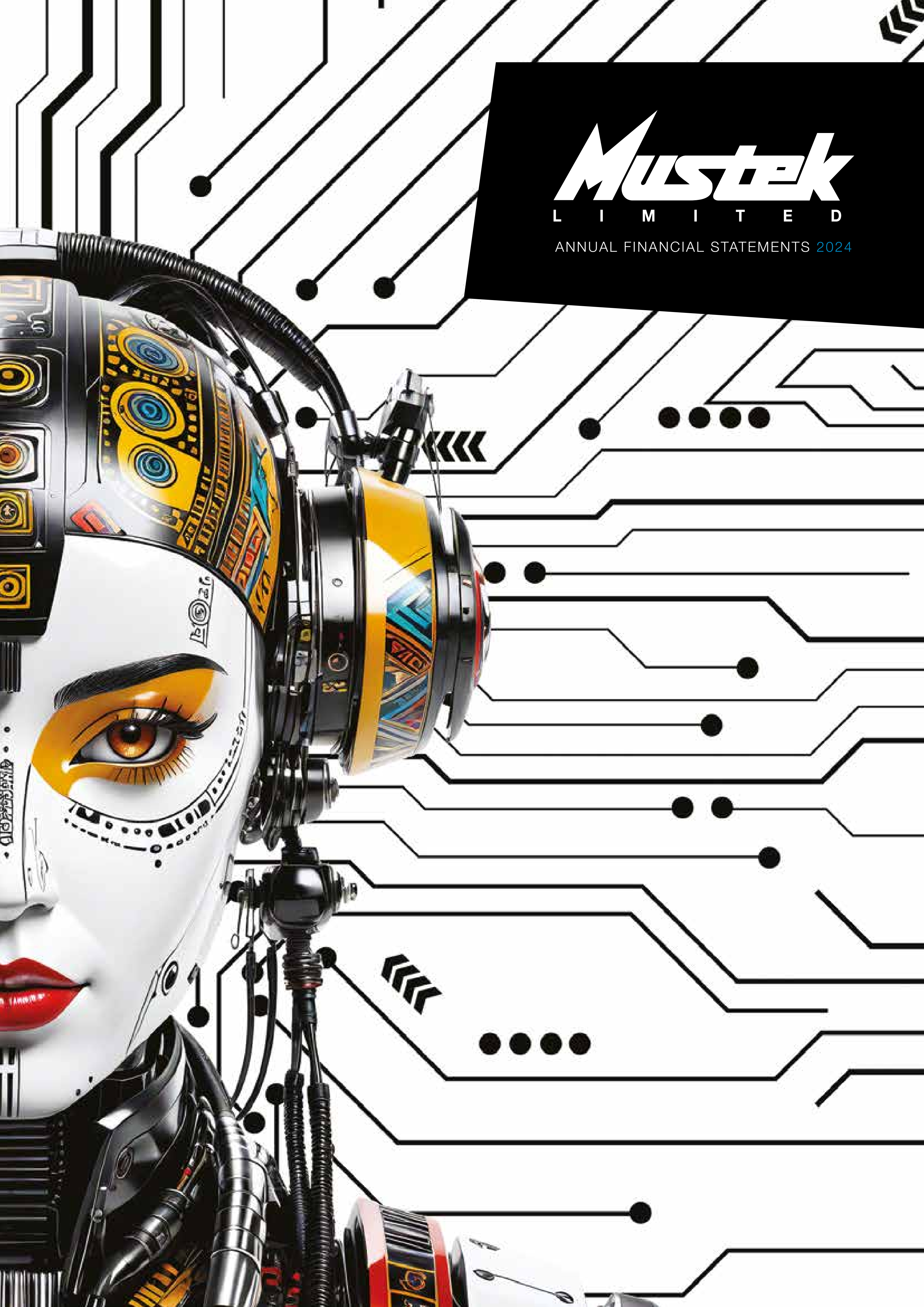

Mustek LIMITED

ANNUAL FINANCIAL STATEMENTS 2024

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GENERAL INFORMATION

Registered office
322 15th Road
Randjespark Midrand 1685

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

Secretary
Sirkien Van Schalkwyk

Company registration number
1987/070161/06

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

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

Find us online
www.mustek.co.za

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the Group and company's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 3 to 5.

The financial statements set out on pages 5 to 85, which have been prepared on the going concern basis were approved by the Board on 19 September 2024 and were signed on their behalf by:

Approval of financial statements

I Mophatlane

H Engelbrecht

THE CEO AND FINANCE DIRECTOR RESPONSIBILITY STATEMENT

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

a) the consolidated and separate financial statements set out on pages 14 to 85, fairly present in all material respects the financial position, financial performance and cash flows of Mustek Limited (the issuer) in terms of IFRS® Accounting Standards

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

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

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

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

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

H Engelbrecht
Thursday, 19 September 2024

S Aboo Baker Ebrahim
Thursday, 19 September 2024

COMPANY SECRETARY'S CERTIFICATION

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

Sirkien Van Schalkwyk
Company secretary

19 September 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MUSTEK LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Mustek Limited (the Group and company) set out on pages 14 to 85, which comprise the consolidated and separate statements of financial position as at 30 June 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT
CONTINUED

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

V de Villiers
Director
Registered Auditor

19 September 2024

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

AUDIT AND RISK COMMITTEE REPORT

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

In summary, this committee assists the Board in its responsibilities covering the:
- internal and external audit process for the Group taking into account the significant risks
- adequacy and functioning of the Group's internal controls
- integrity of the financial reporting
- risk management and information technology.

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

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

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

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

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

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

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

2. Role of the Audit and Risk Committee

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

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

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

3. Execution of functions during the year

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

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

3.1 External audit

The committee among other matters:

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

3.2 Internal audit

The committee:

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

3.3 Adequacy and functioning of the Group's internal controls

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

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

3.4 Financial reporting

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

The committee among other matters:

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

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

3.5 Significant areas of judgement

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

- Inventory valuation in terms of obsolescence:

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

3.6 Risk management

The committee:

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

3.7 Information technology

The committee:

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

Enterprise resource planning (ERP) system focus

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

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

3.8 Legal and regulatory requirements

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

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

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

As required by 3.84(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 (AGM), it is proposed in the AGM to be held on 21 November 2024 that Pamella Marlowe, Shelley Thomas and Ralph Patmore be re-appointed as members of the Audit and Risk Committee until the next AGM in 2025.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

6. Assessment of the committee

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

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

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

7. Integrated annual report

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

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

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

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

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

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

DIRECTOR'S REPORT

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

1. Review of financial results and activities

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

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

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

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

Full details of the financial position, results of operations and cash flows of the Group and company are set out in these consolidated and separate financial statements. Any forward looking statement has not been reported on nor reviewed by external auditors.

2. Share capital

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

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

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

DIRECTOR'S REPORT CONTINUED

3. Shareholder's spread

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

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

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

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

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

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

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

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

DIRECTOR'S REPORT CONTINUED

4. Authority to buy back shares

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

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

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

5. Dividends

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

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

Refer to note 23 for further disclosures.

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

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

6. Directorate

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

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

7. Investments in subsidiaries, associates and other loans

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

Zaloserve Proprietary Limited:

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

Yangtze Optics Africa Holdings Proprietary Limited:

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

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

Loans to executive management

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

8. Special resolutions

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

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

9. Events after the reporting period

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

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

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

10. Legal disputes

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

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

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

Refer to note 30 of the financial statements.

