

Mustek
L I M I T E D
INTEGRATED ANNUAL REPORT 2022



resonate

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About this report

This Integrated Annual Report presents the holistic performance of Mustek Limited (the Group) and its subsidiaries for the year ended 30 June 2022 and presents information on our performance, governance and prospects. We aim to provide a transparent, balanced description of our progress towards our strategic objectives. Throughout the report we address the Group's challenges, our opportunities and the external factors impacting our operational performance and our forward looking strategy.

Reporting principles and frameworks

This Integrated Annual Report has been prepared in accordance with the International Sustainability Standards Board's International <IR> Framework. The Board of directors (the Board) and management have considered the fundamental concepts, guiding principles and content elements recommended in the <IR> Framework and have endeavoured to apply these recommendations in the report.

Mustek took the Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance, published early in 2022, into account when compiling this report. This report also accords with the parameters of the Companies Act, 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements and, where possible, the recommendations of the King IV Report on Corporate Governance™* for South Africa (King IV). The Board and company secretary implemented the principles and relevant practices of the King IV Code during the 2022 financial year.

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

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Reporting boundary and scope

This Integrated Annual Report presents a review of Mustek Limited, its subsidiaries and associates, and its financial and non-financial performance for its financial year 1 July 2021 to 30 June 2022. Where appropriate, we highlighted the performance of Mustek Operations and Rectron – the largest contributors to Mustek Limited's performance and value creation. Details of investments in subsidiary and associate companies appear in notes 15 and 16 of the annual financial statements.

Restatements from the previous year

During the current year a re-assessment was done on cloud service products that the Group distributes. An analysis was done against the factors noted in IFRS 15 B35-B38 and it was concluded that the Group acts as an agent for distribution of these products as opposed to a principal. This analysis was done after the May 2022 IFRIC Agenda Decision – *Principal versus Agent: Software Reseller*, was published. Based on the analysis, it was concluded that the prior year judgement of recognising sales of cloud service products as a principal was incorrect. The prior year consolidated statement of

comprehensive income was restated and the impact of the error for the year ended 30 June 2021 for the Group was as follows:

Statement of comprehensive income	As previously reported	Prior year error	2021 restated
Revenue	8 035 521	(43 215)	7 992 306
Cost of sales	(6 847 554)	43 215	(6 804 339)
Gross profit	1 187 967	–	1 187 967

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
- opening retained earnings balance as at 1 July 2021, or
- Group and company profit.

Who approves this report?

The executive directors and senior management have been instrumental in the preparation of this report. The Board applied its mind accordingly and is of the opinion that this Integrated Annual Report addresses all material matters and offers a balanced view of the integrated performance of the organisation and its impacts. As such, the Board has fulfilled its responsibilities in terms of the recommendations of King IV. This report was approved by the Board on 21 October 2022.

How is this report assured?

Mustek continues to apply a combined assurance model, providing management and the Board with confidence regarding the information disclosed in this report. The Group's financial statements were independently audited by BDO South Africa Incorporated. The Group's broad-based black economic empowerment (B-BBEE) contributor levels were verified by mPowerRatings Proprietary Limited.

Forward looking statements

Many of the statements in this Integrated Annual Report constitute forward looking statements. These are not guarantees of future performance. As discussed in the report, Mustek faces risks and other factors outside of its control, which may lead to outcomes unforeseen by the Group. Readers are warned not to place undue reliance on forward looking statements. The forward looking statements have not been reviewed nor reported on by the company's auditors.



David Kan – an innovator for all seasons



With his unique combination of energy, foresight and innovation in full flow, David established South Africa's first personal computer (PC) assembly factory to produce Mecer computers, which was South Africa's first homegrown information technology (IT) brand.

On 19 May 2022, Mustek and the South African IT industry was shaken to the core by the devastating news that David Kan had suddenly passed away. It seemed unthinkable that David would no longer be leading Mustek's charge to bigger and better milestones, with competitors scrambling to stay the pace. David's business legacy is a Mustek Group that is firmly established as South Africa's premier homegrown IT business.

David Kan established Mustek in South Africa back in 1987 and was appointed our CEO in 1995, before leading Mustek into a JSE listing in 1997. The Group has since grown into a R1 billion market cap business with annual revenues exceeding R8 billion, supported by a strong balance sheet.

Born on 2 July 1959 in Taipei, Taiwan, David took on his first job at the tender age of 15 as a dishwasher. He continued working in various odd jobs, including waiter and furniture removals, before moving to Pittsburgh, USA, to complete a Bachelor of Science degree in Mechanical Engineering.

In the interim, David's father had been appointed as a Taiwan trade envoy to South Africa, prompting David to move here in 1986. He quickly decided to make our land of rich promise his home and settled to start a business and start his family.

While working at a cutlery factory, David attended South Africa's first-ever PC exhibition, where he met Owen Chen, the managing director of Taiwan-based Mustek Corporation. They agreed that David would extend Mustek's operations into South Africa.

David's timing was perfect. From 1987, South Africa's PC market began booming, with Mustek's close ties with Taiwanese manufacturers proving to be a keen competitive advantage. The arrival of the local Mecer brand hit a sweet spot as computer imports were hindered by stiff import duties and the economic sanctions at that time.

With Mecer as its flagship brand, supported by subsidiary Rectron's range of components and peripherals, Mustek grew from strength to strength. Even so, the Group was simply one of a pack of local and international rivals competing for South African IT spend, with global brands such as Dell and HP riding the waves of their aspirational appeal to South African consumers.

In the early 2000s David and the Mustek Board recognised that the homegrown, value-for-money Mecer brand – despite universal South African market recognition – could not compete head-to-head with aspirational global brands. At that point, the Mustek Group distributed four main products: the Mecer PC, the Toshiba notebook, the NEC server, and the Brother printer. Based on Mustek's peerless local distribution and servicing network, the leadership decided that "if we can't beat them, we'll join them".

Mustek replaced its Mecer-first approach with a policy of bringing desirable global brands into its stable as part of an end-to-end IT solutions model in which customers can mix and match between brands and products, with Mustek specialists integrating these as needed to meet client needs. This strategy shift was a game changer.

David Kan's global networks and Mustek's widely respected reputation, along with a loyal client database developed over decades, brought a host of desired international IT brands into the fold. These included Microsoft, Huawei, Samsung, Apple and Lenovo. At the same time, Mustek identified and entered into adjacent fields, such as gaming, security, renewable energy, IT training and networking, to become an end-to-end distributor and provider of tailored solutions for all IT requirements, large and small.

While the Group's original Mecer brand continues as a steady and growing performer in IT hardware, it is now simply one of a constellation of brands glittering across Mustek's IT universe.

Although widely respected as an astute IT businessman and innovator, David Kan was also loved by those he encountered as a warm-hearted humanitarian. He possessed a quirky yet infectious sense of humour, implemented human resources (HR) policies in accordance with his personal values that were way ahead of their time, and treated all equally, irrespective of their social status. Yet, woe betide anyone who tried to take advantage of his intrinsically kind nature.

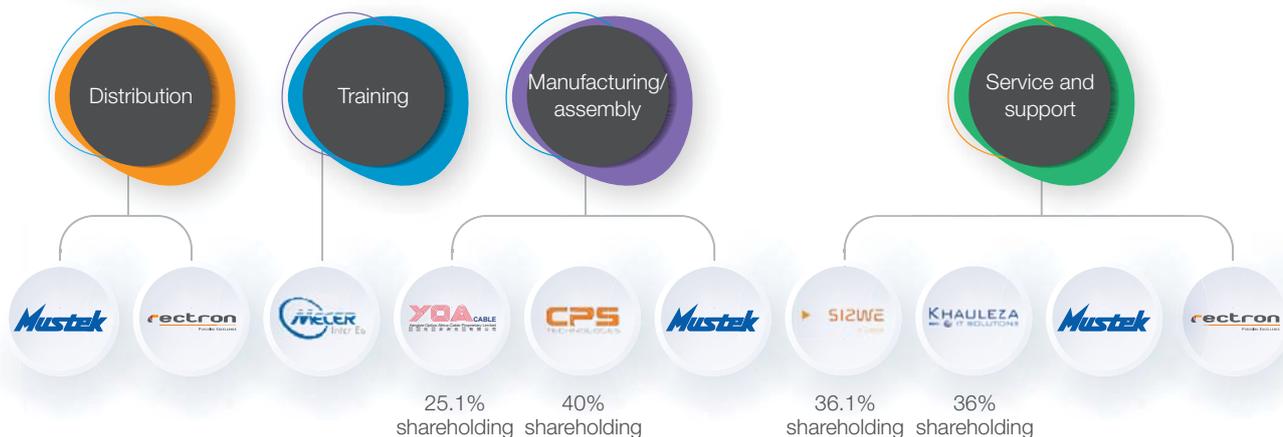
Fortunately, Mustek's succession planning was in place at David's passing and experienced Mustek stalwart, Hein Engelbrecht was ready to step into David Kan's large boots.

However, David Kan, the smiling and brilliant pioneer who left such a big imprint on South African IT, is sorely missed by all who had the good fortune to interact with him.

Group profile



Founded in 1987 by David Kan, Mustek Limited was listed on the JSE in 1997. The Group comprises:



From being one of the largest assemblers/distributors of PCs and complementary information and communications technology (ICT) products in South Africa, Mustek has evolved into a seamless end-to-end ICT solutions provider.

The Group uses a growing sales network to distribute and maintain a wide range of ICT products across South Africa and several other African countries. We distribute many of the world's leading brands, as well as Mustek's in-house Mecer brand, and we add value to imported components and finished products through planning, bulk purchasing, consolidating shipments, assembly, warehousing and after-sales service and support. Our distribution business, through Mustek and Rectron, contributes approximately 95% of the Group's revenue at present.

Mecer Inter-Ed taps into the training opportunities provided by global IT skills shortages. With a growing list of internationally accredited courses, the business is expanding rapidly.

On the manufacturing front, Yangtze Optics Africa Cable (YOAC) – a fibre optics company operating out of KwaZulu-Natal – provides locally manufactured fibre cable to a fast-growing network supply market, while Continuous Power Systems, a fairly young company within the Mustek Group, attends to the growing server market with the design and manufacture of server cabinets. Mustek Operations specialises in assembly rather than manufacturing, allowing the Group to provide customised products for our clients with international brand warranties.

