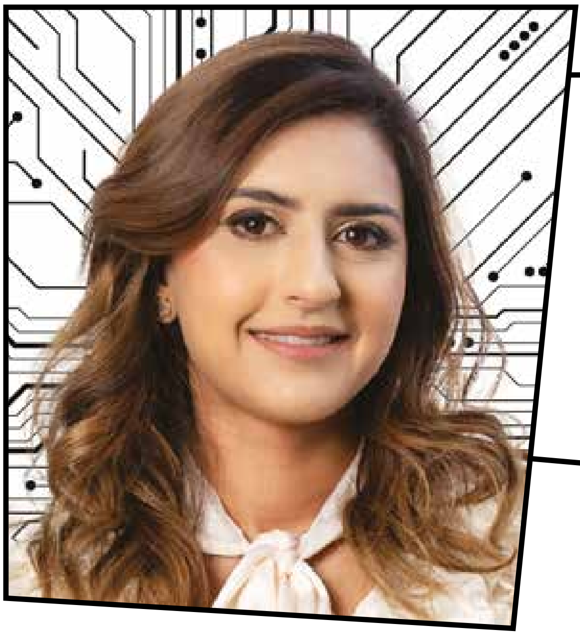




"WE ARE CAUTIOUSLY OPTIMISTIC ABOUT THE FUTURE. WE WILL CONTINUE TO FOCUS ON OPTIMISING THE BALANCE SHEET AND CASH FLOW."

SHABANA ABOO BAKER EBRAHIM,
GROUP FINANCIAL DIRECTOR

ECONOMIC: FINANCIAL DIRECTOR'S REPORT



We maintained our commitment to longevity by again creating value for stakeholders this year despite tough economic conditions and cautious market sentiment following the outcome of the general elections in South Africa.

Highlights

REVENUE
DOWN 16%
2024: R8.5 billion
2023: R10.1 billion

NET ASSET VALUE PER SHARE
UP 3%
2024: 2 801.15 cents
2023: 2 724.36 cents

HEADLINE EARNINGS PER SHARE
DOWN 82%
2024: 67.13 cents
2023: 375.18 cents

DIVIDEND PER SHARE
DOWN 90%
2024: 7.50 cents
2023: 77.00 cents

Operating results

The operating environment for the year ended 30 June 2024 was marked by tough economic conditions and cautious market sentiment leading up to the general elections in South Africa. Prevailing uncertainty froze corporate and government spending and the unexpected abatement of loadshedding abruptly ended the renewable energy boom, which fuelled our growth last year. Reduced demand for green energy products put us in a challenging situation with surplus stock in a tough macro-economic environment with high interest rates. Accordingly, the Group's performance declined.

Revenue decline

Revenue decreased by 16% to R8.5 billion (FY23: R10.13 billion) mainly due to lower sales of green energy products, which declined by approximately R1.35 billion year-on-year. The traditional ICT distribution part of the business was relatively stable. The Group's two largest businesses, Mustek Operations and Rectron, saw their revenue decline by 12% and 24% respectively. Our IT training company, Mecer Inter-Ed, experienced a decline in revenue to R85 million (FY23: R98 million) in unfavourable market conditions.

Gross profit

The gross profit margin declined to 12.2% (2023: 13.9%) due to competitive forces in the market for green energy products, product composition and efforts to lower stock levels. Gross profit on green energy products reduced by approximately R338 million year-on-year. Margins on green energy products reduced from an average of 22% to 14% year-on-year, while margins on the rest of the business have remained stable.

Forex risk management

The Group realised forex profit of R32 million versus a forex loss of R123 million last year. Although there were fluctuations in foreign exchange rates, lower volatility contributed to the improved outcome.

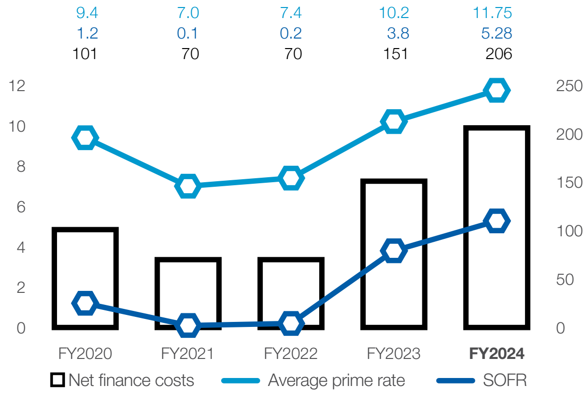
Operating costs

Distribution, administration and other operating expenses declined by 6.6%. In light of the tough conditions, costs have been carefully managed.

Finance costs

Finance costs remained a focus area for the Group. Higher interest rates in the period resulted in a 36.6% increase in net finance costs to R206 million (FY23: R151 million).

Net financing cost versus average market interest rates (%) (R million)



The Secured overnight financing rate (SOFR) is a USD rate, impacting a portion of the Group's working capital facilities. The increase in this rate played a big role in the increased finance costs.

Associate performance

Associates contributed a loss of R19.4 million (FY23: R12.8 million) mainly due to the continued poor performance of Zaloserve, which continued to face operational challenges and cash flow constraints. The investment was classified as held-for-sale at year-end. An impairment loss of R13.7 million was recognised in the current year in accordance with IFRS 5.

Encouragingly, Khauleza, despite posting a loss for the year is showing positive prospects and is expected to be profitable by the first half of the 2025 financial year. Continuous Power Systems and YOA also grappled with challenging market conditions and maintained their market share.

Working capital

The combination of inventory and receivables reduced from a peak in the comparable period. Although we achieved satisfactory results, further working capital reduction remains a key focus area for management.

Stock ordering processes to manage inventory levels are still under the spotlight. Inventory reduced from R2.8 billion to R2.35 billion at 30 June 2024.

Although trade receivables improved from R1.86 billion to R1.57 billion at 30 June 2024, debtors' days (62) are still higher than the Group's average of 55 days. The longer cycle is due to delays in project-based deals as well as debtors asking for longer-payment terms given the tough economic conditions. The Group has also been prudent and increased its provision for estimated credit losses in the current year by R25.2 million.

Cash flow

The Group was able to generate R60.7 million (2023: R197.7 million) from operations. The majority of the cash released from working capital was utilised to settle trade financing loans. Management continues to focus on optimal working capital management as it is a driver of the Group's profitability.

The Group has sufficient banking facilities.

Share repurchase programme

Mustek did not acquire any of its ordinary share capital in the financial year ended 30 June 2024.

As of 30 June 2024, the Group held 3 408 143 of its own shares, which were acquired at an aggregate cost of R28.8 million. These shares are recorded at cost and are presented as a deduction from equity in the consolidated statement of financial position.

During the current year, 2 250 000 shares were appropriated from the estate late: DC Kan to part settle a loan owing by the estate to the Mustek Executive Share Trust.

Dividend

The declaration of cash dividends will continue to be considered by the Board 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. To this end, the Board has declared a final dividend of 7.50 cents (2023: 77.00 cents) per ordinary share for the financial year ended 30 June 2024.

Post-balance sheet events

Management has concluded negotiations for the sale of its investment in Zaloserve for R15 million. The sale is to be effective 1 October 2024.

Effective 12 September 2024 Mustek purchased a 70% equity interest in CyberAntix (Pty) Ltd for R8 million. CyberAntix is a SOCaas (Security Operations Centre-as-a-Service) company. It offers state-of-the-art implementation of managed cybersecurity services, focusing on managed detection and response with associated advanced services (proactive hunting, forensics code reviews, vulnerability assessments).

Outlook

Looking forward, we are cautiously optimistic about the future while remaining focused on optimising the balance sheet and cash flow.

Shabana Aboo Baker Ebrahim
Group financial director

4 October 2024

SOCIAL

Employees

We value our employees (the Group's human capital) as the driving force in our success.

Our HR and transformation strategy aligns to the Group's mission, ultimately aiming to:

Grow and develop the Group human capital for sustainability.

The Mustek Group HR strategy is supported by the following pillars:
- HR functional excellence
- talent attraction and retention
- enablement
- culture and climate
- talent management
- transformation.

By investing in employee training, talent and performance management, engagement, diversity, work-life balance and career progression (including succession planning as an integral part of our sustainability), we foster a skilled, motivated and inclusive workforce that drives our growth and organisational excellence.

The Mustek Group prioritises employees' human rights by maintaining respectful and fair working environments. We are committed to avoiding human rights violations with utmost respect for the dignity and rights of all employees in our actions and decisions.

The year in review

During FY24, the Group focused on:
- consolidating the human resources function, processes and policies
- introducing our focused HRBP and skills development specialist function within Mustek Operations
- completing the first people survey for all subsidiaries
- refocusing our culture and wellness programmes
- recognising employee achievements with the first recognition programme and CEO awards for Rectron
- standardising our remuneration practices and policy across the Group (including subsidiary job evaluations).

We operate within a competitive employee value proposition environment. Increasing generational gaps in our workforce and industry requires human resources functions to continuously drive and shape workplaces that meet preferences and remain relevant. In addition, a specific challenge in FY24 was the loss of talent to competitors due to a tough trading year. We responded to the resultant impact on employee health and morale with more employee wellness and motivational initiatives alongside culturally appropriate engagements.

Our workforce

The following tables show the demographic of Mustek Group's 100%-owned subsidiaries: Mustek Operations, Rectron and Mecer Inter-Ed.

Subsidiary total headcount	FY24	FY23
Mustek Operations	**731**	737
Rectron	**392**	408
Mecer Inter-Ed	**74**	87
Total	**1 197**	1 232

Mustek Operations

	Gender		Race				Total
	Male	Female	African	Coloured	Indian	White	
Permanent	381	335	406	93	75	142	716
Temporary	11	4	4	2	1	8	15
Total	**409**	**360**	**448**	**95**	**76**	**150**	**731**

Location	Number of employees	Percentage
Gauteng	484	66.21
Western Cape	94	12.86
KwaZulu-Natal	62	8.48
Eastern Cape	32	4.38
Free State	14	1.92
Mpumalanga	15	2.05
Limpopo	11	1.50
Northern Cape	6	0.82
North West	8	1.10
Foreign nationals	5	0.68
Total	**731**	**100.00**

	New hires		Permanent employee turnover	
Metric	Number	Rate	Number	Rate
Race				
African	58	63.74	33	4.61
Coloured	9	9.89	10	1.40
Indian	9	9.89	5	0.70
White	15	16.48	13	1.82
Gender				
Male	53	58.24	38	5.31
Female	38	41.76	23	3.21
Locations				
Gauteng	58	63.74	43	6.01
Western Cape	10	10.99	7	0.98
KwaZulu-Natal	8	8.79	2	0.28
Eastern Cape	6	6.59	5	0.70
Free State	2	2.20	0	0.00
Mpumalanga	4	4.40	2	0.28
Limpopo	1	1.10	1	0.14
Northern Cape	2	2.20	1	0.14
North West	0	0.00	0	0.00
Total	**91**	**100**	**61**	

SOCIAL CONTINUED

Rectron

	Gender		Race				Total
	Male	Female	African	Coloured	Indian	White	
Permanent	204	186	235	55	38	62	390
Temporary	2	0	2	0	0	0	2
Total	**204**	**186**	**237**	**55**	**38**	**62**	**392**

Location	Number of employees	Percentage
Gauteng	261	67
Western Cape	57	15
KwaZulu-Natal	32	7
Eastern Cape	24	6
Free State	15	4
Foreign nationals	3	1
Total	**392**	**100**

	New hires		Permanent employee turnover	
Metric	Number	Rate	Number	Rate
Race				
African	28	61%	39	64%
Coloured	12	26%	7	11%
Indian	2	4%	8	13%
White	4	9%	7	12%
Gender				
Male	28	61%	35	57%
Female	18	39%	26	43%
Locations				
Gauteng	31	67%	45	74%
Western Cape	10	22%	10	16%
KwaZulu-Natal	1	2%	2	3%
Eastern Cape	3	7%	2	3%
Free State	1	2%	2	3%
Total	**46**	**100%**	**61**	

Mecer Inter-Ed

	Gender		Race				Total
	Male	Female	African	Coloured	Indian	White	
Permanent	34	30	30	5	3	26	64
Temporary	9	1	7		0	1	10
Total	**43**	**31**	**39**	**5**	**3**	**27**	**74**

Location	Number of employees	Percentage
Gauteng	68	91
Foreign nationals	6	9
Total	**74**	**100**

	New hires		Permanent employee turnover	
Metric	Number	Rate	Number	Rate
Race				
African	9	69.23	4	4.4
Coloured	1	7.69	2	2.2
Indian	0	0	0	0
White	3	23.08	1	1.1
Gender				
Male	8	61.54	5	5.49
Female	5	38.46	2	2.2
Locations				
Gauteng	13	100	7	7.69
Total	**13**	**100**	**7**	

SOCIAL CONTINUED

Diversity and inclusion

The Mustek Group believes that a diverse and inclusive workforce is a key success driver. We are committed to maintaining a workplace that celebrates individual differences and fosters an inclusive culture where all employees feel valued, respected and empowered to contribute their best.

The Group companies' employment equity forums meet quarterly to promote diversity and our skills development programmes help to uplift employees from previously disadvantaged groups. The HRBP teams also facilitate employee engagement sessions with management as a platform for addressing diversity, equity, inclusion and belonging issues. Additionally, each Group entity maintains a social calendar with activities and themed celebrations of special occasions, such as Women's Month and Men's Month. Our employment equity committees represent all gender, race and occupational level groups.

Our workforce data reveals balanced gender representation, demonstrating our commitment to fostering equality across various roles.

The Group's workforce is also racially diverse, which demonstrates dedication to creating inclusive workplaces that embrace employees from different racial backgrounds with a broad range of perspectives and experiences.

Mustek Operations

Mustek Operations demographics	FY24 %	FY23 %
Race		
African	**56.09**	56.84
Coloured	**13.00**	13.68
Indian	**10.40**	9.43
White	**20.52**	20.05
Gender		
Male	**53.63**	54.45
Female	**46.37**	45.55
Age		
Under 30	**26.13**	26.74
30 – 50	**59.78**	61.45
Over 50	**14.09**	11.82

Rectron

Rectron demographics	FY24 %	FY23 %
Race		
African	**60.03**	59.47
Coloured	**14.80**	12.27
Indian	**9.67**	10.13
White	**15.5**	18.13
Gender		
Male	**52.55**	49.97
Female	**47.45**	50.13
Age		
Under 30	**33.42**	35.20
30 – 50	**63.78**	61.87
Over 50	**2.8**	2.93

Mecer Inter-Ed

Mecer Inter-Ed demographics	FY24 %	FY23 %
Race		
African	**52.70**	55.17
Coloured	**6.76**	6.90
Indian	**4.05**	9.2
White	**36.49**	28.71
Gender		
Male	**58.11**	64.37
Female	**41.89**	35.63
Age		
Under 30	**36.49**	45.98
30 – 50	**58.11**	48.28
Over 50	**5.41**	5.75

Employee engagement and wellbeing

Employee engagement and wellbeing are crucial factors in maintaining a thriving and productive workforce. A highly engaged workforce contributes to the Group's success and fosters a positive and supportive work environment. We encourage a workplace culture that values employees' welfare and satisfaction. We monitor key metrics like employee turnover and absenteeism rates to ensure our workforce is motivated with optimal wellbeing.

During the year, employee engagement sessions (including CEO townhall meetings and roadshows) and action plans followed the people survey.

We conducted the people survey across Group subsidiaries (Mustek Operations, Rectron and Mecer Inter-Ed) using the Flow@Work tool measuring nine engagement drivers: talent fit, strategic alignment, manager intent, employee voice, feedback, personal development, recognition and praise, team relations and organisational environment. With 86% of the workforce responding to the survey, results indicated that employees are generally:

- 55% fully engaged (star performers)
- 27% engaged (key contributors)
- 12% not engaged (passengers)
- 6% disengaged (derailers)

The results were presented per operating entity. Individual feedback was provided to the Mustek Operations, Rectron and Mecer Inter-Ed executive committees, followed by departmental feedback sessions and workshops for action planning to leverage strengths and highlight pain points. This informs the Group's approach to human resources and strategy communication going forward.

The Group also tracks employee turnover and absenteeism rates to gauge employee satisfaction. We are pleased to have seen a steady decline in our employee turnover rate over the past few years.

	Mustek Operations		Rectron		Mecer Inter-Ed	
	FY24	FY23	FY24	FY23	FY24	FY23
Employee turnover rate (%)	**8.59**	11.66	**9.94**	11.98	**10.94**	15.52
Absenteeism rate (%)	**1.62**	1.52	**7.69**	7.89	**0.21**	0.13
Lost working days (mainly sick leave)	**3 021**	2 666	**1 559**	1 603	**50**	19

Another key indicator of employee engagement is tenure – happy employees remain at the company for longer and contribute institutional knowledge and experience that help to strengthen our culture.

	Mustek Operations		Rectron		Mecer Inter-Ed	
	FY24	FY23	FY24	FY23	FY24	FY23
<1 year	**10.75**	10.78	**10.71**	15.44	**15.63**	45.65
1 – 3 years	**41.06**	38.40	**27.80**	22.55	**65.63**	47.83
4 – 5 years	**8.52**	12.41	**8.92**	10.29	**18.75**	6.52
6 – 10 years	**17.04**	16.40	**14.54**	16.42	**–**	–
10 – 15 years	**8.10**	7.83	**11.47**	14.71	**–**	–
15 – 20 years	**6.01**	5.47	**18.11**	12.01	**–**	–
<21 years	**8.52**	8.71	**8.41**	8.58	**–**	–

CCMA cases

The Group takes case brought to the CCMA by our employees very seriously. We approach them with transparency, fairness and compliance with legal procedures. While our focus is always on fostering open communication, resolving disputes amicably and promoting positive employee relations that negate the need for the CCMA's involvement, cases that are brought to the CCMA's attention provide insight into opportunities for the Group to learn and improve.

	Number of cases		Main issues raised	Response to mitigate future issues
	FY24	FY23		
Mustek Operations	**5**	13	Misconduct due to non-compliance with policies and procedures	Policy refresher training
Rectron	**10**	0	Misconduct due to non-compliance with policies and procedures	• Policy refresher training • Ongoing awareness campaigns within each department
Mecer Inter-Ed	**0**	1	0	0
Total	**15**	14		

Freedom of association and collective bargaining

The Mustek Group's approach to managing employees' right to freedom of association and collective bargaining aligns with the principles of a free and open society. The Group acknowledges and respects the fundamental human right of freedom of association, allowing employees to form and participate in trade unions.

The Group's employment equity policy promotes fairness, inclusivity and equality in line with legislated guidelines. Its key objectives include:

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

No major work stoppages were reported during the year. Our stable labour environment contributes to uninterrupted operations and smooth business functioning.

Our employees do not have a recognised union or collective bargaining council and related agreements.

Benefits and remuneration

Our employee benefits include the Mustek Group Pension Fund, reviewed in FY23, aiming to enhance members' welfare and a group leave policy aligned to market expectations recognising the significance of attracting top talent.

SOCIAL CONTINUED

Workplace health and safety

Mustek Operations provide standard employee assistance programme benefits to employees while Rectron offers the same as well as health insurance as an alternative to full medical aid.

In the interests of holistic employee wellbeing, the Group also hosts monthly wellness days, on-site counselling service and financial literacy workshops for employees.

We now report employee health and safety data as a Group and not individually for each company. Employees volunteer to serve on the Group's employee health and safety committee.

No work-related fatalities were reported during the year.

Employee health and safety committees

Mustek Operations	Rectron	Mecer Inter-Ed
69 volunteers	73 volunteers	10 volunteers

Mustek operations

	2024		2023	
	Number	**Rate**	Number	Rate
Recordable work-related injuries	**26**	**3.2**	36	6.3
Work-related illnesses/health conditions	**0**	**0**	2	0.33

Rectron

	2024		2023	
	Number	**Rate**	Number	Rate
Recordable work-related injuries	**2**	**0.65**	15	4.5
Work-related illnesses/health conditions	**0**	**0**	0	0

Recordable work-related injuries include medical treatment cases resulting in lost time and exclude first-aid cases.

The total recordable injury frequency rate (TRIFR) reported for Mustek was 3.223 for the financial year.

Learning and development

The Mustek Group is committed to creating opportunities for employees and a healthy talent pipeline within the Group and the future working world through the following programmes aiming to improve career and income-earning prospects:

	Total training and development spend	Value of internal training delivered by Mecer Inter-Ed
Mustek Operations	R6 214 898	R4 105 940
Rectron	R5 560 705	R310 050
Mecer Inter-Ed	R2 592 805	N/A
Total	R14 368 408	R 4 415 990

VALUE OF TRAINING PROVIDED TO EMPLOYEES BY MECER INTER-ED:

Mustek Operations
R4 105 940
(FY23: R12 million)

Rectron
R310 050
(FY23: R0.9 million)

Bursaries issued to employees

The Mustek Group's bursary scheme, offered through the Group's companies, supports future skills within the Group and a healthy talent pipeline.

	Number of bursaries issued		Value	
	FY24	FY23	**FY24**	FY23
Mustek Operations	**79**	56	**R2 083 077**	R1 855 525
Rectron	**25**	23	**R555 716**	R632 694

Internships

The Group's companies offer 12-month internships to young working adults to obtain experience across various departments and branches.

	Number of internships		Content
	FY24	FY23	**FY24**
Mustek Operations	**10**	65	Solar PV
Rectron	**10**	10	7 x Sales 1 x Technical Support 1 x Electrical Engineering 1 x Finance

So far, seven of these interns were absorbed into the Group full-time. The remainder's internships only conclude after financial year-end.

Looking ahead

Our goals and targets for coming years include:

- standardising the Group's human resources policy and practice across subsidiaries
- embedding tools for high-performance culture management
- completing succession planning and specified development timelines for each talent area
- designing our skills development initiatives to address current and future gaps for business optimisation
- completing the Mustek Operations values journey
- expanding the Group's recognition programme and employee value proposition
- continuing talent planning and development
- developing a competitive talent and skills retention strategy
- improving our branding as an employer.

SOCIAL CONTINUED

Communities

The Group's policy on CSI and corporate social responsibility (CSR), incorporating socio-economic development (SED), provides guidelines on implementing SED to achieve B-BBEE goals. As SED is an integral part of our operations, initiatives strive to facilitate access to the mainstream economy for historically disadvantaged South Africans.

The Group's CSI/CSR/SED Committee oversees implementation of this policy with quarterly meetings and regular reviews of budgets, proposals and initiatives. We focus on addressing unemployment through community education, childcare and skills development facilities as well as bursaries for further education in science, technology, engineering and mathematics (STEM) fields and may offer internships within the Group.

Although the committee oversees the Group's implementation of the policy, Mustek Operations, Rectron and MIE have their own objectives and, therefore, different approaches to CSR, skills development and enterprise development.

CSI[5]	CSR[6]	SED[7]
We define CSI in terms of external projects, with a strong developmental approach, undertaken to uplift communities and not primarily marketing initiatives.	For the Mustek Group, CSR is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits to stakeholders. It defines our responsibility to address our impact on the communities where we operate. CSR is a crucial aspect of our business, aligned with our Group values, although our CSR budget is highly dependent on market trends. The Group's sustainability is integral to maintaining community investments.	Our SED commitments are monetary or non-monetary, recoverable or non-recoverable contributions initiated and implemented in favour of beneficiaries to facilitate sustainable access to the economy.

Details of our community initiatives are outlined on pages 30 to 37.

Community skills development spend:
R5.3 MILLION

Enterprise development spend:
R4.5 MILLION

Skills development

Addressing the country's skills shortages, government's MICT SETA guides our external community skills development approach. It defines priorities based on needs within our supply chain. Our approach also considers the Group's internal skills requirements.

During the past year, MICT SETA identified the need for computer network technicians as a priority. As the Group provides ICT solutions, this requirement aligned with our internal priorities.

Our skills development programmes focus on training unemployed youth to maintain a talent pool for the benefit of the Group and our supply chain.

Provided by MIE, the skills development programmes are primarily technical and system support, electrical and solar technician learnerships. The programmes equip youth with portable skills that create opportunities for employment within the Group and our supply chain, including their own independent businesses.

Every year, the Group employs some graduates from these programmes and facilitates employment within our supply chain for others.

Enterprise development

Considering the needs of society in light of the fourth industrial revolution, we identify SMMEs within our sector with potential to be employers of the future.

We partner with these SMMES, who must also share our values, in initiatives aiming to achieve sustainable objectives with tangible socio-economic impact.

In FY2024, we invested R4.5 million in community enterprise development.

Regardless of the operating context, our holistic approach and preferential procurement policy support vulnerable SMMEs throughout their business journeys. Our annual procurement spend, paid on time, creates and sustains thousands of jobs within our supply chain. On average, 10% of our total annual procurement spend supports vulnerable SMMEs, although, as a distribution company reselling products manufactured by multinationals, we are not always able to choose our suppliers.

We visit new vendors' premises to ensure alignment with our commitment to upholding human rights, condemning child labour and complying with South African legislation and other controls.

CASE STUDY

Socio-economic development

When Tasteful Eats – a Johannesburg-based catering, event management and canteen solutions company – approached Mustek's socio-economic development programme for assistance in 2023, the company was struggling with limited resources and other business-related challenges.

The company is owned and managed by Victoria Mokgabudi, who has over 10 years' experience in event management and is studying towards her culinary arts degree. Impressed by Victoria's passion, dedication to excellence and innovative offerings, Mustek agreed to provide the necessary financial assistance and guidance on marketing, environmental and finance management as well as B-BBEE compliance.

In 2024, with 15 casual and permanent employees, Tasteful Eats was able to purchase its first vehicle and increase its assets to efficiently deliver services both independently and in partnership with online platforms such as Uber Eats and Mr Delivery. Victoria is planning to continue expanding the company's catering offerings in future.

She is grateful for Mustek's support in growing the company. "Mustek Limited is not only promoting the immense growth within our company, but helping us create a well-known brand", says Victoria, extending a special thank you to the team members involved for their continued support.

GROUP SOCIAL AND ETHICS COMMITTEE REPORT

Performance for 2024

This report is prepared in compliance with the requirements of the Companies Act. It describes how the committee discharged its responsibilities in respect of the financial year ended 30 June 2024 and will be presented to the shareholders at the AGM to be held on 21 November 2024.

Group Social and Ethics Committee members

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

Responsibilities of the committee

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

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

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

Ethics and business conduct

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

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

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

During the reporting period, the Group changed service providers to Whistleblowers (Pty) Ltd which host this anonymous line.

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

Labour

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

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

Refer to the Social section on pages 42 to 51 of this Integrated Annual Report.

Socio-economic development

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

Refer to the Performance Review section on pages 30 to 37 of this Integrated Annual Report.