11. Auditors

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

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

12. Secretary

The company secretary is Sirkien Van Schalkwyk.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2024

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

* *Refer to note 37.*

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2024

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

* *Refer to note 37.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

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

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

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2024

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

ACCOUNTING POLICIES

1. Material accounting policies

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

1.1 Basis of preparation

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

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

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

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

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

Goodwill impairment assessment (refer note 14)

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

Determining the lease term (refer note 13)

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

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

Critical judgements in applying accounting policies

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

Revenue recognition – Principal versus agent (see note 4)

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

To determine the nature of its obligation, the Group:

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

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

1.3 Non-current asset held-for-sale

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations not yet effective

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. Segmental reporting

Business segments

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

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

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

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

3. Segmental reporting continued

Business segments continued

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. Segmental reporting continued

Business segments continued

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

Geographical segments

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

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

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

4. Revenue

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

Disaggregation of revenue from contracts with customers

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

4. Revenue continued

Sale of goods

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

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

Revenue from services

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

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

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

Revenue from software licenses and cloud solutions

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

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

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

5. Contract assets and liabilities

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

Deferred revenue arises as a result of:

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

6. Profit from operations

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

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

7. Investment income

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

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

8. Finance costs

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

9. Other non-operating (losses) gains

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

10. Taxation

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

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

10. Taxation continued

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

10. Taxation continued

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

Recognition of deferred tax asset

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

11. Property, plant and equipment

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

11. Property, plant and equipment continued

Reconciliation of property, plant and equipment

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

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

11. Property, plant and equipment continued

Reconciliation of property, plant and equipment

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

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

Depreciation rates

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

12. Investment property

Group

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

Reconciliation of investment property

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

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

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

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

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

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

Amounts recognised in profit or loss for the year

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

13. Right-of-use assets and lease liabilities

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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

Lease liability

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

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

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

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

Right-of-use assets

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

14. Goodwill

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

The carrying amount of goodwill has been allocated as follows:

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

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

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

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

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

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

14. Goodwill continued

Sensitivity analysis

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

Reconciliation of goodwill

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

15. Intangible assets

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

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

Reconciliation of intangible assets

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

15. Intangible assets continued

Reconciliation of intangible assets

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

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

Other information

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

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

Restatement

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

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

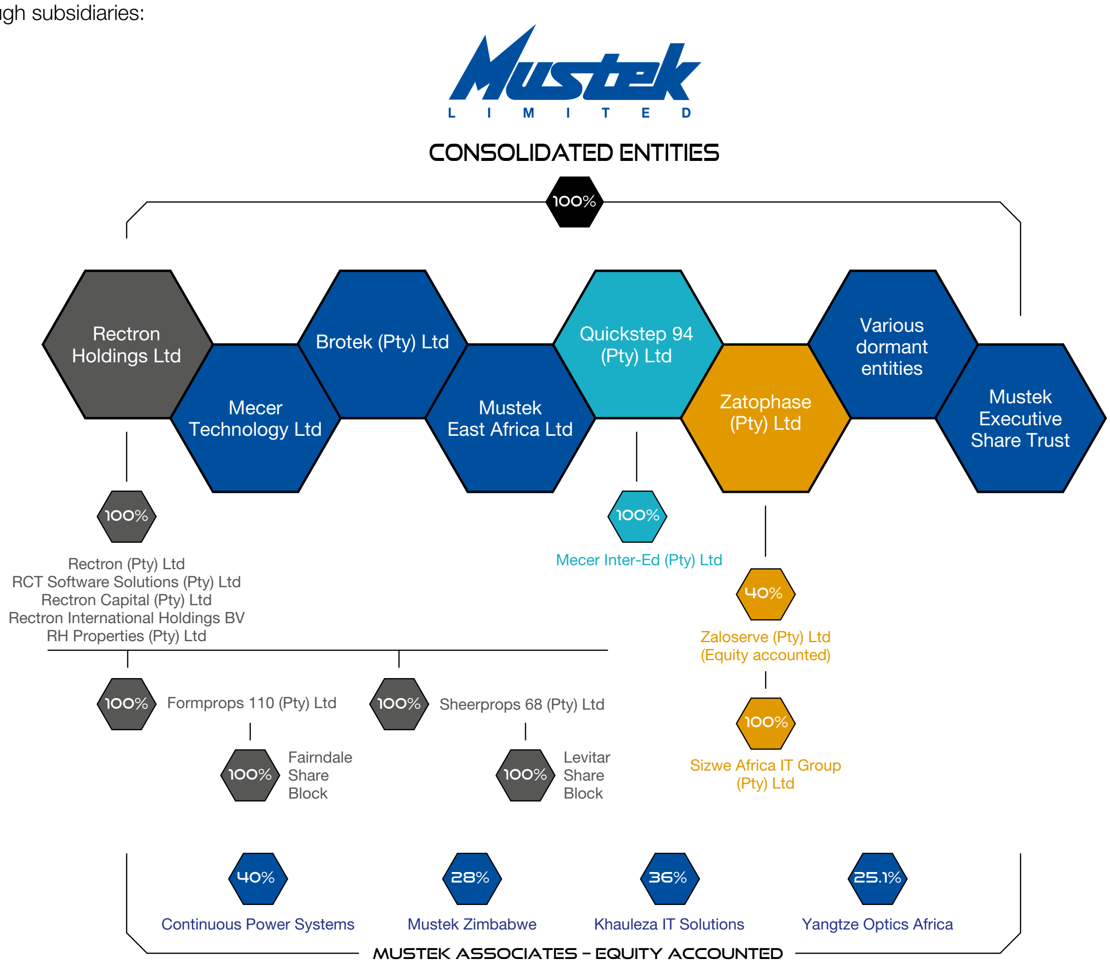
Software is amortised on a straight-line basis over their remaining useful lives of between one and 8.5 years.

16. Investment in subsidiaries

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

* *Refer to note 37.*

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Investment in subsidiaries continued

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

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

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

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

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

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

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

16. Investment in subsidiaries continued

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

Exposure to credit risk

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

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

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

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

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

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

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

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

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

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

Credit rating framework

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Investment in subsidiaries continued

Credit loss allowances

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

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

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

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

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

16. Investment in subsidiaries continued

Loans from subsidiaries

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

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

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

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

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

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

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

Split between non-current and current portions

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

Classification

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

Recognition and measurement

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

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

Impairment

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

Refer to note 24 for accounting policy on loan payables.

Fair value of subsidiary loans

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate

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

Summarised financial information of material associates

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

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

17. Investment in associate continued

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate continued

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

Company – unlisted

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

Group – unlisted

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

17. Investment in associate continued

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

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

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

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

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

18. Other loans

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. Other loans continued

Exposure to credit risk

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

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

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

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

Credit rating framework

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

Credit loss allowances

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

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

18. Other loans continued

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. Other loans continued

Reconciliation of loss allowances

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

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

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

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

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Opening balance in accordance with IFRS 9	**9 095**	12 593	**3 152**	3 087
Changes due to investments recognised at the beginning of the reporting period:				
Derecognition of loan	**–**	(4 696)	**–**	–
Increase in loans	**446**	1 198	**243**	65
Closing balance	**9 541**	9 095	**3 395**	3 152

19. Inventories

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Trading inventory	**2 186 889**	2 526 992	**1 404 838**	1 532 689
Allowance for obsolescence	**(83 156)**	(109 045)	**(52 310)**	(55 215)
Trading inventory, net of allowance for obsolescence	**2 103 733**	2 417 947	**1 352 528**	1 477 474
Inventories in transit	**248 668**	372 388	**148 878**	156 413
Total inventories	**2 352 401**	2 790 335	**1 501 406**	1 633 887
Allowance for obsolescence reconciliation				
Opening balance	**(109 045)**	(151 074)	**(55 215)**	(103 799)
Current year reversal (provision)	**12 550**	19 833	**(8 511)**	26 407
Amount written off/written down	**13 339**	22 196	**11 416**	22 177
	(83 156)	(109 045)	**(52 310)**	(55 215)

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

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

The cost of inventories recognised as an expense during the year was R7.5 billion (2023: R8.7 billion) and R5.1 billion (2023: R5.7 billion) for the Group and company respectively. Costs relating to outward freight and delivery are included in cost of sales.

The cost of inventories recognised includes R13.3 million (2023: R22.1) million and R11.4 million (2023: R22.1 million) for the Group and company respectively, in respect of write-downs to net realisable value.

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

20. Trade and other receivables

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Financial instruments at amortised cost:				
Trade receivables	**1 514 820**	1 606 004	**1 112 439**	1 001 319
Loss allowance	**(72 894)**	(64 429)	**(41 967)**	(39 371)
Trade receivables at amortised cost	**1 441 926**	1 541 575	**1 070 472**	961 948
Dividend receivable	**–**	–	**51 000**	–
Other receivables	**7 284**	44 198	**5 232**	31 351
Other short-term receivables (note 18)	**2 950**	23 410	**–**	–
Non-financial instruments:				
VAT	**46 509**	75 249	**29 011**	64 481
Prepayments	**74 071**	172 195	**70 621**	170 051
Total trade and other receivables	**1 572 740**	1 856 627	**1 226 336**	1 227 831

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

Exposure to currency risk

Refer to note 27 for details of currency risk management for trade receivables.

Classification

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

Recognition and measurement

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

Impairment

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

Other information

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

The Group and company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for expected credit losses. The Group and company have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group and company perform ongoing credit valuations of the financial condition of customers, and where appropriate, credit guarantee insurance is purchased for between 85% to 90% (2023: 85% to 90%) of the value of individual trade receivables subject to an insurance deductible. Note that the majority of trade receivables are encumbered (see note 24).

The average credit period on sale of goods and services is between 30 and 60 days (2023: 30 and 60 days) from date of invoice. Generally, no interest is charged on trade receivables. Of the trade receivable balance at year-end, R295.4 million (2023: R96.1 million) and R295.4 million (2023: R96.1 million) is due from the Group and the company's largest customer respectively.