Under the Group's services and support arm, Sizwe IT Africa, Khauleza IT Solutions, as well as Mustek Operations and Rectron enable us to provide nation-wide support to our clients.

Our vision

Mustek aims to be South Africa's ICT supplier of choice.

Our mission statement

Mustek combines **the best of local assembly capabilities** with the **multinational product portfolio** by affording its customers a choice of the renowned Mecer brand of computing equipment and a broad range of top-tier ICT brands, which address every level of the technology stack.

This strategy enables Mustek to **offer its customers a perfect match for their technology needs**, whether driven by configuration and customisation requirements (as is the case with the Mecer brand) or through tried and trusted best industry practices and competitive pricing (as is the case with the multinational brands that the Group distributes).

Mustek's position in the South African market has been built on an **unwavering commitment to customer satisfaction**, the development of some of the most **sought-after relationships** in the international ICT market, adherence to the **most stringent international quality standards and benchmarks**, and a **staffing policy** that sees it retaining staff who are trained and accredited to the highest possible level.

All of this culminates in Mustek being one of the **easiest and most professional distributors** for South African resellers to do business with.



Value creation highlights



The Group received recognition from Huawei for being:

- Distributor of the Year (Mustek Limited)
- Nova Partner of the Year (Sizwe IT Group)
- Training Partner of the Year (Mecer Inter-Ed).

Mustek Operations was awarded:

- Inverter Brand of the Year (Mecer) – Channelwise Awards
- Consumer Distributor of the Year – Lenovo
- Beyond Awards Total Solutions Win – Zebra
- PC Channel Partner Award – Huawei Consumer Business Group.

Rectron was awarded by Microsoft:

- Star Achiever's Award
- Second place in the MEA region
- First place in South Africa.



Our operating context

The evolution of Industry 4.0 (aka the Fourth Industrial Revolution) continues transforming the way businesses manufacture, improve and distribute their products. COVID-19 sped up this cyber-physical revolution, as people worked from home on a scale never seen before. While the world of work settles into a “new normal”, developments such as Web 3.0, virtual reality and blockchain technologies are continuing to push the envelope of fundamental change. This requires anticipating and shifting with agility to pursue our strategic objectives and provide the best products and services to our customers.

Macroeconomic snapshot

Global overview

The world economy was severely affected by the COVID-19 pandemic. Its consequent restrictions of movement and supply chain disruptions shook many business sectors to their core. While COVID-19 measures are now largely suspended worldwide, the ongoing invasion of Ukraine slowed down global recovery and continues hampering trade, while triggering a costly humanitarian crisis. As a result, the International Monetary Fund (IMF) has revised its 2022 and 2023 global growth estimates downward to 3.6% from its 2021 estimate of 6.1% economic growth.

South African economy

After nearly two years of pandemic-slowed economic growth, South Africa's economy recovered to pre-pandemic levels in Q1 of 2022 on the back of improved manufacturing activity and rising expenditure. The country's gross domestic product (GDP) growth recovered by 4.9% after a 6.4% contraction in 2020.

This recovery is not without headwinds. In June 2022, annual consumer price inflation rose to 7.4%, a 13-year high for the country, following higher transport and food prices. The conflict in Ukraine pushed fuel prices up globally, and South African consumers are feeling the pinch.

South African digital penetration

South Africa's incoming work-from-home and learn-from-home trends are accelerating the country's uptake of broadband.

According to the 2021 Stats SA's general household survey report, 77.5% of households nationally have access to the internet (compared to 63% in 2019), and 69.4% access the internet using mobile devices (compared to 58.7% in 2019). Kepios reports that 494 000 internet users joined the market between 2021 and 2022. Most of the country is covered by 3G (99.9%) and 4G (97.7%). The popularity and availability of 5G coverage is rising quickly, with 5G coverage in 2021 reaching 7.5%. According to broadband testing diagnostics company, Ookla, South Africa's broadband speeds have more than doubled over three years, largely driven by a demand for fibre-to-the-home products during lockdown. Companies such as YOAC that manufacture and sell fibre stand to benefit immensely from these trends.

Acceleration of digital trends

Digital technologies have become a critical enabler of connectivity, facilitating the new normal and connecting people more than ever before. More people have turned to their computers and smartphones as lifelines and tools to substitute their in-person activities online. This explosion in remote working encouraged many more customers to digitise, often via the cloud, to enable better remote work for their employees. Ongoing digitisation in South Africa is driving technological developments that will lead to the adoption of advanced technologies such as the “Internet of Things” (IoT).

At the same time, the increased demand for tools to work from home, including PCs, saw Mustek Group's revenue grow by 26% in FY21 and a further 11% in FY22, along with a general increase in the installer base. Whether this was a short-lived spike remains to be seen, however there are indications that the market has grown substantially. The replacement cycle for those who purchased laptops at the beginning of the pandemic should provide a steady source of demand over the short to medium term.

Cybersecurity is also a major trend across geographies and industries. Before COVID-19, companies were comfortable in the knowledge that most of their technology and virtual assets were safeguarded under one roof. Now that many employees are working remotely and dialling in from almost anywhere, organisations find themselves more vulnerable and exposed, and are re-evaluating their IT infrastructure needs.

Supply chain concerns

As the COVID-19 pandemic spread, the IT industry was hampered by microchip and other hardware shortages across the globe. China still maintains a stringent zero-COVID-19 policy and implements severe lockdown restrictions wherever the illness appears, which may result in continued trade disruptions going forward. By the start of 2022's final quarter, supply levels had not returned to pre-COVID-19 levels, but are nevertheless much-improved. International trade is also bolstered by lower shipping costs and resumed air travel.

The conflict in Europe, however, poses a new challenge to the supply chain. Ukraine, a major supplier of raw materials used in the manufacturing of microchips, remains under siege. In addition, the conflict blocks a major railway line between China and Europe that passes through Russia and Ukraine – resulting in large-scale congestion in the Hong Kong and European harbours. Supply shortages are expected to remain until late 2023 at least.

Despite this, South Africa experienced a sudden oversupply of entry-level notebooks during the first half of 2022. The early arrival of stock in South Africa scheduled for between July and September caused its own challenges, squeezing profit margins across the industry as companies lowered their prices to dispose of the oversupply.

Some international technology brands are commissioning new factories, investing significantly in the expansion of their existing capacity, but these will take time to actualise. Part of the delay is that manufacturers increasingly need to mitigate their water-usage. Global awareness of water scarcity in the light of climate change forces companies to adapt their manufacturing processes to use less water.

Key relationships

Mustek's growth, value creation and long-term sustainability depend on the quality of our relationships with our various stakeholders. Building and maintaining relationships based on trust, mutual respect and credibility are central to our operations.

Mustek's stakeholder engagement approach

We engage proactively with each stakeholder group to share information and resolve concerns – and we carefully consider their interests when reviewing and refining our strategy, managing risks, identifying opportunities and safeguarding our reputation.

For more information about each stakeholder group and how we engage with them, read the social and relationship capital section on page 61.



Our business model

Business activities

Product acquisition:

- assembly, production and planning
- building and maintaining strong relationships with vendors of leading international ICT brands through agency and distributorship agreements.

Innovation:

- updating our product knowledge and solutions expertise
- anticipating, identifying, procuring and delivering the right products, at the right time and at the right price
- designing and implementing software and hardware solutions to meet specific needs.

Warehousing:

- managing logistics
- managing inventory
- maintaining one of the largest inventories in the country and reasonable stock levels across branches
- fulfilling orders in the shortest possible time.

Technical expertise:

- developing and retaining high-performance staff
- managing warranties and repairs in-house
- appointing dedicated subject matter experts for each product and technology, supported by a research and development (R&D) division
- providing service and technical support at all levels.

Reseller and solutions provider:

- maintaining a national network of direct and indirect partners
- supporting resellers and solutions providers that supply services and products to all parts of the consumer, business and public sector market.

Customer satisfaction:

- exceeding our customers' expectations
- devising accurate solutions; delivering products quickly; offering excellent technical support; and efficiently fulfilling warranties and service level agreements.

Distribution:

- coordinating a national network of branches/resellers
- providing door-to-door delivery and logistics services.



Financial capital

Inputs

- shareholder funds: R1.4 billion
- banking facilities: R2.7 billion.



Manufactured capital

Inputs

- inventory
- premises
- warehousing
- assembly lines
- fleet.



Human capital

Inputs

- Mustek's Board and executive management
- 1 196 Group employees
- management and employees of the associate companies.



Social and relationship capital

Inputs

- stakeholder relationships with shareholders, employees, customers, resellers, suppliers, vendors and local communities, among others
- Mecer and multinational brands.



Natural capital

Inputs

- water
- electricity
- land
- raw materials are processed into components.



Intellectual capital

Inputs

- IT trend spotting
- distribution systems
- retained institutional knowledge.

Outputs

- ↓ cash generated from operations: R303 million
- ↓ profit for the year: R225 million
- ↑ revenue: R8.91 billion
- ↑ net asset value per share: 2 395 cents
- ↓ headline earnings per ordinary share: 357.38 cents
- ↓ income tax expense: R96.87 million.

Outcomes

- maintained positive cash flow from operations
- assets exceed liabilities
- net finance charges decreased
- return on investment: 16%
- current ratio: 1.3:1.

Outputs

- ↓ property, plant and equipment: R192 million
- ↑ investment property: R10 million
- ↑ inventories: R2.5 billion.

Outcomes

- non-core property asset in Kenya is optimised
- ability to customise products to meet customer demands
- our Mecer semi-automated assembly plant with a daily capacity of 1 000 units is the largest in South Africa.

Outputs

- ↓ Mustek Operations' employee turnover rate: 21.45%
- ↑ Rectron employee turnover rate: 16.67%
- ↑ Mecer Inter-Ed employee turnover rate: 17%
- ↑ Mustek Operations' absenteeism rate: 1.45%
- ↑ Rectron's absenteeism rate: 7.78%
- ↓ Mecer Inter-Ed absenteeism rate: 0.7%.

Outcomes

- portable skills for the ICT industry
- employees are able to provide for families and communities
- 40% of Rectron's staff complement has been with the company for over 10 years.

Outputs

- Group B-BEE rating: level 1
- ↓ Group CSI spend: R5.1 million
- strong reseller base between Mustek and Rectron: >10 000 resellers.

