Mustek Limited
(Registration number 1987/070161/01)
Annual Financial Statements
for the year ended 30 June 2023
These annual financial statements were prepared by:
Jo-Anne Pieterse (supervised by Shabana Aboo Baker Ebrahim FD)
CA(SA)
These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Issued 19 September 2023

General Information

Registered office	322 15th Road Randjespark Midrand 1685
Auditors	BDO South Africa Incorporated Chartered Accountants (SA) Registered Auditors
Secretary	Sirkien Van Schalkwyk
Company registration number	1987/070161/01
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were internally compiled by: Jo-Anne Pieterse (supervised by Shabana Aboo Baker Ebrahim FD) CA(SA)

Contents

Directors' Responsibilities and Approval

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

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

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

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

The consolidated and separate annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Group and company will not remain a going concern for the next twelve 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 6 to 8.

The annual financial statements set out on pages 9 to 116, which have been prepared on the going concern basis were approved by the board on 19 September 2023 and were signed on their behalf by:

Approval of financial statements

VC Mehana **H Engelbrecht**

The CEO and finance director responsibility statement

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

a) the consolidated and separate annual financial statements set out on pages 21 to 116, fairly present in all material respects the financial position, financial performance and cash flows of Mustek Limited (the issuer) in terms of IFRS;

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

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

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

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

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

H Engelbrecht
Tuesday, 19 September 2023

S Aboo Baker Ebrahim
Tuesday, 19 September 2023

Company Secretary's Certification

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

Sirkien Van Schalkwyk
Company Secretary
19 September 2023

Independent Auditor's Report
To the Shareholders of
Mustek Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion
We have audited the consolidated and separate financial statements of Mustek Limited (the Group and company) set out on pages 21 to 116, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and company in accordance with the Independent Regulatory Board for Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and 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 18 of the consolidated and separate financial statements, the Group and company carried inventory of R2.8 billion (2022 R2.5 billion) and R1.6 billion (2022: R1.5 billion) respectively as at year-end. An allowance for inventory obsolescence amounting to R109 million (2022: R151 million) and R55 million (2022: R104 million) has been raised in the Group and company results respectively. In terms of IAS 2 Inventories, management assesses the net realisable value and the requirement for write-downs of inventory items at year-end. The Group and company's inventory is vulnerable to obsolescence, as it is subject	In evaluating the allowance for inventory obsolescence, we performed various audit procedures, including the following: • assessed the design and implementation of the Group and company's relevant controls relating to the determination of the allowance; • obtained calculations for the allowance from management and recalculated the arithmetical accuracy of the calculations; • performed year-on-year analytical procedures on obsolescence levels and write-down rates; • through discussions with management, obtained an understanding of the inventory obsolescence accounting policy, including methodologies.

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.

- evaluated the reasonableness of management's assumptions and estimates used in calculating the allowance. Our evaluation involved comparing the assumptions and estimates to the prior year for consistency, and to our knowledge of industry norms. We also assessed the need for the inclusion of specific inventory items in the allowance;
- using Data Analytics, tested the accuracy of the ageing of inventory, as well as the sales rate of inventory on hand at year-end as these are the primary determinants of the need for the allowance;
- using Data Analytics, as well as evaluating the age of the inventory, assessed whether adequate allowances were raised on inventory items identified as being sold at a price less than cost;
- obtained and assessed, through inspection of supporting documentation, management's explanations relating to a sample of inventory items for which a write-down to net realisable value was provided, and considered the reasonableness thereof with reference to sales quantities and prices after year end; 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 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group'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 Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 four years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

VR de Villiers
Director
Registered Auditor

19 September 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Audit and Risk Committee Report

Annual financial statements for the year ended 30 June 2023

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)(f) of the Companies Act No 71 of 2008 (the Act) and incorporating the recommendations of the King 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.

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

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

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

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

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

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

2. Role of the Audit and Risk Committee

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

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

3. Execution of functions during the year

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

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

Audit and Risk Committee Report

3.1. External audit

The committee among other matters:

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

3.2 Internal audit

The committee:

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

3.3 Adequacy and functioning of the Group's internal controls

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

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

3.4 Financial reporting

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

The committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the Board for their approval and then for disclosure to stakeholders
- oversaw that the annual financial statements fairly present the financial position of the company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern
- considered the appropriateness of the accounting policies adopted and changes thereto
- reviewed the external auditor’s audit report and key audit matters included
- reviewed the representation letter relating to the annual financial statements which was signed by management
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- considered accounting treatments, significant unusual transactions, and accounting judgements
- considered the 2022 JSE Report on Proactive Monitoring, issued 4 November 2022, and has taken appropriate action to ensure its findings were applied, where appropriate

3.5 Significant areas of judgement

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

- Inventory valuation in terms of obsolescence:

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

Audit and Risk Committee Report

3.6. Risk management

The committee:

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

3.7. Information technology

The committee:

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

Implementation of the Enterprise Resource Planning (ERP) system

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

The committee:

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

3.8. Legal and regulatory requirements

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

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

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

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

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

5. Election of committee at the annual general meeting

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

6. Assessment of the committee

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

Focus Area	Measurement	Achieved	Comment
Full implementation of the Epicor Enterprise Resource Planning (ERP) system	• Obtain a pre implementation readiness assessment • Obtain assurance on the migration process • Provide oversight on the risk management process, specifically relating to the implementation	✔	Refer above for detail on the committee's involvement in the ERP implementation
Greater attention to assurance activities and synergies between these by Internal and External Auditors as well as entities within the Group	• Approve internal audit plan that is complementary to external audit	In progress	Due to the change in internal auditors during the year and a delay in executing the internal audit plan, reliance on the work of internal auditors by external audit was limited. The committee will continue focusing on ensuring further collaboration between assurance providers.

Audit and Risk Committee Report

Implementation of data analytics strategy and how data analysis could be used for risk assessment and control	• Develop a data analytics strategy	✕	Due to the implementation of the new ERP system this focus area was pushed out and forms part of the board focus on the overall IT strategy
Focus on protecting the company in terms of cyber security	• Ensure the company is adequately insured for cyber security breaches • Monitor cyber security and security-related risks and control	✔	This was achieved

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

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

7. Integrated annual report

Following the review by the committee of the consolidated annual financial statements of Mustek Limited for the year ended 30 June 2023, the committee is of the view that in all material aspects they comply with the relevant provisions of the Companies Act and International Financial Reporting 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.

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

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

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

Pamella Marlowe
Chairman Audit and Risk Committee
Tuesday, 19 September 2023

Directors' Report

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

1. Review of financial results and activities

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

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

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

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

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

2. Share capital

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

	2023	2022	2023	2022
Issued	**R '000**	**R '000**	**Number of shares**	
Ordinary shares	-	-	57 540 000	59 000 000

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

Audit and Risk Committee Report

Annual financial statements for the year ended 30 June 2023

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)(f) of the Companies Act No 71 of 2008 (the Act) and incorporating the recommendations of the King 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.

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

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

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

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

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

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

Audit and Risk Committee Report

2. Role of the Audit and Risk Committee

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

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

3. Execution of functions during the year

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

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

Audit and Risk Committee Report

3.1. External audit

The committee among other matters:

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

3.2 Internal audit

The committee:

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

3.3 Adequacy and functioning of the Group's internal controls

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

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

3.4 Financial reporting

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

The committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the Board for their approval and then for disclosure to stakeholders
- oversaw that the annual financial statements fairly present the financial position of the company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern
- considered the appropriateness of the accounting policies adopted and changes thereto
- reviewed the external auditor’s audit report and key audit matters included
- reviewed the representation letter relating to the annual financial statements which was signed by management
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- considered accounting treatments, significant unusual transactions, and accounting judgements
- considered the 2022 JSE Report on Proactive Monitoring, issued 4 November 2022, and has taken appropriate action to ensure its findings were applied, where appropriate

3.5 Significant areas of judgement

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

- Inventory valuation in terms of obsolescence:

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

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

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

4. Authority to buy back shares

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

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

5. Dividends

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

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

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

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

6. Directorate

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

Directors	Office	Designation	Changes
VC Mehana	Chairman	Non-executive	
PM Marlowe		Non-executive Independent	
RB Patmore		Non-executive Independent	
S Thomas		Non-executive Independent	
I Mophatlane		Non-executive Independent	Appointed 01 September 2023
H Engelbrecht	Chief Executive Officer	Executive	
CJ Coetzee	Managing Director	Executive	
S Aboo Baker Ebrahim	Finance Director	Executive	Appointed 05 July 2022

Changes in responsibilities

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

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

7. Investments in subsidiaries, associates and other loans

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

Zaloserve Proprietary Limited:

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

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

Yangtze Optics Africa Holdings Proprietary Limited:

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

Directors' Report

Loans to executive management

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

8. Special resolutions

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

- A general authority was given to the board to repurchase shares in the company subject to the requirements of the Companies Act of South Africa. This authority was given in terms of a special resolution passed at the AGM held on Monday, 05 December 2022.
- With effect from 05 December 2022, the remuneration payable to non-executive directors applicable for a period of twelve months.
- In accordance with section 45 of the Companies Act, the provision of any financial assistance by the Company to any Company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the directors of Mustek may determine.

9. Events after the reporting period

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

10. Legal disputes

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

Insurance settlement

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

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

11. Auditors

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

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

12. Secretary

The company secretary is Sirkien Van Schalkwyk.

Mustek Limited

(Registration number 1987/070161/01)
Annual Financial Statements for the year ended 30 June 2023

Statements of Comprehensive Income

	Note(s)	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Revenue	4	10 126 197	8 909 567	6 566 849	6 086 716
Cost of sales		(8 713 918)	(7 636 886)	(5 695 871)	(5 276 041)
Gross profit		**1 412 279**	**1 272 681**	**870 978**	**810 675**
Foreign currency losses	5	(123 146)	(73 315)	(56 449)	(29 693)
Impairment losses on trade receivables	19	(11 092)	(28 647)	(11 082)	(19 714)
Distribution, administrative and other operating expenses		(823 251)	(763 799)	(523 579)	(497 163)
Profit from operations	5	**454 790**	**406 920**	**279 868**	**264 105**
Investment income	6	23 650	6 778	24 849	42 809
Finance costs	7	(174 532)	(76 751)	(110 729)	(49 230)
Losses from equity accounted investments	16	(12 799)	(1 572)	-	-
Other non-operating gains (losses)	8	1 555	(13 297)	(6 783)	9 963
Profit before taxation		**292 664**	**322 078**	**187 205**	**267 647**
Income tax expense	9	(73 052)	(96 866)	(43 194)	(60 016)
Profit for the year		**219 612**	**225 212**	**144 011**	**207 631**
Other comprehensive income (loss):					
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(531)	(1 714)	-	-
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary		2 150	-	-	-
Total items that may be reclassified to profit or loss		**1 619**	**(1 714)**	**-**	**-**
Other comprehensive income (loss) for the year net of taxation		**1 619**	**(1 714)**	**-**	**-**
Total comprehensive income for the year		**221 231**	**223 498**	**144 011**	**207 631**
Profit attributable to:					
Owners of the parent		219 612	219 970	144 011	207 631
Non-controlling interest		-	5 242	-	-
		219 612	**225 212**	**144 011**	**207 631**
Total comprehensive income attributable to:					
Owners of the parent		221 231	218 256	144 011	207 631
Non-controlling interest		-	5 242	-	-
		221 231	**223 498**	**144 011**	**207 631**
Earnings per share					
Basic earnings per ordinary share (cents)	21	377.05	350.96		
Diluted basic earnings per ordinary share (cents)	21	377.05	350.96		

Statements of Financial Position as at 30 June 2023

		Group		Company	
	Note(s)	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Assets					
Non-Current Assets					
Property, plant and equipment	10	258 978	191 991	71 388	38 985
Investment property	11	9 785	10 412	-	-
Right-of-use assets	12	62 889	48 859	77 664	68 357
Goodwill	13	46 550	46 550	-	-
Intangible assets	14	124 862	104 006	77 888	64 415
Investments in subsidiaries	15	-	-	296 288	294 936
Investment in associates	16	116 984	122 953	37 357	37 367
Other loans	17	12 915	22 810	36 336	44 643
Prepayments	19	-	21 228	-	21 228
Deferred tax	9	40 735	45 441	27 004	36 103
		673 698	**614 250**	**623 925**	**606 034**
Current Assets					
Loan to associate	16	-	2 092	-	2 092
Inventories	18	2 790 335	2 480 187	1 633 887	1 496 495
Trade and other receivables	19	1 856 627	1 475 348	1 227 831	1 064 932
Contract assets	4	34 869	3 398	10 896	3 398
Foreign currency assets	25	17 658	48 965	9 218	26 014
Current tax receivable		936	10 923	-	3 024
Cash and cash equivalents	20	349 258	375 323	93 091	53 751
		5 049 683	**4 396 236**	**2 974 923**	**2 649 706**
Total Assets		**5 723 381**	**5 010 486**	**3 598 848**	**3 255 740**
Equity and Liabilities					
Equity					
Share capital	21	-	-	-	-
Retained earnings		1 562 726	1 409 811	1 010 975	933 661
Foreign currency translation reserve		4 871	3 252	-	-
		1 567 597	**1 413 063**	**1 010 975**	**933 661**
Liabilities					
Non-Current Liabilities					
Borrowings and other liabilities	22	34 010	48 026	818	10 244
Contract liabilities	4	22 765	24 101	22 765	24 101
Deferred tax liabilities	9	5 609	4 743	-	-
Lease liabilities	12	38 230	29 307	60 039	55 188
Loans from subsidiaries	15, 22	-	-	32 720	34 950
		100 614	**106 177**	**116 342**	**124 483**

Statements of Financial Position as at 30 June 2023

		Group		Company	
	Note(s)	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Current Liabilities					
Trade and other payables	24	3 552 478	3 213 525	1 939 354	1 874 167
Loans from subsidiaries	15, 22	-	-	72 190	54 126
Borrowings and other liabilities	22	2 274	2 410	-	-
Foreign currency liabilities	25	14 923	327	7 850	17
Lease liabilities	12	29 806	22 988	29 994	23 148
Contract liabilities	4	63 654	28 050	33 785	23 873
Current tax payable		10 557	1 681	7 359	-
Bank overdraft	22	381 478	222 265	380 999	222 265
		4 055 170	**3 491 246**	**2 471 531**	**2 197 596**
Total Liabilities		**4 155 784**	**3 597 423**	**2 587 873**	**2 322 079**
Total Equity and Liabilities		**5 723 381**	**5 010 486**	**3 598 848**	**3 255 740**