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

The credit risk for other receivables is assessed using the general approach, the balance is not material and does not contain material impaired assets. Other short-term receivables in the current year represents the loan to Estate late DC Kan. Refer note 18 for detail of the loan and related ECL allowance.

Write off policy

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

Expected credit losses

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

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

20. Trade and other receivables continued

Expected credit losses continued

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

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

This is consistent with the methodology applied in prior periods.

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

Moody's Analytics does not disclose the specific macro-economic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures. The forecast GDP growth for Q4 2024 ranges from -1.51% to 3.27% with baseline at 1.54%. GDP is not the only factor that determines the extent of the adjustment but is described here to illustrate the extent of impact on the general economy that is being taken into account.

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

	Collectively assessed R000	Individually assessed R000	Total R000
Group – 2024			
Balance at the beginning of the year	**17 008**	**47 421**	**64 429**
Foreign exchange movements	**–**	**(60)**	**(60)**
Net amounts written off as uncollectable	**–**	**(16 740)**	**(16 740)**
Charged to profit or loss	**(2 173)**	**27 438**	**25 265**
Balance at the end of the year	**14 835**	**58 059**	**72 894**
Group – 2023			
Balance at the beginning of the year	11 053	47 602	58 655
Transfer to individually assessed	(582)	582	–
Foreign exchange movements	–	(166)	(166)
Net amounts written off as uncollectable	–	(5 152)	(5 152)
Charged to profit or loss	6 537	4 555	11 092
Balance at the end of the year	17 008	47 421	64 429
Company – 2024			
Balance at the beginning of the year	**11 555**	**27 816**	**39 371**
Net amounts written off as uncollectable	**(76)**	**(7 181)**	**(7 257)**
Charged to profit or loss	**(2 197)**	**12 050**	**9 853**
Balance at the end of the year	**9 282**	**32 685**	**41 967**
Company – 2023			
Balance at the beginning of the year	7 315	24 813	32 128
Net amounts written off as uncollectable	–	(3 839)	(3 839)
Charged to profit or loss	4 240	6 842	11 082
Balance at the end of the year	11 555	27 816	39 371

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Group – 2024									
0 – 30 days									
Lesotho	743	Sovereign rate and empirical	B2	43.9	0.25	0.69	0.69	(5)	738
Mozambique	397	Sovereign rate and empirical	Caa1	45.3	0.25	1.46	1.46	(6)	391
Namibia	2 813	Sovereign rate and empirical	Ba1	43.7	0.25	0.16	0.16	(7)	2 806
Eswatini	874	Sovereign rate and empirical	B1	43.9	0.25	0.48	0.48	(4)	870
Zambia	15	Sovereign rate and empirical	B3	43.9	0.25	0.98	0.98	–	15
Zimbabwe	1 997	Sovereign rate and empirical	C	100.0	0.25	10 – 100	10 – 100	(896)	1 101
South Africa	772 997	Empirical	Ba2	3.29	0.25	–	0.25	(1 818)	72 179
Total	729 836							(2 736)	727 100
30 – 60 days									
Lesotho	318	Sovereign rate and empirical	B2	43.9	0.42	0.69	0.69	(2)	316
Namibia	590	Sovereign rate and empirical	Ba1	43.7	0.42	0.16	0.16	(2)	588
Eswatini	1 147	Sovereign rate and empirical	B1	43.9	0.42	0.48	0.48	(6)	1 141
Zambia	1	Sovereign rate and empirical	B3	43.9	0.42	0.98	0.98	(1)	–
Zimbabwe	864	Sovereign rate and empirical	C	100.0	0.42	10 – 100	10 – 100	(93)	771
South Africa	260 592	Empirical	Ba2	3.29	0.42	–	0.42	(1 093)	259 499
Total	263 512							(1 197)	262 315

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Namibia	39	Sovereign rate and empirical	Ba1	43.7	1.35	0.16	1.35	(1)	38
Zimbabwe	456	Sovereign rate and empirical	C	100.0	1.35	10 – 100	10 – 100	(46)	410
South Africa	99 583	Empirical	Ba2	3.29	1.35	–	1.35	(1 347)	98 236
Total	100 078							(1 394)	98 684
90+ days									
Mozambique	3	Sovereign rate and empirical	Caa1	45.3	3.55	1.46	3.55	(1)	2
Namibia	22	Sovereign rate and empirical	Ba1	43.7	3.55	0.16	3.55	(1)	21
Eswatini	7	Sovereign rate and empirical	B1	43.9	3.55	0.48	3.55	(1)	6
Zimbabwe	904	Sovereign rate and empirical	C	100.0	3.55	100	100	(904)	–
South Africa	242 640	Empirical	Ba2	3.29	3.55	–	3.55	(8 601)	234 039
Total	243 576							(9 508)	234 068
Total Group ECL								(14 835)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
Group – 2023									
0 – 30 days									
DRC	202	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(2)	200
Lesotho	1 045	Sovereign rate and empirical	B2	44.1	0.28	0.68	0.68	(7)	1 038
Mozambique	766	Sovereign rate and empirical	Caa2	45.4	0.28	1.99	1.99	(15)	751
Namibia	4 015	Sovereign rate and empirical	B1	44.1	0.28	0.48	0.48	(19)	3 996
Eswatini	1 280	Sovereign rate and empirical	B3	44.1	0.28	0.96	0.96	(12)	1 268
Zambia	172	Sovereign rate and empirical	Ca	45.4	0.28	45.42	45.42	(78)	94
Zimbabwe	4 132	Sovereign rate and empirical	Default	100.0	0.28	10 – 100	10 – 100	(1 257)	2 875
South Africa	728 702	Empirical	Ba1	3.63	0.28	–	0.28	(2 011)	726 691
Total	740 314							(3 401)	736 913
30 – 60 days									
Lesotho	208	Sovereign rate and empirical	B2	44.1	0.47	0.68	0.68	(2)	206
Mozambique	127	Sovereign rate and empirical	Caa2	45.4	0.47	1.99	1.99	(3)	124
Namibia	626	Sovereign rate and empirical	B1	44.1	0.47	0.48	0.48	(3)	623
Eswatini	802	Sovereign rate and empirical	B3	44.1	0.47	0.96	0.96	(8)	794
Zimbabwe	2 622	Sovereign rate and empirical	Default	44.1	0.47	10 – 100	10 – 100	(480)	2 142
South Africa	367 746	Empirical	Ba1	3.63	0.47	–	(0.47)	(1 727)	366 019
Total	372 131							(2 223)	369 908

20. Trade and other receivables continued

	Indicative amount at 30 June 2023	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2023	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Mozambique	135	Sovereign rate and empirical	Caa2	45.4	1.53	1.99	1.99	(3)	132
Namibia	179	Sovereign rate and empirical	B1	44.1	1.53	0.48	1.53	(3)	176
Eswatini	218	Sovereign rate and empirical	B3	44.1	1.53	0.96	1.53	(4)	214
South Africa	99 392	Empirical	Ba1	3.63	1.53	–	1.53	(1 524)	97 868
Total	99 924							(1 534)	98 390
90+ days									
Mozambique	120	Sovereign rate and empirical	Caa2	45.4	4.07	1.99	4.07	(5)	115
Namibia	560	Sovereign rate and empirical	B1	44.1	4.07	0.48	4.07	(23)	537
Nigeria	1	Sovereign rate and empirical	Caa2	45.4	4.07	1.40	4.07	(1)	–
Eswatini	85	Sovereign rate and empirical	B3	44.1	4.07	0.96	4.07	(4)	81
Zambia	93	Sovereign rate and empirical	Ca	45.4	4.07	45.42	45.42	(42)	51
Zimbabwe	1 215	Sovereign rate and empirical	Default	100.00	4.07	10	10	(121)	1 094
South Africa	236 015	Empirical	Ba1	3.63	4.07	–	4.07	(9 654)	226 361
Total	238 089							(9 850)	228 239
Total Group ECL								(17 008)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjustment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Company – 2024									
0 – 30 days									
Lesotho	7	Sovereign rate and empirical	B2	43.9	0.25	0.69	0.69	–	7
Mozambique	169	Sovereign rate and empirical	Caa1	45.3	0.25	1.46	1.46	(2)	167
Namibia	1 657	Sovereign rate and empirical	Ba1	43.7	0.25	0.16	0.25	(4)	1 653
Eswatini	522	Sovereign rate and empirical	B1	43.9	0.25	0.48	0.48	(3)	519
Zimbabwe	1 223	Sovereign rate and empirical	C	100.0	0.25	10.00	10.00	(122)	1 101
South Africa	537 223	Empirical	Ba2	3.29	0.25	–	0.25	(1 351)	535 872
Total	540 801							(1 482)	539 319
30 – 60 days									
Namibia	443	Sovereign rate and empirical	Ba1	43.7	0.42	0.16	0.42	(2)	441
Eswatini	579	Sovereign rate and empirical	B1	43.9	0.42	0.48	0.48	(3)	576
Zambia	1	Sovereign rate and empirical	B3	43.9	0.42	0.98	0.98	–	1
Zimbabwe	855	Sovereign rate and empirical	C	100.0	0.42	10.00	10.00	(85)	770
South Africa	153 164	Empirical	Ba2	3.29	0.42	–	0.42	(642)	152 522
Total	155 042							(732)	154 310