Outcomes

- outstanding service delivery, underpinned by open channels of communication
- enhanced reputation
- brand awareness in new segments
- B-BBEE transformation
- a CSI programme across our divisions and subsidiaries that improves the quality of, and access to, education for previously disadvantaged communities and handicapped individuals.

Outputs

- energy management system (EnMS) based on the ISO 50001 international standard implemented at the Mustek Operations Midrand facility
- Mustek Operations has maintained ISO 14001 certification since 2004
- sanctions or fines for non-compliance with environmental laws and regulations: none
- ↓ waste recycled: 154 tonnes
- ↑ energy consumed by Mustek Operations: 11 893 GJ
- ↑ energy consumed by Rectron: 6 286 GJ
- initiated a solar energy installation project at the Group head office, to be completed in FY23
- Mustek Operations' Gqeberha branch installed a rain water tank system
- Rectron Midrand has installed a filtration plant at its borehole.

Outcomes

- new solar installations that pay for themselves in a relatively short time and significantly reduce our overall electricity demand and usage
- responsibly recycled electronic waste
- Mustek Operations' Gqeberha branch remained fully operational during the city's water crises
- Rectron Midrand consumes only filtered water.

Outputs

- ↓ investment in staff development in Mustek Operations: R15.9 million
- ↑ investment in staff development in Rectron: R7.8 million
- ↑ value of internal training provided by Mecer Inter-Ed: R2.1 million
- ↓ operating expenses as a percentage of sales: 8.6%
- partnerships with the best providers of forward-thinking technology solutions and services
- risk identification and mitigation
- Mustek Operations' certifications:
 - ISO 9001:2015 (Quality)
 - ISO 14001:2015 (Environment)
 - ISO 27001:2013 (Information Security).

Outcomes

- comprehensive, high-value solutions
- improved operational efficiencies and cost management
- minimised obsolescence and waste
- acceleration of new technologies
- better responses to changing consumer needs
- solutions for improving South Africa's ICT landscape.



Chairman's introduction



While the global march of the COVID-19 pandemic tested our resilience, we can legitimately applaud our success over the past two years. Mustek's success attests to a strong nexus of aiding relationships with our employees, suppliers, business partners and customers.

The past two years featured socio-economic upheaval around the world caused by the COVID-19 pandemic. However, as COVID-19 restrictions eased throughout 2021, signs of an economic turnaround became visible. Closer to home, South Africa started 2022 positively, with the economy clawing back to levels preceding the arrival of the pandemic in March 2020. Our GDP advanced by 1.9% in the first quarter of 2022, following a higher than expected 1.4% rise in the last quarter of 2021.

As Mustek, we weathered the two-year COVID-19 period exceptionally well. Our financial performance remained exemplary and the Mustek share price has rebounded at a higher level.

COVID-19 accelerated or opened up a host of commercial opportunities for Mustek. Working from home became the new normal, especially in the services sectors. Remote digital connectivity, though initially novel for many organisations, has normalised as part of workplace culture, resulting in more people needing additional ICT devices and software to work from decentralised locations. This major shift in workplace operations will almost certainly benefit Mustek in the years to come. In fact, we can innovate for and profit from the emerging "hybrid" model of remote and onsite working arrangements that are taking hold, especially in light of the increased cybersecurity concerns brought on by working from home.

Ongoing adherence to legislation

In 2021, the Department of Forestry, Fisheries and Environment issued Extended Producer Responsibility Regulations, promulgated under the National Environmental Management: Waste Act, 59 of 2008. The rules stipulate that manufacturers and distributors of ICT products are responsible for managing the end-of-life phase of their ICT devices. These regulations also stipulate fees payable for electronic waste. Mustek will pay the levies to the applicable Producer Responsibility Organisations for electronic waste and for paper and plastic packaging, in compliance with the requirements.

We remain committed to adhering to any further legislative changes that may emerge. Our sound corporate governance practices equip us to respond to incoming compliance requirements, as these may occur.

Resonance with our stakeholder interests as we strive for sustainability

We ensure that none of our stakeholders are left behind as the organisation distributes its shared value to shareholders and key groups.

For our shareholders and the investor community, Mustek is performing well, largely due to the "new normal" characterised by remote working arrangements in the workplace. Our diversified portfolio of well selected products and services has enabled soaring success in a turbulent economic environment.

The Group continues its commitment to transformation and is pleased to have maintained its level 1 B-BBEE rating. Human capital development continues through various skills development and employment equity initiatives undertaken during this period. Again, the “new normal” of flexible working arrangements or remote working appear to be here to stay. To this end, we are exploring avenues to enhance the benefits and efficiencies that can be derived from working in remote locations.

Eskom’s chronic and ongoing power supply issues have motivated Mustek to seek alternative energy sources, along with businesses – large and small – across South Africa. As such, we continue investing in solar energy, with a major project underway to double the capacity we gain from the solar energy infrastructure built onto our head office premises. Over time we intend using our renewable energy as our primary power source, with Eskom being relegated to being our backup supplier.

David Kan’s passing – the sad ending of Mustek’s first chapter

On behalf of the Board, we extend our deepest condolences to the family in the recent passing of our founder and CEO David Kan. He stands as a giant in the story of Mustek and the development of South Africa’s ICT industry. As the founder of the company in 1987, he led through its birth pangs and steady growth in consequent years. From the 1980s David was one of the early pioneers in the South African ICT industry, with his genius imbued in the success of Mustek over the years. In recent months the Board has reflected deeply on his massive legacy. May his soul rest in eternal peace.

We welcome and congratulate Hein Engelbrecht on taking over the Group CEO baton from David. Having been with the Group for 25 years, Hein offers continuity and extensive institutional knowledge in perpetuating the Group’s mature business model, while bringing a fresh Group vision to opportunities that come our way in the Group.

Neels Coetzee, our longstanding Group financial director, has moved into Hein’s vacated the Mustek Operations: managing director role. We congratulate Neels on a promotion that keeps Mustek’s succession planning on track and further guarantees Mustek’s continuity. In his place, we appointed Shabana Aboo Baker Ebrahim as Group financial director, given her years of experience auditing the Group’s results.

Looking ahead

The global march of the COVID-19 pandemic tested our resilience, along with that of our competitors. We can legitimately applaud our success over the two years in which COVID-19 dominated our society. Mustek’s success attests to a strong nexus of aiding relationships with our employees, suppliers, business partners and customers. We are most grateful to these and other stakeholders that interface with the Mustek Group for the success achieved in the fiscal year under review. The resilience we have demonstrated confirms our robust business model and innovative abilities, even when confronted with social and economic shocks. However, we dare not become complacent in a world increasingly beset by uncertainty, complexity and volatility as also the “new normal”.

Conclusion

My appreciation extends to fellow Board members, whose inputs and wise counsel allowed the Group to contend with the disruptive threats in the market. Our unabating interest is to ensure our Group continues to pursue sound corporate governance, financial sustainability and socio-economic contributions to society. In equal measure, we acknowledge the contributions of our employees and management in driving a financially resilient Group in challenging times. We cherish and appreciate our partnerships with vendors, suppliers and strategic partners, who, in no small measure, also allowed us to navigate towards the success achieved.



Rev Dr Vukile Mehana
Chairman



Chief executive officer's review



Mustek constantly monitors the pulse of the ICT industry to identify likely trends before these even arrive. We resonate with our customers, our resellers, our employees and our broader sphere of stakeholders everywhere to ensure that what they will require becomes available, even before they knew they needed it. It has allowed us to adapt to the ever-changing ICT landscape and be flexible enough to cater for the emerging needs of the techno-sphere.

Although the year again featured a medley of challenges – and the sudden and tragically sad passing of David Kan, our founder and CEO – the Group achieved a highly satisfactory financial performance, with revenue growing across most of our businesses and subsidiaries. The new norm of remote working and learning, together with the Group's diverse portfolio of products and services, placed us on a good footing in the marketplace. We are particularly pleased to see our sustainable energy offerings lifting their contributions significantly.

The Group's biggest challenges over the last two years has been the COVID-19 pandemic, the ongoing Ukraine-Russia war, rising interest rates and logistical disruptions in global supply chains.

These challenges effectively slowed the entire global economy, with the pandemic resulting in job losses, particularly in travel and tourism. The highest levels of loadshedding ever experienced in the South African environment further reduced South Africa's already sluggish economic productivity. Rising inflation, driven in part by costs associated with disruptions to global supply chains, brings its own set of challenges: shipping costs spiked, and then in the first half of 2022, the South African IT industry was faced with a sudden influx of entry-level notebooks that put pressure on our margins. Consumer price inflation was expected to rise from 3.1% in 2021 to 3.9% in 2022. The Ukraine-Russia conflict can aggravate inflationary pressures, but its impacts are unpredictable. On the plus side, the National Treasury has projected a solid 2.1% GDP growth for South Africa in 2022, with an average of 1.8% growth projected over the next three years. Under the circumstances, we would be pleased if these numbers are achieved and hopefully exceeded.

For the Group, the ICT sector continues to thrive following its COVID-19 boost. According to estimates by the Industrial Development Corporation (IDC), South African IT spending is expected to grow to about 6.5% and exceed US\$27 billion in 2022.

To succeed in this challenging environment, we must reimagine our business approach while relentlessly pursuing our set strategies. Thankfully, as a Group with more than three decades under its belt, we can lean on the creative ingenuity built into our institutional memory, in no small part thanks to David Kan, my revered predecessor in the CEO seat. Mustek constantly monitors the pulse of the ICT industry to identify likely trends before these even arrive. We resonate with our customers, our resellers, our employees and our broader sphere of stakeholders everywhere to ensure that what they will require becomes available, even before they knew they needed it. It has allowed us to adapt to the ever-changing ICT landscape and be flexible enough to cater for the emerging needs of the techno-sphere. As a result, we have identified and harnessed new possibilities for our business. These include exploring the technologies being opened up by the newly emerged remote working mode. We have also uncovered and tested our collective ability to confront and mitigate emerging socio-economic shocks such as the global health pandemic and supply chain constraints.

Mustek Group is still standing and continues being highly relevant in the market – if anything, more relevant than ever before.

Performing well in a turbulent economic environment

The Group's mainstay business operations in ICT product distribution continue making us the force to be reckoned with in South African ICT. Our partnership with Huawei and Samsung continued heavily contributing to the Group's performance. Device demand continues to surge and should continue driving growth for the foreseeable future.