Statement of Changes in Equity

	Ordinary stated capital	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Balance at 01 July 2021	**-**	**1 345 440**	**4 966**	**1 350 406**	**7 174**	**1 357 580**
Profit for the year	-	219 970	-	219 970	5 242	225 212
Other comprehensive loss	-	-	(1 714)	(1 714)	-	(1 714)
Buy back of shares	-	(97 999)	-	(97 999)	-	(97 999)
Dividends paid	-	(57 600)	-	(57 600)	(2 495)	(60 095)
Disposal of subsidiary	-	-	-	-	(9 921)	(9 921)
Balance at 30 June 2022	**-**	**1 409 811**	**3 252**	**1 413 063**	**-**	**1 413 063**
Profit for the year	-	219 612	-	219 612	-	219 612
Other comprehensive income	-	-	1 619	1 619	-	1 619
Buy back of shares	-	(21 857)	-	(21 857)	-	(21 857)
Dividends paid	-	(44 840)	-	(44 840)	-	(44 840)
Balance at 30 June 2023	**-**	**1 562 726**	**4 871**	**1 567 597**	**-**	**1 567 597**
Note(s)	21					

Statement of Changes in Equity

	Ordinary stated capital R '000	Retained earnings R '000	Total equity R '000
Company			
Balance at 01 July 2021	**-**	**881 629**	**881 629**
Profit for the year	-	207 631	207 631
Buy back of shares	-	(97 999)	(97 999)
Dividends paid	-	(57 600)	(57 600)
Balance at 30 June 2022	**-**	**933 661**	**933 661**
Profit for the year	-	144 011	144 011
Buy back of shares	-	(21 857)	(21 857)
Dividends paid	-	(44 840)	(44 840)
Balance at 30 June 2023	**-**	**1 010 975**	**1 010 975**
Note(s)	21		

Statements of Cash Flows

		Group		Company	
	Note(s)	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Cash flows from operating activities					
Cash receipts from customers		9 732 798	8 637 161	6 392 967	5 887 603
Cash paid to suppliers and employees		(9 535 104)	(8 333 730)	(6 291 243)	(5 889 082)
Cash generated from (used in) operations	20	197 694	303 431	101 724	(1 479)
Interest income received	6	23 650	6 241	4 019	3 838
Dividends received		-	-	18 459	38 035
Finance costs paid	7	(174 532)	(76 751)	(107 276)	(46 662)
Dividends paid		(44 840)	(60 095)	(44 840)	(57 600)
Tax paid	32	(47 787)	(101 009)	(23 712)	(60 850)
Net cash (used in) generated from operating activities		**(45 815)**	**71 817**	**(51 626)**	**(124 718)**
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(67 712)	(24 590)	(23 680)	(13 343)
Sale / recoupment of property, plant and equipment	10	211	6 056	96	6 025
Purchase of intangible assets	14	(26 676)	(27 470)	(18 948)	(16 449)
Disposal of subsidiary net of cash disposed		-	13 756	-	-
Loans repaid by subsidiaries	15	-	-	1 380	11 394
Loans advanced to subsidiaries	15	-	-	-	(1 690)
Proceeds from loan to associate	16	2 118	2 981	2 118	2 981
Dividends received from associate	16	-	2 520	-	-
Receipts from other loans	17, 19	2 362	15 451	6 265	16 971
Increase of non-current prepayments	19	-	(21 228)	-	(21 228)
Net cash used in investing activities		**(89 697)**	**(32 524)**	**(32 769)**	**(15 339)**
Cash flows from financing activities					
Buy back of ordinary shares	21	(21 857)	(97 999)	(21 857)	(97 999)
Loans received from subsidiaries	15, 23	-	-	11 895	1 324
Repayment of borrowings	23	(2 366)	(2 257)	-	-
Proceeds from bank overdraft	23	159 213	190 887	158 733	190 887
Payment of lease liabilities	23	(25 543)	(22 280)	(25 036)	(22 453)
Net cash generated from financing activities		**109 447**	**68 351**	**123 735**	**71 759**
Total cash movement for the year		**(26 065)**	**107 644**	**39 340**	**(68 298)**
Cash and cash equivalents at the beginning of the year		375 323	267 679	53 751	122 049
Cash and cash equivalents at the end of the year	20	**349 258**	**375 323**	**93 091**	**53 751**

Accounting Policies

1. Significant accounting policies

1.1 Basis of preparation

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

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

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

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

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

Goodwill impairment assessment (refer note 13)

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Determining the lease term (refer note 12)

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

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

Critical judgements in applying accounting policies

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

Revenue recognition - Principal versus agent (see note 4)

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

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

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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations not yet effective

The group and company have chosen not to early adopt the following standards and interpretations, relevant to the company, which have been published and are mandatory for the group and company's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

• IAS 12 Income Taxes (Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction) - Deferred taxes on leases will not be affected. All other deferred tax assets and liabilities within the scope of the amendment will be considered on effective date.	01 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 1 Presentation of Financial Statements (Amendment - Disclosure of Accounting Policies) - Material accounting policies to be determined and all significant accounting policies will be considered for removal.	01 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates) - Change in input or measurement techniques will be considered under the scope of IAS 8 and disclosure adjusted accordingly.	01 January 2023	Not expected to impact results but may result in a change in disclosure
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current) - The right to defer settlement of non-current liabilities will be assessed in detail and changes to classification will be applied accordingly.	01 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.	01 January 2024	Unlikely there will be a material impact
• IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants) - Long term liabilities where covenants apply will be considered and classification between Current or Non-Current will be determined.	01 January 2024	Unlikely there will be a material impact

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

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.

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

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

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

Rectron: Distribution of computer components and peripherals.

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

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

3. Segmental reporting (continued)

2023	Mustek R '000	Rectron R '000	MIE R '000	Group R '000	Elimination R '000	Total R '000
Revenue						
External sales	6 525 094	3 524 148	76 955	-	-	10 126 197
Inter-segment sales **	109 307	214 335	21 028	-	(344 670)	-
Total revenue	**6 634 401**	**3 738 483**	**97 983**	**-**	**(344 670)**	**10 126 197**
Segment results						
EBITDA *	341 354	145 488	32 441	(10 645)	-	508 638
Depreciation and amortisation	(41 070)	(10 899)	(4 657)	-	2 778	(53 848)
Profit (loss) from operations	**300 284**	**134 589**	**27 784**	**(10 645)**	**2 778**	**454 790**
Investment income	5 822	19 372	-	21 256	(22 800)	23 650
Finance costs	(108 194)	(66 550)	(223)	-	435	(174 532)
Other non-operating gains (losses)	191	1 493	-	(5 639)	5 510	1 555
Loss from equity-accounted investments	-	-	-	(12 799)	-	(12 799)
Profit (loss) before tax	**198 103**	**88 904**	**27 561**	**(7 827)**	**(14 077)**	**292 664**
Income tax (expense) benefit	(52 508)	(21 082)	(7 165)	7 703	-	(73 052)
Profit (loss) for the year	**145 595**	**67 822**	**20 395**	**(124)**	**(14 077)**	**219 612**
Attributable to:						
Owners of the parent	145 595	67 822	20 395	(124)	(14 077)	219 612
	145 595	67 822	20 395	(124)	(14 077)	219 612

2022	Mustek (restated) R '000	Rectron R '000	MIE (restated) R '000	Group R '000	Elimination (restated) R '000	Total R '000
Revenue						
External sales	5 966 519	2 882 437	60 611	-	-	8 909 567
Inter-segment sales **	191 560	199 913	29 250	-	(420 723)	-
Total revenue	**6 158 079**	**3 082 350**	**89 861**	**-**	**(420 723)**	**8 909 567**
Segment results						
EBITDA *	330 612	121 030	38 718	(35 148)	-	455 212
Depreciation and amortisation	(32 135)	(14 516)	(4 308)	-	2 667	(48 292)
Profit (loss) from operations	**298 477**	**106 514**	**34 410**	**(35 148)**	**2 667**	**406 920**
Investment income	1 658	2 541	-	40 386	(37 807)	6 778
Finance costs	(45 554)	(31 471)	(236)	-	510	(76 751)
Other non-operating gains (losses)	1 972	1 598	-	(4 837)	(12 030)	(13 297)
Loss from equity-accounted investments	-	-	-	(1 572)	-	(1 572)
Profit (loss) before tax	**256 553**	**79 182**	**34 174**	**(1 171)**	**(46 660)**	**322 078**
Income tax (expense) benefit	(72 816)	(22 865)	(9 112)	7 927	-	(96 866)
Profit (loss) for the year	**183 737**	**56 317**	**25 062**	**6 756**	**(46 660)**	**225 212**
Attributable to:						
Owners of the parent	183 737	51 075	25 062	6 756	(46 660)	219 970
Non-controlling interest	-	5 242	-	-	-	5 242
	183 737	56 317	25 062	6 756	(46 660)	225 212

* Earnings before interest, tax, depreciation and amortisation.

** Most of the inter-segment sales are at cost.

Notes to the Annual Financial Statements

3. Segmental reporting (continued)

Notes to the Annual Financial Statements

3. Segmental reporting (continued)

2023	Mustek R '000	Rectron R '000	MIE R '000	Group R '000	Eliminations R '000	Total R '000
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**

2022	Mustek (restated) R '000	Rectron R '000	MIE (restated) R '000	Group R '000	Eliminations (restated) R '000	Total R '000
Other information						
Capital expenditure	30 097	19 308	2 654	-	-	52 059
Assets						
Segment assets	2 935 860	1 810 512	41 438	93 799	(7 091)	4 874 518
Investment in associates	-	-	-	125 045	-	125 045
Current tax assets	4 271	6 527	125	-	-	10 923
Consolidated total assets	**2 940 131**	**1 817 039**	**41 563**	**218 844**	**(7 091)**	**5 010 486**
Liabilities						
Segment liabilities	2 177 456	1 407 079	18 826	-	(7 619)	3 595 742
Current tax liabilities	1 681	-	-	-	-	1 681
Consolidated total liabilities	**2 179 137**	**1 407 079**	**18 826**	**-**	**(7 619)**	**3 597 423**
Number of employees at year-end	**729**	**369**	**50**	**-**	**-**	**1 148**

Geographical segments

2023	East Africa R '000	Taiwan R '000	South Africa R '000	Total R '000
Revenue	67 486	68	10 058 643	10 126 197
(Loss) profit before tax	(4 972)	9 481	288 155	292 664
Income tax benefit (expense)	2 435	(254)	(75 233)	(73 052)
(Loss) profit for the year	**(2 537)**	**9 227**	**212 922**	**219 612**
Attributable to:				
Owners of the parent	(2 537)	9 227	212 922	219 612
	(2 537)	**9 227**	**212 922**	**219 612**
Other information				
Capital expenditure	359	-	115 260	115 619
Segment assets	60 631	52 975	5 616 660	5 730 266
Current tax assets	138	-	798	936
Consolidated total assets	**60 769**	**52 975**	**5 617 458**	**5 731 202**

Notes to the Annual Financial Statements

3. Segmental reporting (continued)

2022	**East Africa R '000**	**Taiwan R '000**	**South Africa R '000**	**Total R '000**
Revenue	42 079	-	8 867 488	8 909 567
(Loss) profit before tax	(2 032)	5 216	318 894	322 078
Income tax expense	(1 212)	(1 016)	(94 638)	(96 866)
(Loss) profit for the year	**(3 244)**	**4 200**	**224 256**	**225 212**
Attributable to:				
Owners of the parent	(3 244)	4 200	219 014	219 970
Non-controlling interest	-	-	5 242	5 242
	(3 244)	**4 200**	**224 256**	**225 212**
Other information				
Capital expenditure	306	-	51 753	52 059
Segment assets	53 391	33 171	4 913 001	4 999 563
Current tax assets	-	-	10 923	10 923
Consolidated total assets	**53 391**	**33 171**	**4 923 924**	**5 010 486**

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

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

4. Revenue

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

Disaggregation of revenue from contracts with customers

The group and company have assessed that the disaggregation of revenue by customer segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision makers (CODM) 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:

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

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

Revenue is recognised using a five-step model as follows:

- Identify the contract(s) with a customer

- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

Sale of goods

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

The following applies to the sales of goods:

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

Revenue from services

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

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

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

Revenue from software licenses and cloud solutions

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

	Group		Company	
	2023	2022	2023	2022
	R '000	R '000	R '000	R '000

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.

Contract assets	34 869	3 398	10 896	3 398

Reconciliation of contract assets

Opening balance	3 398	6 105	3 398	6 105
Transfers of contract assets to inventories	(3 398)	(6 105)	(3 398)	(6 105)
New contracts from hardware sales	34 869	3 398	10 896	3 398
Closing balance	**34 869**	**3 398**	**10 896**	**3 398**

Contract assets is an estimation of the inventory value for expected returns on hardware sales from customers within the return policy period. This estimation was based on historical trends.

Summary of contract liabilities

Deferred revenue - maintenance contracts	40 188	43 817	40 188	43 817
Deferred revenue - training contracts	4 673	4 177	-	-
Expected discounts and rebates	2 480	90	2 480	90
Expected refunds to customers	39 078	4 067	13 882	4 067
	86 419	**52 151**	**56 550**	**47 974**

Reconciliation of contract liabilities

Opening balance	52 151	53 387	47 974	50 401
Deferred income recognised in revenue	(24 541)	(25 444)	(24 541)	(22 458)
Deferred revenue - maintenance contracts	20 912	26 193	20 912	26 193
Deferred revenue - training courses	496	4 177	-	-
Expected discounts and rebates	2 390	(2 804)	2 390	(2 804)
Expected refunds to customers	35 011	(3 358)	9 815	(3 358)
Closing balance	**86 419**	**52 151**	**56 550**	**47 974**

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

. **Contract liabilities (continued)**

Split between non-current and current portions

Non-current liabilities	22 765	24 101	22 765	24 101
Current liabilities	63 654	28 050	33 785	23 873
	86 419	**52 151**	**56 550**	**47 974**

Deferred revenue arises as a result of:

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

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

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

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

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

Notes to the Annual Financial Statements

5. Profit from operations

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

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Operating income				
Bad debts recovered	9 363	3 939	9 282	497
Compensation from insurance claims	7 493	18 886	5 010	10 120
Rental income from investment property	2 959	1 465	-	-

The compensation from insurance claims relates mainly to stock losses and damages.