20. Trade and other receivables continued

	Indicative amount at 30 June 2024	Measurement approach	Sovereign rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
60 – 90 days									
Namibia	23	Sovereign rate and empirical	Ba1	43.7	1.35	0.16	1.35	–	23
Zimbabwe	456	Sovereign rate and empirical	C	100.0	1.35	10.00	10.00	(46)	410
South Africa	69 555	Empirical	Ba2	3.29	1.35	–	1.35	(941)	68 614
Total	70 034							(987)	69 047
90+ days									
South Africa	171 119	Empirical	Ba2	3.29	3.55	–	3.55	(6 067)	165 052

Intercompany balances	Indicative amount at 30 June 2024	Measurement approach	Probability or default rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2024	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	1 877	PD and LGD – RiskCalc	3.50%	55.9	0.71	–	0.71	(14)	1 863
Mustek East Africa	60	PD and LGD – RiskCalc	2.09%	55.7	0.43	0.48	0.48	–	60
Total	1 937							(14)	1 923
Total company ECL								(9 282)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

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

20. Trade and other receivables continued

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

Intercompany balances	Indicative amount at 30 June 2023	Measurement approach	Probability of default or rating	Loss given default %	ECL % prior to adjust-ment for sovereign risk	ECL % on sovereign	ECL % at 30 June 2021	Indicative ECL amount ZAR	Indicative net balance ZAR
Rectron	14 442	PD and LGD – RiskCalc	1.75%	55.3	0.36	–	0.36	(53)	14 389
Mustek East Africa	229	PD and LGD – RiskCalc	3.30%	55.6	0.74	0.68	0.74	(2)	227
Total	14 671							(55)	14 616
Total company ECL								(11 555)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

20. Trade and other receivables continued

Individually assessed debtors:

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

	ECL %	Group: Indicative amount at 30 June 2024 R000	Group: Indicative ECL amount R000	Company: Indicative amount at 30 June 2024 R000	Company: Indicative ECL amount R000
2024					
Category 1	20%	**77 598**	**4 671**	**18 532**	**1 838**
Category 2	20% – 80%	**26 240**	**10 134**	**4 577**	**1 212**
Category 3	80% – 100%	**47 132**	**43 254**	**30 726**	**29 635**
		150 970	**58 059**	**53 835**	**32 685**

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

Category 1 – debtors included in this category are impaired at 20% (2023: 20%) as a result of credit insurance being held for the remaining 80% (2023: 80%) of the debt.

Category 2 – debtors included in this category relate to debtors with varying levels of security such as personal suretyships, cessions and guarantees. The assessment of recoverability results in an ECL of between 20% and 80% (2023: 20% and 80%).

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

Credit risk management

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

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

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

Financial assets recorded in the financial statements, which are net of impairment losses, represent the company and Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. (Refer to note 16, 17 and 18 and above).

The maximum credit exposure of forward exchange contracts is represented by the fair value of these contracts. (Refer to note 27)

The company holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on liquidation of the debtor. The collateral held by the Group and company amounted to R546 million (2023: R255 million).

21. Cash and cash equivalents

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

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Bank balances and cash	**303 596**	349 258	**105 917**	93 091

22. Cash generated from operations

		Group		Company	
		2024 R000	2023 R000	**2024 R000**	2023 R000
Profit before taxation		**40 158**	292 664	**76 073**	187 205
Adjustments for non-cash items:					
Depreciation and amortisation	6	**70 701**	53 848	**59 914**	44 029
Write off of investment in subsidiary due to deregistration	16	**–**	–	**6 793**	–
Losses (profit) on disposals and scrappings of property, plant and equipment	11	**1 615**	1 445	**(60)**	1 180
Unrealised foreign exchange (gains) losses	6	**(40 872)**	16 029	**(27 858)**	(13 810)
Losses on equity – accounted investment	17	**19 359**	12 799	**–**	–
Allowance for obsolescence of inventory and inventory written off	19	**(25 889)**	(42 028)	**(2 905)**	(48 584)
Write off of loan payable to subsidiary due to deregistration	16	**–**	–	**(10 212)**	–
Impairment of investment in subsidiary	16	**–**	–	**23 046**	–
Impairment on investment in associate	17	**13 743**	–	**–**	–
Realisation of FCTR on liquidation of foreign subsidiary	9	**782**	(2 150)	**–**	–
Impairment of goodwill	14	**3 205**	–	**–**	–
Share-based payment expense	31	**(5 371)**	12 119	**(3 992)**	9 195
Movement in ECLs on trade receivables	20	**25 265**	11 092	**9 853**	11 081
Impairment of loans to subsidiaries	16	**–**	–	**(2 754)**	5 785
Fair value adjustments of FEC's	27	**18 743**	(2 735)	**12 942**	(1 368)
Reversal of impairment of associate loans	17	**–**	(15)	**–**	(15)
Impairment of other loans	18	**228**	770	**242**	1 014
Gains due to deregistration of subsidiaries	16	**(1 460)**	–	**–**	–
Write off of other items	9	**–**	(160)	**–**	–
Interest income	7	**(14 356)**	(23 650)	**(4 717)**	(5 118)
Dividends received	7	**–**	–	**(63 297)**	(19 731)
Finance costs	8	**220 066**	174 532	**145 259**	110 729
Changes in working capital:					
Inventories	19	**463 824**	(268 120)	**135 386**	(88 808)
Trade and other receivables	20	**229 790**	(393 399)	**42 643**	(173 882)
Trade and other payables	26	**(961 039)**	351 856	**(366 200)**	81 744
Contract assets	5	**26 402**	(31 471)	**4 093**	(7 498)
Contract liabilities	5	**(24 205)**	34 268	**(653)**	8 576
		60 689	197 694	**33 596**	101 724

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

23. Share capital and earnings per share

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Authorised				
Ordinary shares (000)	**250 000**	250 000	**250 000**	250 000
Reconciliation of number of shares issued and outstanding:				
Opening balance (000)	**57 540**	59 000	**57 540**	59 000
Shares bought back and cancelled – funded by retained earnings (000)		(1 460)		(1 460)
Ordinary shares in issue (000)	**57 540**	57 540	**57 540**	57 540
Shares held as treasury shares (000)	**(3 408)**	–	**(3 408)**	–
Number of shares outstanding (000)	**54 132**	57 540	**54 132**	57 540
The shares held in the Mustek Executive Share Trust are considered to be treasury shares. 2 250 000 shares were transferred from DC Kan's estate. Refer to note 18.				
Issued				
Shares bought back	**–**	(21 857)	**–**	(21 857)
Share buy backs funded by retained earnings	**–**	21 857	**–**	21 857
Closing balance	**–**	–	**–**	–

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's Board of directors reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of 60%: 40% (2023: 60%: 40%). The current debt-to-equity ratio is 66%: 34% (2023: 70%: 30%).

Share repurchases 2023

	Number of shares	Repurchase price	Average repurchase price per share
Ordinary shares			
Included in the above:			
Total shares repurchased	1 460	21 857	14.97

Earnings per share

Basic earnings per share

Basic earnings per share is based on earnings of R21.4 million (2023: R219.6 million) and weighted average number of ordinary shares of 57.4 million (2023: 58.2 million).

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

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Basic earnings per share				
From operations (c per share)	**37.31**	377.05	**–**	–
Diluted earnings per share				
From operations (c per share)	**37.31**	377.05	**–**	–
Headline earnings per share				
Headline earnings per share (c)	**67.13**	357.18		
Diluted headline earnings per share (c)	**67.13**	357.18		
Weighted average number of ordinary shares	**57 353 763**	58 245 548		

23. Share capital and earnings per share continued

		Group		Company	
		Gross 2024 R000	Net 2024 R000	Gross 2023 R000	Net 2023 R000
Reconciliation between profit (loss) attributable to equity holders of the parent and headline earnings (loss) – Group					
Profit for the year attributable to equity holders of the parent			**21 397**		219 612
Basic earnings			**21 397**		219 612
Adjusted for:					
Group's share of (loss) profit on disposal scrapping/recoupment of property, plant and equipment and intangible assets.		**1 615**	**1 179**	1 445	1 055
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary	9	**782**	**782**	(2 150)	(2 150)
Gains on deregistration of subsidiaries	9	**(1 460)**	**(1 460)**	–	–
Impairment of associate	17	**13 743**	**13 743**	–	–
Write off of goodwill	14	**3 205**	**3 205**	–	–
Remeasurement items included in associate equity accounted earnings					
Group's share of loss (profit) on sale of property, plant and equipment		**(470)**	**(343)**	13	10
Headline earnings			**38 503**		218 527
Dividends per share					
Final (c)		**77.00**	**76.00**	77.00	76.00

The final cash dividend of 7.5 cents were declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only.