As a result, the Group achieved its highest ever turnover of almost R9 billion, representing an increase of 11.5% from the previous financial year. The Group's two largest market segments, Mustek and Rectron, were the biggest contributors, with growth in revenue at 13.1% and 11.8%, respectively.

Mustek Operations generated revenue of R6.1 billion (FY21: R5.4 billion) and Rectron recorded R3.1 billion (FY21: R2.8 billion restated), both through ramped up demand for their portfolios of services and products.

The Group's IT training company, Mecer Inter-Ed, again returned a stand-out performance, with revenue of R89.86 million (FY21: R48 million) and profit before tax of R34.17 million (FY21: R4.6 million).

Our associates did not collectively perform as well, recording a combined loss of R1.6 million compared to a profit of R5.3 million in the previous financial year. Khauleza and Zaloserve were negatively impacted by operational challenges and slow government spend, with Mustek recognising an impairment loss of R10.2 million in Zaloserve due to the current operational challenges faced by Sizwe IT Africa Proprietary Limited, which is Zaloserve's 100% held subsidiary.

The Group identified Palladium Business Solutions Proprietary Limited as a non-core business and disposed of its 50.1% shareholding on 22 June 2022 for R26.25 million, realising a profit of R6.8 million on the sale.

The Group also generated strong cash flows with R303.4 million cash earned by operations. Working capital was well managed. Distribution and other operating expenses, despite increasing, have been carefully managed. The gross profit margin decreased to 14.3% (2021: 14.9%), predominantly due to an oversupply of entry-level notebooks in the market.

Surprisingly, in the previous year we achieved a foreign exchange (forex) profit of R10 million due to the strong and steady Rand. Given the chronically weak South African currency, a forex loss is the norm for companies like Mustek that import much of their merchandise. However, in this reporting period the ZAR/USD exchange rate returned to its traditional weakening, resulting in foreign currency losses of R73.32 million.

Challenges and opportunities

The COVID-19 pandemic permeated into 2022. However, the Group emerged from this global health shock unscathed and even accrued business benefits as ICT increasingly became the primary connector and communicator that temporarily replaced human physical interaction. The pandemic has led to a profound mind shift in how technology is considered in remote working. Hybrid working, which blurs the traditional distinctions between the office and the home, is becoming the norm. This sets the stage for the next generation of connectivity that Mustek is well poised to leverage.

However, the positive business spinoffs derived from COVID-19 dynamics were not without headwinds. Periodic lockdowns due to the spread of new variants of COVID-19 placed unsustainable pressure on global logistics that translated into supply chain delays and failures. China, a major supplier of original ICT equipment, often resorted to lockdowns after new variants of the virus flared up. The resulting effect has been high cost of logistics, with the cost of air freight in particular reaching unforeseen heights.

Compounding the adverse economic repercussions of the pandemic, the war in Ukraine has further amplified a slowdown in the global economy. The World Bank's Economic Prospects Report, released in June 2022, made a downward revision to 2.9% of global growth, from an initial 4.1% projected in January 2022 before the war started. The risk of stagflation has been ever looming since then. This global economic uncertainty is particularly threatening to low-income and emerging market economies such as South Africa.

The Ukraine-Russia war added further constraint to the global supply chain. The region where the war is taking place is a major freight passageway. Ports are becoming increasingly congested as the usual pre-war freight movements get disrupted. As a result, we inevitably pay more for the shipment of goods even while enduring costly delays stretching from weeks into months. Business is likely to suffer global supply chain disruptions well into 2023.

To alleviate the risk of possible component shortages, we have adapted our operations to purchase and store larger amounts of stock. The previous "just-in-time" approach to stock management is no longer tenable with the fickle supply chains being experienced. Quite commendable, over the review period, is that we still managed to provide inventory and service customer needs while growing the business. However, we saw a large-scale dumping of low-end notebooks into the South African market in the final quarter of our financial year – the early arrival of this stock drove down prices, which affected our profit margins and revenues.

Recent surges in South Africa's interest rate pose another risk. Consumers who make use of credit for purchasing computing devices are likely to bear the brunt. Increased interest rates are in addition to other inflationary pressures that include a rise in fuel prices triggered by Russia's invasion of Ukraine, along with COVID-19 related economic repercussions that are still playing out.

While demand for devices remains positive, we are concerned that consumption will slow down as inflation rises, which may impact future buying patterns. However, I remain positively optimistic that if we strengthen our diversified portfolio and offer new services, we will achieve steady long-term growth that offsets possible underperformance in other product lines.

Remote working, despite its growing advantages, has opened a new avenue for cybercrimes. Data theft, phishing and fraudulent emails have been rising since the advent of the pandemic. Companies will have to bolster their preventative measures to address possible loss of corporate data from cybercrimes. This in turn affords an opportunity for our Group to invest and meet market demands for digital security. In response, our software division is developing solutions specifically aligned to cybersecurity risks.



Chief executive officer's review continued

For us, exciting opportunities remain strongly visible among the risks. Remote learning as an emerging normalcy has yet to be fully harnessed. The South African schooling system remains underinvested in ICT in both public and private schools. We also see prospects within the tertiary education sector – enabling technology in such learning environments represents a high-potential growth pathway.

Consolidating our long-term strategy

Our strategy continues to position Mustek Group as a value-added solutions provider in addition to its longstanding offering as a device distributor. Hence, we are building on new customer value propositions focused on services. This includes growing our training and enterprise development centre, which is yielding positive outcomes. We have been appointed as an authorised training centre for VMWare, a leading multi-cloud services provider. A further appointment as a service provider for Amazon Web Services is also a notable achievement.

As part of our Group strategy, we continually assess investments and existing assets. The decision to dispose of Palladium was prompted by a more focused strategy. In part, our strategic thrust is to consolidate on core strengths and wean off non-core assets. In the medium to long term, we are emphasising organic growth driven by the momentum the Group has built over the years. We also remain keen to take advantage of expanding into relevant business opportunities that open within or adjacent to existing portfolios. For instance, the growth in ownership of devices for remote work may further impel consumers to require better and smarter devices with enhanced operational features and stable connectivity.

The man, the legend

I would be remiss not to acknowledge the contributions of David Kan, the founding CEO of the Group, to the exceptional financial performance that the Group is reporting this year – and in most previous years, over decades. David was my mentor and friend for over 20 years and we mourn his passing at a time when Mustek is entering one of its most exciting periods. Even so, the legacy of David's vision is seen everywhere within this stable, mature business with numerous associate companies and the country's leading portfolio of ICT products and services.

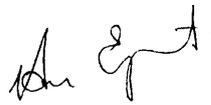
Looking ahead

Aside from the prospects in remote working and learning, our other business sectors are also performing well. The partnership with Huawei, worth more than a R1 billion at present, continues to grow and will be a key enabler of the Group's profitability over the long term. We can also build further on the unique advantage of being the only business-to-business distributor of Samsung electronics. Our solar energy portfolio is being further enhanced through new major projects. We are also particularly optimistic about the future growth of Mecer Inter-Ed. We are continuing to explore further avenues and products that can drive growth.

Thanks

Our strong results are derived from our loyal and dedicated employees. They represent the core strength in our Group operations. I would like to thank all our employees for their unwavering contribution to the business in yet another challenging year. The 11.5% increase in revenue has been attained through their spirited efforts. Our remarkable agility and resilience within a difficult period can also be attributed to our vendors and business partners. We have ensured, through their continued partnership with us, that our customers enjoy reliable support and services.

Finally, we also wish to thank our loyal customers who continue to depend on us despite the macro-environment induced setbacks. In our triumphs, we will be sure to provide added customer value as a reward in accompanying us through the difficult times.



Hein Engelbrecht
CEO



Material risks and opportunities

Our risk management policy

Risk management

Every entity faces uncertainty. As Mustek Group continues to strive for greater stakeholder value, management's challenge is to determine how much uncertainty to accept. Quality risk management goes beyond eliminating risks – it incorporates managing acceptable risks within the predetermined risk appetite of the organisation. Effective risk management is focused on minimising uncertainty by identifying, assessing, mitigating, and treating the risks facing the business.

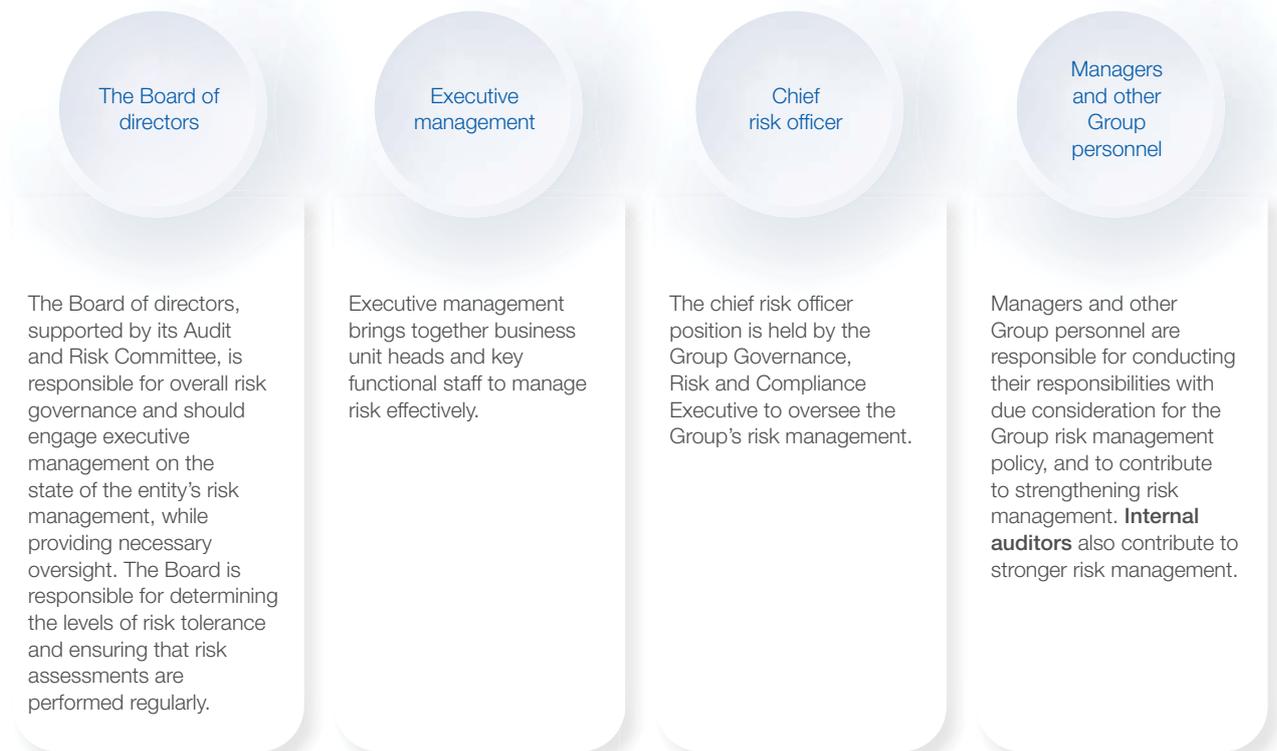
Risk management approach

Mustek Group is committed to the principles of the King IV Code. We promote risk awareness in the Board and Audit and Risk Committee as well as among management and our employees. The Social and Ethics Committee contributes insights into social, governance and ethical risks to the risk management process.