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Auditor's remuneration				
External audit fees	5 989	6 115	3 665	3 445
Other consultation services	47	137	47	91
	6 036	**6 252**	**3 712**	**3 536**
Leases				
Short term leases	723	831	602	831
Total lease expenses	**723**	**831**	**602**	**831**
Depreciation and amortisation				
Depreciation of investment property on the cost model	351	366	-	-
Depreciation of property, plant and equipment	20 370	20 491	11 129	9 221
Depreciation of right-of-use assets	27 308	23 442	27 425	25 293
Amortisation of intangible assets	5 819	3 993	5 475	1 215
Total depreciation and amortisation	**53 848**	**48 292**	**44 029**	**35 729**
Loss (Profit) on disposal / scrapping of property, plant and equipment and intangible assets	1 445	(4 196)	1 180	(4 780)
Foreign exchange (losses) gains				
Realised	(109 850)	(33 345)	(71 627)	(8 042)
Unrealised	(16 031)	(88 608)	13 810	(47 648)
Fair value adjustment - open forward exchange contracts	2 735	48 638	1 368	25 997
Net foreign exchange (losses) gains	**(123 146)**	**(73 315)**	**(56 449)**	**(29 693)**

Notes to the Annual Financial Statements

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000

6. Investment income

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

Dividend income from investments is recognised when:

- the entity's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably

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

7. Finance costs paid

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

8. Other non-operating (losses) gains

Gains (losses) on disposals					
Investments in subsidiaries	15	-	6 818	-	-
Exchange differences reclassified to profit or loss on liquidation of foreign subsidiary		2 150	-	-	-
		2 150	**6 818**	**-**	**-**
Impairment loss/expected credit loss					
Loans to subsidiaries	15	-	-	(5 785)	(616)
Investments in associates	16	-	(10 161)	-	-
Other write offs	16	-	-	(953)	-
Other loans	17	(770)	(10 263)	(222)	(1 072)
		(770)	**(20 424)**	**(6 960)**	**(1 688)**

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000

8. Other non-operating (losses) gains (continued)

Reversal of impairment loss/expected credit loss					
Loans to subsidiaries	15	-	-	-	11 396
Loans to associates	16	15	20	15	20
Other loans	17,19	-	289	84	235
Other		160	-	78	-
		175	**309**	**177**	**11 651**
Total other non-operating (losses) gains		**1 555**	**(13 297)**	**(6 783)**	**9 963**

9. Taxation

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

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

9. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

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

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

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

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

Deferred tax liability

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

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

. **Taxation (continued)**

Deferred tax asset

Allowance for expected credit losses	9 818	13 281	10 111	7 427
Minor assets	-	1	-	1
Salary-related accruals / liabilities	31 708	26 127	15 669	17 411
Lease liabilities	17 915	14 120	24 309	21 151
Commission accruals	2 785	3 580	2 785	3 580
Other accruals	1 155	914	1 086	887
Deferred revenue	12 129	13 170	10 851	11 831
Net contract liabilities	8 279	205	1 476	205
Other	96	61	-	-
Deferred tax balance from temporary differences other than unused tax losses	83 885	71 459	66 287	62 493
Tax losses available for set off against future taxable income	-	929	-	-
Total deferred tax asset	**83 885**	**72 388**	**66 287**	**62 493**

The deferred tax assets and the deferred tax liabilities that relate to income tax in the same jurisdiction, and where the law allows net settlement have been offset in the statement of financial position as follows:

Deferred tax liability	(5 609)	(4 743)	-	-
Deferred tax asset	40 735	45 441	27 004	36 103
Total net deferred tax asset	**35 126**	**40 698**	**27 004**	**36 103**

The Group's deferred tax assets relates to the following geographical locations:

South Africa	38 927	45 232	27 004	36 103
East Africa	1 808	611	-	-
Taiwan	-	-	-	-
	40 735	**45 843**	**27 004**	**36 103**

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

. **Taxation (continued)**

Reconciliation of deferred tax asset / (liability)

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
At beginning of year	40 698	40 723	36 103	36 599
Reduction due to rate change	-	(1 437)	-	(1 337)
Differences in taxable loss	(6)	(2 061)	-	-
Differences on allowances for credit losses	3 270	6 833	2 726	1 477
Differences on amortisation of intangible assets	(2)	(2)	(2)	(2)
Differences on salary related accruals	(752)	2 894	(1 741)	246
Differences on accelerated wear and tear	(4 880)	1 016	(7 893)	119
Differences on prepayments	(508)	(273)	(473)	(223)
Differences on minor assets	(2)	(2)	-	(2)
Differences on operating lease assets	(519)	-	(5)	(19)
Differences on right-of-use asset	(4 542)	8 969	(2 513)	9 706
Differences on lease liability	4 911	(8 172)	3 158	(9 004)
Differences on commission accrual	(794)	248	(794)	248
Differences on other accruals	(215)	(6 136)	150	77
Differences on unrealised exchange gains and losses	(1 654)	(2 070)	(2 002)	(1 860)
Differences on deferred revenue	(1 073)	582	(980)	1 046
Differences on contract assets and liabilities	2 073	(967)	1 270	(968)
Differences on other temporary differences	(1 707)	(520)	-	-
Movement through the Statement of Comprehensive Income	(6 400)	(1 098)	(9 099)	(496)
Foreign currency translation reserve	828	(460)	-	-
Movement through equity	828	(460)	-	-
Sale of subsidiary	-	1 533	-	-
	35 126	**40 698**	**27 004**	**36 103**

Recognition of deferred tax asset

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

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

Notes to the Annual Financial Statements

10. Property, plant and equipment

Group R'000	2023			2022		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land and buildings	130 556	(3 539)	127 017	102 516	(3 489)	99 027
Plant and machinery	94 338	(45 606)	48 732	70 803	(49 749)	21 054
Furniture, fixtures and office equipment	58 849	(31 380)	27 469	49 640	(27 319)	22 321
Motor vehicles	15 229	(8 613)	6 616	14 743	(8 047)	6 696
Computer equipment	82 635	(54 629)	28 006	68 771	(43 882)	24 889
Leasehold improvements	61 872	(40 734)	21 138	57 202	(39 221)	17 981
Total	**443 479**	**(184 501)**	**258 978**	**363 675**	**(171 707)**	**191 968**

Company R'000	2023			2022		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land and buildings	784	-	784	784	-	784
Plant and machinery	50 587	(20 783)	29 804	28 890	(24 145)	4 745
Furniture, fixtures and office equipment	28 507	(13 058)	15 449	21 638	(11 165)	10 473
Motor vehicles	14 201	(7 837)	6 364	13 642	(7 278)	6 364
Computer equipment	53 762	(34 775)	18 987	44 627	(28 070)	16 557
Leasehold improvements	16 038	(16 038)	-	16 038	(15 976)	62
Total	**163 879**	**(92 491)**	**71 388**	**125 619**	**(86 634)**	**38 985**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2023

	Land and Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
Opening balance							
Cost	102 516	70 803	49 640	14 743	68 771	57 202	363 675
Accumulated depreciation	(3 489)	(49 749)	(27 319)	(8 047)	(43 882)	(39 221)	(171 707)
Net book value at 01 July 2022	**99 027**	**21 054**	**22 321**	**6 696**	**24 889**	**17 981**	**191 968**
Additions	28 040	31 247	9 375	1 058	14 550	4 670	88 940
Disposals and scrappings - cost	-	(7 688)	(136)	(562)	(617)	-	(9 003)
Disposals and scrappings - accumulated depreciation and impairment	-	6 550	122	301	374	-	7 347
Foreign exchange movements	-	(5)	(12)	(2)	92	-	73
Depreciation	(50)	(2 426)	(4 224)	(875)	(11 282)	(1 513)	(20 370)
Net book value at 30 June 2023	**127 017**	**48 732**	**27 446**	**6 616**	**28 006**	**21 138**	**258 955**
Made up as follows:							
Cost	130 556	94 338	58 849	15 229	82 635	61 872	443 479
Accumulated depreciation	(3 539)	(45 606)	(31 380)	(8 613)	(54 629)	(40 734)	(184 501)
	127 017	**48 732**	**27 469**	**6 616**	**28 006**	**21 138**	**258 978**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2022

	Land & Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
Opening balance							
Cost	114 312	69 526	51 142	17 053	62 929	57 763	372 725
Accumulated depreciation	(5 409)	(46 116)	(32 089)	(10 450)	(38 684)	(39 078)	(171 826)
Net book value at 01 July 2021	**108 903**	**23 410**	**19 053**	**6 603**	**24 245**	**18 685**	**200 899**
Additions	632	1 270	7 436	2 062	11 133	2 057	24 590
Disposal of subsidiary	-	-	(117)	-	(162)	(19)	(298)
Disposals and scrappings - cost	-	(11)	(7 886)	(4 383)	(4 601)	(2 545)	(19 426)
Disposals and scrappings - accumulated depreciation and impairment	-	11	7 445	3 282	4 043	2 543	17 324
Transfers to investment property	(10 520)	-	-	-	-	-	(10 520)
Foreign exchange movements	-	3	3	(1)	(92)	-	(87)
Depreciation	12	(3 629)	(3 590)	(867)	(9 677)	(2 740)	(20 491)
Net book value at 30 June 2022	**99 027**	**21 054**	**22 344**	**6 696**	**24 889**	**17 981**	**191 991**
Made up as follows:							
Cost	102 516	70 803	49 640	14 743	68 771	57 202	363 675
Accumulated depreciation	(3 489)	(49 749)	(27 319)	(8 047)	(43 882)	(39 221)	(171 707)
	99 027	**21 054**	**22 321**	**6 696**	**24 889**	**17 981**	**191 968**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2023

	Land	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
Opening balance							
Cost	784	28 890	21 638	13 642	44 627	16 038	125 619
Accumulated depreciation	-	(24 145)	(11 165)	(7 278)	(28 070)	(15 976)	(86 634)
Net book value at 01 July 2022	**784**	**4 745**	**10 473**	**6 364**	**16 557**	**62**	**38 985**
Additions	-	27 406	6 869	1 002	9 531	-	44 808
Disposals and scrappings - cost	-	(5 709)	-	(443)	(396)	-	(6 548)
Disposals and scrappings - accumulated depreciation	-	4 722	-	281	269	-	5 272
Depreciation	-	(1 360)	(1 893)	(840)	(6 974)	(62)	(11 129)
Net book value at 30 June 2023	**784**	**29 804**	**15 449**	**6 364**	**18 987**	**-**	**71 388**
Made up as follows:							
Cost	784	50 587	28 507	14 201	53 762	16 038	163 879
Accumulated depreciation	-	(20 783)	(13 058)	(7 837)	(34 775)	(16 038)	(92 491)
	784	**29 804**	**15 449**	**6 364**	**18 987**	**-**	**71 388**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2022

	Land & Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
Opening balance							
Cost	784	28 750	21 413	15 986	40 656	18 582	126 171
Accumulated depreciation	-	(23 007)	(14 744)	(9 797)	(24 125)	(18 130)	(89 803)
Net book value at 01 July 2021	**784**	**5 743**	**6 669**	**6 189**	**16 531**	**452**	**36 368**
Additions	-	152	5 087	2 039	6 065	-	13 343
Disposals and scrappings - cost	-	(11)	(4 426)	(4 383)	(2 530)	(2 545)	(13 895)
Disposals and scrappings - accumulated depreciation and impairment	-	11	4 334	3 282	2 218	2 545	12 390
Depreciation	-	(1 150)	(1 123)	(780)	(5 797)	(371)	(9 221)
Net book value at 30 June 2022	**784**	**4 745**	**10 541**	**6 347**	**16 487**	**81**	**38 985**
Made up as follows:							
Cost	784	28 890	21 638	13 642	44 627	16 038	125 619
Accumulated depreciation	-	(24 145)	(11 165)	(7 278)	(28 070)	(15 976)	(86 634)
	784	**4 745**	**10 473**	**6 364**	**16 557**	**62**	**38 985**

10. Property, plant and equipment (continued)

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 & small)	Straight line basis - years	3-7
Network equipment	Straight line basis - years	5
UPS	Straight line basis - years	5-11
CCTV Cameras	Straight line basis - years	2-6
Leasehold improvements	Straight line basis - years	over the period of the initial lease

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

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

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

11. Investment property

Group R'000	2023			2022		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Investment property	12 379	(2 594)	9 785	12 737	(2 325)	10 412

Reconciliation of investment property - Group - 2023

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

Notes to the Annual Financial Statements

11. Investment property (continued)

Reconciliation of investment property - Group - 2022

	Opening balance	Transfers	Foreign exchange movements	Depreciation	Total
Investment property	-	10 520	258	(366)	10 412

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

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

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

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

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

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

Amounts recognised in profit and loss for the year

Rental income from investment property	2 959	1 465	-	-

The table below sets out the future expected rental income per annum for the period of the lease. The below rental amounts have been translated from KES to ZAR at an exchange rate of 0.139 (2022:0.135)

Maturity analysis of expected future rental income	-	-	-	-
Year 1	3 183 196	2 838 137	-	-
Year 2	3 183 196	2 838 137	-	-
Year 3	3 453 768	3 079 379	-	-
Year 4	1 439 070	3 079 379	-	-
Year 5	-	1 392 136	-	-
	11 259 230	**13 227 168**	**-**	**-**

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

12. Right of use of assets and lease liabilities

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

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

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Land and Buildings	58 150	44 906	77 664	68 357
Motor vehicles	4 739	3 936	-	-
Equipment	-	17	-	-
	62 889	**48 859**	**77 664**	**68 357**

Additions / Modifications to right-of-use assets

Land and buildings - additions	38 842	4 810	36 749	2 412
Land and buildings - modifications	(17)	-	(17)	-
Motor vehicles - additions	2 479	-	-	-
	41 304	**4 810**	**36 732**	**2 412**

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

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5).

Land and buildings	25 615	21 953	27 425	25 293
Motor vehicles	1 676	1 391	-	-
Equipment	17	98	-	-
	27 308	**23 442**	**27 425**	**25 293**

Other disclosures

Foreign exchange movements	34	-	-	-
Carrying amount of right-of-use assets derecognised due to lease terminations - buildings and motor vehicles	-	(11 783)	-	(11 783)

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

12. Right of use of assets and lease liabilities (continued)

Lease liabilities

Lease liability reconciliation				
Opening balance	52 295	81 880	78 336	110 492
Additions	41 321	4 810	36 749	2 412
Modifications	(17)	-	(17)	-
Lease termination	-	(12 115)	-	(12 115)
Foreign exchange movements	20	-	-	-
Interest expense	4 427	3 872	6 092	6 589
Lease payments	(30 010)	(26 152)	(31 127)	(29 042)
Closing balance	**68 036**	**52 295**	**90 033**	**78 336**

The maturity analysis of lease liabilities is as follows:

Year 1	34 608	25 966	36 681	28 308
Year 2	15 781	25 070	20 228	28 074
Year 3	11 120	5 729	16 333	11 181
Year 4	10 737	662	16 745	7 069
Year 5	7 196	15	14 441	6 935
Onwards	-	-	4 435	11 787
	79 442	57 442	108 863	93 354
Less finance charges component	(11 406)	(5 147)	(18 830)	(15 018)
	68 036	**52 295**	**90 033**	**78 336**
Non-current liabilities	38 230	29 307	60 039	55 188
Current liabilities	29 806	22 988	29 994	23 148
	68 036	**52 295**	**90 033**	**78 336**

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

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

Group and company as a lessee

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

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

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

12. Right of use of assets and lease liabilities (continued)

Lease liability

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

The lease liability is presented as a separate line item on the Statement of Financial Position.