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24. Borrowings and other liabilities

		Group		Company	
		2024 R000	2023 R000	**2024 R000**	2023 R000
Held at amortised cost					
Secured					
Mortgage bond		**32 720**	34 994	**–**	–
Bank overdrafts		**500 345**	380 999	**500 000**	380 999
Unsecured					
Bank overdrafts		**99 612**	479	**99 612**	–
Loan from subsidiary	16	**–**	–	**32 720**	34 994
Total interest – bearing borrowings		**632 677**	416 472	**632 332**	415 993
Interest-free					
Unsecured					
Share-based payment liabilities – non-financial liability	30	**1 167**	25 440	**892**	19 736
Loans from subsidiaries – financial liabilities	16	**–**	–	**109 166**	112 553
Total interest-free borrowings		**1 167**	25 440	**110 058**	132 289
Split between non-current and current portions					
Non-current liabilities		**272**	34 010	**202**	33 644
Current liabilities		**633 572**	407 902	**737 130**	509 580
Bank overdrafts		**599 957**	381 478	**599 612**	380 999
Short term portion of mortgage bond		**32 720**	2 274	**–**	–
Short term portion of share-based payment liability	26	**895**	24 150	**690**	18 812
Loans from subsidiaries	16	**–**	–	**136 828**	109 769
Total borrowings		**633 844**	441 912	**737 332**	543 224
Trade and other payables at amortised cost		**2 496 237**	3 526 767	**1 508 861**	1 920 543
		3 130 081	3 968 679	**2 246 193**	2 463 767
Maturity analysis:					
The borrowings are repayable as follows:					
On demand or within six months		**3 096 102**	3 914 008	**2 212 488**	2 414 800
Six to 12 months		**36 297**	–	**36 279**	–
Year two			36 233	**–**	36 233
		3 132 381	3 950 241	**2 248 767**	2 451 033
Less finance charges component		**(3 467)**	(7 002)	**(3 467)**	(7 002)
		3 128 914	3 943 239	**2 245 300**	2 444 031

Additional information

Included in bank overdrafts, is an amount of R500 million (2023: R381 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2.1% (2023: JIBAR plus 2.1%) and is renewable by 9 February 2025 (2023: 22 January 2024). It is the intention of the directors to renew the facility for a further period of 12 months. This liability is classified as subsequently measured at amortised cost. The facility is secured over accounts receivable in Mustek Limited and Rectron Proprietary Limited (refer to note 20). A working capital ratio of more than 1.2, as well as a Group net debt to equity ratio not exceeding 150%, is required to be maintained by Mustek Limited. Furthermore, the total facility of R500 million (2023: R580 million) is limited to 90% of the trade receivables less than 120 days of age, in Mustek Limited. All facility covenants for this bank overdraft were met in the current financial year.

During the financial period, the company identified that it had not met certain financial covenants under one of its trade loan facilities (note 26). Despite being a trade facility, covenants were put in place to measure business performance.

During the current year, the following covenants were breached:
- minimum GP margin
- interest cover ratio.

The incumbent bank approved the waiver due to the prevailing economic conditions. The facility continues to operate under its original terms, with no changes to repayment schedules or interest rates.

24. Borrowings and other liabilities continued

During the 2020 financial year, Brotek Proprietary Limited, a company within the Group obtained a mortgage bond of R40 million. The variable interest rate is set at the prime rate less 0.75% and the loan term is five years ending in May 2025. Repayments consist of part capital and interest over the remaining loan term. The consolidated interest cover ratio covenant applicable to this bond was breached in the current year. The financial institution has been notified. As this bond is already classified as current there is no classification adjustment. Similar to the above there has been no defaults on the mortgage repayments or related interest

The mortgage bond is secured by property, with a carrying amount of R64.3 million (2023: R64.3 million).

The mortgage bond, loans from subsidiaries and bank overdrafts are classified as financial liabilities measured at amortised cost. Interest is calculated using the effective interest method and interest expense is recognised in the statement of comprehensive income. Bank overdrafts do not form part of Mustek's cash management and do not fluctuate often, therefore are included under borrowings and not cash and cash equivalents.

Refer to note 25 for details of the movement in the borrowings during the reporting period.

Exposure to liquidity risk

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

Borrowing powers, borrowing capacity and banking facilities

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

		Trade and other payables R000	Borrowings R000	Total R000
Group 2024				
Non-interest-bearing		**1 124 523**	**–**	**1 124 523**
Variable interest rate instruments		**1 371 714**	**636 144**	**2 007 858**
	26	**2 496 237**	**636 144**	**3 132 381**
Group 2023				
Non-interest-bearing		1 612 064	–	1 612 064
Variable interest rate instruments		1 914 703	423 474	2 338 177
	26	3 526 767	423 474	3 950 241

		Trade and other payables R000	Borrowings R000	Loan from subsidiaries R000	Total R000
Company 2024					
Non-interest-bearing		**734 755**	**–**	**104 108**	**838 863**
Variable interest rate instruments		**774 106**	**599 612**	**36 233**	**1 409 951**
	26	**1 508 861**	**599 612**	**140 341**	**2 248 814**
Company 2023 (restated)					
Non-interest-bearing		990 422	–	109 769	1 100 191
Variable interest rate instruments		930 120	380 999	41 996	1 353 115
	26	1 920 542	380 999	151 765	2 453 306

In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The Group and company have the following banking facilities amounting to R2.8 billion (2023: R3.0 billion) and R1.7 billion (2023: R1.9 billion) respectively:

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
General overdraft and similar facilities	**2 135 360**	2 276 037	**1 341 600**	1 447 260
Letters of credit facilities	**696 239**	763 436	**387 520**	445 872
Total facilities	**2 831 599**	3 039 473	**1 729 120**	1 893 132
Utilised facilities	**(2 006 564)**	(2 331 175)	**(1 375 236)**	(1 311 119)
Unutilised facilities	**825 035**	708 298	**353 884**	582 013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

24. Borrowings and other liabilities continued

Exposure to currency risk

Refer to note 27 financial instruments and financial risk management for details of currency risk management for borrowings.

Exposure to interest rate risk

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

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

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Financial liabilities				
Loans received and bank borrowings linked to LIBOR	–	–	–	–
Loans received and bank borrowings linked to SOFR	987 683	1 240 061	675 624	739 226
Loans received and bank borrowings linked to JIBAR	740 000	701 460	600 000	481 460
Loans received and bank borrowings linked to South African prime rates	278 882	299 221	132 332	34 994
Loans received and bank borrowings linked to other	–	90 433	–	90 433
	2 006 565	2 331 175	1 407 956	1 346 113
Financial assets				
Loans granted at fixed rates of interest	–	–	55 578	58 225
Bank balances and loans linked to South African prime rates	53 536	70 823	36 365	61 447
Bank balances and deposits linked to LIBOR	–	–	–	–
Bank balances and deposits linked to SOFR	6 446	24 653	–	10 341
Bank deposits linked to money market rates	214 780	203 738	71 948	21 305
Bank deposits linked to Kenyan prime rates	1 098	1 545	–	–
Bank deposits linked to other foreign prime rates	27 736	48 499	–	–
	303 596	349 258	163 891	151 318

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments and includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2024 Increase	2024 Decrease	2023 Increase	2023 Decrease
Group				
Increase or decrease in rate				
Impact on profit or loss:				
JIBAR 1% (2023: 1%)	(7 400)	7 400	(7 014)	7 014
South African Prime 1% (2023: 1%)	(2 253)	2 253	(2 280)	2 280
SOFR 2% (2023: 1%)	(19 625)	19 625	(12 154)	12 154
Other 1% (2023: 1%)	2 436	(2 436)	(1 629)	1 629
	(31 714)	31 714	(19 819)	19 819
Company				
Increase or decrease in rate				
Impact on profit or loss:				
JIBAR 1% (2023: 1%)	(6 000)	6 000	(4 815)	4 815
South African Prime 1% (2023: 1%)	(984)	984	259	(259)
SOFR 2% (2023: 1%)	(13 512)	13 512	(7 288)	7 288
Other 1% (2023: 1%)	719	(719)	(686)	686
	(19 777)	19 777	(12 530)	12 530

25. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

	Opening balance R000	Foreign exchange movements R000	New leases/ modifications R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2024						
Mortgage bond	**34 994**	**–**	**–**	**–**	**(2 274)**	**32 720**
Lease liabilities	**68 036**	**50**	**64 320**	**64 370**	**(29 606)**	**102 800**
Bank overdrafts	**381 478**	**–**	**–**	**–**	**218 479**	**599 957**
Total liabilities from financing activities	**484 508**	**50**	**64 320**	**64 370**	**186 599**	**735 477**

	Opening balance R000	New leases/ modifications R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2023					
Mortgage bond	37 360	–	–	(2 366)	34 994
Lease liabilities	52 295	41 284	41 284	(25 543)	68 036
Bank overdrafts	222 265	–	–	159 213	381 478
Total liabilities from financing activities	311 920	41 284	41 284	131 304	484 508

	Opening balance R000	Non-cash interest R000	Other non-cash movements R000	New leases/ modi-fications R000	Total non-cash movements R000	Cash inflows R000	Cash outflows R000	Closing balance R000
Company – 2024								
Lease liabilities	**90 033**	**–**	**–**	**62 865**	**62 865**	**(29 579)**	**–**	**123 319**
Loans from subsidiaries	**142 489**	**3 440**	**(10 212)**	**–**	**(6 772)**	**2 000**	**(889)**	**136 828**
Bank overdraft	**380 999**	**–**	**–**	**–**	**–**	**218 613**	**–**	**599 612**
Total liabilities from financing activities	**613 521**	**3 440**	**(10 212)**	**62 865**	**(56 093)**	**191 034**	**(889)**	**859 759**

	Opening balance R000	Non-cash interest R000	Non-cash increase in loans R000	New leases/ modi-fications R000	Total non-cash movements R000	Cash inflows R000	Cash outflows R000	Closing balance R000
Company – 2023								
Lease liabilities	78 336	–	–	36 732	36 732	(25 035)	–	90 033
Loans from subsidiaries	120 005	3 452	7 137	–	10 589	12 000	(105)	142 489
Bank overdraft	222 265	–	–	–	–	158 734	–	380 999
Total liabilities from financing activities	420 606	3 452	7 137	36 732	47 321	145 699	(105)	613 521

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26. Trade and other payables

		Group		Company	
		2024 R000	2023 R000	2024 R000	2023 R000
Financial instruments at amortised cost:					
Trade payables		**1 089 870**	1 312 107	**731 286**	936 557
Letters of credit and trade finance payables		**1 371 714**	1 914 703	**774 106**	930 120
Other payables		**26 471**	211 400	**1 363**	1 227
Accruals		**8 182**	88 557	**2 106**	52 639
Non-financial instruments:					
Short-term share-based payment liability	24, 32	**895**	24 150	**690**	18 812
VAT payable		**1 205**	1 561	**–**	–
Employee benefit accruals		**43 852**	–	**28 962**	–
		2 542 189	3 552 478	**1 538 513**	1 939 355

The letters of credit supply a 120-day trade payment term to the Group. The maximum facility available, including bank overdrafts is R2.8 billion (2023: R3.0 billion) and R1.7 billion (2023: 1.9 billion) for the Group and company respectively. For majority of the available facilities interest is calculated at SOFR plus 3.0% (2023: SOFR + 3.0%). These facilities are carried at amortised cost, as the interest rate is market related and fair value therefore approximates amortised cost.

Trade payables, letters of credit and trade finance payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases stated is 124 days (2023: 135 days).

Included in employee benefit accruals above are the following:
- Leave pay accrual: Employee entitlements to annual leave are recognised as services are rendered. An accrual, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to reporting date.
- Bonus accrual: The bonus accrual relates to the annual 13th cheque and other performance bonuses payable to employees of the Group and the company.

Exposure to currency risk
Refer to note 27 financial instruments and financial risk management for details of currency risk management for trade payables.

27. Financial instruments and risk management

Financial risk management

Overview
The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the Board on its activities.

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

The Group's Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee. Liquidity risk and interest rate risk are disclosed in note 24.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to note 16,17,18 and 20.

Foreign currency risk
The Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. It is the Group's policy to enter into foreign exchange forward contracts and options to buy and sell specified amounts of foreign currencies for approximately 50 – 70% of the Group's foreign currency commitments. The Group uses contracts with terms of up to 120 days. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates, as a means of economic hedging. The foreign currencies in which the Group deals primarily are US Dollars and Euros.

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

27. Financial instruments and risk management continued

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
		2024 R000	2023 R000	2024 R000	2023 R000
US Dollar exposure					
Non-current assets					
Loans to subsidiaries	16	–	–	55 789	58 225
Current assets					
Trade and other receivables	20	55 724	46 132	19 699	3 520
Cash and cash equivalents	21	6 446	24 652	–	10 340
Current liabilities					
Trade and other payables	26	(1 453 553)	(2 117 638)	(755 668)	(916 545)
Net US Dollar exposure		(1 391 383)	(2 046 854)	(680 180)	(844 460)
Euro exposure					
Current assets					
Cash and cash equivalents	21	2	325	–	–
Current liabilities					
Trade and other payables	26	(229 077)	(167 835)	229 077	(167 834)
Net Euro exposure		(229 075)	(167 510)	229 077	(167 834)
Other currency exposure					
Current assets					
Trade and other receivables	20	–	22 859	–	–
Cash and cash equivalents	21	28 833	49 718	–	–
Current liabilities					
Trade and other payables	26	–	(28 262)	–	(282)
Net other currency exposure		28 833	44 315	–	(282)
Net exposure to foreign currency in Rand		(1 591 625)	(2 170 049)	(451 103)	(1 012 576)

* *Other currencies include Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings (2023: Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings).*

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

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

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2024				
Buy				
US Dollars – less than three months	18.462	43 762	807 934	(11 250)
US Dollars – three to six months	18.300	2 000	36 600	138
Euro – less than three months	20.077	13 750	276 059	(7 631)
			1 120 593	(18 743)
Foreign currency assets				411
Foreign currency liabilities				(19 154)
				(18 743)

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27. Financial instruments and risk management continued

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Group – 2023				
Buy				
US Dollars – less than three months	18.886	70 316	1 327 988	(1 578)
US Dollars – three to six months	18.460	1 000	18 460	614
Euro – less than three months	20.159	12 749	257 007	3 699
			1 603 455	2 735
Foreign currency assets				17 658
Foreign currency liabilities				(14 923)
				2 735

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2024				
Buy				
US Dollars – less than three months	**18.355**	**28 812**	**528 844**	**(5 312)**
Euro – less than three months	**20.077**	**13 750**	**276 059**	**(7 630)**
			804 903	**(12 942)**
Foreign currency assets				**181**
Foreign currency liabilities				**(13 123)**
				(12 942)

	Contract rate	Contract foreign currency amount R000	Contract Rand amount R000	Fair value of contract R000
Company – 2023				
Buy				
US Dollars – less than three months	18.887	40 016	755 782	(2 331)
Euro – less than three months	20.159	12 749	257 007	3 699
			1 012 789	1 368
Foreign currency assets				9 218
Foreign currency liabilities				(7 850)
				1 368

27. Financial instruments and risk management continued

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

	Average spot rate		Closing spot rate	
	2024	2023	**2024**	2023
US Dollar	**18.71**	17.76	**18.22**	18.74
Euro	**20.24**	18.62	**19.50**	20.37

Foreign currency sensitivity analysis

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

	2024 R000	**2024 R000**	2023 R000	2023 R000
Group				
Increase or decrease in rate	**Increase**	**Decrease**	Increase	Decrease
Impact on profit or loss:				
US Dollar 10% (2023: 10%)	**(139 138)**	**139 138**	(204 685)	204 685
Euro 10% (2023: 10%)	**(22 908)**	**22 908**	(16 750)	16 750
	(162 046)	**162 046**	(221 435)	221 435
Company				
Increase or decrease in rate				
Impact on profit or loss:				
US Dollar 10% (2023: 10%)	**(68 018)**	**68 018**	(84 446)	84 446
Euro 10% (2023: 10%)	**(22 908)**	**(22 908)**	(16 783)	16 783
	(90 926)	**45 110**	(101 229)	101 229

28. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value.