Transformation

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

Scorecard element	BEE score	Planned future focus areas
Equity ownership	25.00	Focus on increasing black ownership.
Management control (including employment equity)	16.19	Compliance with five-year employment equity plan. Increased compliance with equity-aligned recruitment policies.
Skills development	24.54	One of our core focus areas, in support of the country's educational focus.
Enterprise and supplier development: • preferential procurement • enterprise development • supplier development.	47.76	Focus on support to SMEs and exempted micro-enterprises. Stricter compliance with procurement policies.
Socio-economic development	10.46	Alignment with the country's focus on uplifting previously disadvantaged communities, particularly in the areas of ICT and education.

Stakeholder management

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

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

Refer to pages 8 to 11 for more information on the stakeholder groups and engagement.

Environmental sustainability

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

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

Refer to the Environment section of this report on pages 55 to 57.

GROUP SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Health and safety

The Group endeavours to constantly improve its health and safety practices. These continue to improve annually and are reported on in this Integrated Annual Report on page 48.

Evaluation of committee performance

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

Focus area	Measurement	Achieved	Comment
Increased focus on ESG initiatives	• Provide continuous feedback and tracking of ESG initiatives that have been put in place	✓	The committee received quarterly feedback on each element of ESG and initiatives tracked. Refer to pages 55 to 57, 42 to 51 and 58 to 64 for feedback on the Group's Environmental, Social and Governance factors respectively.
Improve external stakeholder engagement and communication	• Establish a Group stakeholder policy • Enhance engagement with material stakeholders identified per the Group policy	Ongoing	Refer to pages 8 to 11 for further information regarding the Group's key stakeholders and engagement approach.
Continue to focus on B-BBEE targets, succession planning within the Group and talent management	• Establish a Group HR function • Implement a Group HR strategy • Maintain a level 1 B-BBEE rating for the Group	✓	Refer to pages 48 and 49 for details regarding current skill development programs in place and the Group's human capital plans over the next three years to strengthen its talent management and leadership development initiatives. The Group is on track to achieving a level 1 B-BBEE rating for the next reporting cycle.

The following focus areas were identified for monitoring by the committee for the FY25 reporting period:

- enhance reporting on ESG matters
- continued focus on transformation succession planning
- increased focus on ethical risks.

Shelley Thomas
Group Social and Ethics Committee chairman

4 October 2024

ENVIRONMENT

Our approach to environmental management aims to minimise the Group's impact on the broader ecosystem.

The most pressing environmental issues we address include global warming due to fossil fuel consumption and pervasive pollution, notably plastic waste. In the South African context, water-scarcity is an additional challenge, exacerbated by population growth in metropolitan areas and infrastructure degradation.

We address these environmental challenges proactively by investing in sustainable energy solutions and implementing comprehensive waste management programmes. Our initiatives seek to reduce the Group's environmental footprint, particularly in terms of carbon emissions and pollution. We comply with the extended producer responsibility legislation, playing a role in supporting responsible management of hazardous electronic IT waste.

To achieve global environmental goals, we pursue certifications that validate our commitment to sustainable practices. Mustek Operations in Gauteng holds ISO 14001 certification, demonstrating compliance with internationally recognised environmental management standards and best practice in responsible energy resources consumption. The certifications provide a framework for continuous improvement and responsible environmental stewardship.

Energy and emissions

Mustek continues to proactively advance its compliance with National Energy Act 34 of 2008 regulations, which require display and submission of energy performance certificates for buildings larger than 1 000m^2. Mustek Operations completed associated independent energy performance assessments for its key facilities in Midrand and the Western Cape, resulting in energy performance ratings of C and D respectively. Energy performance ratings are provided by SANAS-accredited inspection bodies according to SANS 1544:2014 (EPC0004): C is above-average energy efficiency and D is average energy intensity. Mandatory assessments are not required for Rectron as its buildings are smaller than 1 000m^2.

The Mustek Operations photovoltaic (PV) plant, which incorporates the 150 kW BBESS installed at a cost of more than R20 million last year, enables the site to run with minimal use of generators during power outages. The BBESS stores energy in batteries and distributes electricity more reliably, efficiently and sustainably than the national grid.

Similarly, Rectron continued to upgrade its PV system in Midrand to achieve the same goals. At the end of the 2023 calendar year, Rectron invested in the continent's first Huawei FusionSolar's LUNA2000-1.0 MWH energy storage solution at its head office in Midrand. A PV plant with capacity of 416 kW solar power was also installed and is projected to be able to maintain seamless operations at Rectron's Midrand branch and run Rectron's data centre and IT systems for all five of its branches without any downtime.

Mustek Operations

Mustek Operations consumed **12 470** litres of diesel (FY23: 87 770 litres) used to operate generators during power outages – representing an **86%** decrease in carbon-based energy consumption due to decreased load shedding and the use of the solar battery backup system.

Rectron

Rectron reduced emissions by **20%** by reducing the use of diesel.

Other energy-saving initiatives included extending the installation of safer and more efficient air conditioners (using R134a refrigerant with low environmental impact and improved heat absorption and release properties). Two large 105 kW units replaced the old system at Mustek Operations. We are aiming to replace all air conditioning units using R22 refrigerant across the Group by 2026.

Energy consumption (GJ)	2024	2023	2022	2021	2020
MUSTEK OPERATIONS					
Scope 1					
Stationary fuels	**455**	3 200	768	513	435
Company-owned vehicles (petrol)	**1 774**	1 369	1 210	212	2 057
Company-owned vehicles (diesel)	**2 043**	2 026	1 891	596	2 427
Renewable fuels (solar)	**3 114**	832	1 611	1 437	1 418
Total Scope 1	**7 386**	7 427	5 480	2 758	6 337
Scope 2					
Electricity	**6 477**	5 881*	6 414	6 934	7 080
Total Scope 1 and 2	**13 863**	13 308	11 893	9 692	13 417
RECTRON					
Scope 1					
Stationary fuels	**889**				
Company-owned vehicles (diesel)	**1 453**	4 535	2 703	2 555	2 506
Renewable fuel (solar)	**441**	493	906	812	1 038
Total Scope 1	**2 783**	5 028	3 609	3 367	3 544
Scope 2					
Electricity	**2 745**	3 088	2 677	2 633	2 688
Total	**5 529**	8 116	6 286	6 000	6 232

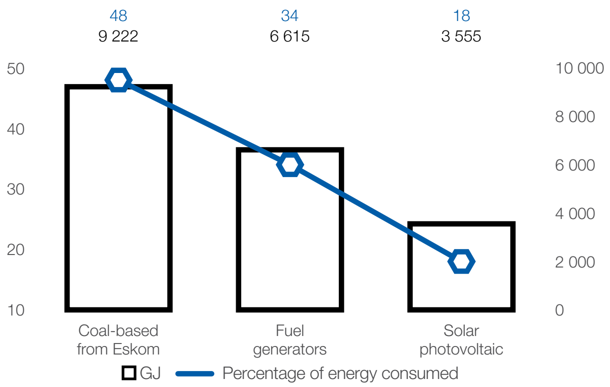
* *Electricity value is an estimate due to upgrading the solar PV system and change in the reporting.*

ENVIRONMENT CONTINUED

Emissions (tonnes CO_2e)	2024	2023	2022	2021	2020
MUSTEK OPERATIONS					
Scope 1					
Stationary fuels	**33**	234	56	38	32
Company-owned vehicles (petrol)	**275**	245	224	59	323
Other fugitive emissions (non-Kyoto gases)	**18**	54	8	74	77
Total Scope 1	**326**	533	288	171	432
Scope 2					
Electricity	**1 853**	1 683*	1 835	1 984	2 026
Total	**2 179**	2 216	2 123	2 155	2 458
RECTRON					
Scope 1					
Non-renewable fuel	**168**	332	198	187	183
Scope 2					
Electricity	**785**	884	766	753	769
Total	**953**	1 216	964	940	952
GROUP					
Scope 1	**494**	865	486	358	615
Scope 2	**2 638**	2 567	2 601	2 737	2 795
Total Scope 1 and 2	**3 132**	3 432	3 087	3 095	3 410

* *Electricity value is an estimate due to upgrading the solar PV system and change in the reporting.*

Energy sources for Mustek Group (%) (GJ)



Waste management

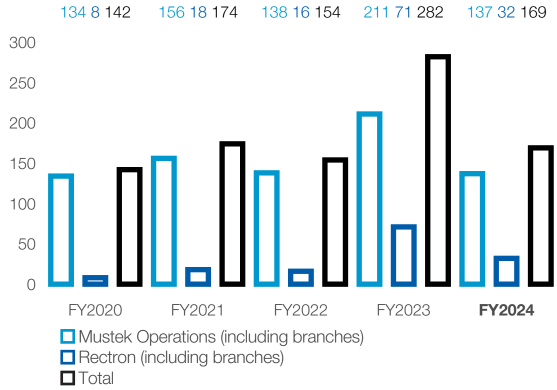
Apart from electronic waste, a significant portion of waste generated by Mustek and Rectron comprises packaging materials such as wooden pallets, cardboard, plastic and polystyrene fillers. Recognising the hazardous nature of electronic waste, Mustek and Rectron have established partnerships with service providers that comply with legislation and ISO 14001 standards ensuring environmentally responsible disposal and recycling practices.

Mustek Operations addresses the entire lifecycle of its flagship Mecer product, prominently displaying labels on computer packaging to remind customers about the importance of appropriate disposal of outdated computer equipment to prevent hazardous waste reaching landfill sites.

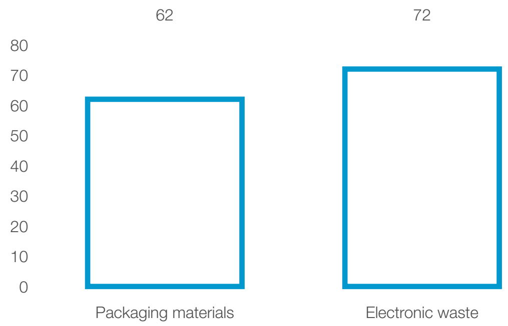
The Mustek Operations on-site waste management team in Gauteng diligently separates waste into various streams sent to authorised recycling facilities or landfill sites. Tonnage data per waste stream is systematically reported to the Group.

Rectron reuses incoming cardboard packaging material to reduce waste and save on purchasing new boxes.

Group recycled waste (tonnes)



Waste recycled in 2024 (% of total recycled waste)



Compliance with e-waste legislation

In compliance with the South African government's extended producer responsibility regulations, we collect data from importers of electronic equipment such as HS codes and weights of batteries and packaging. The data contributes to government's assessment of the total weight of electronic equipment and packaging in the market. Fees, based on the weight and hazardous category of electronic equipment, are paid quarterly to producer responsibility organisations.

Between Mustek Operations and Rectron, we recycled
72 TONNES of e-waste during the year.

We also continued our toner cartridge recycling programme, which diverts these items from hazardous waste disposal facilities to recyclers.

Water consumption

The Group mainly consumes water in offices for drinking and sanitation. Our manufacturing and assembly processes do not use significant amounts of water.

Our ongoing initiatives include:

- **rainwater harvesting** at the Mustek and Rectron branches in Gqeberha since December 2021 to mitigate water shortages and demonstrate our commitment to sustainable water management
- **groundwater filtration** at Midrand branches as an alternate water resource avoiding disruption of operations while reducing reliance on external water sources.

Supply chain and materials

We carefully select internationally recognised and local suppliers and components based on our shared commitments to responsible and sustainable business practices that minimise negative environmental impacts throughout our supply chain – from sourcing to the final product.

Our flagship Mecer brand prioritises energy-efficient components that comply with restriction of hazardous substances (ROHS) standards. ROHS compliance ensures the components contain fewer hazardous substances.

Looking ahead

Our future focus areas in environmental management include ongoing reduction of carbon-based energy reliance through system upgrades and solar PV installations integrated with BBESS that operate at night when our facilities are closed.

We will also continue to support our appointed producer responsible organisations through compliance with payment schedules and proactive contribution to waste recycling targets via designated waste service providers.

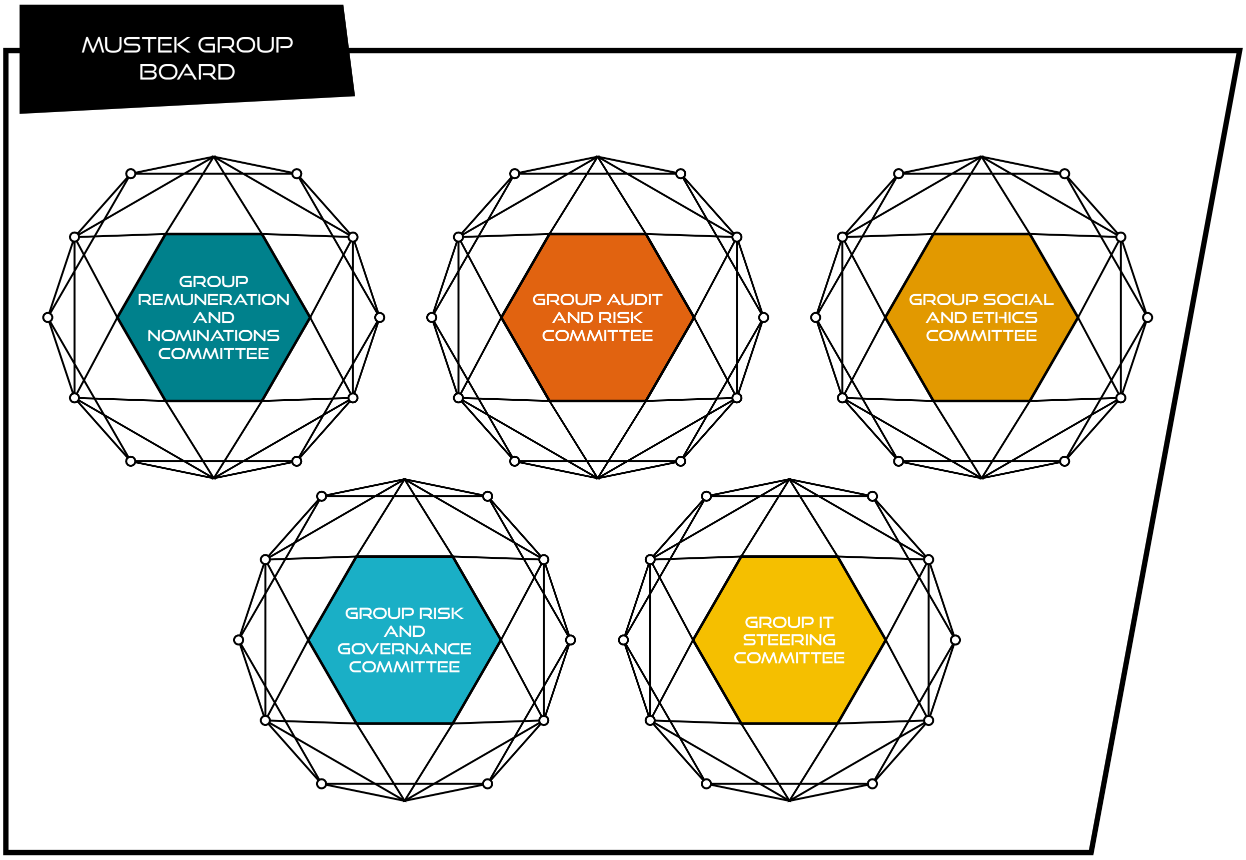
Aiming to achieve our waste management and recycling targets, we will continuously improve the efficiency of our collection and separation processes to significantly reduce waste sent to landfills and promote sustainable waste management.

GOVERNANCE

The Mustek Group's unwavering dedication to the highest corporate governance standards continued to support our operations through another challenging year.

Appointment of Isaac Mophatlane as chairman of the Board strengthened the Group's resilience in an increasingly regulated and volatile operating environment. With our chairman's valuable input, our Board remains confident that the Group will continue to sustain the trust and confidence of our stakeholders.

Our governance practices outlined in this section demonstrate the Group's commitment to transparency, accountability and responsible decision-making ensuring long-term value creation and sustainable growth for our stakeholders.



Office of the CEO

The Office of the CEO enhances the Group's organisational structure and governance by consolidating decision-making processes and streamlining management of critical functions. The office's core responsibilities include:

- a collaborative approach to formulating comprehensive Group policies that guide subsidiaries and associate investments in their business practices aiming to realise the Group's vision, mission and values consistently and efficiently
- developing and implementing the Group's overarching strategy as a central strategic planning hub in collaboration with key stakeholders, business units and executive teams to identify growth opportunities, assess market trends and capitalise on emerging prospects
- overseeing and managing the Group's risk management processes through assessments, identification of potential vulnerabilities and formulating proactive measures to effectively mitigate risks and thus safeguard the Group's assets, reputation and long-term viability.

Office of the CEO members

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

Leadership team

The Remuneration and Nominations Committee oversees nomination of Board members including the interview process. The committee considers candidates' experience, knowledge, skills, availability, likely fit and integrity as well as other directorships and commitments to ensure appointees have sufficient capacity to discharge their duties.

During the reporting period, Isaac Mophatlane was appointed as chairman to take over from Rev Vukile Mehana who retired at the AGM on 23 November 2023.

Rotation and re-election of directors

In accordance with the Group's memorandum of incorporation (MoI), one third of directors are required to retire and, if available and eligible, stand for re-election at the company's AGM every year. Long-standing directors, as calculated from the last re-election or appointment date, are required to stand for re-election.

Isaac Mophatlane's appointment as Board chairman was confirmed by shareholders at the AGM on 23 November 2023.

Board demographics at financial year-end

The Board's demographics at financial year-end demonstrate our commitment to fostering a diverse and inclusive organisation that represents society at large.

We continuously strive to achieve at least 50% representation of each gender on our Board within an environment that encourages greater female representation at Board level.

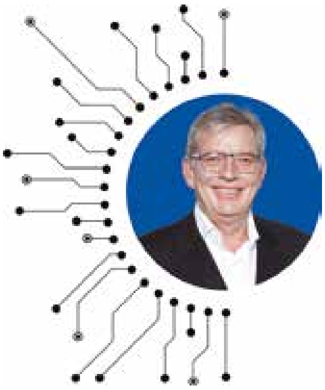
Board composition	Target	Actual
Race		
African, Coloured and Indian	65%	4 (57%)
White	35%	3 (43%)
Gender		
Male	50%	4 (57%)
Female	50%	3 (43%)
Age		
<30	N/A	0 (0%)
30 – 50	N/A	3 (43%)
>50	N/A	4 (57%)

THE MUSTEK GROUP MAINTAINS STEADFAST LEADERSHIP AND PRUDENT GOVERNANCE. A FORMAL AND TRANSPARENT POLICY INFORMS THE APPOINTMENT OF DIRECTORS TO THE BOARD.

GOVERNANCE CONTINUED

Our leadership team

EACH DIRECTOR BRINGS VALUABLE SKILLS AND EXPERIENCE THAT CONTRIBUTES TO THE EFFECTIVENESS OF THE BOARD.



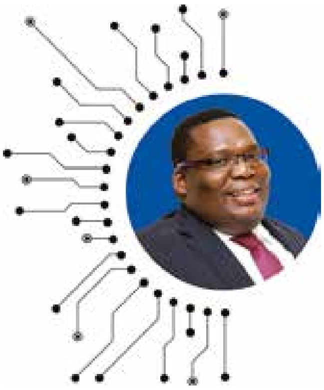
Hein Engelbrecht (55)

Executive director/Group chief executive officer

Qualifications:
BCom (Hons), CA(SA)

Committees:
Group Social and Ethics Committee

Hein joined the Mustek Group in 1997 as Group financial manager having completed his articles with Grant Thornton Kessel Feinstein and almost three years as financial manager of Office Directions. He was appointed to the Mustek Group Board on 1 September 2000 and became the Group's CEO on 30 June 2022 after the passing of David Kan.



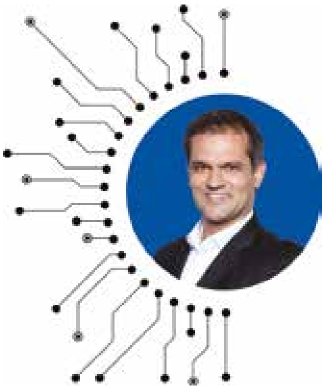
Isaac Mophatlane (51)

Independent non-executive director/Board chairman

Qualifications:
IT entrepreneur

Committees:
Remuneration and Nominations Committee

Isaac was appointed as an independent non-executive director of the Mustek Group on 1 September 2023 and elected as the Board's chairman on 23 November 2023. He is co-founder, shareholder and director of the Randvest group (a private investment firm specialising in strategic technology investments). He also co-founded BCX in 1996, which was sold to Telkom in 2016 as a leading African ICT company. He has extensive insight into technological developments and challenges facing the Mustek Group. He is also an independent non-executive director of Pepkor Holdings and deputy non-executive chairman of the Catholic Education Investment Company and was an independent non-executive director of Exxaro Resources.



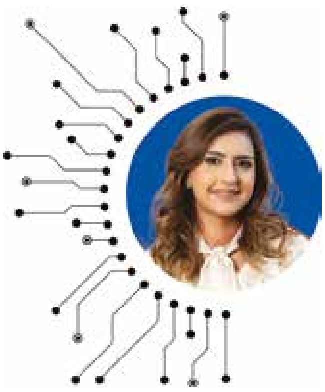
Neels Coetzee (49)

Executive director/Managing director: Mustek Operations

Qualifications:
BCom (Hons), CA(SA)

Committees:
Group IT Steering Committee

Neels joined the Mustek Group in 2001 as Group financial manager after completing his articles with Deloitte & Touche in 2000. He was appointed to the Mustek Group Board as financial director on 29 August 2008 and managing director of Mustek Operations on 5 July 2022.



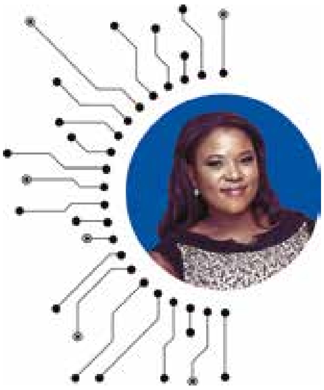
Shabana Aboo Baker Ebrahim (36)

Executive director/Group financial director

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

Committees:
Group IT Steering Committee

Shabana, having worked with the Mustek Group as an external audit manager of the Deloitte team since 2016, joined the Group in 2020 as financial manager. Previously an associate director at Deloitte & Touche, her experience includes financial management and reporting, auditing, governance and compliance, strategy development and implementation as well as taxation. She was appointed as Group financial director on 5 July 2022.



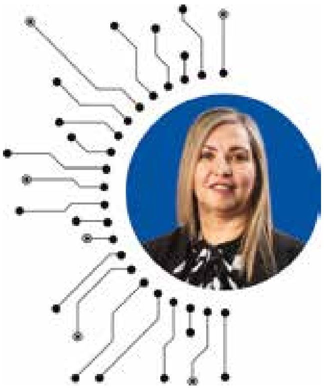
Pamella Marlowe (42)

Independent non-executive director

Qualifications:
BAcc, HDip Tax, CA(SA)

Committees:
Group Audit and Risk Committee (chairman)

Pamella Marlowe is founder and managing director of DNM Consulting and Pamag Incorporated. She is a registered South African Revenue Service (SARS) tax practitioner, Independent Regulatory Board for Auditors (IRBA) auditor and certified IoDSA director and a member of the St Peter's College finance committee and trustee of the EnviroServe Broad-Based Ownership Schemes Trust. She is also a non-executive director of Resultant Finance and chair of the company's Audit and Risk Committee.



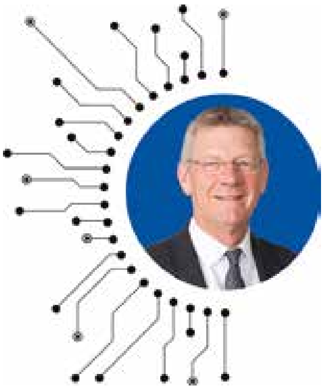
Shelley Thomas (58)

Independent non-executive director

Qualifications:
CA(SA)

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

Shelley has over 20 years' experience on boards and oversight committees in the public and private sectors. Her experience includes head of forensic, compliance and governance and financial director. She was a regulatory Board member for 11 years, providing regulatory oversight for operating licences.



Ralph Patmore (72)

Lead independent non-executive director

Qualifications:
BCom, MBL, Stanford Executive Programme

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

Ralph was appointed to the Mustek Group Board on 16 October 2009. He was CEO of Iliad Africa from its inception in 1998 until his retirement in September 2008. He is also a non-executive director of Trellidor Holdings and Calgro M3 Holdings.

GOVERNANCE CONTINUED

Board independence at financial year-end

The Mustek Group ensures a balanced and independent Board, which is critical for effective governance and decision-making. At financial year-end, our Board composition reflected commitment to independence.

Tenure diversity is also a priority as the Group aims to maintain a Board with a mix of extensive institutional knowledge and experience balanced with new Board members' fresh insights and ideas.

Our commitment to Board independence and tenure diversity enables a collaborative and balanced decision-making process, enhancing the effectiveness of the Board's oversight and governance functions.

We continuously evaluate and refine our Board composition to ensure a dynamic and responsive governance structure that aligns with the evolving needs of the Mustek Group and our stakeholders.

Board independence and tenure	**Actual**
Independence	
Executive	**3 (43%)**
Independent	**4 (57%)**
Tenure	
<3 years	**2 (29%)**
3 – 9 years	**2 (28%)**
>9 years	**3 (43%)**

Leadership roles and functions

The chairman

The chairman sets ethical tone for the Board and ensures the Board remains efficient, focused and operates as a unit. As a non-executive director, the chairman's role is separate from that of the Group CEO, providing overarching leadership to the Board and Group CEO without limiting the principle of collective responsibility for Board decisions. The lead independent director supports the chairman in the deliberation of conflicting matters.

Group chief executive officer

The Board appoints the CEO to lead and implement execution of the approved Group strategy. The CEO is the accountable link between management and the Board. Quarterly progress reports prepared by the Group CEO reflect progress against implementation of the strategy. The Group Remuneration and Nominations Committee annually evaluates the Group CEO's performance against approved targets.

Group company secretary

The Group company secretary plays a vital role in governance, ensuring the Board complies with statutory procedures and regulations, including compliance with the JSE Listings Requirements demonstrated in annual compliance certificates submitted to the JSE. Proper administration of the Group's activities, in accordance with the applicable legislative and regulatory framework, is also assigned to the Group company secretary. At a Board meeting on 18 September 2024, the Board declared satisfaction with the experience, performance, technical skills and overall competence of the Group company secretary (Sirkien van Schalkwyk). She is a consultant and maintains an arm's length relationship with the Board, reporting to the chairman on the Board's statutory duties and functions. The Group company secretary's primary responsibilities include:

- ensuring implementation and regular review of Board procedures
- ensuring compliance with rules and regulations applicable to the affairs of the Board
- maintaining statutory records in accordance with legal requirements
- guiding the Board in the proper discharge of responsibilities in the interests of the Group
- informing the Board about best practice corporate governance with insight into current thinking and emerging developments.