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

The group and company 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.
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	- discounting the revised payments using a revised discount rate.

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

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

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

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

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

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

13. Goodwill

Group R'000	2023			2022		
	Cost	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	54 267	(7 717)	46 550	54 267	(7 717)	46 550

The carrying amount of goodwill has been allocated as follows	**Pre-tax discount 2023**	**Pre-tax discount 2022**	**Forecasted Cash Flows**	**2023**	**2022**
Mustek	22.63%	25.53%	Five year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	19 274	19 274
Rectron	23.29%	26.82%	Five year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	27 276	27 276
				46 550	**46 550**

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

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

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

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

Sensitivity Analysis

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

Reconciliation of goodwill - Group - 2022

	Opening balance	**Disposals through sale of subsidiary**	**Total**
Goodwill	54 627	(8 077)	46 550

Notes to the Annual Financial Statements

14. Intangible assets

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

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

Notes to the Annual Financial Statements

14. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2023

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

Reconciliation of intangible assets - Group - 2022

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

Reconciliation of intangible assets - Company - 2023

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

Reconciliation of intangible assets - Company - 2022

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

Notes to the Annual Financial Statements

14. Intangible assets (continued)

Other information

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

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

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

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

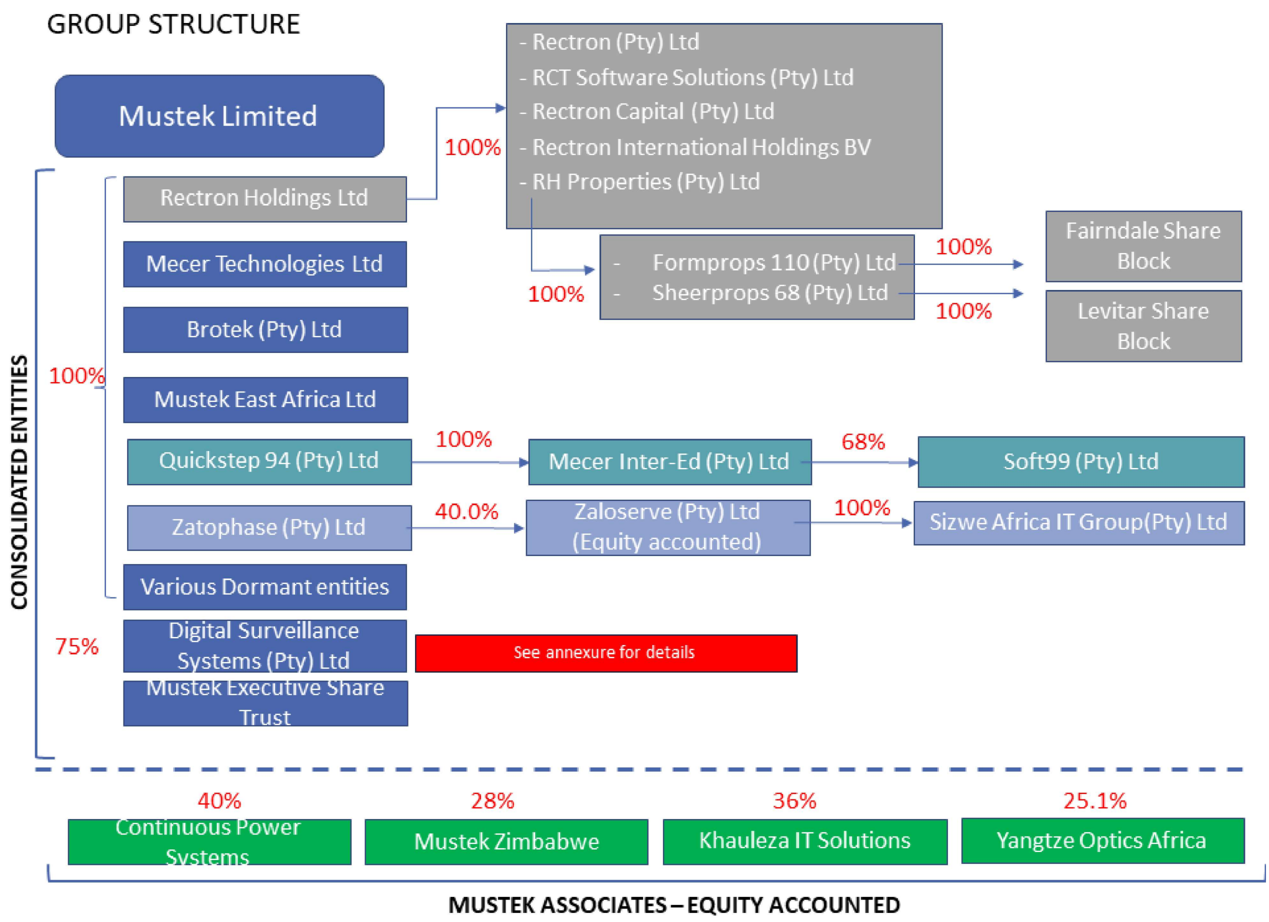
Intangible assets acquired separately

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

15. Investment in subsidiaries

Company	note	2023	2022
Net investment in subsidiaries		**R'000**	**R'000**
Shares at cost less accumulated impairment		243 391	243 391
- opening balance		243 391	243 391
- write offs and impairment		-	-
Loans owing by subsidiaries		121 480	114 344
- opening balance		114 344	116 470
- decrease in loans		(280)	(8 770)
- foreign exchange movement		7 416	6 644
Loan impairments		(68 583)	(62 798)
- opening balance		(62 798)	(73 578)
- current year impairment adjustments		(5 785)	10 780
Non-current Investment in subsidiaries		296 288	294 937
Loans owing to subsidiaries	22, 23	(104 910)	(89 076)
		191 378	**205 861**

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



15. Investment in subsidiaries (continued)

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

Company

Name of company	Country of incorporation	Nature of activities	% holding 2023	% holding 2022	2023 R'000	2022 R'000
Ballena Trading 29 Proprietary Limited*	South Africa	Dormant	51 %	51 %	5 272	5 272
Brotek Proprietary Limited	South Africa	Property holding	100 %	100 %	71 468	71 468
CIS Thuthukani Technology Proprietary Limited*	South Africa	Dormant	100 %	100 %	6 793	6 793
Digital Surveillance Systems Proprietary Limited*	South Africa	Dormant	75 %	75 %	5 896	5 896
Lithatek Investments Proprietary Limited*	South Africa	Dormant	100 %	100 %	19 448	19 448
Makeshift 1000 Proprietary Limited*	South Africa	Dormant	100 %	100 %	10 698	10 698
Mecer Technology Limited	Taiwan	Trading	100 %	100 %	6 629	6 629
Mustek East Africa Limited (Note 1)	Kenya	Trading	100 %	100 %	12 315	12 315
Mustek Electronics (Cape Town) Proprietary Limited*	South Africa	Dormant	100 %	100 %	3 229	3 229
Mustek Electronics (Durban) Proprietary Limited*	South Africa	Dormant	100 %	100 %	1 658	1 658
Mustek Electronics (Port Elizabeth) Proprietary Limited*	South Africa	Dormant	100 %	100 %	327	327
Mustek Lesotho Proprietary Limited**	South Africa	Dormant	99 %	99 %	-	-
Mustek Limited Company Limited**	South Africa	Dormant	100 %	100 %	-	-
Mustek Middle East FZCO*	South Africa	Dormant	100 %	100 %	1 392	1 392
Quickstep 94 Proprietary Limited*	South Africa	Investment holding	100 %	100 %	2 581	2 581
Rectron Holdings Limited	South Africa	Trading	100 %	100 %	115 973	115 973
Tradeselect 38 Proprietary Limited*	South Africa	Dormant	100 %	100 %	3 400	3 400
Zatophase Proprietary Limited	South Africa	Investment holding	100 %	100 %	35 944	35 944
Total cost					303 023	303 023
Accumulated impairment					(59 632)	(59 632)
Opening balance					(59 632)	(59 632)
Impairment of investment in subsidiaries					-	-
Carrying amount at year end					243 391	243 391

*Fully impaired in prior years

** Amounts less than R1000

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

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

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

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

Loans to subsidiaries

	2023 R'000	2022 R'000
Mustek East Africa Limited This loan bears interest at two percent per annum (2022: 2%) and is repayable on demand (management has no expectation to demand settlement of this loan in the foreseeable future). This loan is unsecured.	51 640	50 289
Zatophase Proprietary Limited This loan is interest free and has no fixed terms of repayment (management have no expectation to demand settlement of the loan in the foreseeable future). The loan is unsecured.	1 257	1 257
	52 897	**51 546**

Exposure to credit risk

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

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

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low risk (Stage 1)
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2), and
- Financial assets where objective evidence of impairment exists at the reporting date (Stage 3).

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

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

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

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

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

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

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

. Investment in subsidiaries (continued)

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

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

Credit rating framework

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

Notes to the Annual Financial Statements

. **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:

Company - 2023

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Net carying amount
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		12m ECL	58 225	(6 585)	51 640
Mustek Lesotho Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	-
Mustek Limited Company Limited		Internal rating	In default	Lifetime ECL (credit impaired)	3 511	(3 511)	-
Mustek Middle East FZCO		Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	-
Quickstep 94 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	-
Soft 99 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	-
Zatophase Proprietary Limited		Internal rating	Performing	12m ECL	2 095	(838)	1 257
					121 480	**(68 583)**	**52 897**

Notes to the Annual Financial Statements

. **Investment in subsidiaries (continued)**

Company - 2022

Instrument	External credit rating(where applicable)	Rating agency	Internal credit rating(where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Net carrying amount
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	Moodys Investor Services		12 - month ECL	51 089	(800)	50 289
Mustek Lesotho Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	-
Mustek Limited Company Limited		Internal rating	In default	Lifetime ECL (credit impaired)	3 511	(3 511)	-
Mustek Middle East FZCO		Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	-
Quickstep 94 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	-
Soft 99 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	-
Zatophase Proprietary LImited		Internal rating	Performing	12m ECL	2 095	(838)	1 257
					114 344	**(62 798)**	**51 546**

Notes to the Annual Financial Statements

Loans from subsidiaries	2023 R'000	2022 R'000
Brotek Proprietary Limited Note 2	82 698	77 593
CIS Thuthukani Technology Proprietary Limited Note 1	10 212	10 212
MFS Technologies Proprietary Limited Note 1	-	1 271
Mecer Inter-Ed Proprietary Limited Note 1	12 000	-
	104 910	**89 076**

Note 1: These loans are interest-free and have no fixed terms of repayment.
Note 2: Brotek is made up of two loans with different terms:
The first loan has a balance of R47.7 million (2022: R40.2 million) .This loan is interest free and has no fixed terms of repayment.
The second loan is a back to back loan with the mortgage bond received from Nedbank (refer note 22) and advanced to Mustek during June 2020. The balance of this loan is R35.0 million (2022: R37.4 million) . This loan is carried at amortised cost and carries the same terms as the mortgage bond disclosed in note 22. R2.3 million (2022: R2.4 million) is repayable in the next 12 months.

Split between non-current and current portions

	2023 R'000	**2022 R'000**
Non-current liabilities	32 720	34 950
Current liabilities	72 190	54 126
	104 910	**89 076**

Classification:

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

Recognition and measurement:

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

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

Impairment:

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

Fair value of subsidiary loans

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

Notes to the Annual Financial Statements

16. Investment in associate

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Shares at cost	68 128	61 287	40 246	40 246
- opening balance	61 287	85 734	40 246	40 246
- Acquisitions / (write-offs)	6 841	(24 447)	-	-
Impairments	(14 350)	(14 350)	(4 189)	(4 189)
- opening balance	(14 350)	(24 539)	(4 189)	(4 189)
-Adjustment for impairment on investment written off	-	20 350	-	-
- current year impairments	-	(10 161)	-	-
Share of undistributed post-acquisition gains	61 906	74 705	-	-
- opening balance	74 705	74 700	-	-
- current year share of post-acquisition losses	(12 799)	(1 572)	-	-
- current year dividends received from associates	-	(2 520)	-	-
- current year write offs	-	4 097	-	-
Loans owing by associates	1 300	3 418	1 300	3 418
- opening balance	3 418	13 701	3 418	6 401
- write off of loans	-	(7 300)	-	-
-repayment of loans	(2 118)	(2 983)	(2 118)	(2 983)
Accumulated impairment on loans	-	(15)	-	(16)
Investment in associates	**116 984**	**125 045**	**37 357**	**39 459**

16. Investment in associate (continued)

Summarised financial information of material associates - R'000

2023

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) before tax	Tax	Total comprehensive income	Dividend received from associate
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)**	**-**

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

2022

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

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

Notes to the Annual Financial Statements

16. Investment in associate (continued)

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

Company - Unlisted

		Percentage holding	Cost					Loans to					Equity accounted share of earnings					Net investment	
	Note	2023	2023	Additions/ (disposals)	Opening impairment	Additional impairment	2022	2023	Advanced / (repaid)	Opening impairment	Reversal of impairment	2022	2023	Current year profits	Current year disposal	Dividend received	2022	2023	2022
			R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
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 %	-	-	-	-	-	1 300	(2 118)	(16)	16	3 418	-	-	-	-	-	1 300	3 402
Yangtze Optics Africa Holdings Proprietary Limited	2	25.1 %	36 057	-	-	-	36 057	-	-	-	-	-	-	-	-	-	-	36 057	36 057
Total Company			**40 246**	**-**	**(4 189)**	**-**	**40 246**	**1 300**	**(2 118)**	**(16)**	**16**	**3 418**	**-**	**-**	**-**	**-**	**-**	**37 357**	**39 459**

Notes to the Annual Financial Statements

16. Investment in associate (continued)

Group - Unlisted

		Percentage holding	Cost					Loans to					Equity accounted share of earnings					Net investment	
	Note	2023	2023	Additions	Opening impairment	(Additional impairment)/write off	2022	2023	Advanced / (repaid)/(written off)	Opening impairment	Reversal of impairment/writeoff	2022	2023	Current year profits (losses)	Current year write off	Dividend received	2022	2023	2022
			R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Mustek Zimbabwe Private Limited	3	-	4 189	-	(4 189)	-	4 189	-	-	-	-	-	-	-	-	-	-	-	-
Khauleza IT Solutions Proprietary Limited		36.0 %	-	-	-	-	-	-	-	-	-	-	5 219	(2 139)	-	-	7 358	5 219	7 358
Continuous Power Systems Proprietary Limited	1	40.0 %	-	-	-	-	-	1 300	(2 118)	(15)	15	3 418	11 921	3 677	-	-	8 244	13 221	11 646
Zaloserve Proprietary Limited	4	40.0 %	7 882	6 841	(10 161)	-	21 041	-	-	-	-	-	29 663	(24 349)	-	-	4 012	47 384	64 893
Yangtze Optics Africa Holdings Proprietary Limited	2	25.1 %	6 057	-	-	-	36 057	-	-	-	-	-	15 103	10 012	-	-	5 091	51 160	41 148
Total Group			**8 128**	**6 841**	**(14 350)**	**-**	**61 287**	**1 300**	**(2 118)**	**(15)**	**15**	**3 418**	**61 906**	**(12 799)**	**-**	**-**	**74 705**	**116 984**	**125 045**

16. Investment in associate (continued)

1. With effect from 1 January 2011, Mustek Limited acquired a 40% share in Continuous Power Systems Proprietary Limited. The loan to Continuous Power Systems Proprietary Limited is interest free and has no fixed repayment terms (management has no expectation to demand settlement of this loan within the next 12 months).