The Group's risk management approach is designed to protect the sustainability of the business, its reputation and brand name, while improving our risk transparency to stakeholders. This approach enables the Group to deliver quality services by continually monitoring and reporting progress against risk management action plans. The Group's risk management approach supports our business growth strategy and ensures that management understands and accepts responsibility for managing risks.

Roles and responsibilities

The chief executive officer is ultimately responsible for risk management and is supported in this by executives and managers who take responsibility for risks in their areas of control.



The Group also takes input from regulators and professional organisations in its risk management processes.

The risk management process
Mustek Group's risk management process is ongoing:

Risk identification

Determining risks that can affect the successful achievement of the Group's strategic objectives.

Risk assessment

Assessing the risks in terms of probability and impact.

Risk response

Developing effective strategies to address the risks, including identifying appropriate risk owners and action owners.

Risk monitoring

Regular review of strategy execution, reviewing risk probability, and identifying new risks.

Risk reporting

Reporting on risk and the risk management process regularly.

The Group risk register is maintained by the ISO Office and is made available to all risk and action owners so that they can execute their respective functions. The Group's risk management framework and policies are reviewed annually by the Audit and Risk Committee.

Our top risks

Priority	Risk	Category
1	 <p>Cybercrime Loss of information privacy and/or integrity due to unauthorised access by employees or external hackers</p>	IT
2	 <p>Supply chain disruption Global shortage of electronic components</p>	Strategic
3	 <p>Change in macroeconomic trends, including the COVID-19 pandemic</p>	Strategic
4	 <p>Exchange rates Weakening of the ZAR against the USD</p>	Financial
5	 <p>Sales fraud risk Orders placed fraudulently under a customer's account</p>	Sales
6	 <p>Lack of stable supply of water and electricity</p>	Strategic

Residual risks			Score compared to risk tolerance (16)	Movement from FY21	Mitigation
Impact	Likelihood	Score			
4	4	16	Equal	↑	<ul style="list-style-type: none"> • firewall software installed and monitored by independent service provider • encrypted data transmissions • POPIA compliance roadmap being implemented • ISO 27001 requirements being implemented • awareness programme among employees.
4	4	16	Equal	↑	<ul style="list-style-type: none"> • promote available brands to clients • implementing proper forecasting models.
4	4	16	Equal	↑	<ul style="list-style-type: none"> • review and reduce operating costs • development of requisite skills to take advantage of opportunities.
3	4	12	Within	↑	<ul style="list-style-type: none"> • hedge foreign currency liabilities • maintaining targeted stock levels.
3	4	12	Within	↓	<ul style="list-style-type: none"> • awareness training among employees • enhanced verification processes when placing large orders.
5	2	10	Within	↑	<ul style="list-style-type: none"> • the head office solar project will take the Midrand office off-grid • the Rectron solar project plan is in progress • utilising borehole water or rainwater tanks wherever possible to spare municipal supplies.



Our top risks continued

Priority	Risk	Category
7	 <p>Non-compliance with laws and regulations</p>	Strategic
8	 <p>Lack of unified, ethical leadership</p>	Strategic
9	 <p>Business continuity planning – destruction of stock and buildings</p>	IT

Material opportunities

Cybersecurity and cloud solutions

Cybersecurity threats are growing in frequency and sophistication. Over the past few years, several major organisations in both the private and public spheres have seen their security compromised, with large-scale financial and reputational implications. In response, the number of available cyber-protection products available to help companies protect their assets are on the rise.

Cloud solutions are also increasing – organisations are making use of more electronic documentation, which all needs to be stored in a safe environment.

Increased infrastructure and network size

Many employees have returned to the office in person, and organisations are re-evaluating their technology infrastructure to match the “new normal”. In some instances, companies are also catching up on the infrastructure upgrades that were placed on hold for two years while staff members worked from home. As they upgrade their software to account for new cyber threats and the need for working in the cloud, their hardware needs upgrading too. Many of those who purchased new notebooks, desktops and tablets at the start of the pandemic will also soon need replacement models, typically ones with better specifications.



Residual risks			Score compared to risk tolerance (16)	Movement from FY21	Mitigation
Impact	Likelihood	Score			
5	2	10	Within	↑	<ul style="list-style-type: none"> internal and external assurance and controls employee training.
5	2	10	Within	↑	<ul style="list-style-type: none"> solid culture of risk management and an ethical environment governed by policies and procedures a combined assurance framework in which management, internal auditors, external auditors and other assurance bodies work closely together annual strategic Executive Committee (EXCO) sessions, which implementation thereof is monitored on a quarterly basis performance targets for EXCO, linked to strategic performance there is an independently run whistle-blowing channel.
5	2	10	Within	↓	<ul style="list-style-type: none"> contingency plans are in place in case of property damage ongoing backing up of electronic systems adequate insurance coverage of stock and buildings.

Sustainable energy

In South Africa, loadshedding remains an ongoing concern, forcing customers to consider alternative, off-grid solutions. At the same time, the global trend is towards finding greener and more sustainable power sources. Mustek Group was well-positioned to assist individual customers with inverters and batteries through our Mecer brand. However, many corporates and mines are looking to go off-grid completely and Mustek Group has the opportunity to participate in these much larger projects by adding a new sustainable product to its portfolio – Huawei Digital Power.

IT training

The shortage of IT skills is a worldwide trend in light of the Fourth Industrial Revolution. In South Africa, upskilling people in IT opens new doors for them in spite of the high unemployment rate. South African companies who already possess these skills have a definite advantage, but are challenged by overseas players who offer South African talent both the opportunity to work from home and to be remunerated in stronger foreign currency. Through Mecer Inter-Ed, Mustek Group helps to promote IT skills, and we are pleased to have seen increasing interest from both local and international clients.



Material concerns

The Mustek Group’s Board and executive management present the information in this Integrated Annual Report as relevant or “material” to its shareholders and key stakeholders for a properly informed understanding of the Group’s performance over the past year, as well as for insights on its strategy.

We report on financial, commercial and sustainable development issues that could impact our ability to create value now and in the future. The Group’s potential material matters emerge through our risk management process and shareholder feedback.

Updating the Group organogram

Mustek Group has expanded substantially since its establishment as Mustek Limited in 1987, with subsidiaries such as Rectron and Mecer Inter-Ed growing in size and earnings. As a consequence, the Group is currently separating Mustek Operations and its management from that of the Group to balance out corporate governance and lines of reporting. This shift requires not only a change in how the Group thinks about and communicates its identity, but necessitates a realignment of roles and responsibilities.



Supply chain constraints

Technology companies continue to grapple with the global shortage of electronic components. While the COVID-19 pandemic has largely subsided in South Africa, other key countries such as China continue to impose stringent lockdowns to contain the virus. At the same time, the conflict in Ukraine clogs up key trade routes and amplifies supply chain constraints. Component shortages are expected to linger into 2023.

Mustek and Rectron have been able to minimise the effects of the shortage so far. However, products (including laptops, tablets, printing and scanning equipment, and peripherals) take substantially longer to reach our shores. As the estimated time and quantity of product arrival becomes unclear, Mustek needs to order and forecast longer in advance. When South Africa saw an influx of entry-level notebooks in the first half of 2022, it resulted in an overstocking situation at both Mustek Operations and Rectron, the last of which should be eradicated soon.

The Group has worked hand-in-hand with all our suppliers and manufacturers to manage the situation. Our priority is to keep offering consumer-friendly solutions to our resellers.





Cybersecurity and privacy protection

Digital technology drives almost every part of modern-day life. As digital transformation picks up speed, so the risk of cybersecurity and privacy protection grows. In a digital, intelligent world powered by technologies like 5G, cloud and artificial intelligence (AI), maintaining secure and stable cyberspace is critical to protecting business reputations and people's livelihoods.

As always, cybersecurity and privacy protection remain a top priority for Mustek. Our customers and partners around the world place their trust in us. We confront challenges in these domains through impeccable corporate governance, responsible management systems and by keeping abreast of technological innovation. We will continue to offer secure, trustworthy, and quality products, solutions, and services in order to help our customers enhance their cyber-resilience.

The Protection of Personal Information Act (POPIA) came into effect on 1 July 2021. Mustek Group takes compliance with the POPIA very seriously. While the implementation of the Act's various requirements has proven to be a complex process, we are pleased with our progress, with Mustek Operations achieving ISO 27001 (Information Security Management) certification after year-end and Rectron well on its way to doing so too.



Clean energy and reducing our environmental impacts

So far, more than 110 countries have committed to carbon neutrality targets and are speeding up their transition from fossil energy to renewable energy. Investors and other stakeholders are calling on companies to disclose more about their sustainability and environmental practices, supporting the growing importance of climate issues.

Mustek Group, through its Mecer range, is well placed to assist individuals and small business with off-grid solar solutions to shore up their energy needs during times of loadshedding. Our new alliance with Huawei Digital Power, however, gives us access to an entirely new market of corporate clients looking to go green.

At the same time, Mustek Operations and Rectron are working to reduce their individual environmental impacts. Mustek Operations aligns with the ISO 14001 environmental operating standard and is switching to sustainable renewable energy with an investment in solar power in excess of R20 million in FY23 that will see the Mustek head office operating almost entirely independently from the national grid. Becoming more energy efficient is a win-win situation, as it reduces environmental impacts, while delivering measurable cost reductions. Ultimately, we want to cut carbon emissions, promote renewable energy, and reduce electronic waste.

resonate



Business strategy

Our business strategy is delivering results, and remains essentially unchanged for the next year. The strategy is simple, though much easier said than done. It is based on anticipating and providing for trends that tech-savvy customers will pursue.