The Board's role in sustainability

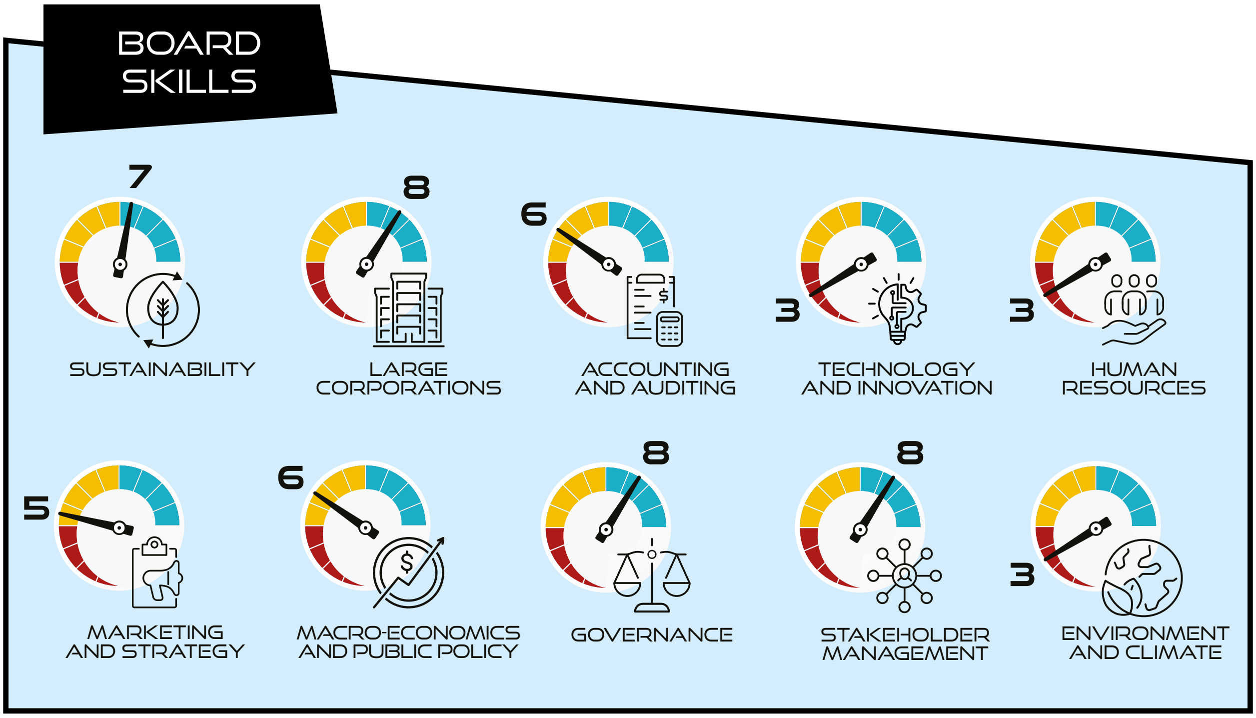
The Board plays a crucial role in determining and addressing the Group's sustainability and ESG-related impacts, risks and opportunities with the following approach:

- the Board of directors oversees sustainability-related matters by setting the strategic direction and tone, emphasising the importance of considering ESG factors across the Group, to ensure sustainability is embedded in the Group's culture and aligns with long-term goals.
- the Group Social and Ethics Committee (typically including independent directors with expertise in sustainability and ethics) oversees assessments of the Group's sustainability performance, policies and practices. Committee meetings include ethical risks and opportunities (covering non-financial sustainability matters) as a standard agenda item leading discussions on employment equity, skills development, CSI, SED, fraud management (through an anonymous reporting line), safety, health, environmental considerations and quality assurance.

Commitment to King IV principles

The Board remains committed to ensuring King IV corporate governance principles are materially entrenched in internal controls, policies, terms of reference, procedures and processes.

The Mustek Group's approach is outlined in the King IV application register on our website: https://mustek.co.za/wp-content/uploads/2024/10/Mustek-King-IV-2024-final.pdf



Custodians of governance

The Board, constituted in terms of the Group's MoI and in line with King IV, accepts its value-adding responsibility, as custodian of the Group's corporate governance, and associated accountability to stakeholders – as such, striving to balance the Group's interests and those of various stakeholders.

Most Board members are independent non-executive directors who bring diversity to Board deliberations and create value by constructively challenging management.

Maintaining a clear division of responsibilities between directors ensures that no single director has unfettered decision-making powers. The Group's delegation of authority framework, regularly reviewed, ensures the necessary authority is delegated to enable management to implement and execute the Group's strategy. The Board is satisfied that the Group's delegation of authority framework contributes to role clarity and effective exercise of authority and responsibilities.

The Board is the highest decision-making body in the Group, approving the Group's strategy and ensuring it aligns with the Group's values, and collectively responsible for steering and monitoring strategy implementation, performance targets and risks involved in strategy implementation with a view to long-term success.

Directors continuously ensure they have sufficient working knowledge of the Group and industry within its operating context with focus on continuing development of their competencies to lead effectively and act with due care, skill and diligence in their decision-making approach. The directors have access to the advice and services of the Group company secretary and are entitled, at the Group's expense, to seek independent professional advice in the execution of their duties.

GOVERNANCE CONTINUED

Compliance with applicable laws, regulations and governance practices

The Board's decisions and actions ensure the Group subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Group Social and Ethics Committee with financial compliance overseen by the Group Audit and Risk Committee.

During this financial year, the Group fully complied with the requirements of its memorandum of incorporation, the Companies Act and JSE Listings Requirements.

Meeting attendance	Board meetings (one strategy session)	Audit and Risk Committee meetings	Remuneration and Nominations Committee meetings	Social and Ethics Committee meetings
Independent non-executive directors				
Isaac Mophatlane *(non-executive Board chairman)* Appointed on 1 September 2023	5/5		1/1	
Ralph Patmore *(lead independent non-executive director)*	5/5	4/4	2/2 (chair)	4/4
Shelly Thomas	5/5	4/4	2/2	4/4 (chair)
Pamella Marlowe	5/5	4/4 (chair)		
Executive directors				
Hein Engelbrecht (Group CEO)	5/5			4/4 (member)
Neels Coetzee *(managing director: Mustek Operations)*	5/5			
Shabana Aboo Baker Ebrahim *(Group financial director)*	5/5			

Transparency

Upholding transparency and accountability is integral to the Mustek Group's commitment to best practice governance. Throughout the reporting period, we did not receive information requests under POPIA.

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

To foster clear and comprehensive disclosure, the Audit and Risk Committee oversees the Board's communication activities, including this Integrated Annual Report prepared by management in accordance with reporting frameworks and standards reviewed and approved by the Board, considering the report's intended audience and purpose. The Board endorses the use of relevant frameworks, such as the JSE's Sustainability Disclosure Guidance, to ensure accurate and appropriate reporting. The Audit and Risk Committee ensures the integrity, robustness and credibility of our external reports, including this Integrated Annual Report.

Whistle-blowing and grievances

The Mustek Group promotes ethical behaviour and integrity through various internal and external mechanisms such as the Group's anonymous whistle-blowing line, which encourages stakeholders (including employees and communities) to report their concerns about unethical or unlawful behaviour. Our human resources department and an independent adviser, LabourNet, are trusted sources of advice on ethics and legal compliance for employees.

Anti-bribery and anti-corruption compliance

To combat corruption within the broader operating environment, the Group actively engages with stakeholders through whistle-blowing awareness campaigns and collaboration with industry peers, regulatory bodies and civil society organisations. The initiatives aim to foster a culture of transparency, encourage reporting and promote integrity across the Group.

No incidents of corruption were recorded in FY24. All Mustek Group employees, including board members, receive anti-bribery, anti-corruption and anti-fraud training in terms of related policies available during the induction process.

Lobbying and political contributions

The Group's policy on anti-bribery and anti-corruption is being revised by management with specific focus on our approach to political donations. We are thus ensuring our approach is structured and transparent and aligns with the Mustek Group's steadfast commitment to ethical conduct and integrity in every respect.

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

Fines and monetary losses

The Mustek Group did not incur any monetary losses (fines, settlements or penalties) due to ESG incidents or breaches during this reporting period.

Internal auditors

Nexia SAB&T is the Group's internal auditor. The Audit and Risk Committee was satisfied with the performance of the internal auditor during the reporting period.

Nexia SAB&T, a reputable firm known for auditing excellence, applies expertise and impartiality in strengthening the Group's internal controls, enhancing our financial reporting processes and fortifying risk management. The company's independent perspective ensures transparency and compliance, fostering confidence among our stakeholders.

GROUP REMUNERATION AND NOMINATIONS COMMITTEE REPORT

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

Part I: Report from the Group Remuneration and Nominations Committee

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

Appointment of directors to the Board

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

Group Remuneration and Nominations Committee members

The chairman of the Board is not eligible for appointment as chairman of the committee but will preside as chairman when the committee fulfils its oversight responsibilities on nomination matters.

Role of the Group Remuneration and Nominations Committee

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

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

Committee evaluation

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

Focus area	Measurement	Achieved	Comment
Implement non-financial targets under the discretion component of the short-term incentive targets	Formalise and agree on non-financial targets that will form part of the short-term incentive structure for the financial year	✓	Discretionary targets were set for each of the subsidiaries in line with strategic objectives. The discretionary portion of the short-term incentive was awarded by assessing achievement against these non-financial targets.
Agree on the principles of bonus payments throughout the group, ensuring they are performance-linked	Bonus payments are supported by performance reviews against agreed KPIs	✓	

The following focus areas were identified for monitoring by the committee for the FY25 reporting period:
- Re-assess the long-term incentive scheme for executive directors and executive management

Ralph Patmore
Group Remuneration and Nominations Committee Chairman

4 October 2024

GROUP REMUNERATION AND NOMINATIONS COMMITTEE REPORT
CONTINUED

Part II: Remuneration policy

Background statement

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

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

General employees' remuneration

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

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

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

Executive remuneration

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

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

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

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

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

Guaranteed packages

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

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

Over the past couple years, the Group's response to the pay gap issue has been to grant higher average salary increases to lower-paid employees than to their more senior colleagues. The remuneration committee monitors progress in managing the pay gap in the Group. During FY24, the committee obtained assurance on outliers on both sides of the salary increase scale with a view to ensuring that no prejudice or favouritism took place in the process. The committee also received confirmation that there are no instances of non-compliance with minimum wage requirements.

Employees' guaranteed remuneration is reviewed and after a recommendation to the Board, implemented effective from July 2024. An average increase of 6% was implemented, subject to performance evaluations. The consumer price index (CPI) was an important metric in determining these increases.

Short-term incentive

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

The committee may consider discretionary bonuses for individuals for exceptional effort where no short-term incentives have been earned up to a maximum of 20% of the individuals guaranteed pay.

All payments in terms of the of the STI scheme are based on audited year-end results and should be self-funded. The bonus paid out therefore always relates to the results of the previous year.

For the year ending 30 June 2025, weighting for STIs will be as follows:

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

These components are scored as follows:

ROE
- ROE <11.5% = score of 0%
- ROE of 11.5% = score of 50%
- ROE between 11.5% and 15.5% = score is calculated on a sliding scale ranging between 50% and 100%
- ROE >15.5% = score of 100%

The minimum ROE must be achieved for the financial year before any of the other components of the STI scheme are considered.

PBT

IFRS 2 variations to the budget would be added back since it is determined by share price movements:
- <budget = score of 0%
- on budget = score of 50%
- 5% above = score of 75%
- 10% above = score of 100%

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

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

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

ADD

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

LESS

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

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

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

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

Long-term incentive (LTI)

The LTI plan forms part of the variable compensation and is used to attract, retain and motivate employees who influence the long-term sustainability and strategic objectives of the Group.

The purpose is to foster sustainable performance or value creation over the long term, which is aligned to the Group's strategy and enhances stakeholder value. Its main characteristic is to deliver value over a future vesting period once performance criteria are met or exceeded.

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

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

Details of the benefits held by the executive directors under the existing LTI schemes are detailed in note 32 of the annual financial statements.

The Remuneration Committee will be re-assessing the LTI scheme for executive directors and executive management in the 2025 financial year.

Non-executive directors

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

Governance of directors' remuneration is undertaken by the committee. The committee takes cognisance of market norms and practices as well as additional responsibilities placed on Board members by new legislation and corporate governance principles. The fees for non-executive directors are recommended by the committee and will be tabled for approval by the shareholders at the AGM on 21 November 2024.

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

The policy on remuneration for non-executive directors is that this should be:
- market-related
- benchmarked against the fee survey for "small-cap technology" issued by PricewaterhouseCoopers annually.

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

GROUP REMUNERATION AND NOMINATIONS COMMITTEE REPORT
CONTINUED

Shareholders will be requested to approve an increase of 5.5% to the non-executive director fees as set out in the notice of AGM available on www.mustek.co.za/financial/financial and below:

	Chairman		Member	
	Annual retainer	Per meeting attended	Annual retainer	Per meeting attended
Board of directors	R542 125	R20 214	R136 544	R20 214
Audit and Risk Committee	R109 175	R25 575	R69 084	R16 775
Remuneration and Nominations Committee	R80 741	R23 708	R59 802	R15 880
Social and Ethics Committee	R71 544	R13 001	R14 594	R6 262

Use of external remuneration advisers

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

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

Mustek received a 99.96% and 75.91% non-binding advisory vote in favour of its remuneration policy and implementation report, respectively, at the AGM held on 23 November 2023.

The remuneration policy (as set out in part II) and our implementation report (as set out in part III) will again be put to shareholders as two separate non-binding advisory votes at the AGM to be held on 21 November 2024.

Part III: Remuneration implementation report

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy detailed on pages 66 and 67.

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

Total directors' remuneration

The table below provides an overview of the total remuneration paid to executive and non-executive directors for the financial year ended 30 June 2024.

	2024 R000	2023 R000
Executive directors	**14 451**	27 553
Non-executive directors	**2 158**	1 998
Total	**16 609**	29 551

Executive directors' remuneration

Executive directors	Basic salary R000	Expense allowances R000	Long service award R000	Bonus and performance related R000	Share appreciation rights exercised R000	Fringe benefit on interest-free loan R000	Total R000
2024	**13 029**	**366**	**–**	**–**	**–**	**1 056**	**14 451**
H Engelbrecht	**5 680**	**270**	**–**	**–**	**–**	**980**	**6 930**
CJ Coetzee	**3 919**	**96**	**–**	**–**	**–**	**76**	**4 091**
S Aboo Baker Ebrahim	**3 430**	**–**	**–**	**–**	**–**	**–**	**3 430**
2023	11 187	366	45	8 964	5 979	1 012	27 553
H Engelbrecht	4 863	270	45	4 106	3 279	892	13 455
CJ Coetzee	3 366	96	–	2 492	2 700	120	8 774
S Aboo Baker Ebrahim	2 958	–	–	2 366	–	–	5 324

Non-executive directors' remuneration

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

In accordance with the Companies Act and the company's MoI, non-executive directors' fees are approved by the shareholders at the AGM. The current fee levels, to be approved by shareholders at the AGM on 21 November 2024, are stated on page 7 of the notice of AGM at www.mustek.co.za/financial/.

The total amount spent on non-executive directors' fees for 2024 and 2023 is as follows:

Non-executive director	2024 R000	2023 R000
LI Mophatlane*	**425**	–
VC Mehana	**233**	568
RB Patmore	**518**	487
S Thomas	**543**	528
P Marlowe	**439**	415
Total	**2 158**	1 998

* *Appointed 1 September 2023 to the Board.*

Directors' service contracts

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

CONTENTS

GENERAL INFORMATION

Registered office
322 15th Road
Randjespark Midrand 1685

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

Secretary
Sirkien Van Schalkwyk

Company registration number
1987/070161/06

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

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

Find us online
www.mustek.co.za

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The financial statements are prepared in accordance with IFRS Accounting Standards, the Companies Act of South Africa and the JSE Listings Requirements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

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

The financial statements set out on pages 75 to 155, which have been prepared on the going concern basis were approved by the Board on 19 September 2024 and were signed on their behalf by:

Approval of financial statements

I Mophatlane

H Engelbrecht

THE CEO AND FINANCE DIRECTOR RESPONSIBILITY STATEMENT

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

a) the consolidated and separate financial statements set out on pages 84 to 155, fairly present in all material respects the financial position, financial performance and cash flows of Mustek Limited (the issuer) in terms of IFRS® Accounting Standards

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

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

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

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

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

H Engelbrecht
Thursday, 19 September 2024

S Aboo Baker Ebrahim
Thursday, 19 September 2024

COMPANY SECRETARY'S CERTIFICATION

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that for the year ended 30 June 2024 the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Sirkien Van Schalkwyk
Company secretary

19 September 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MUSTEK LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Mustek Limited (the Group and company) set out on pages 84 to 155, which comprise the consolidated and separate statements of financial position as at 30 June 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Mustek Limited as at 30 June 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Inventory – allowance for obsolescence (this key audit matter relates to the consolidated and separate financial statements) As disclosed in note 19 of the consolidated and separate financial statements, the Group and company carried inventory of R2.1 billion (2023 R2.5 billion) and R1.4 billion (2023: R1.5 billion) respectively as at year-end. An allowance for inventory obsolescence amounting to R83 million (2023: R109 million) and R52 million (2023: R55 million) has been raised in the Group and company results respectively. In terms of IAS 2 Inventories, management assesses the net realisable value and the requirement for write-downs of inventory items at year-end. The Group and company's inventory is vulnerable to obsolescence, as it is subject to constantly evolving technology and products are continuously being replaced by newer products in the market. The allowance for obsolescence is therefore subject to high levels of judgement and estimation uncertainty. We considered the valuation of this allowance to be a matter of most significance to the audit of the financial statements due to the judgements and estimates applied by management in the determination thereof and the nature and quantum of the inventory balances to which the allowance relates.	In evaluating the allowance for inventory obsolescence, we performed various audit procedures, including the following: • assessed the design and implementation of the Group and company's relevant controls relating to the determination of the allowance; • obtained calculations for the allowance from management and recalculated the arithmetical accuracy thereof; • performed year-on-year analytical procedures on obsolescence levels and write-down rates; • through discussions with management, obtained an understanding of the inventory obsolescence accounting policy, including methodologies, assumptions and estimates used by management to calculate the allowance. Evaluated the reasonableness thereof through comparison with the prior year allowance for consistency and our knowledge of industry norms as well as evaluated the inclusion of specific inventory items in the allowance as a result of non-recurring conditions; • using Data Analytics, tested the accuracy of the ageing of inventory, as well as the sales rate of inventory on hand at year-end as these are the primary determinants of the need for the allowance; • using Data Analytics, as well as evaluating the age of the inventory, assessed whether adequate allowances were raised on inventory items identified as being sold at a price less than cost; • obtained and assessed, through inspection of supporting documentation, management's explanations relating to a sample of inventory items for which a write-down to net realisable value was provided, and considered the reasonableness thereof with reference to sales quantities and prices after year-end; and • assessed the adequacy of the accounting policy and related disclosures for inventory against the requirements of IAS 2.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mustek Limited Annual Financial Statements for the year ended 30 June 2024", which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT
CONTINUED

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

VR de Villiers
Director
Registered Auditor

19 September 2024

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)(f) of the Companies Act, 71 of 2008, as amended (the Act) and incorporating the recommendations of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV).

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

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

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

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

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

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

Four quarterly meetings were held during the reporting period. Attendance of the meetings has been included in the integrated annual report and noted below.

Name	Position	Qualification	Experience	Meetings attended
Pamella Marlowe	Independent chairman	BAcc, HDip Tax, CA(SA), RA	Over 15 years' experience as a chartered accountant	4/4
Ralph Patmore	Independent member	BCom, MBL, Standford Executive Programme	Over 30 years' experience in management, strategy, mergers and acquisitions and accounting matters	4/4
Shelley Thomas	Independent member	CA(SA)	Over 25 years' experience in financial and risk management	4/4

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

2. Role of the Audit and Risk Committee

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

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

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters
- satisfy itself of the appropriateness, expertise, resources and experience of the Group's finance function, and specifically the Group financial director
- consider the most current information provided in respect of the JSE Proactive Monitoring Process
- review IT and fraud risks
- oversees the activities of the IT Steering Committee
- conduct annual reviews of the Audit and Risk Committee's work plan and terms of reference
- assesses the performance and effectiveness of the Audit and Risk Committee and its members on a regular basis.

3. Execution of functions during the year

The committee is satisfied that, for the 2024 financial year, it has performed all the functions required to be performed by an Audit and Risk Committee as set out in the Companies Act, JSE Listings Requirements, King IV and the committee's terms of reference.

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

3.1 External audit

The committee among other matters:

- nominated BDO South Africa Incorporated and Vanessa de Villiers as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2024, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor
- nominated the external auditor and the designated auditor for material group companies for re- appointment
- requested from BDO South Africa Incorporated, the formal letter of their latest inspection performed by IRBA on the firm and Vanessa de Villiers, including any findings to the firm and/or individual in line with paragraph 3.84(g)(ii) of the JSE Listings Requirements
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures
- obtained an annual confirmation from the auditor that their independence was not impaired
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services
- approved non-audit services that were conducted by BDO South Africa Incorporated
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 26 of 2005, as amended
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

3.2 Internal audit

The committee:

- re-appointed Nexia SAB&T as the Group's internal auditors
- reviewed and approved the existing Internal Audit Charter which ensures that the internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to perform their duties
- noted that the head of internal audit function is not a member of the Executive Committee, but attends meetings by invitation from time-to-time
- ensured that internal audit had direct access to the committee, primarily through the committee's chairman
- reviewed and approved the annual internal audit plan, ensuring that the material risk areas were included
- considered the reports of the internal auditor on the Group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

3.3 Adequacy and functioning of the Group's internal controls

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

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

3.4 Financial reporting

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

The committee among other matters:

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

- reviewed the external auditor's audit report and key audit matters included
- reviewed the representation letter relating to the annual financial statements which was signed by management
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- considered accounting treatments, significant unusual transactions, and accounting judgements (refer to note 1.2)
- considered the 2023 JSE report on Proactive Monitoring, issued 4 November 2023, and has taken appropriate action to ensure its findings were applied, where appropriate.

3.5 Significant areas of judgement

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

- Inventory valuation in terms of obsolescence:

The net realisable value of each individual inventory item is subject to high levels of judgement and estimation uncertainty. The Audit and Risk Committee considered management's inventory valuation in terms of obsolescence and considered it to be acceptable.

3.6 Risk management

The committee:

- oversaw the management of risks as per the risk management register
- received quarterly updates in terms of changes in risk ratings
- monitored complaints received via the Group's whistle-blowing service
- approved the Group's Risk, Compliance and Governance strategy
- reviewed and recommended to the Board for approval the risk management policy and plan as well as the combined assurance model.

3.7 Information technology

The committee:

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

Enterprise resource planning (ERP) system focus

Mustek operations completed its first full financial year on its new ERP system, Epicor. The committee:

- obtained quarterly updates on the post-implementation plans through the IT Steering Committee
- obtained a post-implementation user survey conducted by internal audit
- oversaw the management of risks specifically relating to the ERP implementation
- provided oversight on documented lessons learned to improve ERP implementation across the Group in future.

3.8 Legal and regulatory requirements

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

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

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

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

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

5. Election of committee at the annual general meeting

Pursuant to the provisions of section 94(2) of the Companies Act, which requires that a public company must elect an Audit Committee at each annual general meeting (AGM), it is proposed in the AGM to be held on 21 November 2024 that Pamella Marlowe, Shelley Thomas and Ralph Patmore be re-appointed as members of the Audit and Risk Committee until the next AGM in 2025.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

6. Assessment of the committee

The committee conducted a condensed self-assessment to identify the focus areas for the committee. The overall conclusion was that the committee's performance was satisfactory. Feedback on the 2024 focus areas is as follows:

Focus area	Measurement	Achieved	Comment
Stabilisation of ERP system and related internal controls	• perform a post-implementation user survey • reduce tickets logged on ERP fixes • document a plan to resolve issues identified by users through the user survey.	✓	Refer above for detail on the committee's involvement on monitoring the ERP implementation.
Provide more oversight over the work on internal audit	• approve internal audit plan that is complementary to external audit • ensure internal audit and external audit collaborate more.	✓	Ongoing
Focus on cash flow per material subsidiary of the Group	Achieve targeted cash flow conversion cycle per material subsidiary.	✗	Working capital improvements were made during the current year, however, targets set were not achieved. This will remain part of the focus areas for the 2025 financial year.

The following focus areas for the 2025 financial year were identified for monitoring by the committee:
- finalise and implement the IT strategy framework
- improve working capital and cash generated from operations
- improve combined assurance
- ensure adequate controls are put in place over the planned Epicor upgrade.

7. Integrated annual report

Following the review by the committee of the consolidated and separate annual financial statements of Mustek Limited for the year ended 30 June 2024, the committee is of the view that in all material aspects they comply with the relevant provisions of the Companies Act and IFRS® Accounting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cashflows for the year then ended.

The committee has also satisfied itself of the integrity of the integrated annual report and the sustainability information reported therein to be posted to shareholders around mid-October 2024.

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

Having achieved its objectives, the committee has recommended the annual financial statements for the year ended 30 June 2024 for approval to the Board.

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

Pamella Marlowe
Chairman Audit and Risk Committee
Tuesday, 19 September 2024

DIRECTOR'S REPORT

The directors present their report on the financial statements of Mustek Limited and the Group for the year ended 30 June 2024.

1. Review of financial results and activities

Mustek Limited is a company incorporated in South Africa and listed on the JSE Limited and the Group's major activities comprise the procurement, assembly, distribution and servicing of computers, computer components and allied products. The Group's profit before taxation is R40.2 million (2023: R292.7 million).

The Mustek Group remained steadfast in our commitment to creating value for stakeholders this year despite tough economic conditions and cautious market sentiment following the outcome of the general elections in South Africa. Prevailing uncertainty froze corporate and government spending and the unexpected abatement of loadshedding abruptly ended the green energy boom, which fuelled our growth last year. Reduced demand for green energy products plunged us into a dark period with surplus stock in a hostile macro-economic environment with high interest rates. Accordingly, the Group's performance declined.

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

Looking forward, we are cautiously optimistic about the future while remaining focused on optimising the balance sheet and cash flow.