		Group		Company	
Levels of fair value measurements	Notes	**2024 R000**	2023 R000	**2024 R000**	2023 R000
Level 2					
Recurring fair value measurements					
Assets					
Fair value through profit or loss					
Foreign currency asset	27	**411**	17 658	**181**	9 218
Liabilities					
Fair value through profit or loss					
Foreign currency liabilities	27	**19 154**	14 923	**13 123**	7 850
Total		**(18 743)**	2 735	**(12 942)**	1 368

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

28. Fair value information continued

Valuation techniques

Investment Property – level 3 (disclosure only)

Level 3 fair values of the investment property in Nairobi (refer note 12) being R35.7 million to R36.3 million (2023: R32.6 million and R46.5 million) was determined using a blend of the cost and income approaches.

Cost approach: The cost approach values real estate properties based on the cost it would take to build an equivalent building. The assumption is that a buyer would not pay more for a property when a comparable newly built property costs less. The method adopts the current estimated construction cost of the region and applies a reasonable rate of depreciation.

Income approach: It involves capitalising streams of yearly income. The streams of income are subjected to appropriate rate of outflows including actual vacancy rates, management fees, security, building maintenance among other costs over the years. The net streams of income are then capitalised by a market return of 8% to arrive at a capital value by factoring in the resultant Year Purchase (YP).

Foreign currency forward contracts – level 2

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

No changes have been made to the valuation technique.

29. Employee costs and retirement benefit plans

As at 30 June 2024, the Group had 1 228 permanent employees (2023: 1 205) and the company 716 (2023: 677). Employee benefits expense is made up of the following for all employees, including executive directors:

	Group		Company	
	2024 R000	2023 R000	**2024 R000**	2023 R000
Employee costs				
Employee salaries and wages	**486 135**	542 972	**287 988**	333 139
Pension contributions (defined contribution plan)	**1 886**	1 846	**–**	–
Learnerships	**6 167**	7 731	**3 338**	4 732
Temporary staff	**10 791**	10 880	**10 320**	10 409
Share-based payment	**–**	–	**–**	–
	504 979	563 429	**301 646**	348 280

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

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

30. Guarantees and contingent liabilities

Limited guarantees

- Standby letter of credit issued by HSBC in favour of Intel International BV for R7.3 million.
- R0.4 million guarantee issued by HSBC of payment in favour of Growthpoint Properties Limited.
- R3.7 million guarantee of payment in favour of DG Murray Trust, South Africa. This guarantee expires on 30 April 2025.
- R6.4 million guarantee issued by ABSA bank in favour of pending CCMA case of R9.8 million. See legal disputes.
- R10 million guarantee issued by HSBC bank in favour of pending CCMA case of R28.7 million. See legal disputes.

Legal disputes

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

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

31. Related parties

The Group and company had the following major related parties and transactions:

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Brotek Proprietary Limited	Loan	(3 440)	(85 249)
	Rent	(7 304)	–
	Cost recoveries	(498)	–
Mecer Inter-Ed Proprietary Limited	Sales	985	417
	Purchases	(5 230)	–
	Rent	2 245	–
	Cost recoveries	1 418	–
	Loan	–	(14 000)
Mecer Technology Limited	Purchases	(1 365)	(739)
	Management fees	(9 030)	–
	Dividends	12 297	–
Mustek East Africa Limited (Note 2)	Loan	1 151	55 788
	Sales	779	60
Rectron Proprietary Limited (Note 1)	Sales	95 713	2 138
	Purchases	(188 182)	(13 342)
	Other costs	2	–
	Dividends	51 000	51 000
	Cost recoveries	713	–
	Loan	–	(37 579)

Note: Refer to note 16 for a list of subsidiaries, their related loans and impairment and further details about these entities.

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 20 for details on ECL allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 16 on details of impairment on loans receivable from subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Related parties continued

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Continuous Power Systems Proprietary Limited (Note 1)	Loan	–	1 300
	Sales	155	19
	Purchases	(14 770)	(1 878)
	Cost recoveries	478	–
Sizwe Africa IT Group Proprietary Limited	Sales	70 137	17 208
	Purchases	(4 329)	(237)
Khauleza IT Solutions Proprietary Limited	Sales	1 347	57
	Purchases	(2 216)	(319)
	Rent	130	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	41	31
	Purchases	(758)	–

Note 1: Refer to note 17 for details of the loan owing by Continuous Power Systems Proprietary Limited.

Other related parties – company	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2024			
Related party			
Mustek Executive Share Trust	Loan	–	–
	Dividend	(892)	34 370

31. Related parties continued

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023 – restated			
Related party			
Brotek Proprietary Limited	Loan	(3 453)	(82 698)
	Rental	(6 903)	–
	Cost recoveries	(408)	–
	Dividends	6 400	–
Mecer Inter-Ed Proprietary Limited	Sales	2 006	–
	Rental	2 138	–
	Purchases	(19 275)	(95)
	Dividends	10 000	–
	Cost recoveries	1 136	60
	Loan	–	(12 000)
Mecer Technology Limited	Purchases	(27)	–
	Management fees	(8 718)	(759)
	Dividends	2 059	–
Mustek East Africa Limited (Note 2)	Loan	1 100	58 225
	Sales	1 186	228
MFS Technologies Proprietary Limited	Dividends	1 271	–
Rectron Proprietary Limited (Note 1)	Sales	107 300	16 608
	Purchases	(214 334)	(14 136)
	Other costs	(14)	–
	Cost recoveries	8 097	–
	Loan	–	(37 579)

Note 1: Amounts receivable or payable are unsecured and no guarantees have been given or received. Refer to note 20 for details on ECL allowance on amounts receivable. No amount has been recognised in respect of bad or doubtful debts due from the related party.

Note 2: Refer to note 16 on details of gross value and impairment on loans receivable from subsidiaries.

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Continuous Power Systems Proprietary Limited (Note 1)	Loan	82	1 300
	Sales	173	17
	Purchases	(37 081)	(9 322)
Sizwe Africa IT Group Proprietary Limited	Sales	126 392	96 185
	Purchases	(8 506)	(429)
Khauleza IT Solutions Proprietary Limited	Sales	1 679	301
	Purchases	(2 410)	(1 409)
	Rental	160	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	142	22
	Purchases	(1 114)	–

Note 1: Refer to note 17 for a complete list of associates and details of loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Related parties continued

Other related parties – company	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2023			
Related party			
Mustek Executive Share Trust	Loan	–	36 703
	Dividend	(880)	–

The directors have certified that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regards to directors' interest in contracts does not exist.

Key management personnel compensation

	Group 2024 R000	Group 2023 R000	Company 2024 R000	Company 2023 R000
Short-term employee benefits	**56 782**	84 816	**38 920**	54 580
Share appreciation rights (benefit) expense	**(5 458)**	12 119	**(3 992)**	9 194
Share appreciation rights expense	**–**	–	**–**	–
	51 324	96 935	**34 928**	63 774

32. Directors' emoluments and share-based payments

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

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

Executive

2024

Directors' emoluments	Basic salary R000	Bonus and performance related payments R000	Expense allowances R000	Fringe benefit on interest-free loan R000	Total R000
Services as director					
H Engelbrecht	**5 680**	**–**	**270**	**980**	**6 930**
CJ Coetzee	**3 919**	**–**	**96**	**76**	**4 091**
S Aboo Baker Ebrahim	**3 430**	**–**	**–**	**–**	**3 430**
	13 029	**–**	**366**	**1 056**	**14 451**

2023

Directors' emoluments	Basic salary R000	Bonus and performance related payments R000	Expense allowances R000	Fringe benefit on interest-free loan R000	Long service award and leave payout R000	Share appreciation rights exercised R000	Total R000
Services as director							
H Engelbrecht	4 863	4 106	270	892	45	3 279	13 455
CJ Coetzee	3 366	2 492	96	120	–	2 700	8 774
S Aboo Baker Ebrahim	2 958	2 366	–	–	–	–	5 324
	11 187	8 964	366	1 012	45	5 979	27 553

32. Directors' emoluments and share-based payments continued

Non-executive

2024

Directors' emoluments	Fees for services as director R000	Total R000
I Mophatlane	425	425
VC Mehana	233	233
RB Patmore	518	518
S Thomas	543	543
PM Marlowe	439	439
	2 158	2 158

2023

Directors' emoluments	Fees for services as director R000	Total R000
VC Mehana	568	568
RB Patmore	487	487
S Thomas	528	528
PM Marlowe	415	415
	1 998	1 998

Outstanding non-executive director fees of R0.9 million (2023: R0.4 million) are included in trade and other payables.

Directors' shareholding

At 30 June 2024, the directors in office at year-end collectively held the following direct and indirect interests in shares in the company, which represents 4.6% (2023: 4.6%) of the issued share capital of the company. (No change occurred between 30 June 2024 and 19 September 2024):

	Beneficial			
	Direct		Indirect	
	2024	2023	2024	2023
H Engelbrecht	1 750 000	1 750 000	–	–
CJ Coetzee (Note 1)	888 743	888 743	–	–
	2 638 743	2 638 743	–	–

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

Note 1: Includes 496 666 (2023: 496 666) shares held through contracts for difference.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

32. Directors' emoluments and share-based payments continued

Share-based payments

Share appreciation rights scheme

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

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

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

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

The total liability at year end amounted to R1.2 million (2023: R25.4 million) and R0.9 million (2023: 19.7 million) for Group and company respectively.