We deploy an approachable and flexible “can do” attitude to assist our customers in identifying specifications, sourcing products and formulating solutions. Our wide choice of hardware and software, combined with superior technical expertise, service and support, addresses every level of the ICT stack.

This strategy enables Mustek to perfectly match customer technology needs – which can be highly customised solutions, or mainstream packages assembled from tried and trusted best industry practices and competitive pricing. Mustek’s position in the South African market is built on an unwavering commitment to customer satisfaction, the development of some of the most sought-after relationships in the international ICT market, adherence to stringent international quality standards, and a staffing policy that motivates highly trained and experienced employees to remain in the Mustek fold.

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

The Mustek Group vision is to be South Africa’s ICT supplier of choice



Our strategy in action in FY22

Mustek Group

Strategic objective (FY22)	Measurement	Achieved	Comment
Disposal of non-core assets	Dispose of Palladium Business Solutions Proprietary Limited.	✓	The Group disposed of its 50.1% shareholding in Palladium on 22 June 2022 for a R6.8 million profit on the sale.
	Dispose of our property in Kenya	✓	Although the conditions for selling this property were not met in FY22, we signed a five-year lease on the building, thereby significantly optimising our investment.
Introduce new products	Economies of scale Quarterly expected revenue per product	✓	Huawei Digital Power – one of the biggest solar power players in the world – signed up with Mustek Operations, giving us access to a new market as we offer large sustainable power solutions to big mining and corporate clients. DJI is one of the world's largest drone manufacturers, and recently teamed up with Rectron to distribute in South Africa. Drone technology has improved significantly over the last few years, and its potential applications in security, agriculture, and even logistics, among others, is very exciting.
Continued share buyback to lift the share price while trading at a discount to tangible net asset value (TNAV)	Shares bought	✓	Bought back 7.0 million shares.
	Share price growth	✓	Share price increased from R10.70 to R16.39 as at 30 June 2022.
	Trade at a discount to TNAV	✓	TNAV at 30 June 2022 was R18.26 versus a share price of R16.39.
Expand the software distribution division	Quarterly revenue targets for the division	✓	This division was established to help clients implement software solutions, especially cybersecurity initiatives.

Looking ahead to FY23

Mustek Group focus areas

Focus area	Comment
Unlock the earnings potential of our investments in associates	Our associates carry enormous potential to earn and grow. While some work remains to position them for greater contributions to the bottom line as they have in the past, the success of these initiatives will provide the Group with a more diversified and secure base of earnings going forward.
Working capital management	Working capital management is key to the Group's success, given the thin profit margins that have been the norm historically in the PC distribution industry. Fortunately, we have always maintained strong working capital availability and management processes – we will build on this capacity going forward.
Evaluate new products with growth potential and phase out non-performers	Growing our product portfolio is an ongoing focus. We are optimistic about the exciting opportunities available in the industry.
Software distribution	As organisations across South Africa and the globe grow increasingly concerned about cyber threats, Mustek Group is well-positioned to expand our cybersecurity offering.
IT training	Through Mecer Inter-Ed, the Group taps into a major IT training market. We expect this business to keep growing in the short to medium term.
Complete enterprise resource planning (ERP) implementation	Mustek Group initiated a new ERP system approximately three years ago to ensure readiness for the future – in particular, we will look to take advantage of the opportunities offered by the e-commerce trend. We aim to have the new ERP system fully up and running soon.
Maintain B-BBEE level 1	Mustek Group was proud to once again receive B-BBEE level 1 certification in September 2022. We will continue nurturing our B-BBEE level, both to comply with regulations and as a benefit for our customers on their own B-BBEE scorecards.



Six-year financial review

For the year ended 30 June 2022	2022 R000	2021 (restated) R000	2020 R000	2019 R000	2018 R000	2017 R000
SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Revenue	8 909 567	7 992 306	6 397 419	5 845 907	5 671 293	5 243 147
Cost of sales	(7 636 886)	(6 804 339)	(5 487 275)	(5 028 353)	(4 875 873)	(4 581 639)
Gross profit	1 272 681	1 187 967	910 144	817 554	795 420	661 508
Distribution, administrative and other operating expenses	817 469	(697 386)	(662 907)	(574 353)	(601 857)	(459 043)
EBITDA	455 212	515 999	247 237	243 201	193 563	202 465
Headline earnings	223 996	305 726	88 992	98 530	81 033	73 950
SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Assets	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447	2 980 199
Property, plant and equipment	191 991	200 899	187 939	184 981	170 478	156 237
Investment property	10 412	–	–	–	–	–
Right-of-use assets	48 859	79 274	29 956	–	–	–
Intangible assets	150 556	144 631	126 832	108 794	100 261	93 516
Investments and loans	145 763	202 559	195 858	183 776	177 256	180 926
Prepayments	21 228	–	–	–	–	–
Deferred tax assets	45 441	43 365	30 710	25 478	21 923	16 572
Current assets	4 396 236	2 956 334	3 055 859	2 594 294	2 451 109	2 532 948
Assets classified as held for sale	–	–	–	–	9 420	–
Equity and liabilities	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447	2 980 199
Equity attributable to equity holders of the parent	1 413 063	1 350 406	1 118 659	1 045 944	984 436	970 333
Non-controlling interest	–	7 174	8 012	7 448	8 879	8 128
Borrowings and other liabilities	48 026	43 479	42 264	8 684	6 251	5 637
Lease liabilities	29 307	58 823	10 139	–	–	–
Deferred tax liabilities	4 743	2 642	6 213	8 103	8 898	10 617
Non-current contract liabilities	24 101	23 014	17 686	17 514	15 788	13 215
Current liabilities	3 491 246	2 141 524	2 424 181	2 009 630	1 906 195	1 972 269

Ratios

For the year ended 30 June 2022	2022	2021	2020	2019	2018	2017
KEY BALANCE SHEET FIGURES						
Total assets (R000)	5 010 486	3 627 062	3 627 154	3 097 323	2 930 447	2 980 199
Ordinary shareholders' equity (R000)	1 413 063	1 350 406	1 118 659	1 045 944	984 436	970 333
Return on ordinary shareholders' equity (%)	15.9	23.8	8.0	10.3	8.2	7.5
Net asset value per share (cents)	2 395	2 046	1 598	1 494	1 349	1 169
MARKET INFORMATION AT 30 JUNE						
Ordinary shares in issue	59 000 000	66 000 000	70 000 000	70 000 000	73 000 000	83 000 000
Weighted average number of ordinary shares	62 676 789	69 197 929	70 000 000	70 722 365	77 802 385	91 003 326
Headline earnings per share (cents)	357.4	441.8	127.1	139.3	104.2	81.3
Market price per share (cents)						
– year-end	1 639	1 070	704	810	685	423
– highest	1 725	1 095	934	930	725	576
– lowest	1 028	491	411	600	353	385
Number of transactions	9 885	4 167	2 121	1 482	2 809	3 569
Number of shares traded	32 597 630	30 456 648	13 860 073	17 988 167	29 435 720	34 842 319
Value of shares traded (R)	444 644 994	259 664 337	94 602 044	137 351 616	166 329 804	161 864 002
Percentage of issued shares traded (%)	52	44	20	25	38	38
LIQUIDITY AND LEVERAGE						
Interest cover (times)	6.5	7.4	2.5	2.3	2.5	2.3
Net cash from (used in) operating activities (R000)	71 817	220 762	339 520	(171 352)	149 281	99 859
Current ratio (times)	1.3	1.4	1.3	1.3	1.3	1.3
PROFITABILITY						
Operating margin (%)	5.1	6.5	3.9	4.2	3.4	3.9

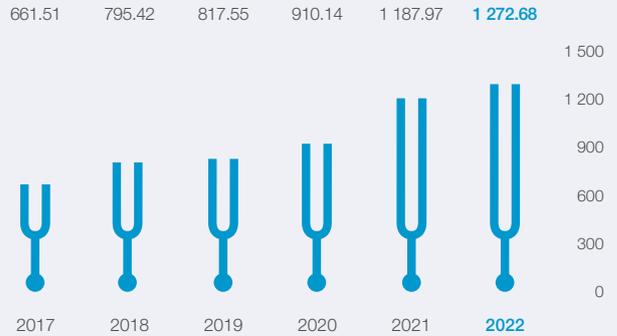


Performance indicators over time

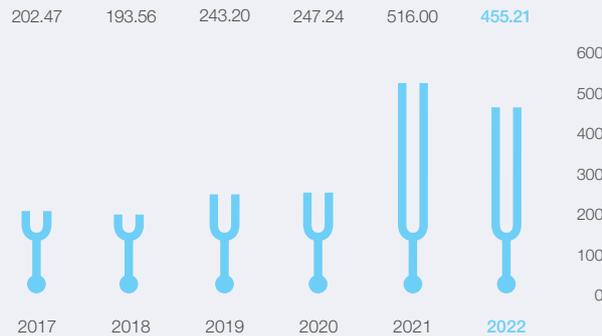
Revenue
(R million)



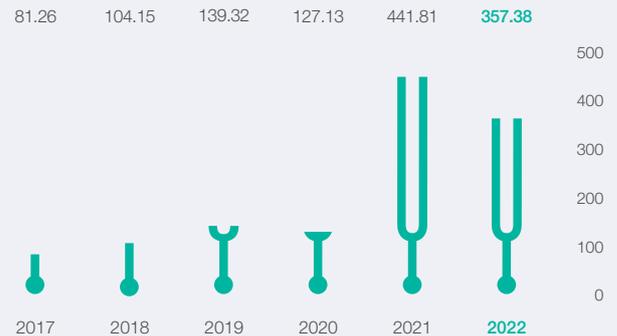
Gross profit
(R million)



EBITDA
(R million)



Headline earnings per share
(Cents)