Full details of the financial position, results of operations and cash flows of the Group and company are set out in these consolidated and separate financial statements. Any forward looking statement has not been reported on nor reviewed by external auditors. The Group confirms that it has adopted HEPS and EPS as a measure for its trading statements.

2. Share capital

	Number of shares	
	2024	2023
Authorised		
Ordinary shares	**250 000 000**	250 000 000

	Number of shares	
	2024	2023
Issued		
Ordinary shares in issue	**54 131 857**	57 540 000
Treasury shares	**3 408 143**	–
	57 540 000	57 540 000

Refer to note 23 of the consolidated and separate financial statements for detail of the movement in issued share capital.

DIRECTOR'S REPORT CONTINUED

3. Shareholder's spread

At 30 June 2024, insofar as is known, the following shareholders beneficially held more than 5% of the issued share capital of Mustek Limited:

Shareholding – ordinary shares in issue	Number of shares	% share in issue
DK Trust	9 532 442	16.6
Old Mutual Life Assurance Company SA Limited	6 533 171	11.4
Standard Bank Group Limited	5 211 472	9.1
Mustek Electronics Properties Proprietary Limited	3 685 605	6.4
Government employees pension fund	3 271 925	5.7
	28 234 615	49.2

2024	Number of shareholders	%	Number of shares	% share in issue
1 – 5 000	4 097	93.1	1 483 019	2.7
5001 – 10 000	123	2.8	958 281	1.8
10 001 – 50 000	116	2.6	2 482 241	4.6
50 001 – 100 000	24	0.6	1 689 952	3.1
100 001 – 1 000 000	27	0.6	7 619 504	14.1
Over 1 000 000	13	0.3	39 898 860	73.7
	4 400	100.0	54 131 857	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% share in issue
Non-public shareholders				
Directors of the company (refer to note 32)	2	–	2 638 743	4.9
Trusts with directors as trustees (DK Trust)	1	–	9 532 442	17.6
Public shareholders	4 397	100.0	41 960 672	77.5
	4 400	100.0	54 131 857	100.0

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

Shareholding – ordinary shares in issue	Number of shares	% share in issue
DK Trust	9 532 442	16.6
Old Mutual Life Assurance Company SA Limited	6 533 171	11.4
Mustek Electronics Properties Proprietary Limited	3 685 605	6.4
	19 751 218	34.4

2023	Number of shareholders	%	Number of shares	% share in issue
1 – 5 000	4 333	93.6	1 555 074	2.7
5001 – 10 000	118	2.5	914 853	1.6
10 001 – 50 000	112	2.4	2 389 919	4.2
50 001 – 100 000	16	0.4	1 224 373	2.1
100 001 – 1 000 000	31	0.7	9 609 094	16.7
Over 1 000 000	18	0.4	41 846 687	72.7
	4 628	100.0	57 540 000	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% share in issue
Non-public shareholders				
Directors of the company (refer to note 32)	2	–	2 638 743	4.6
Trusts with directors as trustees (DK Trust)	1	–	9 532 442	16.6
Public shareholders	4 625	100.0	45 368 815	78.8
	4 628	100.0	57 540 000	100.0

DIRECTOR'S REPORT CONTINUED

4. Authority to buy back shares

At the AGM held on 23 November 2023, a special resolution was passed, granting Mustek's directors a general authority to acquire its own shares. Mustek has not acquired any of its ordinary share capital in the current financial year.

As of 30 June 2024, the Group held 3 408 143 shares of its own shares (through the Mustek Executive Share Trust) as treasury shares, which were acquired at an aggregate cost of R28.8 million. These shares are recorded at cost and are presented as a deduction from equity in the consolidated statement of financial position.

During the current year, 2 250 000 shares were appropriated from the estate late: DC Kan to part settle a loan owing by the estate to the Mustek Executive Share Trust (refer note 18).

5. Dividends

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

A final dividend of 77 cents per ordinary share was declared on 19 September 2023 and paid on 16 October 2023. During the previous financial year, a final dividend of 76 cents per ordinary share was declared on 13 September 2022 and paid on 10 October 2022.

Refer to note 23 for further disclosures.

A gross final cash dividend of 7.5 cents per ordinary share for the year ended 30 June 2024 is declared, payable to shareholders recorded in the books of the company at the close of business on the record date appearing below. This dividend is declared out of income reserves. The company's income tax reference number is 9550081716 and the company has 57 540 000 ordinary shares in issue and ranking for dividend at the date of this declaration. The South African dividend tax rate is 20% resulting in a net dividend of 6.0 cents per share to shareholders who are not tax exempt.

Dividend declaration date	19 September 2024
Last day of trade cum dividend	8 October 2024
First day to trade ex-dividend	9 October 2024
Record date	11 October 2024
Payment date	14 October 2024

6. Directorate

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

Directors	Office	Designation	Changes
I Mophatlane	Chairman	Non-executive independent	Appointed 1/9/2023
PM Marlowe		Non-executive independent	
RB Patmore		Non-executive independent	
S Thomas		Non-executive independent	
H Engelbrecht	Chief executive officer	Executive	
CJ Coetzee	Managing director	Executive	
S Aboo Baker Ebrahim	Finance director	Executive	
VC Mehana	Chairman	Non-executive	Retired 23/11/2023

7. Investments in subsidiaries, associates and other loans

The following matters are highlighted with regards to the investments in and loans to subsidiaries, associates and other loans (refer to notes 16, 17 and 18 to the annual financial statements for more information):

Zaloserve Proprietary Limited:

The Group's investment in Zaloserve Proprietary Limited has been classified as a held-for-sale asset effective 31 March 2024, with an impairment of R13.7 million recognised in the current year.

Yangtze Optics Africa Holdings Proprietary Limited:

Yangtze Optics Africa Holdings Proprietary Limited (YOA) is located at the Dube Trade Port in Durban and Mustek is a 25.1% shareholder of YOA. The other shareholders are Yangtze Optical Fibre and Cable Joint Stock Limited Company and Yangtze Optical Fibre and Cable Company (Hong Kong) Limited, the world's largest manufacturers of optical fibre cables. The Group's share of profits equity accounted in 2024 was R0.8 million (2023: R10.0 million).

During the year, management entered into a subscription of shares agreement, to fund an expansion of YOA's manufacturing facility. This increased the investment in YOA by R15 million while maintaining the same shareholding of 25.1%.

Loans to executive management

During previous financial years, Mustek Limited shares were issued to members of the executive management of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the staff members in terms of the rules of the trust deed. The trust deed provides that the Board of directors determine the interest rate. Until 31 August 2017, interest was charged at the South African Repo rate plus one percent whereafter the loans became interest free. As at year-end, the carrying amount of these loans was R13.6 million (2023: R36.7 million) of which R10.6 million have no fixed repayment terms. On the 11th of June 2024, 2 250 000 shares were transferred from the estate late: DC Kan to the Mustek Executive Share Trust at a weighted average price of R9.19. This resulted in partial settlement of estate late: DC Kan's loan. At year-end, a balance of R3.0 million remained. Pending finalisation of the estate, settlement is expected in the next 12 months. The loan has been disclosed as a current receivable. The carrying amount of these loans are stated after impairment in terms of IFRS 9 *Financial Instruments*.

8. Special resolutions

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

- a general authority was given to the Board to repurchase shares in the company subject to the requirements of the Companies Act of South Africa. This authority was given in terms of a special resolution passed at the AGM held on Thursday, 23 November 2023
- with effect from 23 November 2023, approving the remuneration payable to non-executive directors applicable for a period of 12 months.
- In accordance with section 45 of the Companies Act, the provision of any financial assistance by the company to any company or corporation which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions which the directors of Mustek may determine.

9. Events after the reporting period

Effective 12 September 2024, Mustek acquired a 70% interest in CyberAntix (Pty) Limited for R8 million. CyberAntix is a SOCaas (Security Operations Centre-as-a-Service) company. They offer state-of-the-art implementation of managed cybersecurity services, focusing on managed detection and response with associated advanced services (proactive hunting, forensics code reviews, vulnerability assessments etc).

Management has concluded negotiations for the sale of its investment in Zaloserve for R15 million. The sale is to be effective 1 October 2024.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report that requires adjustment to or disclosure in the annual financial statements. Refer to note 35 of the financial statements.

10. Legal disputes

There are two separate pending CCMA arbitration cases against Mustek Limited to the value of R9.8 million and R28.7 million respectively. Both cases are under review in the labour court of South Africa.

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

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

Refer to note 30 of the financial statements.

11. Auditors

BDO South Africa Incorporated continued in office as auditors for the company and its major subsidiaries for 2024.

At the AGM, the shareholders will be requested to reappoint BDO South Africa Incorporated as the independent external auditors of the company and to confirm Ms V Pretorius as the designated lead audit partner for the 2025 financial year.

12. Secretary

The company secretary is Sirkien Van Schalkwyk.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 Restated* R000
Revenue	4	**8 507 282**	10 126 197	**5 768 059**	6 531 038
Cost of sales		**(7 467 164)**	(8 713 918)	**(5 115 546)**	(5 660 060)
Gross profit		**1 040 118**	1 412 279	**652 513**	870 978
Foreign currency gains (losses)	6	**32 252**	(123 146)	**8 410**	(56 449)
Impairment losses on trade receivables	20	**(25 265)**	(11 092)	**(9 853)**	(11 082)
Distribution, administrative and other operating expenses		**(768 585)**	(823 251)	**(480 637)**	(523 579)
Operating profit	6	**278 520**	454 790	**170 433**	279 868
Investment income	7	**14 356**	23 650	**68 014**	24 849
Finance costs	8	**(220 066)**	(174 532)	**(145 259)**	(110 729)
Impairment of investment in subsidiary	16	**–**	–	**(23 046)**	–
Impairment of investment in associate	17	**(13 743)**	–	**–**	–
Losses from equity-accounted investments	17	**(19 359)**	(12 799)	**–**	–
Other non-operating gains (losses)	9	**450**	1 555	**5 931**	(6 783)
Profit before taxation		**40 158**	292 664	**76 073**	187 205
Income tax expense	10	**(18 761)**	(73 052)	**(9 726)**	(43 194)
Profit for the year		**21 397**	219 612	**66 347**	144 011
Other comprehensive income:					
Items that will be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**(325)**	(531)	**–**	–
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary		**782**	2 150	**–**	–
Total items that may be reclassified to profit or loss		**457**	1 619	**–**	–
Other comprehensive income for the year net of taxation		**457**	1 619	**–**	–
Total comprehensive income for the year		**21 854**	221 231	**66 347**	144 011
Earnings per share					
Basic earnings per ordinary share (cents)	23	**37.31**	377.05	**–**	–
Diluted basic earnings per ordinary share (cents)	23	**37.31**	377.05	**–**	–

* *Refer to note 37.*

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2024

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 Restated* R000	Company 2022 Restated* R000
ASSETS						
Non-current assets						
Property, plant and equipment	11	**247 775**	258 978	**69 594**	71 388	38 985
Right-of-use assets	13	**96 457**	62 889	**109 214**	77 664	68 357
Investment property	12	**9 883**	9 785	**–**	–	–
Goodwill	14	**43 345**	46 550	**–**	–	–
Intangible assets	15	**110 865**	124 862	**106 876**	115 468	95 345
Investments in subsidiaries	16	**–**	–	**266 772**	296 288	294 936
Investment in associates	17	**83 943**	116 984	**52 417**	37 357	37 367
Other loans	18	**10 605**	12 915	**34 026**	36 336	44 643
Prepayments	20	**–**	–	**–**	–	21 228
Deferred tax	10	**25 828**	40 735	**17 567**	27 004	36 103
		628 701	673 698	**656 466**	661 505	636 964
Current assets						
Inventories	19	**2 352 401**	2 790 335	**1 501 406**	1 633 887	1 496 495
Loans to associates		**–**	–	**–**	–	2 092
Trade and other receivables	20	**1 572 740**	1 856 627	**1 226 336**	1 227 831	1 064 932
Contract assets	5	**8 467**	34 869	**6 803**	10 896	3 398
Foreign currency assets	27	**411**	17 658	**181**	9 218	26 014
Current tax receivable	34	**7 442**	936	**3 401**	–	3 024
Cash and cash equivalents	21	**303 596**	349 258	**105 917**	93 091	53 751
		4 245 057	5 049 683	**2 844 044**	2 974 923	2 649 706
Non-current assets held-for-sale	36	**15 000**	–	**–**	–	–
Total assets		**4 888 758**	5 723 381	**3 500 510**	3 636 428	3 286 670
EQUITY AND LIABILITIES						
Equity						
Share capital	23	**–**	–	**–**	–	–
Foreign currency translation reserve		**5 328**	4 871	**–**	–	–
Retained earnings		**1 510 986**	1 562 726	**1 033 016**	1 010 975	933 661
		1 516 314	1 567 597	**1 033 016**	1 010 975	933 661
Liabilities						
Non-current liabilities						
Borrowings and other liabilities	24	**272**	34 010	**202**	818	10 244
Contract liabilities	5	**23 201**	22 765	**23 201**	22 765	24 101
Lease liabilities	13	**79 191**	38 230	**97 436**	60 039	55 188
Deferred tax	10	**3 760**	5 609	**–**	–	–
Loans from subsidiaries	16	**–**	–	**–**	32 720	34 950
		106 424	100 614	**120 839**	116 342	124 483
Current liabilities						
Trade and other payables	26	**2 542 189**	3 552 478	**1 538 513**	1 939 355	1 874 167
Loans from subsidiaries	16	**–**	–	**136 828**	109 769	85 056
Borrowings and other liabilities	24	**32 720**	2 274	**–**	–	–
Foreign currency liabilities	27	**19 154**	14 923	**13 123**	7 850	17
Lease liabilities	13	**23 609**	29 806	**25 883**	29 994	23 148
Contract liabilities	5	**39 013**	63 654	**32 696**	33 785	23 873
Current tax payable		**9 378**	10 557	**–**	7 359	–
Bank overdraft	21	**599 957**	381 478	**599 612**	380 999	222 265
		3 266 020	4 055 170	**2 346 655**	2 509 111	2 228 526
Total liabilities		**3 372 444**	4 155 784	**2 467 494**	2 625 453	2 353 009
Total equity and liabilities		**4 888 758**	5 723 381	**3 500 510**	3 636 428	3 286 670

* *Refer to note 37.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Share capital R000	Foreign currency translation reserve R000	Retained earnings R000	Total equity R000
Group				
Balance at 1 July 2022	–	3 252	1 409 811	1 413 063
Profit for the year	–	–	219 612	219 612
Other comprehensive income	–	1 619	–	1 619
Total comprehensive income for the year	–	1 619	219 612	221 231
Buy back of shares (note 23)	–	–	(21 857)	(21 857)
Dividends (note 23)	–	–	(44 840)	(44 840)
Total contributions by and distributions to owners of company recognised directly in equity	–	–	(66 697)	(66 697)
Balance at 30 June 2023	**–**	**4 871**	**1 562 726**	**1 567 597**
Profit for the year	**–**	**–**	**21 397**	**21 397**
Other comprehensive loss	**–**	**457**	**–**	**457**
Total comprehensive income for the year	**–**	**457**	**21 397**	**21 854**
Treasury shares (note 23)	**–**	**–**	**(28 831)**	**(28 831)**
Dividends (note 23)	**–**	**–**	**(44 306)**	**(44 306)**
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**(73 137)**	**(73 137)**
Balance at 30 June 2024	**–**	**5 328**	**1 510 986**	**1 516 314**
Note(s)	23			

	Share capital R000	Retained earnings R000	Total equity R000
Company			
Balance at 1 July 2022	–	933 661	933 661
Profit for the year	–	144 011	144 011
Total comprehensive income for the year	–	144 011	144 011
Buy back of shares (note 23)	–	(21 857)	(21 857)
Dividends (note 23)	–	(44 840)	(44 840)
Total contributions by and distributions to owners of company recognised directly in equity	–	(66 697)	(66 697)
Balance at 30 June 2023	–	1 010 975	1 010 975
Profit for the year	–	66 347	66 347
Total comprehensive income for the year	–	66 347	66 347
Dividends	–	(44 306)	(44 306)
Total contributions by and distributions to owners of company recognised directly in equity	–	(44 306)	(44 306)
Balance at 30 June 2024	–	1 033 016	1 033 016
Note(s)			

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2024

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Cash flows from operating activities					
Cash receipts from customers		**8 737 072**	9 732 798	**5 810 702**	6 392 967
Cash paid to suppliers and employees		**(8 676 383)**	(9 535 104)	**(5 777 106)**	(6 291 243)
Cash generated from operations	22	**60 689**	197 694	**33 596**	101 724
Interest income	7	**14 356**	23 650	**3 566**	4 019
Dividends received	7	**–**	–	**12 297**	18 459
Finance costs	8	**(220 066)**	(174 532)	**(141 819)**	(107 276)
Dividends paid		**(44 306)**	(44 840)	**(44 306)**	(44 840)
Tax paid	34	**(14 124)**	(47 787)	**(11 049)**	(23 712)
Net cash used in operating activities		**(203 451)**	(45 815)	**(147 715)**	(51 626)
Cash flows from investing activities					
Purchase of property, plant and equipment	11	**(35 437)**	(67 712)	**(11 696)**	(23 680)
Sale/recoupment of property, plant and equipment	11	**26 556**	211	**640**	96
Purchases of intangible assets	15	**(7 631)**	(26 676)	**(7 078)**	(18 948)
Proceed from loans to associate	17	**–**	2 118	**–**	2 118
Loans repaid by subsidiaries	16	**–**	–	**1 522**	1 380
Capital contribution to associate	17	**(15 060)**	–	**(15 060)**	–
Receipts from other loans	18	**2 762**	2 362	**2 068**	6 265
Net cash used in investing activities		**(28 810)**	(89 697)	**(29 604)**	(32 769)
Cash flows from financing activities					
Buy back of ordinary shares	23	**–**	(21 857)	**–**	(21 857)
Loans received from subsidiaries	25	**–**	–	**2 000**	12 000
Repayments of borrowings	24, 25	**(2 274)**	(2 366)	**(889)**	(105)
Proceeds from bank overdraft	25	**218 479**	159 213	**218 613**	158 733
Cash repayments on lease liabilities	13, 25	**(29 606)**	(25 543)	**(29 579)**	(25 036)
Net cash generated from financing activities		**186 599**	109 447	**190 145**	123 735
Total cash movement for the year		**(45 662)**	(26 065)	**12 826**	39 340
Cash and cash equivalents at the beginning of the year		**349 258**	375 323	**93 091**	53 751
Cash and cash equivalents at the end of the year	21	**303 596**	349 258	**105 917**	93 091

ACCOUNTING POLICIES

1. Material accounting policies

The material accounting policies applied in the preparation of these consolidated and separate financial statements are set out below and in the relevant notes.

1.1 Basis of preparation

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

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

The consolidated and separate annual financial statements have been prepared on the historic cost basis except for the revaluation of certain financial instruments (refer note 27). The principal accounting policies are set out in the related notes to the consolidated and separate financial statements and are presented in South African Rand which is the Group and company's functional currency.

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

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

Expected credit loss allowances for trade receivables (refer note 20)

The impairment allowances for financial assets are based on assumptions about risk of default and expected loss rates. For details of the key assumptions and inputs used refer to note 20.

Allowance for slow moving, damaged and obsolete inventory (refer note 19)

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

Goodwill impairment assessment (refer note 14)

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

Determining the lease term (refer note 13)

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

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

Critical judgements in applying accounting policies

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

Revenue recognition – Principal versus agent (see note 4)

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

To determine the nature of its obligation, the Group:

(a) Identifies the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party).

(b) Assesses whether it controls each specified good or service before that good or service is transferred to the customer. Judgement is therefore required as to whether the Group is a principal or agent. The Group has identified its revenue streams within its revenue recognition policy (see note 4) and has concluded that it is an agent for indirect license sales related to cloud services.

1.3 Non-current asset held-for-sale

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In 2024, the Group and company adopted all relevant new or amended accounting pronouncements which included IAS 12 Income taxes (Amendment – Deferred tax related to assets and liabilities arising from a single transaction), IAS 1 Presentation of financial statements (Amendment – disclosure of material accounting policies) and IAS 8 Accounting policies, changes in accounting estimates and errors (Amendment – definition of accounting estimates), as issued by the IASB. In 2022 the Interest Rate Benchmark Reform – Phase 2 was effective for financial years beginning on or after 1 January 2021. None of these pronouncements had a significant impact on the Group or company. The Group and company will be impacted by the future replacement of JIBAR with a new benchmark rate, but this impact is not expected to be material. Current indications are that the new benchmark rate will not be effective until 2025.

2.2 Standards and interpretations not yet effective

The Group and company have chosen not to early adopt the following standards and interpretations, relevant to the Group and company, which have been published and are mandatory for the Group and company's accounting periods beginning on or after 1 July 2024 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current) – The right to defer settlement of non-current liabilities will be assessed in detail and changes to classification will be applied accordingly.	1 January 2024	Not expected to impact results but may result in a change in disclosure
• IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures – Additional qualitative and quantitative disclosure will be considered for financing arrangements within the scope of this amendment.	1 January 2024	Not expected to impact results but may result in a change in disclosure
• IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants) – long term liabilities where covenants apply will be considered and classification between Current or Non-current will be determined.	1 January 2024	Unlikely there will be a material impact
• IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment – Lack of Exchangeability) – assess when currency is exchangeable into another currency and when it is not.	1 January 2025	Unlikely there will be a material impact
• IFRS 18 Presentation and Disclosure in Financial Statements – Changes to the statement of comprehensive income through 1) Introduction of three defined categories for income and expenses namely operating, investing and financing 2) disclosure of management defined performance measures.	1 January 2027	Not expected to impact results but will result in a change in presentation of the statement of comprehensive income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. Segmental reporting

Business segments

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

The Group's reportable segments are operating segments which are differentiated by the activities that each undertake, products they distribute and markets they operate in.

For management purposes, the following represents the Group's reportable segments:
Mustek: Assembly and distribution of computer products and peripherals, including Mecer-branded products and related services. This includes all other operations not disclosed as separate segments.
Rectron: Distribution of computer components and peripherals.
Mecer Inter-Ed: Training provider of accredited training programmes.
Group: Includes investments in associates and other investments and loans. Refer to notes 17 and 18 for more information about their activities.

	Mustek R000	Rectron R000	MIE R000	Group R000	Elimination R000	Total R000
2024						
Revenue						
External sales	5 771 761	2 649 032	77 522	8 967	–	8 507 282
Inter-segment sales**	54 668	188 182	7 612	–	(250 462)	–
Total revenue	5 826 429	2 837 214	85 134	8 967	(250 462)	8 507 282
Segment results						
EBITDA*	252 122	90 046	16 407	(9 354)	–	349 221
Depreciation and amortisation	(56 511)	(12 403)	(4 632)	–	2 845	(70 701)
Profit (loss) from operations	195 611	77 643	11 775	(9 354)	2 845	278 520
Investment income	2 437	10 483	–	64 733	(63 297)	14 356
Finance costs	(142 766)	(77 457)	(93)	–	250	(220 066)
Impairment of investment in associate	–	–	–	(13 743)	–	(13 743)
Other non-operating gains (losses)	(1)	(203)	–	–	654	450
Loss from equity-accounted investments	–	–	–	(19 359)	–	(19 359)
Profit (loss) before tax	55 281	10 466	11 682	22 277	(59 548)	40 158
Income tax (expense) benefit	(17 716)	(1 616)	(2 400)	2 971	–	(18 761)
Profit (loss) for the year	37 565	8 850	9 282	25 248	(59 548)	21 397

3. Segmental reporting continued

Business segments continued

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

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

	Mustek R000	Rectron R000	MIE R000	Group R000	Eliminations R000	Total R000
2024						
Other information						
Capital expenditure	**19 405**	**21 858**	**1 805**	**–**	**–**	**43 068**
Assets						
Segment assets	**3 198 497**	**1 511 669**	**55 252**	**70 001**	**(53 046)**	**4 782 373**
Investment in associates	**–**	**–**	**–**	**83 943**	**–**	**83 943**
Non-current asset held-for-sale	**–**	**–**	**–**	**15 000**	**–**	**15 000**
Current tax assets	**7 442**	**–**	**–**	**–**	**–**	**7 442**
Consolidated total assets	**3 205 939**	**1 511 669**	**55 252**	**168 944**	**(53 046)**	**4 888 758**
Liabilities						
Segment liabilities	**2 284 469**	**1 068 392**	**12 116**	**–**	**(1 911)**	**3 363 006**
Current tax liabilities	**5 478**	**3 178**	**722**	**–**	**–**	**9 378**
Consolidated total liabilities	**2 289 947**	**1 071 570**	**12 838**	**–**	**(1 911)**	**3 372 444**
Number of employees at year-end	**826**	**429**	**80**	**–**	**–**	**1 335**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. Segmental reporting continued

Business segments continued

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

Geographical segments

	East Africa R000	Taiwan R000	South Africa R000	Total R000
2024				
Revenue	**58 328**	**40**	**8 448 914**	**8 507 282**
Profit before tax	**8 567**	**7 514**	**24 077**	**40 158**
Income tax benefit (expense)	**(2 570)**	**(2 430)**	**(13 761)**	**(18 761)**
Profit for the year	**5 997**	**5 084**	**10 316**	**21 397**
Other information				
Capital expenditure	**637**	**–**	**42 431**	**43 068**
Segment assets	**68 714**	**29 960**	**4 782 642**	**4 881 316**
Current tax assets	**–**	**–**	**7 442**	**7 442**
Consolidated total assets	**68 714**	**29 960**	**4 790 084**	**4 888 758**

	East Africa R000	Taiwan R000	South Africa R000	Total R000
2023				
Revenue	67 486	68	10 058 643	10 126 197
(Loss) profit before tax	(4 972)	9 481	288 155	292 664
Income tax expense	2 435	(254)	(75 233)	(73 052)
(Loss) profit for the year	(2 537)	9 227	212 922	219 612
Other information				
Capital expenditure	359	–	115 260	115 619
Segment assets	60 631	52 975	5 608 839	5 722 445
Current tax assets	138	–	798	936
Consolidated total assets	60 769	52 975	5 609 637	5 723 381

Refer to note 20 for a quantification of the Group and company's reliance on its largest customers.