	Weighted average price (Rands)		Number of options	
	2024	2023	**2024**	2023
Phantom shares outstanding at the beginning of the year	**12.83**	8.87	**2 731 942**	4 121 525
Phantom shares granted during the year	**16.77**	15.64	**2 296 568**	1 371 608
Phantom shares exercised during the year	**–**	7.12	**–**	(2 519 720)
Phantom shares that lapsed during the year	**12.68**	10.10	**(286 020)**	(208 954)
Phantom shares outstanding at year-end	**14.69**	12.83	**4 742 490**	2 764 459

A total of 2 296 568 phantom shares were granted to a number of employees during the current financial year. No phantom shares were exercised during the financial year. The shares that lapsed was due to employees that left the Group during the current year.

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

	30 June 2024	30 June 2023
Share price	**9.78**	R16.72
Grant price	**R10.17/R15.64/R16.77**	R6.77/R10.17/R15.64
Fair value	**R0.62/R0.32/R0.49**	R9.95/R6.79/R3.89
Expected volatility	**34.00%/35.00%/32.50%**	29.00%/30.00%/30.00%
Expected life	**0 years/1 year/2 years**	0 years/1 year/2 years
Risk-free rate	**8.49%/8.28%/8.06%**	8.88%/8.83%/8.69%
Expected dividend yield	**5.50%/5.50%/5.00%**	4.50%/4.50%/4.00%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous four years. The Group and company recognised an expense reversal of R5.4 million and R4.0 million respectively (2023 expense of: R12.1 million and R9.2 million, respectively) related to cash-settled share appreciation rights during the current year.

32. Directors' emoluments and share-based payments continued

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

Option price	2025	2026	2027	Number of undelivered phantom shares	Total Rand value
R10.17	1 285 852	–	–	1 285 852	13 077 115
R15.64		1 237 136	–	1 237 136	19 348 807
R16.77		–	2 219 502	2 219 502	37 221 049
	1 285 852	1 237 136	2 219 502	4 742 490	69 646 971

The directors have the following phantom share options outstanding:

Undelivered phantom shares at 30 June 2024

Grant date	Grant price	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
2 September 2021	**R10.17**	**–**	**225 355**	**185 587**	**410 942**
30 September 2022	**R15.64**	**125 506**	**179 294**	**152 400**	**457 200**
14 September 2023	**R16.77**	**262 025**	**308 264**	**262 025**	**832 314**
		387 531	**712 913**	**600 012**	**1 700 456**

Reconciliation of outstanding director phantom shares	Strike price/ exercise price	Date awarded/ exercised/ lapsed	S Aboo Baker Ebrahim	H Engelbrecht	CJ Coetzee	Total
Opening balance			**125 506**	**404 649**	**337 987**	**868 142**
Phantom shares granted	**16.77**	**14 September 2023**	**262 025**	**308 264**	**262 025**	**832 314**
Closing balance	**–**	**–**	**387 531**	**712 913**	**600 012**	**1 700 456**

33. Going concern

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

During the year ended 30 June 2024, certain loan covenants were breached (refer note 24). It is important to emphasise that the trade loan facility with the incumbent bank has always remained fully current, with no defaults or delays in repayment of principal or interest on the due dates. The facility is structured in such a way that these covenants are monitored as internal benchmarks to align management's financial objectives with operational performance.

Looking ahead, management is confident that the Group and company will continue to meet its financial obligations in full and on time. Steps have already been taken to strengthen internal processes and ensure continued alignment with the KPIs under the facility. The Group and company remains financially sound, with adequate resources to maintain its current operations and manage future obligations.

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

- the Group continues to have the ongoing support of its banking group and access to undrawn facilities of R825 million (refer note 24) as well as R303 million in cash and cash equivalents as at 30 June 2024
- as at 30 June 2024, the Group had R1 002 million in net working capital, no significant capital commitments and lease commitments of R33 million due within one year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

34. Tax paid

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Balance at beginning of the year	**(9 621)**	9 242	**(7 359)**	3 024
Current tax recognised in profit or loss	**(6 439)**	(66 650)	**(289)**	(34 095)
Balance at end of the year	**1 936**	9 621	**(3 401)**	7 359
	(14 124)	(47 787)	**(11 049)**	(23 712)

35. Events after the reporting period

Management has concluded negotiations for the sale of its investment in Zaloserve for R15 million. The sale is to be effective on 1 October 2024 (refer note 36).

Effective 12 September 2024, Mustek acquired a 70% equity interest in CyberAntix (Pty) Limited for R8 million and a loan receivable of R12 million. CyberAntix is a SOCaas (Security Operations Centre-as-a-Service) company. They offer state of the art implementation of managed cybersecurity services, focusing on managed detection and response with associated advanced services (proactive hunting, forensics code reviews, vulnerability assessments etc).

The net asset value of CyberAntix (Pty) Limited at 30 June 2024 excluding assumed loan claim was R17.4 million. Due to the fact that the transaction was concluded close to the time of releasing these financial statements, the initial accounting of the business combination is incomplete.

Had CyberAntix been purchased at the beginning of the year, additional turnover of R31.1 million and a profit after tax attributable to owners of the parent of R4.7 million would have been included in the consolidated statement of comprehensive income.

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

36. Non-current assets held-for-sale

Mustek Limited owns 100% of Zatophase Proprietary Limited. Zatophase Proprietary Limited owns 40% of Zaloserve, the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe).

During the current financial year, the Group has decided to sell its investment in Zaloserve Proprietary Limited. A prospective buyer has been identified and the process of sale has commenced. R15 million represents the offer to purchase that Mustek has accepted. Prior to the transfer to non-current asset held-for-sale an impairment of R13.7 million was recognised. Refer to note 17.

The effective date of transfer to held-for-sale was 31 March 2024 with 1 October 2024 being the expected date of disposal.

This held-for-sale asset forms part of the Group's operating segment in note 3.

	Group		Company	
	2024 R000	2023 R000	2024 R000	2023 R000
Non-current assets held-for-sale				
Opening balance	**–**	–	**–**	–
Transfers from investment in associate (note 17)	**15 000**	–	**–**	–
Closing balance	**15 000**	–	**–**	–

37. Prior period error – company

1. Included in prior year cost of sales is R35.8 million relating to cloud services products which should have been included in revenue due to Mustek acting as an agent for distribution of this product as opposed to a principal. The 2023 company statement of comprehensive income was restated and the impact of the error for Mustek company is noted in the table below.

2. During the current year, a re-assessment was done on the ownership of the intangible asset relating to the Epicor Software held in Rectron. It was concluded that full ownership of the intangible asset lies with Mustek company (refer to note 15). The 2023 and 2022 company statement of financial position was restated and the impact of the error for Mustek company is noted in the table below:

Statement of comprehensive income	2023 previously reported R000	Prior period error R000	2023 restated R000
Revenue	6 566 849	(35 811)	6 531 038
Cost of sales	(5 695 871)	35 811	(5 660 060)
Gross profit	870 978	–	870 978

Statement of financial position	2023 previously reported R000	Prior period error R000	2023 restated R000
Intangible assets	77 888	37 580	115 468
Current loans from subsidiaries	(72 189)	(37 580)	(109 769)
Non-current assets	623 925	37 580	661 505
Current liabilities	(2 471 531)	(37 580)	(2 509 111)

Statement of financial position	2022 previously reported R000	Prior period error R000	2022 restated R000
Intangible assets	64 415	30 930	95 345
Current loans from subsidiaries	(54 126)	(30 930)	(85 056)
Non-current assets	606 034	30 930	636 964
Current liabilities	(2 197 596)	(30 930)	(2 228 526)

The impact of the above-mentioned error did not have an impact on the prior year:
- earnings per share
- diluted earnings per share
- headline earnings per share
- diluted headline earnings per share
- Group statement of financial position
- Group and company cash flows
- the opening retained earnings for Group and company or
- the Group and company profit.

GLOSSARY

EBITDA	Earnings before interest, taxation, depreciation and amortisation
Return on ordinary shareholders' equity	net profit for the year as a percentage of average ordinary shareholders' equity (net assets)
Net asset value (ordinary shareholders' equity)	total assets less total liabilities
Interest cover	EBITDA divided by net interest paid
Current ratio	current assets divided by current liabilities
Operating margin	current assets divided by current liabilities


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