2. Mustek Limited acquired a 25.1% share in Yangtze Optics Africa Holdings Proprietary Limited with effect from 8 March 2016.

3. On 1 July 2002 Mustek disposed of Mustek Zimbabwe. The purchaser irrevocably granted Mustek an option to purchase, at any time, 40% of the entire issued share capital of Mustek Zimbabwe for a nominal value and, as a result, the option investment is treated as an equity investment in an associate company.

4. Mustek Limited owns 100% of Zatophase Proprietary Limited.Zatophase Proprietary Limited owned 36.1% of Zaloserve, the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe) after selling 3.9% of the company on 30 June 2021 to Zaloserve Management Proprietary Limited (Zaloserve Management) in terms of a Management Share Purchase and Shareholding Agreement (the agreement). Zaloserve Management was a company that was intended to be owned by Sizwe's management team. The consideration of R11.0 million for the Group's 3.9% stake was payable on or before 30 June 2026 and was included in other loans (note 17) as at 30 June 2022. On 8 July 2022, it was resolved that the agreement would be cancelled and the transaction reversed. This resulted in the Group reverting back to its 40.0% shareholding and reversing the carrying value of the loan of R6.8 million back to the cost of the investment.

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

In the separate financial statements of Mustek Limited, investments in associates are carried at cost in accordance with IAS 28. For Group purposes, the investments in associates have been equity accounted in accordance with IAS28.

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

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

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

Notes to the Annual Financial Statements

17. Other loans

Other loans are presented at amortised cost, which is net of ECL, as follows:

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
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 *Note 1, 2 and 3.*	-	-	36 336	44 643
DC Kan Note 4	23 410	24 439	-	-
H Engelbrecht Note 1	11 525	12 854	-	-
CJ Coetzee Note 1	1 390	2 270	-	-
JL Chen Note 2	-	845	-	-
Zaloserve Management Proprietary Limited This loan bears interest at Repo +1% per annum. The agreement under which the loan was granted was cancelled in the current year (note 16).	-	6 841	-	-
	36 325	**47 249**	**36 336**	**44 643**

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 01 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 & note 29 for related party disclosure.

Note 2: During the 2015 financial year, 1,9 million Mustek Limited shares were issued to members of the executive management of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the staff members in terms of the rules of the trust deed. The trust deed provides that the board of directors determine the interest rate. Interest was charged at the South African Repo rate plus one percent. From 01 September 2017, these loans were interest free and deemed fringe benefits. These are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment & note 29 for related party disclosure.

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

Note 4: The loan to DC Kan was advanced under the same scenario noted above in Note 1. Pending finalisation of his estate,settlement is expected in the next 12 months. The loan has been disclosed as a short term loan included in Trade and other receivables (note19).

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.

17. Other loans (continued)

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

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

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

Credit rating framework

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

Notes to the Annual Financial Statements

17. Other loans (continued)

Credit loss allowances - R'000

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

Group - 2023

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
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**

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17. Other loans (continued)

Group - 2022

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

Notes to the Annual Financial Statements

17. Other loans (continued)

Company - 2023

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

Company - 2022

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

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

17. Other loans (continued)

Reconciliation of loss allowances

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

Other loans: Loss allowance measured at 12 month ECL:

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

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

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

18. Inventories

Trading inventory	2 526 992	2 277 504	1 532 689	1 368 701
Allowance for obsolescence	(109 045)	(151 073)	(55 215)	(103 799)
Trading inventory, net of allowance for obsolescence	2 417 947	2 126 431	1 477 474	1 264 902
Inventories in transit	372 388	353 756	156 413	231 593
Total inventories	**2 790 335**	**2 480 187**	**1 633 887**	**1 496 495**

Allowance for obsolescence reconciliation				
Opening balance	(151 074)	(126 648)	(103 799)	(75 718)
Current year reversal (provision)	19 833	(43 232)	26 407	(46 430)
Amount written off / written down	22 196	18 806	22 177	18 348
	(109 045)	**(151 074)**	**(55 215)**	**(103 799)**

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

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

18. Inventories (continued)

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

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

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

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

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

Notes to the Annual Financial Statements

19. Trade and other receivables

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Financial instruments at amortised cost:				
Trade receivables	1 606 004	1 343 464	1 001 319	968 737
Loss allowance	(64 429)	(58 655)	(39 371)	(32 128)
Trade receivables at amortised cost	1 541 575	1 284 809	961 948	936 609
Other receivables	44 198	33 611	31 351	20 933
Other short term receivables (note 17)	23 410	24 439	-	-
Non-financial instruments:				
VAT	75 249	29 630	64 481	9 992
Prepayments	172 195	124 087	170 051	118 626
Total trade and other receivables	**1 856 627**	**1 496 576**	**1 227 831**	**1 086 160**

Split between non-current and current portions

	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Non-current assets	-	21 228	-	21 228
Current assets	1 856 627	1 475 348	1 227 831	1 064 932
	1 856 627	**1 496 576**	**1 227 831**	**1 086 160**

The non-current portion of trade and other receivables for 2022 related to a prepayment made for a solar solution in the prior year. The solar solution was put into use in March 2023 and transfered to Property, Plant and Equipment.

Exposure to currency risk

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

Classification

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

Recognition and measurement

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

Impairment

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

Other information

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

Notes to the Annual Financial Statements

19. Trade and other receivables (continued)

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

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

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

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

Write off policy

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

Expected Credit Losses

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

A combination of models derived from internal data and external models was produced on relevant data. For individually material trade receivables and inter-company 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.

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 macroeconomic data and forecast macro-economic data and scenarios with recommended weightings.

This is consistent with the methodology applied in prior periods.

19. Trade and other receivables (continued)

Moody's Analytics produces a set of macroeconomic forecasts for South Africa that considers the historical accuracy of various forecasters to identify reliable sources. These are incorporated into their GCorr macroeconomic 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 macroeconomic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures.The forecast GDP growth for Q2 2024 ranges from 2.34% to 2.30% with baseline at 0.59%. The current forecast is less optimistic than a similar forecast of 6 months ago.GDP is not the only factor that determines the extent of the adjustment but is described here to illustrate the extent of impact on the general economy that is being taken into account.

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

Group - 2023	**Collectively assessed R '000**	**Individually assessed R '000**	**Total R '000**
Balance at the beginning of the year	11 053	47 602	58 655
Transfer to individually assessed	(582)	582	-
Foreign exchange movements	-	(166)	(166)
Net amounts written off as uncollectable	-	(5 152)	(5 152)
Charged to profit and loss	6 537	4 555	11 092
Balance at the end of the year	**17 008**	**47 421**	**64 429**

Group - 2022	**Collectively assessed R '000**	**Individually assessed R '000**	**Total R '000**
Balance at the beginning of the year	20 678	24 231	44 909
Foreign exchange movements	17	17	34
Net amounts written off as uncollectable	-	(14 935)	(14 935)
Charged to profit and loss	(9 642)	38 289	28 647
Balance at the end of the year	**11 053**	**47 602**	**58 655**

Company - 2023	**Collectively assessed R '000**	**Individually assessed R '000**	**Total R '000**
Balance at the beginning of the year	7 315	24 813	32 128
Net amounts written off as uncollectable	-	(3 839)	(3 839)
Charged to profit and loss	4 240	6 842	11 082
Balance at the end of the year	**11 555**	**27 816**	**39 371**

Company - 2022	**Collectively assessed R '000**	**Individually assessed R '000**	**Total R '000**
Balance at the beginning of the year	13 519	12 207	25 726
Net amounts written off as uncollectable	-	(13 312)	(13 312)
Charged to profit and loss	(6 204)	25 918	19 714
Balance at the end of the year	**7 315**	**24 813**	**32 128**

19. Trade and other receivables (continued)

Group - 2023

0-30 days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
DRC	202	Sov rate & Empirical	B3	44.1	0.28	0.96	0.96	(2)	200
Lesotho	1 045	Sov rate & Empirical	B2	44.1	0.28	0.68	0.68	(7)	1 038
Mozambique	766	Sov rate & Empirical	Caa2	45.4	0.28	1.99	1.99	(15)	751
Namibia	4 015	Sov rate & Empirical	B1	44.1	0.28	0.48	0.48	(19)	3 996
Eswatini	1 280	Sov rate & Empirical	B3	44.1	0.28	0.96	0.96	(12)	1 268
Zambia	172	Sov rate & Empirical	Ca	45.4	0.28	45.42	45.42	(78)	94
Zimbabwe	4 132	Sov rate & 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**							**(3 397)**	**736 913**

30-60 days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Lesotho	208	Sov rate & Empirical	B2	44.1	0.47	0.68	0.68	(2)	206
Mozambique	127	Sov rate & Empirical	Caa2	45.4	0.47	1.99	1.99	(3)	124
Namibia	626	Sov rate & Empirical	B1	44.1	0.47	0.48	0.48	(3)	623
Eswatini	802	Sov rate & Empirical	B3	44.1	0.47	0.96	0.96	(8)	794
Zimbabwe	2 622	Sov rate & Empirical	Default	44.1	0.47	10-100	10-100	(480)	2 142
South Africa	367 746	Empirical	Ba1	3.63	0.47	-	0.47	(1 727)	366 019
Total	**372 131**							**(2 223)**	**369 908**

19. Trade and other receivables (continued)

60-90 days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Mozambique	135	Sov rate & Empirical	Caa2	45.4	1.53	1.99	1.99	(3)	132
Namibia	179	Sov rate & Empirical	B1	44.1	1.53	0.48	1.53	(3)	176
Eswatini	218	Sov rate & 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	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Mozambique	120	Sov rate & Empirical	Caa2	45.4	4.07	1.99	4.07	(5)	115
Namibia	560	Sov rate & Empirical	B1	44.1	4.07	0.48	4.07	(23)	537
Nigeria	1	Sov rate & Empirical	Caa2	45.4	4.07	1.40	4.07	(1)	-
Eswatini	85	Sov rate & Empirical	B3	44.1	4.07	0.96	4.07	(4)	81
Zambia	93	Sov rate & Empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 215	Sov rate & Empirical	Default	100.0	4.07	10	10	(125)	1 090
South Africa	236 015	Empirical	Ba1	3.63	4.07	-	4.07	(9 654)	226 361
Total	**238 089**							**(9 854)**	**228 235**
Total Group ECL								**(17 008)**	

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19. Trade and other receivables (continued)

Group - 2022

0-30 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Lesotho	710	Sov rate & Empirical	B2	42.8	0.21	0.25	0.25	(2)	708
Malawi	171	Sov rate & Empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Kenya	1 529	Sov rate & Empirical	B2	42.8	0.21	0.25	0.25	(3)	1 526
Mozambique	32	Sov rate & Empirical	Caa2	44.1	0.21	0.72	0.72	-	32
Namibia	1 308	Sov rate & Empirical	B1	42.5	0.21	0.18	0.21	(3)	1 305
Eswatini	1 427	Sov rate & Empirical	B3	42.8	0.21	0.35	0.35	(5)	1 422
Zimbabwe	1 006	Sov rate & Empirical	Default	44.8	0.21	10-100	10-100	(696)	310
South Africa	717 528	Empirical	Ba1	5.7	0.21	-	0.21	(1 507)	716 021
Total	**723 711**							**(2 217)**	**721 494**

30-60 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Kenya	2 050	Sov rate & Empirical	B2	42.8	0.33	0.25	0.33	(7)	2 043

19. Trade and other receivables (continued)

Lesotho	208	Sov rate & Empirical	B2	42.8	0.33	0.25	0.33	(1)	207
Namibia	942	Sov rate & Empirical	B1	42.5	0.33	0.18	0.33	(3)	939
Eswatini	421	Sov rate & Empirical	B3	42.8	0.33	0.35	0.35	(1)	420
Zimbabwe	872	Sov rate & Empirical	Default	44.1	0.33	10-100	10-100	(463)	409
South Africa	314 248	Empirical	Ba1	5.68	0.33	-	0.33	(1 037)	313 211
Total	**318 741**							**(1 512)**	**317 229**

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19. Trade and other receivables (continued)

60-90 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Kenya	579	Sov rate & Empirical	B2	42.8	1.33	0.35	1.33	(8)	571
Namibia	6	Sov rate & Empirical	B1	42.5	1.33	0.18	1.33	-	6
Eswatini	14	Sov rate & Empirical	B3	42.8	1.33	0.35	1.33	-	14
Zambia	3	Sov rate & Empirical	Ca	44.1	1.33	44.13	44.13	(1)	2
Zimbabwe	723	Empirical	Default	44.1	1.33	10-100	10-100	(72)	651
South Africa	89 243	Empirical	Ba1	5.6	1.33	-	1.33	(1 188)	88 055
Total	**90 568**							**(1 269)**	**89 299**

90+ days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Lesotho	710	Sov rate & Empirical	B2	42.8	5.48	0.35	5.48	(39)	671
Kenya	10 262	Sov rate & Empirical	B2	42.8	5.48	0.35	5.48	(562)	9 700
Mozambique	32	Sov rate & Empirical	Caa2	44.1	5.48	0.72	5.48	(2)	30
Namibia	633	Sov rate & Empirical	B1	42.5	5.48	0.18	5.48	(35)	598