4. Revenue

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Revenue from contracts with customers				
Sale of goods	**8 385 084**	9 986 095	**5 723 384**	6 467 891
Rendering of services	**122 198**	140 102	**44 675**	63 147
	8 507 282	10 126 197	**5 768 059**	6 531 038

Disaggregation of revenue from contracts with customers

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

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

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Sale of goods (revenue earned at a point in time)	**8 385 084**	9 986 095	**5 723 384**	6 467 891
Hardware sales				
Dealers	**6 062 840**	6 471 249	**3 952 178**	3 840 189
Retailers	**563 979**	1 280 738	**241 083**	606 156
Public sector supplies	**1 326 270**	1 779 835	**1 326 270**	1 779 835
Export	**279 108**	259 232	**130 898**	122 872
	8 232 197	9 791 054	**5 650 429**	6 349 052
Software sales				
Dealers	**63 362**	111 516	**30 247**	58 474
Retailers	**4 502**	15 760	**179**	1 790
Public sector supplies	**34 746**	54 714	**34 746**	54 714
Export	**15 487**	3 341	**2 190**	1 555
Cloud (agent)	**34 790**	9 710	**5 593**	2 306
	152 887	195 041	**72 955**	118 839
Rendering of services (revenue earned over time)				
Maintenance and support contracts – net of deferred revenue	**32 161**	13 507	**31 918**	29 361
Training courses – net of deferred revenue	**77 279**	92 809	**–**	–
	109 440	106 316	**31 918**	29 361
Rendering of services (revenue earned at a point in time)				
Repair services	**12 758**	33 786	**12 757**	33 786
Total revenue from contracts with customers	**8 507 282**	10 126 197	**5 768 059**	6 531 038

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

4. Revenue continued

Sale of goods

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

The following applies to the sales of goods:

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

Revenue from services

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

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

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

Revenue from software licenses and cloud solutions

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

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

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

5. Contract assets and liabilities

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Contract assets	**8 467**	34 869	**6 803**	10 896
Reconciliation of contract assets				
Opening balance	**34 869**	3 398	**10 896**	3 398
Transfers of contract assets to inventories	**(34 869)**	(3 398)	**(10 896)**	(3 398)
New contracts from hardware sales	**8 467**	34 869	**6 803**	10 896
Closing balance	**8 467**	34 869	**6 803**	10 896
Contract assets are recognised to the extent that performance obligations have been performed by the Group and that revenue has been recognised in accordance with IFRS 15, *Revenue from contracts with customers*, but for which the Group's right to consideration is not yet unconditional. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.				
Summary of contract liabilities				
Deferred revenue – maintenance contracts	**48 247**	40 188	**48 248**	40 188
Deferred revenue – training contracts	**4 429**	4 673	**–**	–
Total deferred revenue	**52 676**	44 861	**48 248**	40 188
Expected discounts and rebates	**–**	2 480	**–**	2 480
Expected refunds to customers	**9 538**	39 078	**7 649**	13 882
	62 214	86 419	**55 897**	56 550
Reconciliation of contract liabilities				
Opening balance	**86 419**	52 151	**56 550**	47 974
Deferred income recognised in revenue	**(25 463)**	(24 541)	**(20 790)**	(24 541)
Deferred revenue – maintenance contracts and cloud services	**28 849**	20 912	**28 849**	20 912
Deferred revenue – training courses	**4 428**	496	**–**	–
Expected discounts and rebates	**(2 480)**	2 390	**(2 480)**	2 390
Expected refunds to customers	**(29 539)**	35 011	**(6 232)**	9 815
Closing balance	**62 214**	86 419	**55 897**	56 550
Split between non-current and current portions				
Non-current liabilities	**23 201**	22 765	**23 201**	22 765
Current liabilities	**39 013**	63 654	**32 696**	33 785
	62 214	86 419	**55 897**	56 550

Deferred revenue arises as a result of:
- various on-site service and maintenance contracts which are separately sold to customers together with certain products. The duration of these service and maintenance contracts varies between one and five years depending on the option the customer selected or the terms of the packages sold
- training courses and programmes that are offered by Mecer Inter-Ed. The courses and programmes are short term (less than 12 months)
- cloud service contracts provided to a customer for more than 12 months.

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

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

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Deferred revenue maturity analysis				
Year 1	**28 605**	22 097	**24 177**	17 424
Year 2	**14 896**	12 384	**14 896**	12 384
Year 3	**6 345**	6 911	**6 345**	6 911
Year 4	**2 154**	2 694	**2 154**	2 694
Year 5	**670**	775	**670**	775
Onwards	**6**	–	**6**	–
	52 676	44 861	**48 248**	40 188

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

6. Profit from operations

Operating profit for the year is stated after taking the following into account, among others:

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Operating income					
Bad debts recovered		**2 919**	9 363	**652**	9 282
Compensation from insurance claims		**–**	7 493	**–**	5 010
Rental income from investment property	12	**3 604**	2 959	**–**	–
The compensation from insurance claims related mainly to stock losses and damages.					
Auditor's remuneration					
External audit fees		**6 716**	5 989	**3 915**	3 665
Non audit services fees – external		**54**	–	**–**	–
Other consultation services		**–**	47	**–**	47
		6 770	6 036	**3 915**	3 712
Leases					
Short-term leases		**76**	723	**76**	602
Total lease expenses		**76**	723	**76**	602
Depreciation and amortisation					
Depreciation of investment property on the cost model	12	**325**	351	**–**	–
Depreciation of property, plant and equipment	11	**23 118**	20 370	**12 950**	11 129
Depreciation of right-of-use assets	13	**30 784**	27 308	**31 316**	27 425
Amortisation of intangible assets	15	**16 474**	5 819	**15 648**	5 475
Total depreciation and amortisation		**70 701**	53 848	**59 914**	44 029
Write-off of goodwill	14	**3 205**	–	**–**	–
Loss on disposal/scrapping of intangible assets	15	**(5 153)**	–	**–**	–
Profit (loss) on disposal/scrapping of property, plant and equipment	11	**3 537**	(1 445)	**122**	(1 180)
Foreign exchange gains (losses)					
Realised		**10 123**	(109 850)	**(6 506)**	(71 627)
Unrealised		**40 872**	(16 031)	**27 858**	13 810
Fair value adjustment – open forward exchange contracts	27	**(18 743)**	2 735	**(12 942)**	1 368
		32 252	(123 146)	**8 410**	(56 449)

7. Investment income

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Dividend income					
Group entities:					
Dividends from subsidiaries		**–**	–	**63 297**	19 731
Interest income					
Investments in financial assets:					
Bank balances		**14 311**	23 567	**3 521**	3 936
Other		**45**	–	**45**	–
Loans to group companies:					
Subsidiaries (non-cash)	16, 31	**–**	–	**1 151**	1 100
Associates and other receivables		**–**	83	**–**	82
Total interest income		**14 356**	23 650	**4 717**	5 118
Total investment income		**14 356**	23 650	**68 014**	24 849

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

8. Finance costs

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Interest paid on bank overdraft		**68 484**	49 280	**68 383**	49 270
Interest paid on borrowings		**3 440**	3 453	**–**	–
Interest paid on lease liabilities		**6 159**	4 427	**7 982**	6 092
Interest paid on letters of credit and trade finance		**141 983**	117 363	**65 454**	51 914
Interest paid on loan from group companies (non-cash)	25, 31	**–**	–	**3 440**	3 453
Other interest paid		**–**	9	**–**	–
Total finance costs		**220 066**	174 532	**145 259**	110 729

9. Other non-operating (losses) gains

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Gains (losses) on disposals, scrappings or settlements					
Gains on deregistration of subsidiaries		**1 460**	–	**3 419**	–
Exchange differences reclassified to profit or loss on liquidation of foreign subsidiary		**(782)**	2 150	**–**	–
		678	2 150	**3 419**	–
Impairment loss/expected credit loss					
Loans to subsidiaries	16	**–**	–	**–**	(5 785)
Other write-offs	17	**–**	–	**–**	(953)
Other loans	18	**(468)**	(770)	**(265)**	(222)
		(468)	(770)	**(265)**	(6 960)
Reversal of impairment loss/expected credit loss					
Loans to subsidiaries	16	**–**	–	**2 754**	–
Loans to associates	17	**–**	15	**–**	15
Other loans	18, 20	**240**	–	**23**	84
Other		**–**	160	**–**	78
		240	175	**2 777**	177
Total other non-operating (losses) gains		**450**	1 555	**5 931**	(6 783)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

10. Taxation

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Current				
South African normal tax	**13 584**	75 057	**9 726**	43 194
Foreign tax	**5 001**	(2 181)	**–**	–
Withholding tax	**176**	176	**–**	–
	18 761	73 052	**9 726**	43 194
Comprising				
Current tax				
– Current year	**5 960**	66 897	**–**	33 769
– Prior year	**302**	(421)	**289**	326
Deferred tax				
– Current year	**12 322**	7 269	**9 437**	9 048
– Prior year	**–**	(869)	**–**	51
Withholding tax	**177**	176	**–**	–
	18 761	73 052	**9 726**	43 194
The tax expense relates to the following tax jurisdictions:				
South African Revenue Service	**13 760**	75 233	**9 726**	43 194
Kenya Revenue Authority	**2 431**	(2 434)	**–**	–
Revenue Service Office, New Taipei City Government	**2 570**	253	**–**	–
	18 761	73 052	**9 726**	43 194
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Profit before tax	**40 158**	292 664	**76 073**	187 205
	%	%	**%**	%
Applicable tax rate	**27.0**	27.0	**27.0**	27.0
Dividends received	**–**	–	**(22.5)**	(2.9)
Current tax prior year under/over provision	**0.8**	(0.2)	**0.4**	0.2
Deferred tax prior year under/over provision	**–**	(0.7)	**–**	–
Capital gains tax	**0.4**	0.3	**0.9**	–
Loan waiver	**–**	–	**(3.6)**	–
Loss from associates already taxed	**13.0**	1.2	**–**	–
Learnership agreements allowances	**(5.6)**	(0.3)	**(0.6)**	(0.2)
Expected credit losses on loans	**1.9**	–	**1.0**	–
Other non-taxable income	**(1.3)**	–	**–**	–
Disallowed expenses	**0.6**	0.2	**–**	0.2
Non-taxable income (ETI)	**(0.6)**	0.6	**(0.3)**	(0.1)
S12BA renewable energy deduction	**(2.9)**	(0.6)	**(0.1)**	(1.0)
Tax benefit of winding up international operation	**–**	(1.9)	**–**	–
Impairment of investment in subsidiaries and associates	**9.2**	–	**10.6**	–
Write-off of goodwill	**2.2**	–	**–**	–
Foreign tax	**2.0**	(0.6)	**–**	–
	46.7	25.0	**12.8**	23.2

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

10. Taxation continued

The tax effects of temporary differences of the company and subsidiary companies resulted in deferred tax assets and liabilities. The directors have assessed, based on budgeted expectation for future profits, that it is reasonable to assume that future taxable income will be sufficient to allow the tax benefits to be realised. The following are the major deferred tax liabilities and assets recognised at 27% (2023: 27%) except if otherwise indicated:

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Deferred tax liability				
Accelerated wear and tear for tax purposes	**(26 173)**	(14 325)	**(13 045)**	(9 112)
Right-of-use asset	**(25 762)**	(16 603)	**(29 488)**	(20 969)
Prepayments	**(1 706)**	(1 376)	**(995)**	(1 008)
Operating lease assets	**(6)**	–	**(6)**	(28)
Unrealised exchange gains or losses	**(6 841)**	(9 982)	**(7 609)**	(8 166)
Contract assets	**(2 286)**	(6 473)	**(1 837)**	–
Total deferred tax liability	**(62 747)**	(48 759)	**(52 980)**	(39 283)
Deferred tax asset				
Allowance for expected credit losses	**16 476**	9 818	**9 069**	10 111
Salary-related accruals/liabilities	**11 317**	31 708	**6 866**	15 669
Lease liabilities	**27 389**	17 915	**33 302**	24 309
Commission accruals	**1 195**	2 785	**1 195**	2 785
Other accruals	**617**	1 155	**569**	1 086
Deferred revenue	**13 899**	12 129	**13 026**	10 851
Contract liabilities	**3 440**	8 279	**2 931**	1 476
Other	**–**	96	**–**	–
Tax losses available for set off against future taxable income	**10 482**	–	**3 589**	–
Total deferred tax asset	**84 815**	83 885	**70 547**	66 287
The deferred tax assets and the deferred tax liabilities that relate to income tax in the same entity have been offset in the statement of financial position as follows:				
Deferred tax liability	**(3 760)**	(5 609)	**–**	–
Deferred tax asset	**25 828**	40 735	**17 567**	27 004
Total net deferred tax asset	**22 068**	35 126	**17 567**	27 004

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

10. Taxation continued

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Reconciliation of deferred tax asset/(liability)				
At the beginning of year	**35 126**	40 698	**27 004**	36 103
Taxable loss	**10 482**	(6)	**3 589**	–
Allowances for credit losses	**6 658**	3 270	**(1 042)**	2 726
Salary-related accruals	**(20 391)**	(752)	**(8 804)**	(1 741)
Accelerated wear and tear	**(11 848)**	(4 882)	**(3 933)**	(7 895)
Prepayments	**(330)**	(508)	**13**	(473)
Minor assets	**–**	(2)	**–**	–
Operating lease assets	**(6)**	(519)	**22**	(5)
Right-of-use asset	**(9 159)**	(4 542)	**(8 519)**	(2 513)
Lease liability	**9 474**	4 911	**8 993**	3 158
Commission accrual	**(1 590)**	(794)	**(1 589)**	(794)
Other accruals	**(538)**	(215)	**(517)**	150
Unrealised exchange gains and losses	**3 808**	(1 654)	**557**	(2 002)
Deferred revenue	**1 770**	(1 073)	**2 175**	(980)
Contract assets and liabilities	**(652)**	2 073	**(382)**	1 270
Other temporary differences	**–**	(1 707)	**–**	–
Movement through the statement of comprehensive income	**(12 322)**	(6 400)	**(9 437)**	(9 099)
Foreign currency translation reserve	**(736)**	828	**–**	–
Movement through equity	**(736)**	828	**–**	–
	22 068	35 126	**17 567**	27 004

Recognition of deferred tax asset

The Group and company recognises deferred tax assets as it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

11. Property, plant and equipment

	2024			2023		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Land and buildings	109 056	(3 594)	105 462	130 556	(3 539)	127 017
Plant and machinery	111 694	(49 472)	62 222	94 338	(45 606)	48 732
Furniture, fixtures and office equipment	62 629	(35 616)	27 013	58 849	(31 380)	27 469
Motor vehicles	15 686	(7 820)	7 866	15 229	(8 613)	6 616
Computer equipment	88 950	(65 719)	23 231	82 635	(54 629)	28 006
Leasehold improvements	64 055	(42 074)	21 981	61 872	(40 734)	21 138
Total	452 070	(204 295)	247 775	443 479	(184 501)	258 978

	2024			2023		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Company						
Land and buildings	784	–	784	784	–	784
Plant and machinery	52 320	(23 555)	28 765	50 587	(20 783)	29 804
Furniture, fixtures and office equipment	31 904	(15 375)	16 529	28 507	(13 058)	15 449
Motor vehicles	14 652	(7 011)	7 641	14 201	(7 837)	6 364
Computer equipment	57 151	(41 276)	15 875	53 762	(34 775)	18 987
Leasehold improvements	16 038	(16 038)	–	16 038	(16 038)	–
Total	172 849	(103 255)	69 594	163 879	(92 491)	71 388

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

11. Property, plant and equipment continued

Reconciliation of property, plant and equipment

	Opening balance R000	Additions R000	Disposals R000	Foreign exchange movements R000	Depreciation R000	Total R000
Group – 2024						
Land and buildings	**127 017**	**637**	**(22 138)**	**–**	**(54)**	**105 462**
Plant and machinery	**48 732**	**17 619**	**–**	**(51)**	**(4 078)**	**62 222**
Furniture, fixtures and office equipment	**27 469**	**4 386**	**(206)**	**50**	**(4 686)**	**27 013**
Motor vehicles	**6 616**	**3 035**	**(467)**	**(257)**	**(1 061)**	**7 866**
Computer equipment	**28 006**	**7 163**	**(116)**	**(337)**	**(11 485)**	**23 231**
Leasehold improvements	**21 138**	**2 597**	**–**	**–**	**(1 754)**	**21 981**
	258 978	**35 437**	**(22 927)**	**(595)**	**(23 118)**	**247 775**

	Opening balance R000	Additions R000	Disposals R000	Foreign exchange movements R000	Depreciation R000	Total R000
Group – 2023						
Land and buildings	99 027	28 040	–	–	(50)	127 017
Plant and machinery	21 054	31 247	(1 138)	(5)	(2 426)	48 732
Furniture, fixtures and office equipment	22 323	9 375	(9)	4	(4 224)	27 469
Motor vehicles	6 696	1 058	(261)	(2)	(875)	6 616
Computer equipment	24 889	14 550	(243)	92	(11 282)	28 006
Leasehold improvements	17 981	4 670	–	–	(1 513)	21 138
	191 970	88 940	(1 651)	89	(20 370)	258 978

11. Property, plant and equipment continued

Reconciliation of property, plant and equipment

	Opening balance R000	Additions R000	Disposals R000	Depreciation R000	Total R000
Company – 2024					
Land and buildings	**784**	**–**	**–**	**–**	**784**
Plant and machinery	**29 804**	**1 733**	**–**	**(2 772)**	**28 765**
Furniture and fixtures and office equipment	**15 449**	**3 417**	**(21)**	**(2 316)**	**16 529**
Motor vehicles	**6 364**	**2 786**	**(466)**	**(1 043)**	**7 641**
Computer equipment	**18 987**	**3 760**	**(53)**	**(6 819)**	**15 875**
	71 388	**11 696**	**(540)**	**(12 950)**	**69 594**

	Opening balance R000	Additions R000	Disposals R000	Depreciation R000	Total R000
Company – 2023					
Land and buildings	784	–	–	–	784
Plant and machinery	4 745	27 406	(987)	(1 360)	29 804
Furniture, fixtures and office equipment	10 473	6 869	–	(1 893)	15 449
Motor vehicles	6 364	1 002	(162)	(840)	6 364
Computer equipment	16 557	9 531	(127)	(6 974)	18 987
Leasehold improvements	62	–	–	(62)	–
	38 985	44 808	(1 276)	(11 129)	71 388

Depreciation rates

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

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

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

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

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

Property, plant and equipment to the value of R64.3 million (2023: R64.3 million) has been pledged as security for a mortgage bond and property, plant and equipment to the value of R82 million (2023: R36.5 million) has been pledged as security for a trade finance facility.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

12. Investment property

Group

	2024			2023		
	Cost R000	**Accumulated depreciation R000**	**Carrying value R000**	Cost R000	Accumulated depreciation R000	Carrying value R000
Investment property	**12 946**	**(3 063)**	**9 883**	12 379	(2 594)	9 785

Reconciliation of investment property

	Opening balance R000	**Foreign exchange movements R000**	**Depreciation R000**	**Total R000**
Group – 2024				
Investment property	**9 785**	**423**	**(325)**	**9 883**

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

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

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

The fair value is likely to lie within the range of R35.7 million to R36.3 million (2023: R32.6 million to R46.5 million) dependent on sale method. Refer note 28.

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

Amounts recognised in profit or loss for the year

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Rental income from investment property	**3 604**	2 959	**–**	–
The table below sets out the future expected rental income per annum for the period of the lease. The below rental amounts have been translated from KES to ZAR at an exchange rate of 0.129 (2023: 0.139)				
Maturity analysis of expected future rental income				
Year 1	**2 944 609**	3 183 196	**–**	–
Year 2	**3 194 901**	3 183 196	**–**	–
Year 3	**1 331 209**	3 453 768	**–**	–
Year 4	**–**	1 439 070	**–**	–
	7 470 719	11 259 230	**–**	–

13. Right-of-use assets and lease liabilities

The Group leases several assets, including buildings and vehicles. The lease terms range between one and ten years (2023: One – ten years). Short-term leases are recognised on the straight-line basis. The Group and has no leases of low-value assets.

Details pertaining to leasing arrangements, where the Group and company are lessees are presented below:

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are as follows:				
Land and buildings	**92 344**	58 150	**109 214**	77 664
Motor vehicles	**3 704**	4 739	**–**	–
Equipment	**409**	–	**–**	–
	96 457	62 889	**109 214**	77 664
Additions/modifications to right-of-use assets				
Land and buildings – additions	**3 117**	38 842	**3 117**	36 749
Land and buildings – modifications	**59 748**	(17)	**59 748**	(17)
Motor vehicles – additions	**943**	2 479	**–**	–
Equipment – additions	**512**	–	**–**	–
	64 320	41 304	**62 865**	36 732
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 6)				
Land and buildings	**28 705**	25 615	**31 316**	27 425
Motor vehicles	**1 977**	1 676	**–**	–
Equipment	**102**	17	**–**	–
	30 784	27 308	**31 316**	27 425
Other disclosures				
Foreign exchange movements	**32**	34	**–**	–
Lease liabilities				
Lease liability reconciliation				
Opening balance	**68 036**	52 295	**90 033**	78 336
Additions	**4 572**	41 321	**3 117**	36 749
Modifications	**59 748**	(17)	**59 748**	(17)
Foreign exchange movements	**50**	20	**–**	–
Interest expense	**6 159**	4 427	**7 982**	6 092
Lease payments	**(35 765)**	(30 010)	**(37 561)**	(31 127)
Closing balance	**102 800**	68 036	**123 319**	90 033
The maturity analysis of lease liabilities is as follows:				
Year 1	**33 178**	34 608	**37 151**	36 681
Year 2	**32 499**	15 781	**37 287**	20 228
Year 3	**32 165**	11 120	**37 736**	16 333
Year 4	**27 262**	10 737	**34 321**	16 745
Year 5	**–**	7 196	**4 435**	14 441
Onwards	**–**	–	**–**	4 435
	125 104	79 442	**150 930**	108 863
Less finance charges component	**(22 304)**	(11 406)	**(27 611)**	(18 830)
	102 800	68 036	**123 319**	90 033
Non-current liabilities	**79 191**	38 230	**97 436**	60 039
Current liabilities	**23 609**	29 806	**25 883**	29 994
	102 800	68 036	**123 319**	90 033

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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

Lease liability

Interest charged on the lease liability is included in finance costs (note 8).

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

Lease liability remeasurement/modification scenarios	Lease liability remeasurement methodology
Change to the lease term.	• discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Right-of-use assets

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

14. Goodwill

	2024			2023		
	Cost R000	Accumulated impairment R000	Carrying value R000	Cost R000	Accumulated impairment R000	Carrying value R000
Group						
Goodwill	**51 062**	**(7 717)**	**43 345**	54 267	(7 717)	46 550

The carrying amount of goodwill has been allocated as follows:

	Pre-tax discount 2024	Pre-tax discount 2023	Forecasted cash flows	2024	2023
Mustek	**26.6%**	22.6%	Five-year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	**16 069**	19 274
Rectron	**24.9%**	23.3%	Five-year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	**27 276**	27 276
				43 345	46 550

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

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs were determined using a discounted cash flow model. A value-in-use was calculated and used as the recoverable amount. The key assumptions for the discounted cash flow model, are those regarding discount rates and expected growth rates. Management estimates discount rates using pre-tax rates that reflect management's assessment of the time value of money and their views on the risks specific to the CGUs. Discount rates used are based on a weighted average cost of capital of similar businesses in the same sector and of similar size, adjusted for the risk profile of the business. An average growth rate of 3% (2023: 5%) has been projected for normalised earnings over the short/medium term, with 4.5% (2023: 4.5%) projected thereafter, based on management experience and their expectations of industry and market share growth. Expectation of changes in gross margins and changes in indirect costs are based on past practices and expectations of future changes in the market.

The discount rate incorporates a risk-free rate which is adjusted for risk factors.

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

Based on the deregistration of a dormant entity within the Mustek CGU, goodwill relating to this business unit was written off in total (R3.2 million) during the financial year (2023: Rnil).

14. Goodwill continued

Sensitivity analysis

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

Reconciliation of goodwill

	Opening balance R000	Write-off R000	Total R000
Group – 2024			
Goodwill	**46 550**	**(3 205)**	**43 345**

15. Intangible assets

	2024 Cost R000	2024 Accumulated amortisation R000	2024 Carrying value R000	2023 Cost R000	2023 Accumulated amortisation R000	2023 Carrying value R000
Group						
Computer software	**211 005**	**(100 140)**	**110 865**	208 504	(83 642)	124 862

	2024 Cost R000	2024 Accumulated amortisation R000	2024 Carrying value R000	2023 restated* Cost R000	2023 restated* Accumulated amortisation R000	2023 restated* Carrying value R000
Company						
Computer software	**198 351**	**(91 475)**	**106 876**	191 295	(75 827)	115 468

Reconciliation of intangible assets

	Opening balance R000	Additions R000	Scrapping R000	Foreign exchange movements R000	Amortisation R000	Total R000
Group – 2024						
Computer software	**124 862**	**7 631**	**(5 153)**	**(1)**	**(16 474)**	**110 865**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

15. Intangible assets continued

Reconciliation of intangible assets

	Opening balance R000	Additions R000	Scrapping R000	Amortisation R000	Total R000
Company – 2024					
Computer software	**115 468**	**7 078**	**(22)**	**(15 648)**	**106 876**

	Opening balance R000	Additions R000	Amortisation R000	Total R000
Company – 2023 restated				
Computer software	95 345	25 598	(5 475)	115 468

Other information

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

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

Restatement

In the prior year Mustek Operations went live with its new ERP system. The costs of the new ERP were initially split between Mustek and Rectron on a 60/40 basis. Mustek had capitalised R68.8 million and Rectron had capitalised R37.5 million. Further assessment was done in the current year regarding the asset held by Rectron and it was concluded that Rectron does not have control over the asset and thus it does not meet the definition of an asset. Thus the cost initially capitalised by Rectron was transferred into Mustek Company as a prior period error adjustment from the 2022 financial year (refer to note 37).

The costs incurred and capitalised in developing the software have been amortised in accordance with IAS 38 *Intangible Assets*.