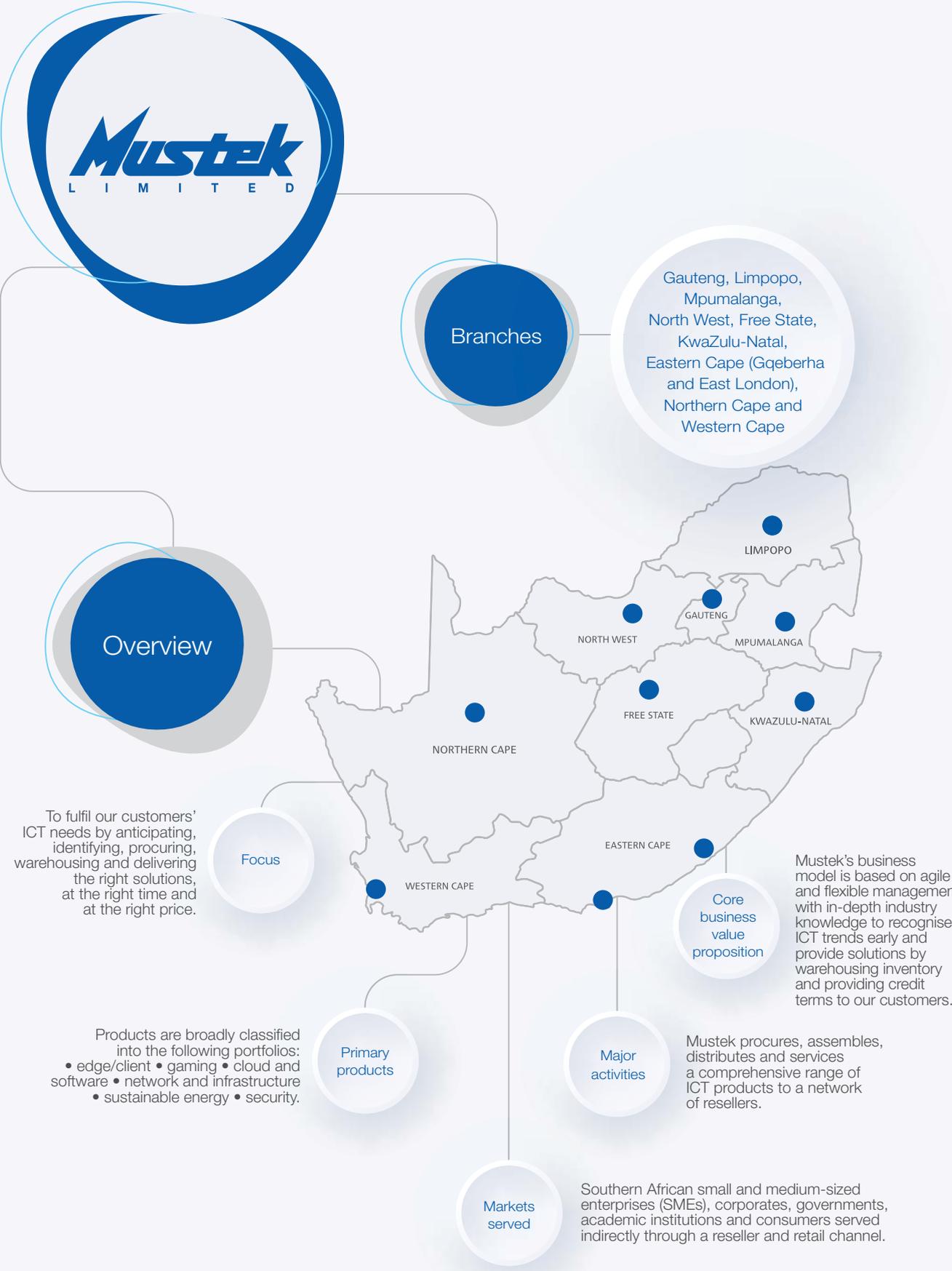
Total assets
(R million)



Share price vs NAV at 30 June
(Cents)



Mustek Operations



Mustek Operations continued

Who we are

Mustek Operations was built on the Mecer brand established in the 1980s.

Ongoing demand for Mecer-branded hardware enabled Mustek to develop South Africa's largest and most versatile ICT assembly line and a service department, with a reputation second to none in the country.

Mustek Operations has strategically added international brands across the IT hardware universe as the components of an extensive variety of ICT solutions for end-users.

What we do

Mustek Operations meets the ICT requirements of a wide range of end-users through its distributed sales network. It procures, assembles, distributes and services a comprehensive range of ICT products to a network of more than 3 600 resellers. In recent years, Mustek added specific ICT services to complement its hardware, recognising that clients increasingly prefer a single point of contact for all their ICT requirements.

Our business model is based on agile and flexible management with the in-depth industry knowledge to recognise ICT trends early and react quickly by entering into strategic partnerships. Our business activities are geared to grow revenue and generate high levels of cash to be reinvested in the resources that we need to do business and to deliver on our strategy.

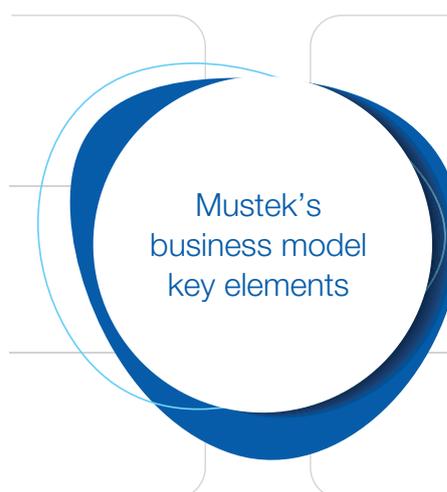
Our business model is based on the following key elements:

Trend spotting and innovation. We fulfil ever-changing ICT needs by anticipating, identifying, procuring and delivering the right solutions, at the right time and at the right price

A mix of direct and indirect business channels that sustain a wide variety of resellers and solution providers who supply to all parts of the consumer, business and public sector market

Developing and incentivising a **skilled workforce** to provide outstanding service, technical expertise and support

A stockholding policy that fulfils customer orders promptly, supported by the rapid processing of warranties, returns and replacements



Strong relationships with **leading international ICT brands** through licensing, agency and distribution agreements

Industry-leading **door-to-door delivery and logistics**

Strong financial controls to manage working capital and realise cash

Adherence to international best practice standards such as ISO 9001, ISO 14001 and ISO 27001

Mustek Operations' brand portfolio includes:



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

Our modern computerised assembly line is the largest semi-automated computer assembly line in South Africa and has flexibility for build-to-order and/or customisation. The assembly line allows individual units to be tagged and linked back to the original case serial number, supported by a configuration management database that records all date and time stamps.

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

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

B-BBEE status and human development

Mustek Operations is a level 1 B-BBEE contributor with ongoing skills development and training recognised as a business imperative. Its B-BBEE status and HR policies are covered in more detail in the human capital section on page 55 of this report.

We use our technological strengths to bolster our communities. For more information about our social initiatives, read the social and relationship capital section on page 61 of this report.

Performance overview

Mustek's financial performance can be comprehensively reviewed in the financial statements provided with this report from page 103.

Mustek Operations had a strong trading performance for the financial year to 30 June 2022, with our diversified portfolio of products and services providing a clear advantage in the marketplace. Revenue continued the growth trajectory that started during the previous financial year due to surging demand, sparked by remote working requirements and remote learning, and increased by 12.5% to R6.1 billion (2021: R5.4 billion).

We are pleased to have received the following awards for our brands recently:

- Mecer – Inverter Brand of the Year (Channelwise Awards)
- Lenovo – Consumer Distributor of the Year
- Zebra – Beyond Awards Total Solutions Win
- Huawei Enterprise – Distributor of the Year
- Huawei Consumer Business Group – PC Channel Partner Award.

Future prospects and forward planning

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

Our investment in new product lines such as cloud and cybersecurity solutions, networking equipment and sustainable energy have contributed meaningfully to both revenue and profit. Mustek continues to carefully evaluate opportunities to add additional products to its offering to better utilise infrastructure and benefit from economies of scale. We added the Huawei Digital Power product range to our portfolio after year-end and we are excited about the opportunities that these products offer.

Mustek Operations executive team



Neels Coetzee
Managing director



Olga-Lee Levey
Chief financial officer and chief information officer



Pascal Macheru
Key accounts executive



Alton Calvin
Channel sales executive



Dimitri Tserpes
Chief technology officer



Ernest Walker
Divisional executive – Western Cape



Vishal Chunilal
Divisional executive – KwaZulu-Natal



Ayanda Mafu
Group governance, risk and compliance executive



Charles Carlson
Chief operating officer



Trevor van Zyl
Product executive



Nicole Orr
Marketing executive



Georgina Mulaudzi
Human capital executive



Juan Paul Gough
Software, cloud and solutions executive



Peter Bower
Mustek security technologies executive



Rectron



Rectron is a wholly owned Mustek Group subsidiary since 2007.

Rectron branch locations

Gauteng
Free State,
KwaZulu-Natal,
Eastern Cape and
Western Cape

Rectron at a glance



Through the years, we have honed our craft, and are experts in our field. Our teams are passionate about delivering exceptional and personalised customer experiences for our vendor and customer partners.

Focus

- scalable networking products
- mobility solutions
- cloud services and solutions
- components and accessories
- consumer electronics
- peripherals
- gaming
- software solutions
- storage solutions
- point of sale solutions
- power solutions
- build-to-order PCs and servers
- surveillance
- security solutions
- vertical solutions, such as large format displays
- enterprise drones
- data centre solutions.

Primary products

Major activities

Core business value

We pride ourselves on being a distributor that is easy to do business with.

Markets served

Rectron is a technology distributor in South Africa. We represent leading brands, with a strategic focus on technology goods and services.

Our ultimate customers are the end-users that are served through Rectron's broad reseller partner base. We bring in a wide range of technology solutions that meet the needs of the southern African market. Our unique partner base enables us to reach all sectors of end customers in southern Africa, with core strengths in small and mid-size businesses, corporates, and enterprises.

Who we are

Rectron is a proudly South African company and one of the powerhouses in the South African IT distribution landscape. We pride ourselves on being southern Africa's leading distributor to SME enterprise resellers and embrace digital transformation, thereby making it easy and transparent to do business with us. Rectron is fully committed to growing and empowering the ICT channel in South Africa.

We offer best-of-breed hardware and software services and solutions to our core customer base comprising resellers, system integrators, managed services providers, e-tailers and retailers across southern Africa.

What we do

With one of the most comprehensive ICT product and service portfolios in southern Africa, Rectron imports and distributes to computer resellers, retailers and systems integrators.

We are rapidly expanding the business into new offerings such as cloud services, enterprise solutions and licensing, while maintaining our position as the leading distributor of components in South Africa. By offering innovative solutions and services, we endeavour to make our sales channel a leader in technologies.