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19. Trade and other receivables (continued)

Eswatini	548	Sov rate & Empirical	B3	42.8	5.48	0.35	5.48	(30)	518
	-	Sov rate & Empirical		-		-		-	-
Zimbabwe	982	Sov rate & Empirical	Default	44.10	5.48	10-100	10-100	(694)	288
South Africa	85 626	Empirical	Ba1	5.7	5.48	-	5.48	(4 693)	80 933
Total	**98 793**							**(6 055)**	**92 738**
Total Group ECL								**(11 053)**	

19. Trade and other receivables (continued)

Company - 2023

0-30 days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Lesotho	256	Sov rate & Empirical	B2	44.1	0.28	0.68	0.68	(2)	254
Mozambique	31	Sov rate & Empirical	Caa2	45.4	0.28	1.99	1.99	(1)	31
Namibia	3 123	Sov rate & Empirical	B1	44.1	0.28	0.48	0.48	(15)	3 108
Eswatini	695	Sov rate & Empirical	B3	44.1	0.28	0.96	0.96	(7)	688
Zambia	46	Sov rate & Empirical	Ca	45.4	0.28	45.42	45.42	(21)	25
Zimbabwe	3 194	Sov rate & 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	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Lesotho	42	Sov rate & Empirical	B2	44.1	0.47	0.68	0.68	(1)	41
Mozambique	15	Sov rate & Empirical	Caa2	45.4	0.47	1.99	1.99	(1)	14
Namibia	156	Sov rate & Empirical	B1	44.1	0.47	0.48	0.48	(1)	155
Eswatini	237	Sov rate & Empirical	B3	44.1	0.47	0.96	0.96	(2)	235
Zimbabwe	2 380	Sov rate & 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**

60-90 days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Mozambique	57	Sov rate & Empirical	Caa2	45.4	1.53	1.99	1.99	(1)	56
Namibia	175	Sov rate & Empirical	B1	44.1	1.53	0.48	1.53	(3)	172
Eswatini	215	Sov rate & 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**

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19. Trade and other receivables (continued)

90+ days	Indicative amount at 30 June 2023	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Mozambique	117	Sov rate & Empirical	Caa2	45.4	4.07	1.99	4.07	(5)	112
Namibia	559	Sov rate & Empirical	B1	44.1	4.07	0.48	4.07	(23)	536
Eswatini	33	Sov rate & Empirical	B3	44.1	4.07	0.96	4.07	(1)	32
Zambia	93	Sov rate & Empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 212	Sov rate & 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 adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2023	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)**

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19. Trade and other receivables (continued)

Company - 2022

0-30 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Malawi	171	Sov rate & Empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Namibia	674	Sov rate & Empirical	B1	42.5	0.21	0.18	0.21	(1)	673
Eswatini	879	Sov rate & Empirical	B3	42.8	0.21	0.35	0.35	(3)	876
Zimbabwe	344	Sov rate & Empirical	Default	44.1	0.21	10.00	10.00	(35)	309
South Africa	520 143	Empirical	Ba1	5.68	0.21	-	0.21	(1 092)	519 051
Total	**522 211**							**(1 132)**	**521 079**

30-60 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Namibia	876	Sov rate & Empirical	B1	42.5	0.33	0.18	0.33	(2)	874
Eswatini	291	Sov rate & Empirical	B3	42.8	0.33	0.35	0.35	(1)	290
Zimbabwe	455	Sov rate & Empirical	Default	4.1	0.33	10.00	10.00	(45)	410
South Africa	230 936	Empirical	Ba1	5.68	0.33	-	0.33	(761)	230 175
Total	**232 558**							**(809)**	**231 749**

60-90 days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Zimbabwe	723	Sov rate & Empirical	Default	44.1	1.33	10.00	10.00	(72)	651
South Africa	73 495	Empirical	Ba1	5.68	1.33	-	1.33	(978)	72 517
Total	**74 218**							**(1 050)**	**73 168**

90+ days	Indicative amount at 30 June 2022	Measurement approach	Sovereign Rating	Loss Given Default %	ECL % prior to adjustment for sovereign risk	ECL% on Sovereign	ECL% at 30 June 2022	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Zimbabwe	320	Sov rate & Empirical	Default	44.1	5.48	10.00	10.00	(32)	288
South Africa	76 667	Empirical	Ba1	5.68	5.68	-	5.48	(4 203)	72 464
Total	**76 987**							**(4 235)**	**72 752**

19. Trade and other receivables (continued)

Intercompany balances	Indicative amount at 30 June 2022	Measurement approach	Probability of Default or Rating	Loss Given Default %	% ECL prior to adjustment for sovereign risk	% ECL on Sovereign	% ECL at 30 June 2021	Indicative ECL amount (ZAR)	Indicative Net balance (ZAR)
Rectron	47 856	PD and LGD - RiskCalc	2.01 %	57.4	0.18	-	0.18	(88)	47 768
Mustek East Africa	198	PD and LGD - RiskCalc	4.65 %	57.8	0.39	0.25	0.39	(1)	197
Total	**48 054**							**(89)**	**47 965**
Total Company ECL								**(7 315)**	

Individually assessed debtors:

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

Notes to the Annual Financial Statements

19. Trade and other receivables (continued)

		Group		Company	
2023	**ECL %:**	**Indicative amount at 30 June 2023**	**Indicative ECL amount**	**Indicative amount at 30 June 2023**	**Indicative ECL amount**
		R '000	**R '000**	**R '000**	**R '000**
Category 1	20%	28 267	5 287	5 457	1 198
Category 2	20%-80%	69 151	15 719	859	290
Category 3	80%-100%	27 550	26 415	27 550	26 328
		124 968	**47 421**	**33 866**	**27 816**

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

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

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

Category 3 - debtors impaired at 100% are based on the probability that the debtor will be fully delinquent and low or no recoverability exists for this debt.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group’s exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, forward exchange contracts, loans and receivables, investments and trade and other receivables.

With respect to the forward exchange contracts, the Group’s exposure is on the full amount of the foreign currency due on settlement. The Group minimises credit risk relating to forward exchange contracts by limiting the counterparties to major local and international banks, and does not expect to incur any losses as a result of non-performance by these counterparties.

Financial assets recorded in the financial statements, which are net of impairment losses, represent the company and Group’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit exposure of forward exchange contracts is represented by the fair value of these contracts.

The company holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on liquidation of the debtor. The collateral held by the group and company amounted to R255 million (2022: R239 million).

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

20. Cash and cash equivalents

Bank balances and cash comprise cash, funds on call and short-term deposits and are at amortised cost. The carrying amount of these assets approximates their fair value. These financial assets are recognised initially at fair value and subsequently measured at amortised cost. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Bank balances and cash	349 258	375 323	93 091	53 751

Cash generated from operations				
Profit before taxation	292 664	322 078	187 205	267 647
Adjustments for:				
Depreciation and amortisation	53 848	48 292	44 029	35 729
Profits (losses) on disposals and scrappings of property, plant and equipment	1 445	(4 196)	1 180	(4 780)
Fair value adjustments of FECs	(2 735)	(48 638)	(1 368)	(25 997)
Unrealised foreign exchange losses	16 029	88 608	(13 810)	47 648
(Loss) profits from equity accounted investments	12 799	1 572	-	-
Dividends received	-	-	(19 731)	(38 035)
Interest income	(23 650)	(6 778)	(5 118)	(4 774)
Finance costs paid	174 532	76 751	110 729	49 230
Profit on sale of subsidiary	-	(6 818)	-	-
Allowance for obsolescence and inventory written off	(42 028)	24 426	(48 584)	28 082
Impairment losses on trade receivables and bad debts	11 092	28 647	11 081	19 714
Realisation of FCTR on liquidation of foreign subsidiary	(2 150)	-	-	-
Impairment (reversal) of impairment of loans to subsidiaries	-	-	5 785	(10 780)
Impairment of investment in associate	-	10 161	-	-
(Reversal of impairment) impairment of associate loans	(15)	(20)	(15)	(20)
Impairment of other loans	770	9 974	1 014	837
Write off of other items	(160)	-	-	-
Share based payment expense	12 119	25 502	9 195	20 371
Changes in working capital:				
Inventories	(268 120)	(1 065 590)	(88 808)	(699 647)
Trade and other receivables	(393 399)	(272 406)	(173 882)	(199 111)
Trade and other payables	351 856	1 070 394	81 744	512 127
Contract assets	(31 471)	2 707	(7 498)	2 707
Contract Liabilities	34 268	(1 235)	8 576	(2 427)
	197 694	**303 431**	**101 724**	**(1 479)**

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

21. Stated capital and Earnings per share

Authorised				
Ordinary shares (000)	250 000	250 000	250 000	250 000
Reconciliation of number of shares issued:				
Opening balance (000)	59 000	66 000	59 000	66 000
Shares bought back and cancelled- funded by retained earnings (000)	(1 460)	(7 000)	(1 460)	(7 000)
	57 540	**59 000**	**57 540**	**59 000**
Issued				
Opening balance	-	-	-	-
Shares bought back	(21 857)	(97 999)	(21 857)	(97 999)
Share buy backs funded by retained earnings	21 857	97 999	21 857	97 999
Closing balance	**-**	**-**	**-**	**-**

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's board of directors reviews the capital structure on a semi-annual basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. The group has a target debt-to-equity ratio of 60% : 40% (2022: 60% : 40%). The current debt-to-equity ratio is 70% : 30%.

Share repurchases

Ordinary shares	**Number of shares '000**	**Repurchase price R'000**	**Average repurchase price per share (R)**
Included in the above:			
Total shares repurchased	1 460	21 857	14.97

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	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share was based on earnings of R 219.6 million (2022: R 220million) and a weighted average number of ordinary shares of 58.2 million (2022: 62.7 million).

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Basic earnings per share				
From operations (c per share)	377.05	350.96		
Diluted earnings per share				
From operations (c per share)	377.05	350.96		

Headline earnings per share

Headline earnings per share is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during a period.

Headline earnings is determined by adjusting basic earnings by excluding separately identifiable re-measurement items. Headline earnings is presented after tax and non- controlling interest.

Headline earnings per share (c)	375.18	357.38		
Diluted headline earnings per share (c)	375.18	357.38		
Weighted average number of ordinary shares	58 245 548	62 676 789		

	Gross 2023 R'000	**Net 2023 R'000**	**Gross 2022 R'000**	**Net 2022 R'000**
Reconciliation between profit (loss) attributable to equity holders of the parent and headline earnings (loss) - Group				
Profit for the year attributable to equity holders of the parent		219 612		219 970
Basic earnings		219 612		219 970
Adjusted for:				
Group's share of (loss) profit on disposal/recoupment of property,plant and equipment and intangible assets.	1 445	1 055	(4 196)	(3 020)
FCTR recycled to profit and loss	(2 150)	(2 150)	-	-
Group's share of impairment of investment in associate	-	-	10 161	10 161
Group's share of profit on disposal of subsidiary	-	-	(6 818)	(4 592)
Remeasurement items included in associate equity accounted earnings				
Group's share of impairment of property, plant and equipment	-	-	2 165	1 559
Group's share of loss (profit) on sale of property, plant and equipment	13	10	(113)	(82)
Headline earnings		**218 527**		**223 996**

Notes to the Annual Financial Statements

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000

. Earnings per share (continued)

At year-end, no share options were outstanding (2022: no share options were outstanding). The weighted average market price for the current financial year was R15.75 per share (2022: R13.64 per share).

Dividends per share

Final (c)		76.00	90.00	76.00	90.00

A final dividend of 77 cents per share (2022:76 cents) was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only.

22. Borrowings and other liabilities

Held at amortised cost					
Secured					
Mortgage bond		34 994	37 360	-	-
Bank overdrafts		380 999	170 000	380 999	170 000
Unsecured					
Bank overdrafts		479	52 265	-	52 265
Loan from subsidiary	15	-	-	34 994	37 360
Total interest - bearing borrowings		**416 472**	**259 625**	**415 993**	**259 625**
Interest - free					
Unsecured					
Share based payment liabilities - non financial liability	30	25 440	25 963	19 736	20 991
Loans from subsidiaries - financial liability	15	-	-	69 916	51 716
Total interest - free borrowings		**25 440**	**25 963**	**89 652**	**72 707**

Split between non-current and current portions

Non-current liabilities		34 010	48 026	33 644	45 281
Current liabilities		407 902	237 562	472 001	287 051
Bank overdrafts		381 478	222 265	380 999	222 265
Short term portion of long term borrowings		2 274	2 410	-	-
Short term portion of share based payment liability	24	24 150	12 887	18 812	10 660
Loans from subsidiaries	15	-	-	72 190	54 126
Total borrowings		**441 912**	**285 588**	**505 645**	**332 332**

Maturity analysis:

The borrowings are repayable as follows:		-	-	-	-
On demand or within on year		387 241	240 293	456 678	289 783
Year 2		36 233	15 577	36 233	13 428
Year 3		-	37 300	-	36 703
		423 474	293 170	492 911	339 914
Less finance charges component		(7 002)	(7 582)	(7 002)	(7 582)
		803 713	**525 881**	**485 909**	**622 115**

Additional information

Included in borrowings are the following:

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

22. Borrowings and other liabilities (continued)

Accounts receivable securitisation loans

Included in bank overdrafts, is an amount of R381 million (2022: R170 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2.1% (2022: JIBAR plus 2%) and is repayable by 22 January 2024 (2022: 23 January 2023). It is the intention of the directors to renew the facility for a further period of 12 months. This loan is classified as subsequently measured at amortised cost. The facility is secured over accounts receivable in Mustek Limited and Rectron Proprietary Limited. A working capital ratio of more than 1.2, as well as a group net debt to equity ratio not exceeding 150%, is required to be maintained by Mustek Limited. Furthermore, the total facility of R580 million (2022: R880 million) is limited to 90% of the trade receivables less than 120 days of age, in Mustek Limited. All facility covenants were met in the current and previous financial year.

During the 2020 financial year, Brotek Proprietary Limited, a company within the Group obtained a mortgage bond of R40 million. The variable interest rate is set at the prime rate less 0.75% and the loan term is 5 years. Repayments consist of part capital and interest over the remaining loan term.

The mortgage bond is secured by property, with a carrying amount of R 64.3 million (2022: R 64.3 million).

The mortgage bond, loans from subsidiaries and bank overdrafts are classified as financial liabilities measured at amortised cost. Interest is calculated using the effective interest method, and interest expense is recognised in the Statement of Comprehensive Income.

Refer to note 23 for details of the movement in the borrowings during the reporting period.