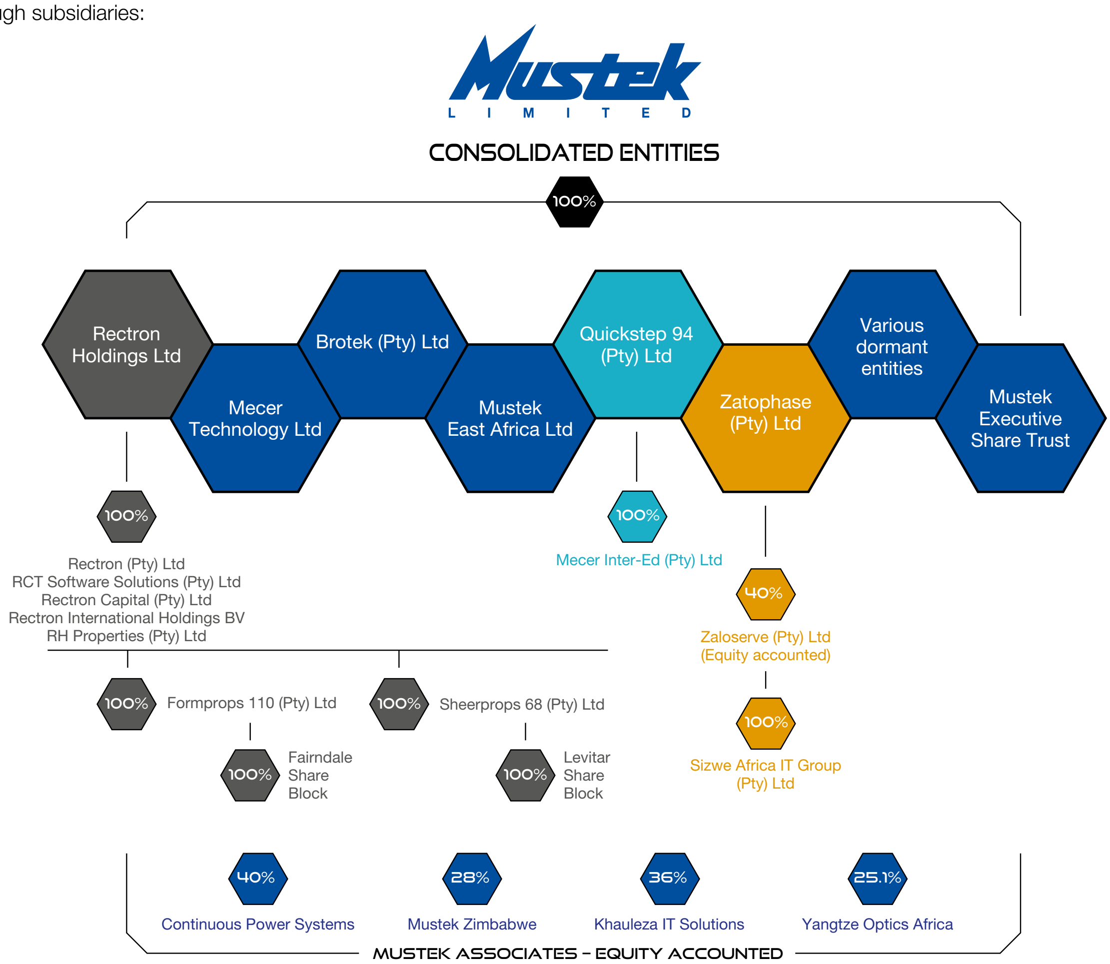
Software is amortised on a straight-line basis over their remaining useful lives of between one and 8.5 years.

16. Investment in subsidiaries

	Notes	2024 R000	2023 Restated* R000
Company			
Shares at cost less accumulated impairment		**213 551**	243 391
– opening balance		**243 391**	243 391
– write-off due to deregistration		**(6 793)**	–
– current year impairment (Note 2)		**(23 046)**	–
Loans owing by subsidiaries		**110 178**	121 480
– opening balance		**121 480**	114 344
– write-off of loans due to deregistration		**(8 872)**	–
– repayment of loans		**(1 522)**	(1 380)
– non-cash interest		**1 151**	1 100
– foreign exchange movement		**(2 059)**	7 416
Loan Impairments		**(56 957)**	(68 583)
– opening balance		**(68 583)**	(62 798)
– current year impairment reversals	9	**2 754**	–
– current year impairment		**–**	(5 785)
– current year reversal due to deregistration		**8 872**	–
Investment in subsidiaries		**266 772**	296 288
Loans owing to subsidiaries	24, 25	**(136 828)**	(142 489)
		129 944	153 799

* *Refer to note 37.*

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Investment in subsidiaries continued

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

			Group		Company	
Name of company	Country of incorporation	Nature of activities	**2024 %**	2023 %	**2024 R000**	2023 R000
Ballena Trading 29 Proprietary Limited*~	South Africa	Dormant	**–**	51	**–**	5 272
Brotek Proprietary Limited	South Africa	Property holding	**100**	100	**71 468**	71 468
CIS Thuthukani Technology Proprietary Limited~	South Africa	Dormant	**–**	100	**–**	6 793
Digital Surveillance Systems Proprietary Limited*~	South Africa	Dormant	**–**	75	**–**	5 896
Lithatek Investments Proprietary Limited*~	South Africa	Dormant	**–**	100	**–**	19 448
Makeshift 1000 Proprietary Limited*	South Africa	Dormant	**100**	100	**10 698**	10 698
Mecer Technology Limited	Taiwan	Trading	**100**	100	**6 629**	6 629
Mustek East Africa Limited (Note 1)	Kenya	Trading	**100**	100	**12 315**	12 315
Mustek Electronics (Cape Town) Proprietary Limited*~	South Africa	Dormant	**–**	100	**–**	3 229
Mustek Electronics (Durban) Proprietary Limited*~	South Africa	Dormant	**–**	100	**–**	1 658
Mustek Electronics (Port Elizabeth) Proprietary Limited*	South Africa	Dormant	**100**	100	**327**	327
Mustek Lesotho Proprietary Limited**	South Africa	Dormant	**99**	99	**–**	–
Mustek Limited Company Limited~	South Africa	Dormant	**–**	100	**–**	–
Mustek Middle East FZCO*		Dormant	**100**	100	**1 392**	1 392
Quickstep 94 Proprietary Limited	South Africa	Investment holding	**100**	100	**2 581**	2 581
Rectron Holdings Limited	South Africa	Trading	**100**	100	**115 973**	115 973
Tradeselect 38 Proprietary Limited*	South Africa	Dormant	**100**	100	**3 400**	3 400
Zatophase Proprietary Limited (Note 2)	South Africa	Investment holding	**100**	100	**35 944**	35 944
Total cost					**260 727**	303 023
Accumulated impairment					**(47 176)**	(59 632)
Opening balance					**(59 632)**	(59 632)
Current year impairment (note 2 below)					**(23 046)**	–
Reversal of impairment due to deregistration					**35 502**	–
Carrying amount at year-end					**213 551**	243 391

* *Fully impaired in prior years.*
** *Amounts less than R1 000.*
~ *Deregistered in the current financial year.*

Note 1: The investment in Mustek East Africa Limited was impaired by an amount of R5.7 million in previous financial years.

A list of the number of shares that is held in each subsidiary is available at the registered office of the company.

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

Note 2: Zatophase (Pty) Limited is an investment holding entity. The only asset held by Zatophase is the 40% interest in Zaloserve (Pty) Limited (refer note 17). Due to the fact that the investment in Zaloserve has been impaired down to its net realisable value of R15 million, the investment in Zatophase has also been impaired down to its net asset value. Refer to note 36.

16. Investment in subsidiaries continued

	2024 R000	2023 R000
Loans to subsidiaries		
Mustek East Africa Limited	**51 270**	51 640
This loan bears interest at two percent per annum (2023: 2%) and is repayable on demand (management has no expectation to demand settlement of this loan in the foreseeable future). This loan is unsecured.		
Zatophase Proprietary Limited	**1 951**	1 257
This loan is interest free and has no fixed terms of repayment (management have no expectation to demand settlement of the loan in the foreseeable future). The loan is unsecured.		
	53 221	52 897

Exposure to credit risk

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

Loans receivable that have fixed terms of repayment are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which requires a loss allowance to be recognised for all exposures to credit risk. The Group distinguishes between the following categories:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low risk (Stage 1)
- financial assets that have deteriorated significantly in credit quality since initial recognition (risk rating per Moody's RiskCalc implied rating scale has dropped by at least two grades over the last three years) and whose credit risk is not low (Stage 2)
- financial assets where objective evidence of impairment exists at the reporting date (Stage 3).

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

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

There have been no changes in the estimation techniques and significant assumptions made during the current reporting period. The below assessments were applied to on demand loans and loans with no terms:

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

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

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

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

Credit rating framework

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	There is sufficient cash or near cash investments held by the subsidiaries if the loan were to be repaid today	12m ECL
Doubtful	Significant increase in credit risk. Moody's RiskCalc rating has dropped by at least two grades	Lifetime ECL (credit impaired)
In default	There is insufficient cash or near cash investments held by subsidiary to repay the loan today	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Lifetime ECL (credit impaired)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Investment in subsidiaries continued

Credit loss allowances

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

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
Company – 2024							
Loans to subsidiaries							
Makeshift 1000 Proprietary Limited*		Internal rating	In default	Lifetime ECL (credit impaired)	43 192	(43 192)	–
Mustek East Africa Limited	B1	Moody's Investor Services	In default	Lifetime ECL (credit impaired)	55 788	(4 518)	51 270
Mustek Lesotho Proprietary Limited*		Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	–
Mustek Middle East FZCO*		Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	–
Quickstep 94 Proprietary Limited*		Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	–
Zatophase Proprietary Limited		Internal rating	Performing	12m ECL	2 102	(151)	1 951
					110 178	(56 957)	53 221

* *These loans are unsecured, interest free and have no fixed terms of repayment.*

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

* *These loans are unsecured, interest free and have no fixed terms of repayment.*

16. Investment in subsidiaries continued

Loans from subsidiaries

	2024 R000	2023 (restated) R000
Brotek Proprietary Limited Note 3	85 249	82 698
CIS Thuthukani Technology Proprietary Limited Note 1 & 4	–	10 212
Mecer Inter-Ed Proprietary Limited Note 1	14 000	12 000
Rectron Proprietary Limited Note 2	37 579	37 579
	136 828	142 489

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

Note 2: This loan is interest free and has no fixed terms of repayment. Refer to note 37 regarding the restatement relating to this loan.

Note 3: Brotek is made up of two loans with different terms:

The first loan has a balance of R52.5 million (2023: R47.7 million). This loan is interest free and has no fixed terms of repayment.

The second loan is a back-to-back loan with the mortgage bond received from Nedbank (refer note 24) and advanced to Mustek during June 2020. The balance of this loan is R32.7 million (2023: R35.0 million). This loan is carried at amortised cost and carries the same terms as the mortgage bond disclosed in note 24. R32.7 million (2023: R2.3 million) is repayable in the next 12 months.

Note 4: CIS Thuthukani Technology Proprietary Limited was deregistered in the current year and the loan owing was waived.

Split between non-current and current portions

	2024 R000	2023 (restated) R000
Non-current liabilities	–	32 720
Current liabilities	136 828	109 769
	136 828	142 489

Classification

Loans to related companies (notes 16 and 17) and entities outside the Group (note 18) are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

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

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

Impairment

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

Refer to note 24 for accounting policy on loan payables.

Fair value of subsidiary loans

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate

	Notes	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Shares at cost		55 305	68 128	55 306	40 246
– opening balance		68 128	61 287	40 246	40 246
– acquisitions		15 060	6 841	15 060	–
– transferred to non-current assets held-for-sale	36	(27 883)	–	–	–
Impairments		(4 189)	(14 350)	(4 189)	(4 189)
– opening balance		(14 350)	(14 350)	(4 189)	(4 189)
– current year impairments	36	(13 743)	–	–	–
– transferred to non-current assets held-for-sale	36	23 904	–	–	–
Share of undistributed post-acquisition gains		31 527	61 906	–	–
– opening balance		61 906	74 705	–	–
– current year share of post-acquisition losses		(19 359)	(12 799)	–	–
– transferred to non-current assets held-for-sale	36	(11 020)	–	–	–
Loans owing by associates		1 300	1 300	1 300	1 300
Opening balance		1 300	3 418	1 300	3 418
– repayment of loans		–	(2 118)	–	(2 118)
Investment in associates		83 943	116 984	52 417	37 357

Summarised financial information of material associates

	Revenue R000	Profit (loss) before tax R000	Tax R000	Total comprehensive income R000
2024				
Summarised statement of profit or loss and other comprehensive income				
Yangtze Optics Africa Proprietary Limited	240 528	4 880	(687)	4 193
Khauleza IT Solutions Proprietary Limited	37 401	(320)	–	(320)
Continuous Power Systems Proprietary Limited	45 413	(3 430)	–	(3 430)
	323 342	1 130	(687)	443

	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000	Mustek's share of net asset value R000
2024						
Summarised statement of financial position						
Yangtze Optics Africa Proprietary Limited	206 477	208 718	–	142 727	272 468	66 989
Khauleza IT Solutions Proprietary Limited	12 247	9 220	4 656	2 067	14 744	5 105
Continuous Power Systems Proprietary Limited	43 903	29 201	17 515	20 819	34 770	11 849
	262 627	247 139	22 171	165 613	405 925	83 943

17. Investment in associate continued

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

	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000	Mustek's share of net asset value R000
2023						
Summarised statement of financial position						
Yangtze Optics Africa Proprietary Limited	95 748	245 138	–	121 853	219 033	51 160
Zaloserve Proprietary Limited	76 583	587 869	20 535	523 802	120 115	47 384
Khauleza IT Solutions Proprietary Limited	9 868	6 525	–	1 329	15 064	5 219
Continuous Power Systems Proprietary Limited	36 797	48 398	19 273	22 017	43 905	13 221
	218 996	887 930	39 808	669 001	515 101	116 984

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate continued

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

Company – unlisted

	Note	Percentage holding 2024 %	2024 R000	Cost Additions/ (disposals) R000	Opening impairment R000	Additional impairment R000	2023 R000
Mustek Zimbabwe Private Limited	3	**–**	**4 189**	–	(4 189)	–	4 189
Khauleza IT Solutions Proprietary Limited		**36.0**	**–**	–	–	–	–
Continuous Power Systems Proprietary Limited	1	**40.0**	**–**	–	–	–	–
Yangtze Optics Africa Holdings Proprietary Limited	2	**25.1**	**51 117**	15 060	–	–	36 057
Total Company			**55 306**	15 060	(4 189)	–	40 246

Group – unlisted

	Note	Percentage holding 2024 %	2024 R000	Cost Additions R000	Opening impairment R000	Additional impairment R000	Transferred to non-current assets held-for-sale (note 36)*	2023 R000
Mustek Zimbabwe Private Limited	3	**–**	**4 189**	–	(4 189)	–	–	4 189
Khauleza IT Solutions Proprietary Limited		**36.0**	**–**	–	–	–	–	–
Continuous Power Systems Proprietary Limited	1	**40.0**	**–**	–	–	–	–	–
Zaloserve Proprietary Limited	4	**40.0**	**–**	–	(10 161)	(13 743)	(3 979)	27 883
Yangtze Optics Africa Holdings Proprietary Limited	2	**25.1**	**51 116**	15 060	–	–	–	36 057
Total Group			**55 305**	15 060	(14 350)	(13 743)	(3 979)	68 128

1. With effect from 1 January 2011, Mustek Limited acquired a 40% share in Continuous Power Systems Proprietary Limited. The loan to Continuous Power Systems Proprietary Limited is interest free and has no fixed repayment terms (management has no expectation to demand settlement of this loan within the next 12 months).
2. Mustek Limited acquired a 25.1% share in Yangtze Optics Africa Holdings Proprietary Limited with effect from 8 March 2016. During the current year, management entered into a subscription of shares agreement, to fund an expansion of YOA's manufacturing facility. This increased the investment in YOA by R15 million while maintaining the same shareholding of 25.1%.
3. On 1 July 2002 Mustek disposed of Mustek Zimbabwe. The purchaser irrevocably granted Mustek an option to purchase, at any time, 40% of the entire issued share capital of Mustek Zimbabwe for a nominal value and, as a result, the option investment is treated as an equity investment in an associate company.
4. In the current year, this investment has been transferred to non-current assets held-for-sale. Refer to note 36.

Loans to					Equity-accounted share of earnings					Net investment	
2024 R000	Advanced/ (repaid) R000	Opening impairment R000	Reversal of impairment R000	2023 R000	**2024 R000**	Current year profits R000	Current year disposals R000	Dividend received R000	2023 R000	**2024 R000**	2023 R000
–	–	–	–	–	**–**	–	–	–	–	**–**	–
–	–	–	–	–	**–**	–	–	–	–	**–**	–
1 300	–	–	–	1 300	**–**	–	–	–	–	**1 300**	1 300
–	–	–	–	–	**–**	–	–	–	–	**51 117**	36 057
1 300	–	–	–	1 300	**–**	–	–	–	–	**52 417**	37 357

Loans to				Equity-accounted share of earnings				Net investment	
2024 R000	Advanced/ (repaid)/ written off R000	Opening impairment R000	2023 R000	**2024 R000**	Current year profits (losses) R000	Transfers to non-current asset held-for-sale R000	2023 R000	**2024 R000**	2023 R000
–	–	–	–	**–**	–	–	–	**–**	–
–	–	–	–	**5 105**	(114)	–	5 219	**5 105**	5 219
1 300	–	–	1 300	**10 549**	(1 372)	–	11 921	**11 849**	13 221
–	–	–	–	**–**	(18 643)	(11 020)	29 663	**–**	47 385
–	–	–	–	**15 873**	770	–	15 103	**66 989**	51 159
1 300	–	–	1 300	**31 527**	(19 359)	(11 020)	61 906	**83 943**	116 984

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate continued

Additional information	Nature of business	Principle place of business	Period equity accounted
Mustek Zimbabwe Private Limited	Assembly and distribution of computers and computer components	Zimbabwe	12 months (2023: 12 months)
Khauleza IT Solutions Proprietary Limited	Provider of IT support solutions	South Africa	12 months (2023: 12 months)
Continuous Power Systems Proprietary Limited	Provider of uninterrupted power supply solutions	South Africa	12 months (2023: 12 months)
Zaloserve Proprietary Limited	Group of IT support solutions provider companies	South Africa	9 months (2023: 12 months)
Yangtze Optics Africa Holdings Proprietary Limited	Fibre optics technology	South Africa	12 months (2023: 12 months)

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

The net investment is stated after accumulated impairment charges of R4 million (2023: R14.3 million) for the Group and R4 million (2023: R4.2 million) for the company. The carrying amounts of the investments approximates the fair values.

The loans are measured, at initial recognition, at fair value plus transaction costs, if any. After initial recognition, these loans are measured at amortised cost using the effective interest method, net of ECL. Refer to note 16 for details on the Group's exposure to credit risk, specifically relating to loans receivable from Group companies.

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

18. Other loans

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Other loans are presented at amortised cost, which is net of ECL, as follows:				
A Lai	–	–	–	–
This loan is unsecured, interest-free and has no fixed terms of repayment. This loan has been impaired in full.				
Elimu Technologies Proprietary Limited	–	–	–	–
This loan is unsecured, bears interest at prime and has no fixed repayment terms. This loan has been impaired in full.				
Mustek Executive Share Trust	–	–	34 026	36 336
Note 1 and 2				
Estate late DC Kan	2 950	23 410	–	–
Note 3				
H Engelbrecht	10 075	11 525	–	–
Note 1				
CJ Coetzee	530	1 390	–	–
Note 1				
IG3 Education Limited (incorporated in Australia)	–	–	–	–
This loan bears interest at 4.17% per annum and is overdue. This loan has been written off in the current year.				
	13 555	36 325	34 026	36 336

Note 1: 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. Up to 31 August 2017, these loans bore interest at the South African Repo rate plus one percent. From 1 September 2017, the loans are interest free. Tax on fringe benefits is charged to the loan accounts on a monthly basis. These loans are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment and note 31 for related-party disclosure.

Note 2: In accordance with IFRS 10, Mustek has control over the Mustek Executive Share Trust, as it is exposed and has rights to variable returns from its involvement with the trust and has the ability to affect those returns through its power. Therefore, it is consolidated into the Group. This entity has a 28 February financial year-end which is different to the 30 June year-end of other Group entities (unless stated otherwise). The June financial records of the Trust are consolidated into the Group financial statements.

Note 3: The loan to DC Kan was advanced under the same scenario noted above in Note 1. During the current year, a portion of the loan was settled through the transfer of the 2 250 000 shares with a value of R20.6 million from the DC Kan estate back to the Mustek Executive Share Trust. Pending the finalisation of his estate the remaining balance of R2.9 million is expected to be settled within the next 12 months. The loan has been disclosed as a short-term loan included in Trade and other receivables (note 20).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. Other loans continued

Exposure to credit risk

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

Other loans are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for other loans is calculated based on 12 month (12m) expected losses. A rate of 1% (2023: 1%) was used for the ECL on certain of the loans (Mustek Share Trust and Director loans) as these loans are expected to have low credit risk as the borrowers have capacity to meet their obligations and sufficient measures are put in place to ensure recoverability of these loans. In determining the amount of ECLs for these loans, the Group and company have taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

There have been no loans with an increase in credit risk in the current year.

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

Credit rating framework

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and repayments on the loan have been received in the current year	12m ECL
Doubtful	There has been a significant increase in credit risk and no repayments have been received on the loan in the current year	Lifetime ECL (not credit impaired)
In default	There is evidence indicating that the counterparty is in financial difficulty but a repayment plan has been agreed	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty such as insolvency and there is no realistic prospect of recovery	Lifetime ECL (credit impaired)

Credit loss allowances

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

Instrument	External credit rating (where applicable)	Rating agency	Internal credit (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Group – 2024							
A Lai		**Internal rating**	**In default**	**Lifetime ECL (credit impaired)**	**1 000**	**(1 000)**	**–**
Elimu Technologies Proprietary Limited		**Internal rating**	**In default**	**Lifetime ECL (credit impaired)**	**2 395**	**(2 395)**	**–**
Estate late DC Kan		**Internal rating**	**Performing**	**12m ECL**	**2 979**	**(29)**	**2 950**
H Engelbrecht		**Internal rating**	**Performing**	**12m ECL**	**10 177**	**(102)**	**10 075**
CJ Coetzee		**Internal rating**	**Performing**	**12m ECL**	**535**	**(5)**	**530**
IG3 Education Limited		**Internal rating**	**Doubtful**	**Lifetime ECL (credit impaired)**	**6 146**	**(6 146)**	**–**
					23 232	**(9 677)**	**13 555**

18. Other loans continued

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

Instrument	**Rating agency**	**Internal credit (where applicable)**	**Basis of loss allowance**	**Gross carrying amount R000**	**Loss allowance R000**	**Amortised cost R000**
Company – 2024						
A Lai	**Internal rating**	**In default**	**Lifetime ECL (credit impaired)**	**1 000**	**(1 000)**	**–**
Elimu Technologies Proprietary Limited	**Internal rating**	**In default**	**Lifetime ECL (credit impaired)**	**2 395**	**(2 395)**	**–**
Mustek Executive Share Trust	**Internal rating**	**Performing**	**12m ECL**	**34 370**	**(344)**	**34 026**
				37 765	**(3 739)**	**34 026**

Instrument	Rating agency	Internal credit (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Company – 2023						
A Lai	Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	2 152	(2 152)	–
Mustek Executive Share Trust	Internal rating	Performing	12m ECL	36 703	(367)	36 336
				39 855	(3 519)	36 336

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. Other loans continued

Reconciliation of loss allowances

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

Other loans: Loss allowance measured at 12-month ECL:

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Opening balance in accordance with IFRS 9	**377**	409	**367**	451
Changes due to investments recognised at the beginning of the reporting period:				
Reduction due to repayment of loans	**(241)**	(32)	**(23)**	(84)
Closing balance	**136**	377	**344**	367

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

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Opening balance in accordance with IFRS 9	**9 095**	12 593	**3 152**	3 087
Changes due to investments recognised at the beginning of the reporting period:				
Derecognition of loan	**–**	(4 696)	**–**	–
Increase in loans	**446**	1 198	**243**	65
Closing balance	**9 541**	9 095	**3 395**	3 152

19. Inventories

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Trading inventory	**2 186 889**	2 526 992	**1 404 838**	1 532 689
Allowance for obsolescence	**(83 156)**	(109 045)	**(52 310)**	(55 215)
Trading inventory, net of allowance for obsolescence	**2 103 733**	2 417 947	**1 352 528**	1 477 474
Inventories in transit	**248 668**	372 388	**148 878**	156 413
Total inventories	**2 352 401**	2 790 335	**1 501 406**	1 633 887
Allowance for obsolescence reconciliation				
Opening balance	**(109 045)**	(151 074)	**(55 215)**	(103 799)
Current year reversal (provision)	**12 550**	19 833	**(8 511)**	26 407
Amount written off/written down	**13 339**	22 196	**11 416**	22 177
	(83 156)	(109 045)	**(52 310)**	(55 215)

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

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

The cost of inventories recognised as an expense during the year was R7.5 billion (2023: R8.7 billion) and R5.1 billion (2023: R5.7 billion) for the Group and company respectively. Costs relating to outward freight and delivery are included in cost of sales.

The cost of inventories recognised includes R13.3 million (2023: R22.1) million and R11.4 million (2023: R22.1 million) for the Group and company respectively, in respect of write-downs to net realisable value.

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

20. Trade and other receivables

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Financial instruments at amortised cost:				
Trade receivables	**1 514 820**	1 606 004	**1 112 439**	1 001 319
Loss allowance	**(72 894)**	(64 429)	**(41 967)**	(39 371)
Trade receivables at amortised cost	**1 441 926**	1 541 575	**1 070 472**	961 948
Dividend receivable	**–**	–	**51 000**	–
Other receivables	**7 284**	44 198	**5 232**	31 351
Other short-term receivables (note 18)	**2 950**	23 410	**–**	–
Non-financial instruments:				
VAT	**46 509**	75 249	**29 011**	64 481
Prepayments	**74 071**	172 195	**70 621**	170 051
Total trade and other receivables	**1 572 740**	1 856 627	**1 226 336**	1 227 831

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

Exposure to currency risk

Refer to note 27 for details of currency risk management for trade receivables.

Classification

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

Recognition and measurement

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

Impairment

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

Other information

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

The Group and company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for expected credit losses. The Group and company have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group and company perform ongoing credit valuations of the financial condition of customers, and where appropriate, credit guarantee insurance is purchased for between 85% to 90% (2023: 85% to 90%) of the value of individual trade receivables subject to an insurance deductible. Note that the majority of trade receivables are encumbered (see note 24).

The average credit period on sale of goods and services is between 30 and 60 days (2023: 30 and 60 days) from date of invoice. Generally, no interest is charged on trade receivables. Of the trade receivable balance at year-end, R295.4 million (2023: R96.1 million) and R295.4 million (2023: R96.1 million) is due from the Group and the company's largest customer respectively.

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

The credit risk for other receivables is assessed using the general approach, the balance is not material and does not contain material impaired assets. Other short-term receivables in the current year represents the loan to Estate late DC Kan. Refer note 18 for detail of the loan and related ECL allowance.

Write-off policy

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

Expected credit losses

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

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

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

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

20. Trade and other receivables continued

Expected credit losses continued

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

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

This is consistent with the methodology applied in prior periods.

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

Moody's Analytics does not disclose the specific macro-economic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures. The forecast GDP growth for Q4 2024 ranges from -1.51% to 3.27% with baseline at 1.54%. GDP is not the only factor that determines the extent of the adjustment but is described here to illustrate the extent of impact on the general economy that is being taken into account.

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

	Collectively assessed R000	Individually assessed R000	Total R000
Group – 2024			
Balance at the beginning of the year	**17 008**	**47 421**	**64 429**
Foreign exchange movements	**–**	**(60)**	**(60)**
Net amounts written off as uncollectable	**–**	**(16 740)**	**(16 740)**
Charged to profit or loss	**(2 173)**	**27 438**	**25 265**
Balance at the end of the year	**14 835**	**58 059**	**72 894**
Group – 2023			
Balance at the beginning of the year	11 053	47 602	58 655
Transfer to individually assessed	(582)	582	–
Foreign exchange movements	–	(166)	(166)
Net amounts written off as uncollectable	–	(5 152)	(5 152)
Charged to profit or loss	6 537	4 555	11 092
Balance at the end of the year	17 008	47 421	64 429
Company – 2024			
Balance at the beginning of the year	**11 555**	**27 816**	**39 371**
Net amounts written off as uncollectable	**(76)**	**(7 181)**	**(7 257)**
Charged to profit or loss	**(2 197)**	**12 050**	**9 853**
Balance at the end of the year	**9 282**	**32 685**	**41 967**
Company – 2023			
Balance at the beginning of the year	7 315	24 813	32 128
Net amounts written off as uncollectable	–	(3 839)	(3 839)
Charged to profit or loss	4 240	6 842	11 082
Balance at the end of the year	11 555	27 816	39 371

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Group – 2024									
0 – 30 days									
Lesotho	743	Sovereign rate and empirical	B2	43.9	0.25	0.69	0.69	(5)	738
Mozambique	397	Sovereign rate and empirical	Caa1	45.3	0.25	1.46	1.46	(6)	391
Namibia	2 813	Sovereign rate and empirical	Ba1	43.7	0.25	0.16	0.16	(7)	2 806
Eswatini	874	Sovereign rate and empirical	B1	43.9	0.25	0.48	0.48	(4)	870
Zambia	15	Sovereign rate and empirical	B3	43.9	0.25	0.98	0.98	–	15
Zimbabwe	1 997	Sovereign rate and empirical	C	100.0	0.25	10 – 100	10 – 100	(896)	1 101
South Africa	772 997	Empirical	Ba2	3.29	0.25	–	0.25	(1 818)	72 179
Total	729 836							(2 736)	727 100
30 – 60 days									
Lesotho	318	Sovereign rate and empirical	B2	43.9	0.42	0.69	0.69	(2)	316
Namibia	590	Sovereign rate and empirical	Ba1	43.7	0.42	0.16	0.16	(2)	588
Eswatini	1 147	Sovereign rate and empirical	B1	43.9	0.42	0.48	0.48	(6)	1 141
Zambia	1	Sovereign rate and empirical	B3	43.9	0.42	0.98	0.98	(1)	–
Zimbabwe	864	Sovereign rate and empirical	C	100.0	0.42	10 – 100	10 – 100	(93)	771
South Africa	260 592	Empirical	Ba2	3.29	0.42	–	0.42	(1 093)	259 499
Total	263 512							(1 197)	262 315

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Namibia	39	Sovereign rate and empirical	Ba1	43.7	1.35	0.16	1.35	(1)	38
Zimbabwe	456	Sovereign rate and empirical	C	100.0	1.35	10 – 100	10 – 100	(46)	410
South Africa	99 583	Empirical	Ba2	3.29	1.35	–	1.35	(1 347)	98 236
Total	100 078							(1 394)	98 684
90+ days									
Mozambique	3	Sovereign rate and empirical	Caa1	45.3	3.55	1.46	3.55	(1)	2
Namibia	22	Sovereign rate and empirical	Ba1	43.7	3.55	0.16	3.55	(1)	21
Eswatini	7	Sovereign rate and empirical	B1	43.9	3.55	0.48	3.55	(1)	6
Zimbabwe	904	Sovereign rate and empirical	C	100.0	3.55	100	100	(904)	–
South Africa	242 640	Empirical	Ba2	3.29	3.55	–	3.55	(8 601)	234 039
Total	243 576							(9 508)	234 068
Total Group ECL								(14 835)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
Group – 2023									
0 – 30 days									
DRC	202	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(2)	200
Lesotho	1 045	Sovereign rate and empirical	B2	44.1	0.28	0.68	0.68	(7)	1 038
Mozambique	766	Sovereign rate and empirical	Caa2	45.4	0.28	1.99	1.99	(15)	751
Namibia	4 015	Sovereign rate and empirical	B1	44.1	0.28	0.48	0.48	(19)	3 996
Eswatini	1 280	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(12)	1 268
Zambia	172	Sovereign rate and empirical	Ca	45.4	0.28	45.42	45.42	(78)	94
Zimbabwe	4 132	Sovereign rate and empirical	Default	100.0	0.28	10 – 100	10 – 100	(1 257)	2 875
South Africa	728 702	Empirical	Ba1	3.63	0.28	–	0.28	(2 011)	726 691
Total	740 314							(3 401)	736 913
30 – 60 days									
Lesotho	208	Sovereign rate and empirical	B2	44.1	0.47	0.68	0.68	(2)	206
Mozambique	127	Sovereign rate and empirical	Caa2	45.4	0.47	1.99	1.99	(3)	124
Namibia	626	Sovereign rate and empirical	B1	44.1	0.47	0.48	0.48	(3)	623
Eswatini	802	Sovereign rate and empirical	B3	44.1	0.47	0.96	0.96	(8)	794
Zimbabwe	2 622	Sovereign rate and empirical	Default	44.1	0.47	10 – 100	10 – 100	(480)	2 142
South Africa	367 746	Empirical	Ba1	3.63	0.47	–	(0.47)	(1 727)	366 019
Total	372 131							(2 223)	369 908

20. Trade and other receivables continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Mozambique	135	Sovereign rate and empirical	Caa2	45.4	1.53	1.99	1.99	(3)	132
Namibia	179	Sovereign rate and empirical	B1	44.1	1.53	0.48	1.53	(3)	176
Eswatini	218	Sovereign rate and empirical	B3	44.1	1.53	0.96	1.53	(4)	214
South Africa	99 392	Empirical	Ba1	3.63	1.53	–	1.53	(1 524)	97 868
Total	99 924							(1 534)	98 390
90+ days									
Mozambique	120	Sovereign rate and empirical	Caa2	45.4	4.07	1.99	4.07	(5)	115
Namibia	560	Sovereign rate and empirical	B1	44.1	4.07	0.48	4.07	(23)	537
Nigeria	1	Sovereign rate and empirical	Caa2	45.4	4.07	1.40	4.07	(1)	–
Eswatini	85	Sovereign rate and empirical	B3	44.1	4.07	0.96	4.07	(4)	81
Zambia	93	Sovereign rate and empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 215	Sovereign rate and empirical	Default	100.00	4.07	10	10	(121)	1 094
South Africa	236 015	Empirical	Ba1	3.63	4.07	–	4.07	(9 654)	226 361
Total	238 089							(9 850)	228 239
Total Group ECL								(17 008)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Company – 2024									
0 – 30 days									
Lesotho	7	Sovereign rate and empirical	B2	43.9	0.25	0.69	0.69	–	7
Mozambique	169	Sovereign rate and empirical	Caa1	45.3	0.25	1.46	1.46	(2)	167
Namibia	1 657	Sovereign rate and empirical	Ba1	43.7	0.25	0.16	0.25	(4)	1 653
Eswatini	522	Sovereign rate and empirical	B1	43.9	0.25	0.48	0.48	(3)	519
Zimbabwe	1 223	Sovereign rate and empirical	C	100.0	0.25	10.00	10.00	(122)	1 101
South Africa	537 223	Empirical	Ba2	3.29	0.25	–	0.25	(1 351)	535 872
Total	540 801							(1 482)	539 319
30 – 60 days									
Namibia	443	Sovereign rate and empirical	Ba1	43.7	0.42	0.16	0.42	(2)	441
Eswatini	579	Sovereign rate and empirical	B1	43.9	0.42	0.48	0.48	(3)	576
Zambia	1	Sovereign rate and empirical	B3	43.9	0.42	0.98	0.98	–	1
Zimbabwe	855	Sovereign rate and empirical	C	100.0	0.42	10.00	10.00	(85)	770
South Africa	153 164	Empirical	Ba2	3.29	0.42	–	0.42	(642)	152 522
Total	155 042							(732)	154 310

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Namibia	23	Sovereign rate and empirical	Ba1	43.7	1.35	0.16	1.35	–	23
Zimbabwe	456	Sovereign rate and empirical	C	100.0	1.35	10.00	10.00	(46)	410
South Africa	69 555	Empirical	Ba2	3.29	1.35	–	1.35	(941)	68 614
Total	70 034							(987)	69 047
90+ days									
South Africa	171 119	Empirical	Ba2	3.29	3.55	–	3.55	(6 067)	165 052

Intercompany balances	Indicative amount at 30 June 2024	Measurement approach	Probability or default rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	1 877	PD and LGD – RiskCalc	3.50%	55.9	0.71	–	0.71	(14)	1 863
Mustek East Africa	60	PD and LGD – RiskCalc	2.09%	55.7	0.43	0.48	0.48	–	60
Total	1 937							(14)	1 923
Total company ECL								(9 282)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

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

20. Trade and other receivables continued

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

Intercompany balances	Indicative amount at 30 June 2023	Measurement approach	Probability of default or rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2021	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	14 442	PD and LGD – RiskCalc	1.75%	55.3	0.36	–	0.36	(53)	14 389
Mustek East Africa	229	PD and LGD – RiskCalc	3.30%	55.6	0.74	0.68	0.74	(2)	227
Total	14 671							(55)	14 616
Total company ECL								(11 555)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

Individually assessed debtors:

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

	ECL %	Group: Indicative amount at 30 June 2024 R000	Group: Indicative ECL amount R000	Company: Indicative amount at 30 June 2024 R000	Company: Indicative ECL amount R000
2024					
Category 1	20%	**77 598**	**4 671**	**18 532**	**1 838**
Category 2	20% – 80%	**26 240**	**10 134**	**4 577**	**1 212**
Category 3	80% – 100%	**47 132**	**43 254**	**30 726**	**29 635**
		150 970	**58 059**	**53 835**	**32 685**

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

Category 1 – debtors included in this category are impaired at 20% (2023: 20%) as a result of credit insurance being held for the remaining 80% (2023: 80%) of the debt.

Category 2 – debtors included in this category relate to debtors with varying levels of security such as personal suretyships, cessions and guarantees. The assessment of recoverability results in an ECL of between 20% and 80% (2023: 20% and 80%).

Category 3 – debtors impaired at 100% are based on the probability that the debtor will be fully delinquent and low or no recoverability exists for this debt.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread among approved counterparties.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, forward exchange contracts, loans and receivables, investments and trade and other receivables.

With respect to the forward exchange contracts, the Group's exposure is on the full amount of the foreign currency due on settlement. The Group minimises credit risk relating to forward exchange contracts by limiting the counterparties to major local and international banks and does not expect to incur any losses as a result of non-performance by these counterparties.

Financial assets recorded in the financial statements, which are net of impairment losses, represent the company and Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. (Refer to note 16, 17 and 18 and above).

The maximum credit exposure of forward exchange contracts is represented by the fair value of these contracts. (Refer to note 27)

The company holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on liquidation of the debtor. The collateral held by the Group and company amounted to R546 million (2023: R255 million).

21. Cash and cash equivalents

Bank balances and cash comprise cash, funds on call and short-term deposits and are at amortised cost. The carrying amount of these assets approximates their fair value. These financial assets are recognised initially at fair value and subsequently measured at amortised cost. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Moody's credit ratings of the Group's major banking institutions are Aaa.za.

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Bank balances and cash	**303 596**	349 258	**105 917**	93 091

22. Cash generated from operations

		Group		Company	
		2024 R000	2023 R000	**2024 R000**	2023 R000
Profit before taxation		**40 158**	292 664	**76 073**	187 205
Adjustments for non-cash items:					
Depreciation and amortisation	6	**70 701**	53 848	**59 914**	44 029
Write-off of investment in subsidiary due to deregistration	16	**–**	–	**6 793**	–
Losses (profit) on disposals and scrappings of property, plant and equipment	11	**1 615**	1 445	**(60)**	1 180
Unrealised foreign exchange (gains) losses	6	**(40 872)**	16 029	**(27 858)**	(13 810)
Losses on equity – accounted investment	17	**19 359**	12 799	**–**	–
Allowance for obsolescence of inventory and inventory written off	19	**(25 889)**	(42 028)	**(2 905)**	(48 584)
Write-off of loan payable to subsidiary due to deregistration	16	**–**	–	**(10 212)**	–
Impairment of investment in subsidiary	16	**–**	–	**23 046**	–
Impairment on investment in associate	17	**13 743**	–	**–**	–
Realisation of FCTR on liquidation of foreign subsidiary	9	**782**	(2 150)	**–**	–
Impairment of goodwill	14	**3 205**	–	**–**	–
Share-based payment expense	31	**(5 371)**	12 119	**(3 992)**	9 195
Movement in ECLs on trade receivables	20	**25 265**	11 092	**9 853**	11 081
Impairment of loans to subsidiaries	16	**–**	–	**(2 754)**	5 785
Fair value adjustments of FEC's	27	**18 743**	(2 735)	**12 942**	(1 368)
Reversal of impairment of associate loans	17	**–**	(15)	**–**	(15)
Impairment of other loans	18	**228**	770	**242**	1 014
Gains due to deregistration of subsidiaries	16	**(1 460)**	–	**–**	–
Write-off of other items	9	**–**	(160)	**–**	–
Interest income	7	**(14 356)**	(23 650)	**(4 717)**	(5 118)
Dividends received	7	**–**	–	**(63 297)**	(19 731)
Finance costs	8	**220 066**	174 532	**145 259**	110 729
Changes in working capital:					
Inventories	19	**463 824**	(268 120)	**135 386**	(88 808)
Trade and other receivables	20	**229 790**	(393 399)	**42 643**	(173 882)
Trade and other payables	26	**(961 039)**	351 856	**(366 200)**	81 744
Contract assets	5	**26 402**	(31 471)	**4 093**	(7 498)
Contract liabilities	5	**(24 205)**	34 268	**(653)**	8 576
		60 689	197 694	**33 596**	101 724

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23. Share capital and earnings per share

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Authorised				
Ordinary shares (000)	**250 000**	250 000	**250 000**	250 000
Reconciliation of number of shares issued and outstanding:				
Opening balance (000)	**57 540**	59 000	**57 540**	59 000
Shares bought back and cancelled – funded by retained earnings (000)		(1 460)		(1 460)
Ordinary shares in issue (000)	**57 540**	57 540	**57 540**	57 540
Shares held as treasury shares (000)	**(3 408)**	–	**(3 408)**	–
Number of shares outstanding (000)	**54 132**	57 540	**54 132**	57 540
The shares held in the Mustek Executive Share Trust are considered to be treasury shares. 2 250 000 shares were transferred from DC Kan's estate. Refer to note 18.				
Issued				
Shares bought back	**–**	(21 857)	**–**	(21 857)
Share buy backs funded by retained earnings	**–**	21 857	**–**	21 857
Closing balance	**–**	–	**–**	–

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's Board of directors reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of 60%: 40% (2023: 60%: 40%). The current debt-to-equity ratio is 66%: 34% (2023: 70%: 30%).

Share repurchases 2023

	Number of shares	Repurchase price	Average repurchase price per share
Ordinary shares			
Included in the above:			
Total shares repurchased	1 460	21 857	14.97

Earnings per share

Basic earnings per share

Basic earnings per share is based on earnings of R21.4 million (2023: R219.6 million) and weighted average number of ordinary shares of 57.4 million (2023: 58.2 million).

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Basic earnings per share				
From operations (c per share)	**37.31**	377.05	**–**	–
Diluted earnings per share				
From operations (c per share)	**37.31**	377.05	**–**	–
Headline earnings per share				
Headline earnings per share (c)	**67.13**	357.18		
Diluted headline earnings per share (c)	**67.13**	357.18		
Weighted average number of ordinary shares	**57 353 763**	58 245 548		

23. Share capital and earnings per share continued

		Group		Company	
		Gross 2024 R000	Net 2024 R000	Gross 2023 R000	Net 2023 R000
Reconciliation between profit (loss) attributable to equity holders of the parent and headline earnings (loss) – Group					
Profit for the year attributable to equity holders of the parent			21 397		219 612
Basic earnings			21 397		219 612
Adjusted for:					
Group's share of (loss) profit on disposal scrapping/recoupment of property, plant and equipment and intangible assets.		1 615	1 179	1 445	1 055
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary	9	782	782	(2 150)	(2 150)
Gains on deregistration of subsidiaries	9	(1 460)	(1 460)	–	–
Impairment of associate	17	13 743	13 743	–	–
Write-off of goodwill	14	3 205	3 205	–	–
Remeasurement items included in associate equity-accounted earnings					
Group's share of loss (profit) on sale of property, plant and equipment		(470)	(343)	13	10
Headline earnings			38 503		218 527
Dividends per share					
Final (c)		77.00	76.00	77.00	76.00

The final cash dividend of 7.5 cents were declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

24. Borrowings and other liabilities

		Group		Company	
		2024 R000	2023 R000	**2024 R000**	2023 R000
Held at amortised cost					
Secured					
Mortgage bond		**32 720**	34 994	**–**	–
Bank overdrafts		**500 345**	380 999	**500 000**	380 999
Unsecured					
Bank overdrafts		**99 612**	479	**99 612**	–
Loan from subsidiary	16	**–**	–	**32 720**	34 994
Total interest – bearing borrowings		**632 677**	416 472	**632 332**	415 993
Interest-free					
Unsecured					
Share-based payment liabilities – non-financial liability	30	**1 167**	25 440	**892**	19 736
Loans from subsidiaries – financial liabilities	16	**–**	–	**109 166**	112 553
Total interest-free borrowings		**1 167**	25 440	**110 058**	132 289
Split between non-current and current portions					
Non-current liabilities		**272**	34 010	**202**	33 644
Current liabilities		**633 572**	407 902	**737 130**	509 580
Bank overdrafts		**599 957**	381 478	**599 612**	380 999
Short-term portion of mortgage bond		**32 720**	2 274	**–**	–
Short-term portion of share-based payment liability	26	**895**	24 150	**690**	18 812
Loans from subsidiaries	16	**–**	–	**136 828**	109 769
Total borrowings		**633 844**	441 912	**737 332**	543 224
Trade and other payables at amortised cost		**2 496 237**	3 526 767	**1 508 861**	1 920 543
		3 130 081	3 968 679	**2 246 193**	2 463 767
Maturity analysis:					
The borrowings are repayable as follows:					
On demand or within six months		**3 096 102**	3 914 008	**2 212 488**	2 414 800
Six to 12 months		**36 297**	–	**36 279**	–
Year two			36 233	**–**	36 233
		3 132 381	3 950 241	**2 248 767**	2 451 033
Less finance charges component		**(3 467)**	(7 002)	**(3 467)**	(7 002)
		3 128 914	3 943 239	**2 245 300**	2 444 031

Additional information

Included in bank overdrafts, is an amount of R500 million (2023: R381 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2.1% (2023: JIBAR plus 2.1%) and is renewable by 9 February 2025 (2023: 22 January 2024). It is the intention of the directors to renew the facility for a further period of 12 months. This liability is classified as subsequently measured at amortised cost. The facility is secured over accounts receivable in Mustek Limited and Rectron Proprietary Limited (refer to note 20). A working capital ratio of more than 1.2, as well as a Group net debt-to-equity ratio not exceeding 150%, is required to be maintained by Mustek Limited. Furthermore, the total facility of R500 million (2023: R580 million) is limited to 90% of the trade receivables less than 120 days of age, in Mustek Limited. All facility covenants for this bank overdraft were met in the current financial year.

During the financial period, the company identified that it had not met certain financial covenants under one of its trade loan facilities (note 26). Despite being a trade facility, covenants were put in place to measure business performance.

During the current year, the following covenants were breached:
- minimum GP margin
- interest cover ratio.

The incumbent bank approved the waiver due to the prevailing economic conditions. The facility continues to operate under its original terms, with no changes to repayment schedules or interest rates.

24. Borrowings and other liabilities continued

During the 2020 financial year, Brotek Proprietary Limited, a company within the Group obtained a mortgage bond of R40 million. The variable interest rate is set at the prime rate less 0.75% and the loan term is five years ending in May 2025. Repayments consist of part capital and interest over the remaining loan term. The consolidated interest cover ratio covenant applicable to this bond was breached in the current year. The financial institution has been notified. As this bond is already classified as current there is no classification adjustment. Similar to the above there has been no defaults on the mortgage repayments or related interest

The mortgage bond is secured by property, with a carrying amount of R64.3 million (2023: R64.3 million).

The mortgage bond, loans from subsidiaries and bank overdrafts are classified as financial liabilities measured at amortised cost. Interest is calculated using the effective interest method and interest expense is recognised in the statement of comprehensive income. Bank overdrafts do not form part of Mustek's cash management and do not fluctuate often, therefore are included under borrowings and not cash and cash equivalents.

Refer to note 25 for details of the movement in the borrowings during the reporting period.

Exposure to liquidity risk

Liquidity risk is the risk that the Group or company will not be able to meet its financial obligations as they fall due. In terms of its borrowing requirements, the Group and company ensure that adequate funds are available to meet its expected and unexpected financial commitments by maintaining adequate reserves, banking facilities, reserve borrowing facilities and matching the maturity profiles of financial assets and liabilities.

Borrowing powers, borrowing capacity and banking facilities

Included in this note is a listing of the Group and company's borrowing powers, borrowing capacity and banking facilities. The following table details the Group and company's remaining contractual balances for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

		Trade and other payables R000	Borrowings R000	Total R000
Group 2024				
Non-interest-bearing		**1 124 523**	**–**	**1 124 523**
Variable interest rate instruments		**1 371 714**	**636 144**	**2 007 858**
	26	**2 496 237**	**636 144**	**3 132 381**
Group 2023				
Non-interest-bearing		1 612 064	–	1 612 064
Variable interest rate instruments		1 914 703	423 474	2 338 177
	26	3 526 767	423 474	3 950 241

		Trade and other payables R000	Borrowings R000	Loan from subsidiaries R000	Total R000
Company 2024					
Non-interest-bearing		**734 755**	**–**	**104 108**	**838 863**
Variable interest rate instruments		**774 106**	**599 612**	**36 233**	**1 409 951**
	26	**1 508 861**	**599 612**	**140 341**	**2 248 814**
Company 2023 (restated)					
Non-interest-bearing		990 422	–	109 769	1 100 191
Variable interest rate instruments		930 120	380 999	41 996	1 353 115
	26	1 920 542	380 999	151 765	2 453 306

In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The Group and company have the following banking facilities amounting to R2.8 billion (2023: R3.0 billion) and R1.7 billion (2023: R1.9 billion) respectively:

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
General overdraft and similar facilities	**2 135 360**	2 276 037	**1 341 600**	1 447 260
Letters of credit facilities	**696 239**	763 436	**387 520**	445 872
Total facilities	**2 831 599**	3 039 473	**1 729 120**	1 893 132
Utilised facilities	**(2 006 564)**	(2 331 175)	**(1 375 236)**	(1 311 119)
Unutilised facilities	**825 035**	708 298	**353 884**	582 013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

24. Borrowings and other liabilities continued

Exposure to currency risk

Refer to note 27 financial instruments and financial risk management for details of currency risk management for borrowings.

Exposure to interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow and lend funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate instruments. There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

The Group and company's interest rate profile consists of fixed and floating rate loans and bank balances which expose the Group and company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Financial liabilities				
Loans received and bank borrowings linked to LIBOR	**–**	–	**–**	–
Loans received and bank borrowings linked to SOFR	**987 683**	1 240 061	**675 624**	739 226
Loans received and bank borrowings linked to JIBAR	**740 000**	701 460	**600 000**	481 460
Loans received and bank borrowings linked to South African prime rates	**278 882**	299 221	**132 332**	34 994
Loans received and bank borrowings linked to other	**–**	90 433	**–**	90 433
	2 006 565	2 331 175	**1 407 956**	1 346 113
Financial assets				
Loans granted at fixed rates of interest	**–**	–	**55 578**	58 225
Bank balances and loans linked to South African prime rates	**53 536**	70 823	**36 365**	61 447
Bank balances and deposits linked to LIBOR	**–**	–	**–**	–
Bank balances and deposits linked to SOFR	**6 446**	24 653	**–**	10 341
Bank deposits linked to money market rates	**214 780**	203 738	**71 948**	21 305
Bank deposits linked to Kenyan prime rates	**1 098**	1 545	**–**	–
Bank deposits linked to other foreign prime rates	**27 736**	48 499	**–**	–
	303 596	349 258	**163 891**	151 318

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments and includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2024 Increase	**2024 Decrease**	2023 Increase	2023 Decrease
Group				
Increase or decrease in rate				
Impact on profit or loss:				
JIBAR 1% (2023: 1%)	**(7 400)**	**7 400**	(7 014)	7 014
South African Prime 1% (2023: 1%)	**(2 253)**	**2 253**	(2 280)	2 280
SOFR 2% (2023: 1%)	**(19 625)**	**19 625**	(12 154)	12 154
Other 1% (2023: 1%)	**2 436**	**(2 436)**	(1 629)	1 629
	(31 714)	**31 714**	(19 819)	19 819
Company				
Increase or decrease in rate				
Impact on profit or loss:				
JIBAR 1% (2023: 1%)	**(6 000)**	**6 000**	(4 815)	4 815
South African Prime 1% (2023: 1%)	**(984)**	**984**	259	(259)
SOFR 2% (2023: 1%)	**(13 512)**	**13 512**	(7 288)	7 288
Other 1% (2023: 1%)	**719**	**(719)**	(686)	686
	(19 777)	**19 777**	(12 530)	12 530

25. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

	Opening balance R000	Foreign exchange movements R000	New leases/ modifications R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2024						
Mortgage bond	**34 994**	**–**	**–**	**–**	**(2 274)**	**32 720**
Lease liabilities	**68 036**	**50**	**64 320**	**64 370**	**(29 606)**	**102 800**
Bank overdrafts	**381 478**	**–**	**–**	**–**	**218 479**	**599 957**
Total liabilities from financing activities	**484 508**	**50**	**64 320**	**64 370**	**186 599**	**735 477**

	Opening balance R000	New leases/ modifications R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2023					
Mortgage bond	37 360	–	–	(2 366)	34 994
Lease liabilities	52 295	41 284	41 284	(25 543)	68 036
Bank overdrafts	222 265	–	–	159 213	381 478
Total liabilities from financing activities	311 920	41 284	41 284	131 304	484 508

	Opening balance R000	Non-cash interest R000	Other non-cash movements R000	New leases/ modi-fications R000	Total non-cash movements R000	Cash inflows R000	Cash outflows R000	Closing balance R000
Company – 2024								
Lease liabilities	**90 033**	**–**	**–**	**62 865**	**62 865**	**(29 579)**	**–**	**123 319**
Loans from subsidiaries	**142 489**	**3 440**	**(10 212)**	**–**	**(6 772)**	**2 000**	**(889)**	**136 828**
Bank overdraft	**380 999**	**–**	**–**	**–**	**–**	**218 613**	**–**	**599 612**
Total liabilities from financing activities	**613 521**	**3 440**	**(10 212)**	**62 865**	**(56 093)**	**191 034**	**(889)**	**859 759**

	Opening balance R000	Non-cash interest R000	Non-cash increase in loans R000	New leases/ modi-fications R000	Total non-cash movements R000	Cash inflows R000	Cash outflows R000	Closing balance R000
Company – 2023								
Lease liabilities	78 336	–	–	36 732	36 732	(25 035)	–	90 033
Loans from subsidiaries	120 005	3 452	7 137	–	10 589	12 000	(105)	142 489
Bank overdraft	222 265	–	–	–	–	158 734	–	380 999
Total liabilities from financing activities	420 606	3 452	7 137	36 732	47 321	145 699	(105)	613 521

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

26. Trade and other payables

		Group		Company	
		2024 R000	2023 R000	2024 R000	2023 R000
Financial instruments at amortised cost:					
Trade payables		**1 089 870**	1 312 107	**731 286**	936 557
Letters of credit and trade finance payables		**1 371 714**	1 914 703	**774 106**	930 120
Other payables		**26 471**	211 400	**1 363**	1 227
Accruals		**8 182**	88 557	**2 106**	52 639
Non-financial instruments:					
Short-term share-based payment liability	24, 32	**895**	24 150	**690**	18 812
VAT payable		**1 205**	1 561	**–**	–
Employee benefit accruals		**43 852**	–	**28 962**	–
		2 542 189	3 552 478	**1 538 513**	1 939 355

The letters of credit supply a 120-day trade payment term to the Group. The maximum facility available, including bank overdrafts is R2.8 billion (2023: R3.0 billion) and R1.7 billion (2023: 1.9 billion) for the Group and company respectively. For majority of the available facilities interest is calculated at SOFR plus 3.0% (2023: SOFR + 3.0%). These facilities are carried at amortised cost, as the interest rate is market-related and fair value therefore approximates amortised cost.