22. Borrowings and other liabilities (continued)

Exposure to liquidity risk

Liquidity risk is the risk that the group or company will not be able to meet its financial obligations as they fall due.In terms of its borrowing requirements, the group and company ensure that adequate funds are available to meet its expected and unexpected financial commitments by maintaining adequate reserves, banking facilities, reserve borrowing facilities and matching the maturity profiles of financial assets and liabilities.

Included in this note is a listing of the group and company's borrowing powers, borrowing capacity and banking facilities.The following table details the group and company's remaining contractual balances for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

Group 2023	**Trade and other payables**	**Borrowings**	**Total**
Non-interest-bearing	1 612 064	-	1 612 064
Variable interest rate instruments	1 914 703	423 474	2 338 177
	3 526 767	**423 474**	**3 950 241**

Group 2022	**Trade and other payables**	**Borrowings**	**Total**
Non-interest-bearing	1 391 400	-	1 391 400
Variable interest rate instruments	1 808 228	267 207	2 075 435
	3 199 628	**267 207**	**3 466 835**

Company 2023	**Trade and other payables**	**Borrowings**	**Loan from subsidiaries**	**Total**
Non-interest-bearing	990 422	-	69 916	1 060 338
Variable interest rate instruments	930 120	380 999	41 996	1 353 115
	1 920 542	**380 999**	**111 912**	**2 413 453**

Company 2022	**Trade and other payables**	**Borrowings**	**Loan from subsidiaries**	**Total**
Non-interest-bearing	953 687	-	51 716	1 005 403
Variable interest rate instruments	909 820	222 265	44 942	1 177 027
	1 863 507	**222 265**	**96 658**	**2 182 430**

Borrowing powers, borrowing capacity and banking facilities

In terms of the Memorandum of Incorporation, the company's borrowing powers are unlimited. The group and company have the following banking facilities amounting to R3.0 billion (2022: R2.7 billion) and R1.9 billion (2022: R1.7 billion) respectively:

	Group		**Company**	
	2023	**2022**	**2023**	**2022**
General overdraft and similar facilities	2 276 037	2 075 076	1 447 260	1 341 704
Letters of credit facilities	763 436	653 940	445 872	358 560
Total facilities	3 039 473	2 729 016	1 893 132	1 700 264
Utilised facilities	(2 331 175)	(2 030 493)	(1 311 119)	(1 132 085)
Unutilised facilities	**708 298**	**698 523**	**582 013**	**568 179**

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

22. Borrowings and other liabilities (continued)

Exposure to currency risk

Refer to note 25 Financial instruments and financial risk management for details of currency risk management for borrowings.

Exposure to interest rate risk

The group is exposed to interest rate risk as entities in the group borrow and lend funds at both fixed and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate instruments. There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

The Group and company's interest rate profile consists of fixed and floating rate loans and bank balances which expose the Group and company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial Liabilities				
Loans received and bank borrowings linked to LIBOR	-	930 713	-	452 862
Loans received and bank borrowings linked to SOFR	1 240 061	-	739 226	-
Loans received and bank borrowings linked to JIBAR	701 460	489 809	481 460	269 809
Loans received and bank borrowings linked to South African prime rates	299 221	290 182	34 994	89 625
Loans received and bank borrowings linked to other	90 433	357 149	90 433	357 149
	2 331 175	**2 067 853**	**1 346 113**	**1 169 445**
Financial assets				
Loans granted at fixed rates of interest	-	-	58 225	51 089
Bank balances and loans linked to South African prime rates	70 823	85 417	61 447	55 153
Bank balances and deposits linked to LIBOR	-	2 306	-	575
Bank balances and deposits linked to SOFR	24 653	-	10 341	-
Bank deposits linked to money market rates	203 738	268 811	21 305	126
Bank deposits linked to Kenyan prime rates	1 545	529	-	-
Bank deposits linked to other foreign prime rates	48 499	27 203	-	-
	349 258	**384 266**	**151 318**	**106 943**

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

22. Borrowings and other liabilities (continued)

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.

Group	2023	2023	2022	2022
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
LIBOR 1% (2022:1%)	-	-	(9 284)	9 284
JIBAR 1% (2022:1%)	(7 014)	7 014	(4 898)	4 898
South African Prime 1% (2022:1%)	(2 280)	2 280	(2 048)	2 048
SOFR 1%	(12 154)	12 154	-	-
Other 1% (2022:1%)	1 629	(1 629)	(606)	606
	(19 819)	**19 819**	**(15 624)**	**15 624**

Company	2023	2023	2022	2022
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
LIBOR 1% (2022:1%)	-	-	(4 523)	4 523
JIBAR 1% (2022:1%)	(4 815)	4 815	(2 698)	2 698
South African Prime rate 1% (2022:1%)	259	(259)	(345)	345
SOFR 1%	(7 288)	7 288	-	-
Other 1% (2022:1%)	(686)	686	(3 570)	3 570
	(12 530)	**12 530**	**(11 136)**	**11 136**

Notes to the Annual Financial Statements

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2023

	Opening balance	New leases / modifications	Total non-cash movements	Cash flows	Closing balance
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**

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance	New leases / modifications	Lease termination	Total non-cash movements	Cash flows	Closing balance
Mortgage bond	39 617	-	-	-	(2 257)	37 360
	-	-	-	-	-	-
Lease liabilities	81 880	4 810	(12 115)	(7 305)	(22 280)	52 295
Bank overdrafts	31 378	-	-	-	190 887	222 265
Total liabilities from financing activities	**152 875**	**4 810**	**(12 115)**	**(7 305)**	**166 350**	**311 920**

Reconciliation of liabilities arising from financing activities - Company - 2023

	Opening balance	New leases / modifications	Lease termination and other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	78 336	36 732	-	36 732	(25 035)	90 033
Loans from subsidiaries	89 076	-	3 939	3 939	11 895	104 910
Bank overdraft	222 265	-	-	-	158 734	380 999
Total liabilities from financing activities	**389 677**	**36 732**	**3 939**	**40 671**	**145 594**	**575 942**

Notes to the Annual Financial Statements

23. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Company - 2022

	Opening balance	New leases / modifications	Lease termination and other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	110 492	2 412	(12 115)	(9 703)	(22 453)	78 336
Loans from subsidiaries	85 185	-	2 568	2 568	1 323	89 076
Bank overdraft	31 378	-	-	-	190 887	222 265
Total liabilities from financing activities	**227 055**	**2 412**	**(9 547)**	**(7 135)**	**169 757**	**389 677**

Notes to the Annual Financial Statements

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000
24. Trade and other payables					
Financial instruments at amortised cost:					
Trade payables		1 312 107	1 230 121	936 556	927 740
Letters of credit & trade finance payables		1 914 703	1 808 228	930 120	909 820
Other payables		211 400	106 473	1 227	1 406
Accruals		88 557	54 806	52 639	24 541
Non-financial instruments:					
Short-term share based payment liability	22	24 150	12 887	18 812	10 660
VAT payable		1 561	1 010	-	-
		3 552 478	**3 213 525**	**1 939 354**	**1 874 167**

The letters of credit supply a 120 day trade payment term to the group. The maximum facility available, including bank overdrafts is R3.0 billion (2022: R2.7 billion) and R1.8 billion (2022: 1.7 billion) for the group and company respectively. For majority of the available facilities interest is calculated at SOFR plus 3.0% (2022: LIBOR plus 1.7% - 3.0%). These facilities are carried at amortised cost, as the interest rate is market related and fair value therefore approximates amortised cost.

Trade payables, letters of credit and trade finance payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases stated is 135 days (2022: 143 days).

Included in accruals above are the following:

- Leave pay accrual: Employee entitlements to annual leave are recognised as services are rendered. An accrual, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to reporting date.

- Bonus accrual: The bonus accrual relates to the annual 13th cheque and other performance bonuses payable to employees of the Group and the company.

Exposure to currency risk

Refer to note 25 Financial instruments and financial risk management for details of currency risk management for trade payables.

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000

25. Financial instruments and risk management

Financial risk management

Overview

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the audit and risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group audit and risk committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit and risk committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee.

The Group seeks to minimise the effects of operational risks by using derivative financial instruments to hedge exposures. The use of financial derivatives and exposure levels is governed by the Group’s policies approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes. The Group enters into financial instruments to manage and reduce the possible adverse impact on earnings of changes in foreign currency exchange rates.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.Refer to notes 15,16,17 and 19 or detailed disclosures.

Foreign currency risk

The group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. It is the Group’s policy to enter into foreign exchange forward contracts and options to buy and sell specified amounts of foreign currencies in the future at a predetermined exchange rate for approximately 50% of the Group’s foreign currency commitments. The Group uses contracts with terms of up to 120 days. The contracts are entered into to manage the Group’s exposure to fluctuations in foreign currency exchange rates, as a means of economic hedging.The foreign currencies in which the group deals primarily are US Dollars and Euros.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

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:

US Dollar exposure:

	Note	Group 2023 R '000	Group 2022 R '000	Company 2023 R '000	Company 2022 R '000
Non-current assets:					
Loans to subsidiaries	15	-	-	58 225	51 089
Current assets:					
Trade and other receivables	19	46 132	22 821	3 520	-
Cash and cash equivalents	20	24 652	2 167	10 340	575
Current liabilities:					

Notes to the Annual Financial Statements

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000
25. Financial instruments and risk management (continued)					
Trade and other payables	24	(2 117 638)	(1 698 633)	(916 545)	(787 697)
Net US Dollar exposure		**(2 046 852)**	**(1 673 645)**	**(844 459)**	**(736 033)**
Euro exposure:					
Current assets:					
Cash and cash equivalents	20	325	139	-	-
Current liabilities:					
Trade and other payables	24	(167 835)	(236 079)	(167 834)	(236 079)
Net Euro exposure		**(167 508)**	**(235 940)**	**(167 834)**	**(236 079)**
Other currency exposure:					
Current assets:					
Trade and other receivables	19	22 859	22 297	-	-
Cash and cash equivalents	20	49 718	27 732	-	-
Current liabilities:					
Trade and other payables	24	(28 262)	(21 123)	(282)	(1 544)
Net other currency exposure		**44 315**	**28 906**	**(282)**	**(1 544)**
Net exposure to foreign currency in Rand		**(2 170 045)**	**(1 880 679)**	**(1 012 575)**	**(973 656)**

* Other currencies include Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings (2022: Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings).

Forward exchange contracts - financial assets and liabilities at fair value through profit and loss

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date and are detailed below:

Group - 2023

	Contract rate	Contract foreign currency amount '000	Contract Rand amount R'000	Fair value of contract R'000
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

Notes to the Annual Financial Statements

25. Financial instruments and risk management (continued)

Group - 2022

	Contract rate	Contract foreign currency amount '000	Contract Rand amount R'000	Fair value of contract R'000
BUY				
US Dollars - less than three months	15.620	67 663	1 056 896	41 942
US Dollars - three to six months	15.860	1 500	23 794	760
Euro - less than three months	16.766	23 324	391 060	5 936
			1 471 750	**48 638**

Foreign currency assets	48 965
Foreign currency liabilities	(327)
	48 638

Company - 2023

	Contract rate	Contract foreign currency amount '000	Contract Rand amount	Fair value of contract
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

Company - 2022

	Contract rate	Contract foreign currency amount '000	Contract Rand amount	Fair value of contract
US Dollars - less than three months	15.716	39 928	627 490	20 060
Euro - less than three months	16.766	23 324	391 060	5 937
			1 018 550	**25 997**

Foreign currency assets	26 014
Foreign currency liabilities	(17)
	25 997

25. Financial instruments and risk management (continued)

The following significant exchange rates applied for both the Group and the Company during the year:

	Average spot rate		Closing spot rate	
	2023	**2022**	**2023**	**2022**
US Dollar	17.76	15.22	18.74	16.41
Euro	18.62	17.14	20.37	17.11

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group (South African Rand) to an increase or decrease in the respective major currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts, such as cash balances, trade receivables, trade payables and loans and adjusts their translation at the reporting date. The increase and decrease impact of the change are equal on the basis that all other variables remain constant. It ignores the effect of any foreign exchange forward contracts that would have mitigated the risk. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group	2023	2023	2022	2022
Increase or decrease in rate	**Increase 'R'000**	**Decrease 'R'000**	**Increase 'R'000**	**Decrease 'R'000**
Impact on profit or loss:				
US Dollar 1% (2022 10 %)	(204 685)	204 685	(167 364)	167 364
Euro 10% (2022: 10 %)	(16 750)	16 750	(23 594)	23 594
	(221 435)	**221 435**	**(190 958)**	**190 958**

Company	2023	2023	2022	2022
Increase or decrease in rate	**Increase 'R'000**	**Decrease 'R'000**	**Increase 'R'000**	**Decrease 'R'000**
Impact on profit or loss:				
US Dollar 10% (2022: 10 %)	(84 446)	84 446	(73 603)	73 603
Euro 10% (2022: 10 %)	(16 783)	16 783	(23 608)	23 608
	(101 229)	**101 229**	**(97 211)**	**97 211**

26. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and company only have financial instruments that are measured using level 2.

		Group		Company	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000

26. Fair value information (continued)

Levels of fair value measurements

Level 2

Recurring fair value measurements

Assets	Note(s)				
Fair value through profit and loss					
Foreign currency assets	25	17 658	48 965	9 218	26 014
Liabilities	Note(s)				
Fair value through profit and loss					
Foreign currency liabilities	25	14 923	327	7 850	17
Total		**2 735**	**48 638**	**1 368**	**25 997**

Level 2 financial assets and liabilities consist of assets and liabilities arising from open forward exchange contracts.

Forward exchange contracts are measured at fair value through profit or loss in accordance with IFRS 9.

Valuation techniques

Investment Property - Level 3 (disclosure only)

Level 3 fair values of the investment property in Nairobi (refer note 11) was determined using a blend of the contractor's, income and comparable approaches within the last 2 financial years.

Contractor's approach: The basic assumption is that the cost of vacant land summed with the cost of erecting a building will yield the value of the developed property. It was assumed that it will take eighteen months for effective reinstatement in the case of an event. The reinstatement cost given includes likely losses of rental income during the anticipated reconstruction period.

Income approach:This is based upon a percentage yield. An investor will be expecting rates of return that will differ according to the type and quality of investment. Given a known or estimated stream of net rental income, the end value is thus driven by the yield that is expected. The choice of yields is made by comparison with such other investments as bear the nearest relationship in such matters as the physical characteristics, use and degree of risk and life of the investment.