Trade payables, letters of credit and trade finance payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases stated is 124 days (2023: 135 days).

Included in employee benefit accruals above are the following:
- Leave pay accrual: Employee entitlements to annual leave are recognised as services are rendered. An accrual, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to reporting date.
- Bonus accrual: The bonus accrual relates to the annual 13th cheque and other performance bonuses payable to employees of the Group and the company.

Exposure to currency risk

Refer to note 27 financial instruments and financial risk management for details of currency risk management for trade payables.

27. Financial instruments and risk management

Financial risk management

Overview

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee. Liquidity risk and interest rate risk are disclosed in note 24.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to note 16,17,18 and 20.

Foreign currency risk

The Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. It is the Group's policy to enter into foreign exchange forward contracts and options to buy and sell specified amounts of foreign currencies for approximately 50 – 70% of the Group's foreign currency commitments. The Group uses contracts with terms of up to 120 days. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates, as a means of economic hedging. The foreign currencies in which the Group deals primarily are US Dollars and Euros.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

27. Financial instruments and risk management continued

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
		2024 R000	2023 R000	2024 R000	2023 R000
US Dollar exposure					
Non-current assets					
Loans to subsidiaries	16	–	–	55 789	58 225
Current assets					
Trade and other receivables	20	55 724	46 132	19 699	3 520
Cash and cash equivalents	21	6 446	24 652	–	10 340
Current liabilities					
Trade and other payables	26	(1 453 553)	(2 117 638)	(755 668)	(916 545)
Net US Dollar exposure		(1 391 383)	(2 046 854)	(680 180)	(844 460)
Euro exposure					
Current assets					
Cash and cash equivalents	21	2	325	–	–
Current liabilities					
Trade and other payables	26	(229 077)	(167 835)	229 077	(167 834)
Net Euro exposure		(229 075)	(167 510)	229 077	(167 834)
Other currency exposure					
Current assets					
Trade and other receivables	20	–	22 859	–	–
Cash and cash equivalents	21	28 833	49 718	–	–
Current liabilities					
Trade and other payables	26	–	(28 262)	–	(282)
Net other currency exposure		28 833	44 315	–	(282)
Net exposure to foreign currency in Rand		(1 591 625)	(2 170 049)	(451 103)	(1 012 576)

* *Other currencies include Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings (2023: Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings).*

Forward exchange contracts – financial assets and liabilities at fair value through profit or loss

Forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date and are detailed below:

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2024				
Buy				
US Dollars – less than three months	18.462	43 762	807 934	(11 250)
US Dollars – three to six months	18.300	2 000	36 600	138
Euro – less than three months	20.077	13 750	276 059	(7 631)
			1 120 593	(18 743)
Foreign currency assets				411
Foreign currency liabilities				(19 154)
				(18 743)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

27. Financial instruments and risk management continued

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2023				
Buy				
US Dollars – less than three months	18.886	70 316	1 327 988	(1 578)
US Dollars – three to six months	18.460	1 000	18 460	614
Euro – less than three months	20.159	12 749	257 007	3 699
			1 603 455	2 735
Foreign currency assets				17 658
Foreign currency liabilities				(14 923)
				2 735

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2024				
Buy				
US Dollars – less than three months	**18.355**	**28 812**	**528 844**	**(5 312)**
Euro – less than three months	**20.077**	**13 750**	**276 059**	**(7 630)**
			804 903	**(12 942)**
Foreign currency assets				**181**
Foreign currency liabilities				**(13 123)**
				(12 942)

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2023				
Buy				
US Dollars – less than three months	18.887	40 016	755 782	(2 331)
Euro – less than three months	20.159	12 749	257 007	3 699
			1 012 789	1 368
Foreign currency assets				9 218
Foreign currency liabilities				(7 850)
				1 368

27. Financial instruments and risk management continued

The following significant exchange rates applied for both the Group and the company during the year:

	Average spot rate		Closing spot rate	
	2024	2023	**2024**	2023
US Dollar	**18.71**	17.76	**18.22**	18.74
Euro	**20.24**	18.62	**19.50**	20.37

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group (South African Rand) to an increase or decrease in the respective major currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts, such as cash balances, trade receivables, trade payables and loans and adjusts their translation at the reporting date. The increase and decrease impact of the change are equal on the basis that all other variables remain constant. It ignores the effect of any foreign exchange forward contracts that would have mitigated the risk. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2024 R000	**2024 R000**	2023 R000	2023 R000
Group				
Increase or decrease in rate	**Increase**	**Decrease**	Increase	Decrease
Impact on profit or loss:				
US Dollar 10% (2023: 10%)	**(139 138)**	**139 138**	(204 685)	204 685
Euro 10% (2023: 10%)	**(22 908)**	**22 908**	(16 750)	16 750
	(162 046)	**162 046**	(221 435)	221 435
Company				
Increase or decrease in rate				
Impact on profit or loss:				
US Dollar 10% (2023: 10%)	**(68 018)**	**68 018**	(84 446)	84 446
Euro 10% (2023: 10%)	**(22 908)**	**(22 908)**	(16 783)	16 783
	(90 926)	**45 110**	(101 229)	101 229

28. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value.

		Group		Company	
Levels of fair value measurements	Notes	**2024 R000**	2023 R000	**2024 R000**	2023 R000
Level 2					
Recurring fair value measurements					
Assets					
Fair value through profit or loss					
Foreign currency asset	27	**411**	17 658	**181**	9 218
Liabilities					
Fair value through profit or loss					
Foreign currency liabilities	27	**19 154**	14 923	**13 123**	7 850
Total		**(18 743)**	2 735	**(12 942)**	1 368

Level 2 financial assets and liabilities consist of assets and liabilities arising from open forward exchange contracts.

Forward exchange contracts are measured at fair value through profit or loss in accordance with IFRS 9.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

28. Fair value information continued

Valuation techniques

Investment Property – level 3 (disclosure only)

Level 3 fair values of the investment property in Nairobi (refer note 12) being R35.7 million to R36.3 million (2023: R32.6 million and R46.5 million) was determined using a blend of the cost and income approaches.

Cost approach: The cost approach values real estate properties based on the cost it would take to build an equivalent building. The assumption is that a buyer would not pay more for a property when a comparable newly built property costs less. The method adopts the current estimated construction cost of the region and applies a reasonable rate of depreciation.

Income approach: It involves capitalising streams of yearly income. The streams of income are subjected to appropriate rate of outflows including actual vacancy rates, management fees, security, building maintenance among other costs over the years. The net streams of income are then capitalised by a market return of 8% to arrive at a capital value by factoring in the resultant Year Purchase (YP).

Foreign currency forward contracts – level 2

The fair value of these assets and liabilities are based on valuations received from the financial institutions with which the contracts are held. These valuations are based on the difference between contract exchange rate and the exchange rate at the end of the reporting period.

No changes have been made to the valuation technique.

29. Employee costs and retirement benefit plans

As at 30 June 2024, the Group had 1 228 permanent employees (2023: 1 205) and the company 716 (2023: 677). Employee benefits expense is made up of the following for all employees, including executive directors:

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Employee costs				
Employee salaries and wages	**486 135**	542 972	**287 988**	333 139
Pension contributions (defined contribution plan)	**1 886**	1 846	**–**	–
Learnerships	**6 167**	7 731	**3 338**	4 732
Temporary staff	**10 791**	10 880	**10 320**	10 409
Share-based payment	**–**	–	**–**	–
	504 979	563 429	**301 646**	348 280

Contributions to defined contribution retirement benefit plans are recognised as an expense as they fall due.

The Mustek Group Retirement Fund, a defined contribution fund, was established with effect from 1 January 1998. The fund has been registered by the Registrar of Pension Funds and is governed by the Pension Funds Act No 24 of 1956 as amended. The majority of the Group's employees belong to this fund with employees making direct contributions to the fund.

30. Guarantees and contingent liabilities

Limited guarantees

- Standby letter of credit issued by HSBC in favour of Intel International BV for R7.3 million.
- R0.4 million guarantee issued by HSBC of payment in favour of Growthpoint Properties Limited.
- R3.7 million guarantee of payment in favour of DG Murray Trust, South Africa. This guarantee expires on 30 April 2025.
- R6.4 million guarantee issued by ABSA bank in favour of pending CCMA case of R9.8 million. See legal disputes.
- R10 million guarantee issued by HSBC bank in favour of pending CCMA case of R28.7 million. See legal disputes.

Legal disputes

There are two separate pending CCMA arbitration cases against Mustek Limited to the value of R9.8 million and R28.7 million respectively. Both cases are under review in the labour court of South Africa.

The Group becomes involved from time-to-time in various claims and lawsuits incidental to the ordinary course of business. The Group is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

31. Related parties

The Group and company had the following major related parties and transactions:

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Brotek Proprietary Limited	Loan	(3 440)	(85 249)
	Rent	(7 304)	–
	Cost recoveries	(498)	–
Mecer Inter-Ed Proprietary Limited	Sales	985	417
	Purchases	(5 230)	–
	Rent	2 245	–
	Cost recoveries	1 418	–
	Loan	–	(14 000)
Mecer Technology Limited	Purchases	(1 365)	(739)
	Management fees	(9 030)	–
	Dividends	12 297	–
Mustek East Africa Limited (Note 2)	Loan	1 151	55 788
	Sales	779	60
Rectron Proprietary Limited (Note 1)	Sales	95 713	2 138
	Purchases	(188 182)	(13 342)
	Other costs	2	–
	Dividends	51 000	51 000
	Cost recoveries	713	–
	Loan	–	(37 579)

Note: Refer to note 16 for a list of subsidiaries, their related loans and impairment and further details about these entities.

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 20 for details on ECL allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 16 on details of impairment on loans receivable from subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Related parties continued

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Continuous Power Systems Proprietary Limited (Note 1)	Loan	–	1 300
	Sales	155	19
	Purchases	(14 770)	(1 878)
	Cost recoveries	478	–
Sizwe Africa IT Group Proprietary Limited	Sales	70 137	17 208
	Purchases	(4 329)	(237)
Khauleza IT Solutions Proprietary Limited	Sales	1 347	57
	Purchases	(2 216)	(319)
	Rent	130	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	41	31
	Purchases	(758)	–

Note 1: Refer to note 17 for details of the loan owing by Continuous Power Systems Proprietary Limited.

Other related parties – company	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Mustek Executive Share Trust	Loan	–	–
	Dividend	(892)	34 370

31. Related parties continued

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023 – restated			
Related party			
Brotek Proprietary Limited	Loan	(3 453)	(82 698)
	Rental	(6 903)	–
	Cost recoveries	(408)	–
	Dividends	6 400	–
Mecer Inter-Ed Proprietary Limited	Sales	2 006	–
	Rental	2 138	–
	Purchases	(19 275)	(95)
	Dividends	10 000	–
	Cost recoveries	1 136	60
	Loan	–	(12 000)
Mecer Technology Limited	Purchases	(27)	–
	Management fees	(8 718)	(759)
	Dividends	2 059	–
Mustek East Africa Limited (Note 2)	Loan	1 100	58 225
	Sales	1 186	228
MFS Technologies Proprietary Limited	Dividends	1 271	–
Rectron Proprietary Limited (Note 1)	Sales	107 300	16 608
	Purchases	(214 334)	(14 136)
	Other costs	(14)	–
	Cost recoveries	8 097	–
	Loan	–	(37 579)

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 20 for details on ECL allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 16 on details of gross value and impairment on loans receivable from subsidiaries.

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Continuous Power Systems Proprietary Limited (Note 1)	Loan	82	1 300
	Sales	173	17
	Purchases	(37 081)	(9 322)
Sizwe Africa IT Group Proprietary Limited	Sales	126 392	96 185
	Purchases	(8 506)	(429)
Khauleza IT Solutions Proprietary Limited	Sales	1 679	301
	Purchases	(2 410)	(1 409)
	Rental	160	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	142	22
	Purchases	(1 114)	–

Note 1: Refer to note 17 for a complete list of associates and details of loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Related parties continued

Other related parties – company	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Mustek Executive Share Trust	Loan	–	36 703
	Dividend	(880)	–

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.

Key management personnel compensation

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Short-term employee benefits	**56 782**	84 816	**38 920**	54 580
Share appreciation rights (benefit) expense	**(5 458)**	12 119	**(3 992)**	9 194
Share appreciation rights expense	**–**	–	**–**	–
	51 324	96 935	**34 928**	63 774

32. Directors' emoluments and share-based payments

Directors' emoluments, consisting of short-term benefits during the year, were as follows:

	2024 R000	2023 R000
Total directors' emoluments		
Executive	**14 451**	27 553
Non-executive	**2 158**	1 998
	16 609	29 551

Executive

2024

Directors' emoluments	Basic salary R000	Bonus and performance related payments R000	Expense allowances R000	Fringe benefit on interest-free loan R000	Total R000
Services as director					
H Engelbrecht	**5 680**	**–**	**270**	**980**	**6 930**
CJ Coetzee	**3 919**	**–**	**96**	**76**	**4 091**
S Aboo Baker Ebrahim	**3 430**	**–**	**–**	**–**	**3 430**
	13 029	**–**	**366**	**1 056**	**14 451**

2023

Directors' emoluments	Basic salary R000	Bonus and performance related payments R000	Expense allowances R000	Fringe benefit on interest-free loan R000	Long service award and leave payout R000	Share appreciation rights exercised R000	Total R000
Services as director							
H Engelbrecht	4 863	4 106	270	892	45	3 279	13 455
CJ Coetzee	3 366	2 492	96	120	–	2 700	8 774
S Aboo Baker Ebrahim	2 958	2 366	–	–	–	–	5 324
	11 187	8 964	366	1 012	45	5 979	27 553

32. Directors' emoluments and share-based payments continued

Non-executive

2024

Directors' emoluments	Fees for services as director R000	Total R000
I Mophatlane	425	425
VC Mehana	233	233
RB Patmore	518	518
S Thomas	543	543
PM Marlowe	439	439
	2 158	2 158

2023

Directors' emoluments	Fees for services as director R000	Total R000
VC Mehana	568	568
RB Patmore	487	487
S Thomas	528	528
PM Marlowe	415	415
	1 998	1 998

Outstanding non-executive director fees of R0.9 million (2023: R0.4 million) are included in trade and other payables.

Directors' shareholding

At 30 June 2024, the directors in office at year-end collectively held the following direct and indirect interests in shares in the company, which represents 4.6% (2023: 4.6%) of the issued share capital of the company. (No change occurred between 30 June 2024 and 19 September 2024):

	Beneficial			
	Direct		Indirect	
	2024	2023	2024	2023
H Engelbrecht	1 750 000	1 750 000	–	–
CJ Coetzee (Note 1)	888 743	888 743	–	–
	2 638 743	2 638 743	–	–

These shareholdings exclude phantom share options held. The remainder of the directors do not hold any shares.

Note 1: Includes 496 666 (2023: 496 666) shares held through contracts for difference.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

32. Directors' emoluments and share-based payments continued

Share-based payments

Share appreciation rights scheme

The object and purpose of the scheme is to incentivise certain selected senior employees by granting phantom share options to such employees to enable them to benefit from an improvement in the price of the company's shares as listed on the JSE, in the manner and on the terms and conditions set out in the Scheme.

The directors may, on an annual basis or from time-to-time, grant options to employees selected by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee shall determine the number of share appreciation rights (SARS). The price at which SARS may be granted will be the average market price of the ordinary shares of the company on the JSE, as certified by the Company Secretary, for the trading days in the month of June immediately preceding that on which the employee is granted the phantom share option. All SARS granted will remain in force for a period of six months after the vesting period of three years.

SARS may only be exercised by an employee or retired employee subject to the achievement of certain performance hurdles that may be determined by the directors from time-to-time.

The price at which SARS may be exercised will be the weighted average market price of the ordinary shares of the company on the JSE, for the 30 days immediately preceding that on which the employee is exercising the phantom share option. Upon the exercising of the SARS, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of SARS, less any tax that may at that time be applicable to such a cash bonus.

The total liability at year-end amounted to R1.2 million (2023: R25.4 million) and R0.9 million (2023: 19.7 million) for Group and company respectively.

	Weighted average price (Rands)		Number of options	
	2024	2023	**2024**	2023
Phantom shares outstanding at the beginning of the year	**12.83**	8.87	**2 731 942**	4 121 525
Phantom shares granted during the year	**16.77**	15.64	**2 296 568**	1 371 608
Phantom shares exercised during the year	**–**	7.12	**–**	(2 519 720)
Phantom shares that lapsed during the year	**12.68**	10.10	**(286 020)**	(208 954)
Phantom shares outstanding at year-end	**14.69**	12.83	**4 742 490**	2 764 459

A total of 2 296 568 phantom shares were granted to a number of employees during the current financial year. No phantom shares were exercised during the financial year. The shares that lapsed was due to employees that left the Group during the current year.

The fair values were calculated using a trinomial tree that adheres to all the binomial option-pricing model principles. All these share options are cash settled. The inputs into the model were as follows:

	30 June 2024	30 June 2023
Share price	**9.78**	R16.72
Grant price	**R10.17/R15.64/R16.77**	R6.77/R10.17/R15.64
Fair value	**R0.62/R0.32/R0.49**	R9.95/R6.79/R3.89
Expected volatility	**34.00%/35.00%/32.50%**	29.00%/30.00%/30.00%
Expected life	**0 years/1 year/2 years**	0 years/1 year/2 years
Risk-free rate	**8.49%/8.28%/8.06%**	8.88%/8.83%/8.69%
Expected dividend yield	**5.50%/5.50%/5.00%**	4.50%/4.50%/4.00%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous four years. The Group and company recognised an expense reversal of R5.4 million and R4.0 million respectively (2023 expense of: R12.1 million and R9.2 million, respectively) related to cash-settled share appreciation rights during the current year.

32. Directors' emoluments and share-based payments continued

Outstanding phantom shares are exercisable at the following values and in the following periods ending 30 June:

Option price	2025	2026	2027	Number of undelivered phantom shares	Total Rand value
R10.17	1 285 852	–	–	1 285 852	13 077 115
R15.64		1 237 136	–	1 237 136	19 348 807
R16.77		–	2 219 502	2 219 502	37 221 049
	1 285 852	1 237 136	2 219 502	4 742 490	69 646 971

The directors have the following phantom share options outstanding:

Undelivered phantom shares at 30 June 2024

Grant date	Grant price	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
2 September 2021	**R10.17**	**–**	**225 355**	**185 587**	**410 942**
30 September 2022	**R15.64**	**125 506**	**179 294**	**152 400**	**457 200**
14 September 2023	**R16.77**	**262 025**	**308 264**	**262 025**	**832 314**
		387 531	**712 913**	**600 012**	**1 700 456**

Reconciliation of outstanding director phantom shares	Strike price/ exercise price	Date awarded/ exercised/ lapsed	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
Opening balance			**125 506**	**404 649**	**337 987**	**868 142**
Phantom shares granted	**16.77**	**14 September 2023**	**262 025**	**308 264**	**262 025**	**832 314**
Closing balance	**–**	**–**	**387 531**	**712 913**	**600 012**	**1 700 456**

33. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the year ended 30 June 2024, certain loan covenants were breached (refer note 24). It is important to emphasise that the trade loan facility with the incumbent bank has always remained fully current, with no defaults or delays in repayment of principal or interest on the due dates. The facility is structured in such a way that these covenants are monitored as internal benchmarks to align management's financial objectives with operational performance.

Looking ahead, management is confident that the Group and company will continue to meet its financial obligations in full and on time. Steps have already been taken to strengthen internal processes and ensure continued alignment with the KPIs under the facility. The Group and company remains financially sound, with adequate resources to maintain its current operations and manage future obligations.

The Group has prepared financial forecasts for the next financial year. The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the forecasts and the following:

- the Group continues to have the ongoing support of its banking group and access to undrawn facilities of R825 million (refer note 24) as well as R303 million in cash and cash equivalents as at 30 June 2024
- as at 30 June 2024, the Group had R1 002 million in net working capital, no significant capital commitments and lease commitments of R33 million due within one year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

34. Tax paid

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Balance at beginning of the year	**(9 621)**	9 242	**(7 359)**	3 024
Current tax recognised in profit or loss	**(6 439)**	(66 650)	**(289)**	(34 095)
Balance at end of the year	**1 936**	9 621	**(3 401)**	7 359
	(14 124)	(47 787)	**(11 049)**	(23 712)

35. Events after the reporting period

Management has concluded negotiations for the sale of its investment in Zaloserve for R15 million. The sale is to be effective on 1 October 2024 (refer note 36).

Effective 12 September 2024, Mustek acquired a 70% equity interest in CyberAntix (Pty) Limited for R8 million and a loan receivable of R12 million. CyberAntix is a SOCaas (Security Operations Centre-as-a-Service) company. They offer state-of-the-art implementation of managed cybersecurity services, focusing on managed detection and response with associated advanced services (proactive hunting, forensics code reviews, vulnerability assessments etc).

The net asset value of CyberAntix (Pty) Limited at 30 June 2024 excluding assumed loan claim was R17.4 million. Due to the fact that the transaction was concluded close to the time of releasing these financial statements, the initial accounting of the business combination is incomplete.

Had CyberAntix been purchased at the beginning of the year, additional turnover of R31.1 million and a profit after tax attributable to owners of the parent of R4.7 million would have been included in the consolidated statement of comprehensive income.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report that requires adjustment to or disclosure in the annual financial statements.

36. Non-current assets held-for-sale

Mustek Limited owns 100% of Zatophase Proprietary Limited. Zatophase Proprietary Limited owns 40% of Zaloserve, the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe).

During the current financial year, the Group has decided to sell its investment in Zaloserve Proprietary Limited. A prospective buyer has been identified and the process of sale has commenced. R15 million represents the offer to purchase that Mustek has accepted. Prior to the transfer to non-current asset held-for-sale an impairment of R13.7 million was recognised. Refer to note 17.

The effective date of transfer to held-for-sale was 31 March 2024 with 1 October 2024 being the expected date of disposal.

This held-for-sale asset forms part of the Group's operating segment in note 3.

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Non-current assets held-for-sale				
Opening balance	**–**	–	**–**	–
Transfers from investment in associate (note 17)	**15 000**	–	**–**	–
Closing balance	**15 000**	–	**–**	–

37. Prior period error – company

1. Included in prior year cost of sales is R35.8 million relating to cloud services products which should have been included in revenue due to Mustek acting as an agent for distribution of this product as opposed to a principal. The 2023 company statement of comprehensive income was restated and the impact of the error for Mustek company is noted in the table below.

2. During the current year, a re-assessment was done on the ownership of the intangible asset relating to the Epicor Software held in Rectron. It was concluded that full ownership of the intangible asset lies with Mustek company (refer to note 15). The 2023 and 2022 company statement of financial position was restated and the impact of the error for Mustek company is noted in the table below:

Statement of comprehensive income	2023 previously reported R000	Prior period error R000	2023 restated R000
Revenue	6 566 849	(35 811)	6 531 038
Cost of sales	(5 695 871)	35 811	(5 660 060)
Gross profit	870 978	–	870 978

Statement of financial position	2023 previously reported R000	Prior period error R000	2023 restated R000
Intangible assets	77 888	37 580	115 468
Current loans from subsidiaries	(72 189)	(37 580)	(109 769)
Non-current assets	623 925	37 580	661 505
Current liabilities	(2 471 531)	(37 580)	(2 509 111)

Statement of financial position	2022 previously reported R000	Prior period error R000	2022 restated R000
Intangible assets	64 415	30 930	95 345
Current loans from subsidiaries	(54 126)	(30 930)	(85 056)
Non-current assets	606 034	30 930	636 964
Current liabilities	(2 197 596)	(30 930)	(2 228 526)

The impact of the above-mentioned error did not have an impact on the prior year:
- earnings per share
- diluted earnings per share
- headline earnings per share
- diluted headline earnings per share
- Group statement of financial position
- Group and company cash flows
- the opening retained earnings for Group and company or
- the Group and company profit.

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	current assets divided by current liabilities

Bastion


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