Comparison approach: This is also referred to as the 'Direct Capital Comparison Method'. By this method, the valuer equates the value of the property under appraisal to the value of a known comparable property whereby the latter's value is taken to be the best price that can be obtained by the property being valued, with due allowance made for value affecting differences between the subject property and the comparable property such as condition, location, level and amount of services provided, accessibility, plot size, planning and zoning regulations, date of transaction, parties to the transaction, motive of sale and tenure and the unexpired term.

Foreign currency forward contracts - level 2

The fair value of these assets and liabilities are based on valuations received from the financial institutions with which the contracts are held. These valuations are based on the difference between contract exchange rate and the exchange rate at the end of the reporting period.

No changes have been made to the valuation technique.

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

27. Employee costs and retirement benefit plans

As at 30 June 2023 the group had 1205 permanent employees (2022: 1157) and the company 677 (2022: 685) . Employee benefits expense is made up of the following for all employees, including executive directors:

Employee costs				
Employee salaries and wages	542 972	530 161	333 139	322 683
Pension contributions (defined contribution plan)	1 846	168	-	-
Learnerships	7 731	6 018	4 732	3 987
Temporary staff	10 880	13 530	10 409	13 530
	563 429	**549 877**	**348 280**	**340 200**

Contributions to defined contribution retirement benefit plans are recognised as an expense as they fall due.

The Mustek Group Retirement Fund, a defined contribution fund, was established with effect from 1 January 1998. The fund has been registered by the Registrar of Pension Funds and is governed by the Pension Funds Act No 24 of 1956 as amended. The majority of the Group's employees belong to this fund with employees making direct contributions to the fund.

28. Guarantees and contingent liabilities

Limited guarantees

- Standby letter of credit for Intel International BV, Microsoft Corporation and Vivotek Inc. for US$0.9 million.
- R0.4 million guarantee issued by Standard bank of payment in favour of Growthpoint Properties Limited.
- R5.8 million guarantee of payment issued by Standard Bank in favour of Department of Customs & Excise, South African Revenue Service.
- R3.7 million guarantee of payment in favour of DG Murray Trust, South Africa. This guarantee expires on 30 April 2025.

Legal disputes

Insurance settlement

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

The group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The group is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

29. Related parties

The company had the following related parties and transactions:

Subsidiaries
2023

Related party	Type of transaction	Amount of transaction (paid) received R '000	Amount (payable) receivable R '000
Brotek Proprietary Limited	Loan	(3 453)	(82 698)
	Rental	(6 903)	-
	cost recoveries	(408)	-
	Dividends	6 400	-
Mecer Inter-Ed Proprietary Limited	Sales	2 006	-
	Rental	2 138	-
	Purchases	(19 275)	(95)
	Dividends	10 000	-
	Cost recoveries	1 136	60
	Loan	-	(12 000)
Mecer Technology Limited	Purchases	(27)	-
	Management fees	(8 718)	(759)
	Dividends	2 059	-
Mustek East Africa Limited (Note 2)	Loan	1 100	58 225
	Sales	1 186	228
MFS Technologies Proprietary Limited	Dividends	1 271	-
Rectron Proprietary Limited (Note 1)	Sales	107 300	16 608
	Purchases	(214 334)	(14 136)
	Other costs	(14)	-
	Cost recoveries	8 097	-

Note: Refer to note 15 for a list of subsidiaries, their related loans and impairment and further details about these entities.

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 19 for details on expected credit loss allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 15 on details of impairment on loans receivable from subsidiaries.

Notes to the Annual Financial Statements

29. Related parties (continued)

Associates

2023

Related party	Type of transaction	Amount of transaction (paid) received R '000	Amount (payable) receivable R '000
Continuous Power Systems Proprietary Limited (Note 1)	Loan	82	1 300
	Sales	173	17
	Purchases	(37 081)	(9 322)
Sizwe Africa IT Group Proprietary Limited	Sales	126 392	96 185
	Purchases	(8 506)	(429)
Khauleza IT Solutions Proprietary Limited	Sales	1 679	301
	Purchases	(2 410)	(1 409)
	Rental	160	-
Yangtze Optics Africa Holdings Proprietary Limited	Sales	142	22
	Purchases	(1 114)	-

Note 1: Refer to note 16 for details of the loan owing by Continuous Power Systems Proprietary Limited.

Subsidiaries

2022

Related party	Type of transaction	Amount of transaction (paid) received R '000	Amount (payable) receivable R '000
Brotek Proprietary Limited	Loan	(2 568)	(77 593)
	Rental	(6 526)	-
	Cost recoveries	(389)	-
Mecer Inter-Ed Proprietary Limited	Sales	2 614	252
	Rental	1 972	-
	Purchases	(22 233)	-
	Management fees	40	-
	Cost recoveries	540	-
Mecer Technology Limited	Dividends	515	-
	Management fees	(7 387)	(654)
Mustek East Africa Limited (Note 2)	Loan	936	51 089
	Sales	281	198
Rectron Proprietary Limited (Note 1)	Dividends	35 000	-
	Sales	159 415	55 035
	Purchases	(220 220)	(25 236)
	Loan	287	-
	Cost recoveries	9 273	-

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 19 for details on expected credit loss allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 15 on details of impairment on loans receivable from subsidiaries.

Associates

2022

Related party	Type of transaction	Amount of transaction (paid) received R '000	Amount (payable) receivable R '000

29. Related parties (continued)

Continuous Power Systems Proprietary Limited (Note 1)	Loan	269	3 402
	Sales	306	27
	Purchases	(25 670)	(4 434)
	Cost recoveries	534	-
Sizwe Africa IT Group Proprietary Limited	Loan	653	-
	Sales	47 732	30 289
Khauleza IT Solutions Proprietary Limited	Rental	185	-
	Sales	896	305
	Purchases	(1 476)	(343)
	Cost Recoveries	53	-
	Dividends	2 520	-
Yangtze Optics Africa Holdings Proprietary Limited	Sales	63	47
	Purchases	(745)	(42)

Note 1: Refer to note 16 for a complete list of associates and details of loans.

Notes to the Annual Financial Statements

29. Related parties (continued)

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.

29. Related parties (continued)

Key management personnel compensation	Group R'000	R'000	Company R'000	R'000
Short-term employee benefits	80 208	69 038	54 580	54 148
Share appreciation rights expense	12 119	25 502	9 194	20 371
	92 327	**94 540**	**63 774**	**74 519**

30. Directors' emoluments

Directors' emoluments, consisting of short-term benefits during the year, were as follows:

Total directors' emoluments	2023 R'000	2022 R'000
Executive	27 553	28 060
Non-executive	1 998	1 775
	29 551	**29 835**

Executive

2023

Directors emoluments R'000	Basic salary	Bonuses and performance related payments	Expense allowances	Fringe benefits on interest-free loan	Long Service award and leave payout	Share appreciation rights exercised	Total
Services as director							
H Engelbrecht	4 863	4 106	270	892	45	3 279	13 455
CJ Coetzee	3 366	2 492	96	120	-	2 700	8 774
S Aboo Baker Ebrahim	2 958	2 366	-	-	-	-	5 324
	11 187	**8 964**	**366**	**1 012**	**45**	**5 979**	**27 553**

2022

Directors emoluments R'000	Basic salary	Bonuses and performance related payments	Expense allowances	Fringe benefits on interest free loan	Long Service award and leave payout	Share appreciation rights exercised	Total
Services as director							
DC Kan	3 461	-	271	492	522	2 320	7 066
H Engelbrecht	3 789	3 613	270	288	-	3 903	11 863
CJ Coetzee	2 985	2 742	96	54	36	3 218	9 131
	10 235	**6 355**	**637**	**834**	**558**	**9 441**	**28 060**

30. Directors' emoluments (continued)

Non-executive

2023

Directors' emoluments R'000	Fees for services as director	Total
VC Mehana	568	568
RB Patmore	487	487
S Thomas	528	528
PM Marlowe	415	415
	1 998	**1 998**

2022

Directors' emoluments R'000	Fees for services as director	Total
VC Mehana	512	512
RB Patmore	439	439
S Thomas	449	449
P Marlowe	375	375
	1 775	**1 775**

Outstanding non-executive director fees of R0.4 million (2022: R0.14 million) are included in trade and other payables.

Directors' shareholding

At 30 June 2023, the directors in office at year end collectively held the following direct and indirect interests in shares in the company, which represents 4.6% (2022: 4.3%) of the issued share capital of the company. (No change occurred between 30 June 2023 and 19 September 2023):

	Beneficial			
	Direct		Indirect	
	2023	**2022**	**2023**	**2022**
H Engelbrecht	1 750 000	1 750 000	-	-
CJ Coetzee (Note 1)	888 743	800 000	-	-
	2 638 743	**2 550 000**	**-**	**-**

These shareholdings exclude phantom share options held. The remainder of the directors do not hold any shares.

Note 1: Includes 496 666 (2022: 407 923) shares held through contracts for difference.

30. Directors' emoluments (continued)

Share-based payments

Share appreciation rights scheme

The object and purpose of the scheme is to incentivise certain selected senior employees by granting phantom share options to such employees to enable them to benefit from an improvement in the price of the company's shares as listed on the JSE, in the manner and on the terms and conditions set out in the Scheme.

The directors may, on an annual basis or from time to time, grant options to employees selected by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee shall determine the number of share appreciation rights (SARS). The price at which SARS may be granted will be the average market price of the ordinary shares of the company on the JSE, as certified by the Company Secretary, for the 30 days immediately preceding that on which the employee is granted the phantom share option. All SARS granted will remain in force for a period of six months after the vesting period of 3 years.

SARS may only be exercised by an employee or retired employee subject to the achievement of certain performance hurdles that may be determined by the directors from time to time.

The price at which SARS may be exercised will be the weighted average market price of the ordinary shares of the company on the JSE, for the 30 days immediately preceding that on which the employee is exercising the phantom share option. Upon the exercising of the SARS, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of SARS, less any tax that may at that time be applicable to such a cash bonus.

The total liability at year end amounted to R25,4 million (2022:R26 million) and R19.7 milllion (2022:21 million) for group and company respectively.

	Weighted average price (Rands)		Number of options	
	2023	**2022**	**2023**	**2022**
Phantom shares outstanding at the beginning of the year	8.87	7.19	4 121 525	6 032 471
Phantom shares granted during the year	15.64	10.17	1 371 608	1 855 869
Phantom shares exercised during the year	7.12	7.30	(2 519 720)	(2 875 825)
Phantom shares that lapsed during the year	10.10	8.16	(241 471)	(890 990)
Phantom shares outstanding at year-end	**12.83**	**8.87**	**2 731 942**	**4 121 525**

A total of 1 371 608 phantom shares were granted to a number of employees during the current financial year. 1 894 863 phantom shares with a grant price of R6.77 and 624 857 phantom shares with a grant price of R8.18 were exercised during the year. The shares that lapsed was due to employees that left the group during the current year.

The fair values were calculated using a trinomial tree that adheres to all the binomial option-pricing model principles. All these share options are cash settled. The inputs into the model were as follows:

	30 June 2023	**30 June 2022**
Share price	R16.72	R16.39
Grant price	R6.77 / R10.17 / R15.64	R8.18 / R6.77 / R10.17
Fair value	R9.95 / R6.79 / R3.89	R8.21 / R9.62 / R6.93
Expected volatility	29.00% / 30.00% / 30.00%	24.30% / 29.92% / 36.85%
Expected life	0 years / 1 year / 2 years	0 years / 1 year / 2 years
Risk-free rate	8.88% / 8.83% / 8.69%	5.77% / 7.21% / 7.78%
Expected dividend yield	4.50% / 4.50% / 4.00%	5.50% / 4.50% / 4.00%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 4 years. The Group and company recognised an expense of R12.1 million and R9.2 million respectively (2022: R25.5 million and R20.37 million, respectively) related to cash-settled share appreciation rights during the current year.

30. Directors' emoluments (continued)

Outstanding phantom shares are exercisable at the following values and in the following periods ending 30 June:

Option price	2024	2025	2026	Number of undelivered phantom shares	Total Rand value
R 10.17	-	1 405 158	-	1 405 158	14 290 457
R 15.64		-	1 326 784	1 326 784	20 750 902
	-	**1 405 158**	**1 326 784**	**2 731 942**	**35 041 359**

The directors have the following phantom share options outstanding:

Undelivered phantom shares at 30 June 2023

Grant date	Grant price	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
02 September 2021	R 10.17	-	225 355	185 587	410 942
30 September 2022	R 15.64	125 506	179 294	152 400	331 819
		125 506	**404 649**	**337 987**	**742 761**

Reconciliation of outstanding director phantom shares	Strike price / exercise price	Date awarded/ exercised / lapsed	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
Opening balance			-	554 055	456 281	1 010 336
Phantom shares granted	R15.64	30 September 2022	125 506	179 294	152 400	457 200
Phantom shares exercised	R16.75	26 June 2023	-	(328 700)	(270 694)	(599 394)
Closing balance	-	-	125 506	404 649	337 987	868 142

Undelivered phantom shares at 30 June 2022

Grant date	Grant price	DC Kan	H Engelbrecht	CJ Coetzee	Total
20 February 2020	R 8.18	304 808	-	-	304 808
02 September 2020	R 6.77	-	328 700	270 694	599 394
02 September 2021	R 10.17	-	225 355	185 587	410 942
		304 808	**554 055**	**456 281**	**1 315 144**

Per the rules of the phantom share scheme, in the event of death of an employee the employee's phantom shares will lapse one year after death. Thus, because the phantom shares granted to DC Kan on 20 February 2020 were exercisable within the one year period after his death (25 June - 31 December 2022), the executor of the estate was entitled to exercise those shares and thus they are reflected as undelivered as at 30 June 2022.These shares were exercised in November 2022.

Notes to the Annual Financial Statements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000

31. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The group has prepared financial forecasts for the next financial year. The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the forecasts and the following:

- The group continues to have the ongoing support of its banking group and access to undrawn facilities of R660 million (refer note 22) as well as R349 million in cash and cash equivalents as at 30 June 2023;
- As at 30 June 2023, the group had R1 024 million in net working capital, no significant capital commitments and lease commitments of R35 million due within one year; and
- The group was in compliance with its financial covenants at 30 June 2023 and is forecasting covenant compliance at 31 December 2023 and 30 June 2024.

32. Tax paid

Balance at beginning of the year	9 242	1 723	3 024	1 694
Current tax for the year recognised in profit or loss	(66 650)	(95 768)	(34 095)	(59 520)
Adjustment in respect of businesses sold including exchange rate movements	-	2 278	-	-
Balance at end of the year	9 621	(9 242)	7 359	(3 024)
	(47 787)	**(101 009)**	**(23 712)**	**(60 850)**

33. Events after the reporting period

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