Rectron recognises that our customers' experiences are key to our success, and that these experiences define how we move forward. Leading with a customer-oriented mindset motivates effective decision-making across each functional area of our business, ensuring we maintain a positive customer journey. Our customers rely on us to keep them ahead of the technology curve. This contributes to our ever-increasing expertise in supporting our customers and identifying their next layer of opportunities. With the rapid pace of change, particularly in the IT sector, we partner with our customers to help them retain long-term relevancy, while building a mutually profitable relationship. We aspire to push the boundaries in our product and service offering.



Mission

We are responsible for creating trusted partnerships to make people's lives better.



Vision

We bring in products to make people's lives better.



Technology

We will continue to source and supply the best quality solutions and services to enable our customers to build sustainable businesses that can thrive well into the future.



Culture

Rectron's biggest asset is its passionate and loyal staff.

We believe that our open and developmental approach to staff empowerment played a pivotal role in developing the expert management team Rectron has today. Our unique employee-defined culture celebrates trust, responsibility, respect, partnership and improving life. We will continue to leverage these qualities to build a positive working environment that promotes internal growth.

As testament to this, 40% of our entire staff complement has been with Rectron for over 10 years.



Values

During the financial year, the Rectron Executive Committee embarked on a countrywide visit to all our employees. After a series of participative workshops, the following collective values, representing the way we work at Rectron, were identified by our staff members:

- trust
- responsibility
- respect
- partnership
- improving life.



Rectron continued

We distribute some of the world's most renowned technology brands through an end-to-end portfolio.

Rectron's strong relationship and track record with Microsoft was recognised by being awarded the Star Achiever's award for FY22, with Rectron taking second place in the MEA region and first in South Africa.

RCT is Rectron's trusted homegrown brand.

Through our partnerships with leading OEM manufacturers, we have created a range of high quality, well-priced hardware that meets the needs of Southern African consumers and businesses. Rectron is always on the lookout for new products that make sense in our unique environment.

- notebooks
- tablets
- power banks
- home backup power
- keyboard and mouse
- computing accessories.

In FY22, we strengthened our offering by onboarding new brands:

- Dahua surveillance solutions
- Cricut consumer printing and craft products
- Dropbox
- Nanoleaf Smart home LED lighting products.

Rectron's evolving business model

Digital is at the heart of Rectron's customer strategy. We have created a set of tools for our partners that simplify the process of working with Rectron, while still maintaining important human connections.

Rectron Zone is our e-commerce portal. Customers can get information across Rectron's entire hardware catalogue, as well as process orders directly online. We continuously make improvements to Rectron Zone to ensure that we have a tool that meets our partners' needs. Rectron clients have responded positively to these changes with online sales showing a 42% increase year-on-year, and an increase in client registrations of 20%, year-on-year. Rectron's RCT-Cloud is the home of our cloud business. It hosts direct integrations with our vendor partners, ensuring immediate turnaround on orders processed. RCT-Cloud extends our functionality through the provision of a reseller e-commerce portal. Products in this portfolio include mobile solutions, peripherals, gaming PCs, power solutions, networking and cabinets, as well as RCT-Cloud solutions.

We drive awareness of our solutions across all digital platforms – email, social, search and display. We drive targeted initiatives through all platforms, ensuring that our customers are well informed about Rectron's product and service offering.

Our five strategically located branches around South Africa are a crucial asset. Each branch is fully equipped for personal and world-class service. Rectron's walk-in support service is distinguished for its accuracy and speedy turnaround times. We save customers time through a "while you wait" testing and exchange service. Fast-moving devices and components are stocked onsite to further decrease the average turnaround time of such exchanges to less than 10 minutes.

Rectron is authorised to repair Gigabyte, Acer and Asus notebooks, Hisense TVs and phones, RCT inverters and UPS, Makerbot 3D printers, Poslab Point of Sale, DJI enterprise drones and Vivotek surveillance cameras.

Current
Rectron
brands



Performance

Financial performance in 2022

Our investment into new product verticals and the enterprise development category, as well as being a customer needs-led organisation, allows us to adapt to industry needs and changes quickly. These investments have resulted in positive growth for the financial period.

B-BBEE status and human capital development

Rectron is a certified level 2 B-BBEE contributor and supports local SMMEs through products, training and services. We give back to communities by providing much-needed technology to previously disadvantaged schools and community institutions.

We adhere to strict guidelines set by the ICT Charter surrounding employment equity, enterprise development and purchasing.

Our journey to fundamental digital transformation requires new skill sets for our employees. Each staff member receives specific job-related training to close skills gaps and prepare them for enhanced customer engagement.

We pride ourselves on creating opportunities for youth in South Africa through learnership programmes. They are provided with the necessary skills to enable them to become proficient in a working environment.

Corporate social responsibility

Our Group corporate and social responsibility programme aims to drive educational activities and opportunities within the ICT sector. We focus on supporting sustainable projects with longer-term partnerships and measurable results, rather than once-off requests. As a responsible corporate social citizen, Rectron has partnered with various organisations to assist in supporting Science, Technology, Engineering and Maths (STEM) education for the youth.

For more about our CSI initiatives and contributions, visit the social and relationship capital section on page 61 of this report.

Future prospects and forward planning

Rectron's long-term sustainability relies on a dynamic strategy that responds to customer needs. To do this, we have a more solutions-focused approach, driven by existing and emerging trends. The recent market shift towards remote working provided a host of opportunities for us to help customers adapt. This strategy continues for the new year with economic factors such as the rise in interest rates and the increase in loadshedding playing an important role.

FY23 priorities

- Financial capital
 - working capital management
 - maximised return on equity
 - forex management
 - operating expenses optimisation
- Go to market
 - growth in RCT brand presence and product portfolio
 - business development in new verticals according to customer needs
- Human capital
 - talent management
 - employment equity
 - skills development
 - Progressive Educational Upliftment (PEU) CSI programme
- Customer focus
 - continued focus on superior customer experience
 - customer needs-driven decision-making digital transformation.

Rectron executive team



**Spencer
Chen**
Chief executive
officer



**Martin
Roets**
Chief operations
officer



**Christiaan
Engelbrecht**
Chief financial
officer



**Mathew
Hall**
Chief product
officer



**Kutlwano
Rawana**
Chief
of people

Rectron continually seeks out innovative products that can grow our customer base and create new revenue streams.



Mecer Inter-Ed



Who we are

To help overcome the shortage of professional recruitment and training solutions available to entry-level ICT learners, MIE functions as a broad-based training provider accredited with various Sector Education and Training Authorities (SETAs) and an approved partner for various international ICT vendors. MIE provides training, learnerships and internships to employees within the Mustek Group and to resellers, clients and MIE's growing list of corporate clients.

By catering for learners looking to enter the ICT industry as well as those seeking career advancement, MIE realises Mustek's passion for people development in a tangible way. Its convenient location at Mustek's Midrand head office makes it easy for employees to further their studies and develop their careers. Management supports and encourages all staff to take advantage of the opportunities offered and a quick poll suggests that most actually do.

Our breadth of certification training, flexible classroom and virtual training options, in tandem with our comprehensive, rolling-six-month training schedule, makes MIE the training partner of choice. MIE provides corporate training in emerging technologies by providing our students with access to subject matter experts and delivering authorised and industry-leading instruction, through multiple delivery formats. MIE is a level 1 B-BBEE contributor.

What we do

MIE provides SETA-accredited skills development training, learnerships and internships. Our products and services also include international training and certifications as an authorised training partner for some of the biggest names in technology such as Huawei, Microsoft, and Amazon Web Services.

MIE can design a learning solution or training programme to address any team's skills gaps and develop personalised training programmes across all levels and technical requirements. Our highly qualified, cross-vendor-certified instructors will deliver training that includes extensive hands-on experience.

MIE is a certified Pearson VUE testing centre that offers students the opportunity to certify on a variety of international exams.

Performance 2022



With the advent of COVID-19, MIE transitioned seamlessly to virtual instructor-led training (VILT) for most of our classes – further strengthening MIE's capacity to deliver world-class training to students anywhere. In FY22, approximately 70% of our students returned to the in-person classroom, but our hybrid-training capabilities that delivers skills to both physical audiences and virtual attendees allows us to connect with attendees across the country and across the world. We were proud to have improved our YoY revenue substantially in FY22, with profits improving 640% on the previous year.

Future prospects and forward planning

MIE's main goal is to earn 50% of our training revenue from the delivery of highly technical short courses to the South African corporate market. We are pleased to have carved out a dominant share in the local skills development market by building a sizeable client base.

One major opportunity lies in the almost limitless funding available to upskill youth and unemployed individuals – the challenge remains in securing employment for these beneficiaries once they graduate. MIE's talent division, established in early 2021, aims to contribute 25% of the company's total revenue in FY23 as it works to place our students in permanent or temporary employment positions.

With 140 student seats having just been added to our facilities, we are optimistic about growing the business in active clients, students, width and breadth of offering, investment in technology and employees.



Mecer Inter-Ed continued



Product offering
Learnerships, internships and skills programmes



Mecer Inter-Ed leadership team



Gerhard de Beer
Managing executive



Tracy Govender
Operations director



Morne Hugo
Executive – Microsoft and AWS Solutions



Sean Evans
Executive – Huawei, Cisco, Veeam, VMware Solutions

MICT SETA

- NQF Level 3: National Certificate: Information Technology: End-User Computing
- NQF Level 4: Further Education and Training Certificate: Information Technology: Technical Support
- NQF Level 5: National Certificate: Information Technology: Systems Support
- NQF Level 4: Further Education and Training Certificate: Information Technology: Systems Development
- NQF Level 5: National Certificate: Information Technology (Systems Development)

SERVICES SETA

- NQF Level 4: Further Education and Training Certificate: Generic Management
- NQF Level 5: National Certificate: Generic Management
- NQF Level 2: National Certificate: New Venture Creation (SMME) EWSETA
- NQF Level 2: National Certificate: Hot Water System Installation
- NQF Level 5: National Certificate: Energy Regulation
- NQF Level 1: General Education and Training Certificate: General Technical Practice

QCTO

- NQF Level 4: Occupational Certificate: Hot Water System Installer (Solar Water Installer)
- NQF Level 5: Occupational Certificate: Solar Photovoltaic Service Technician.

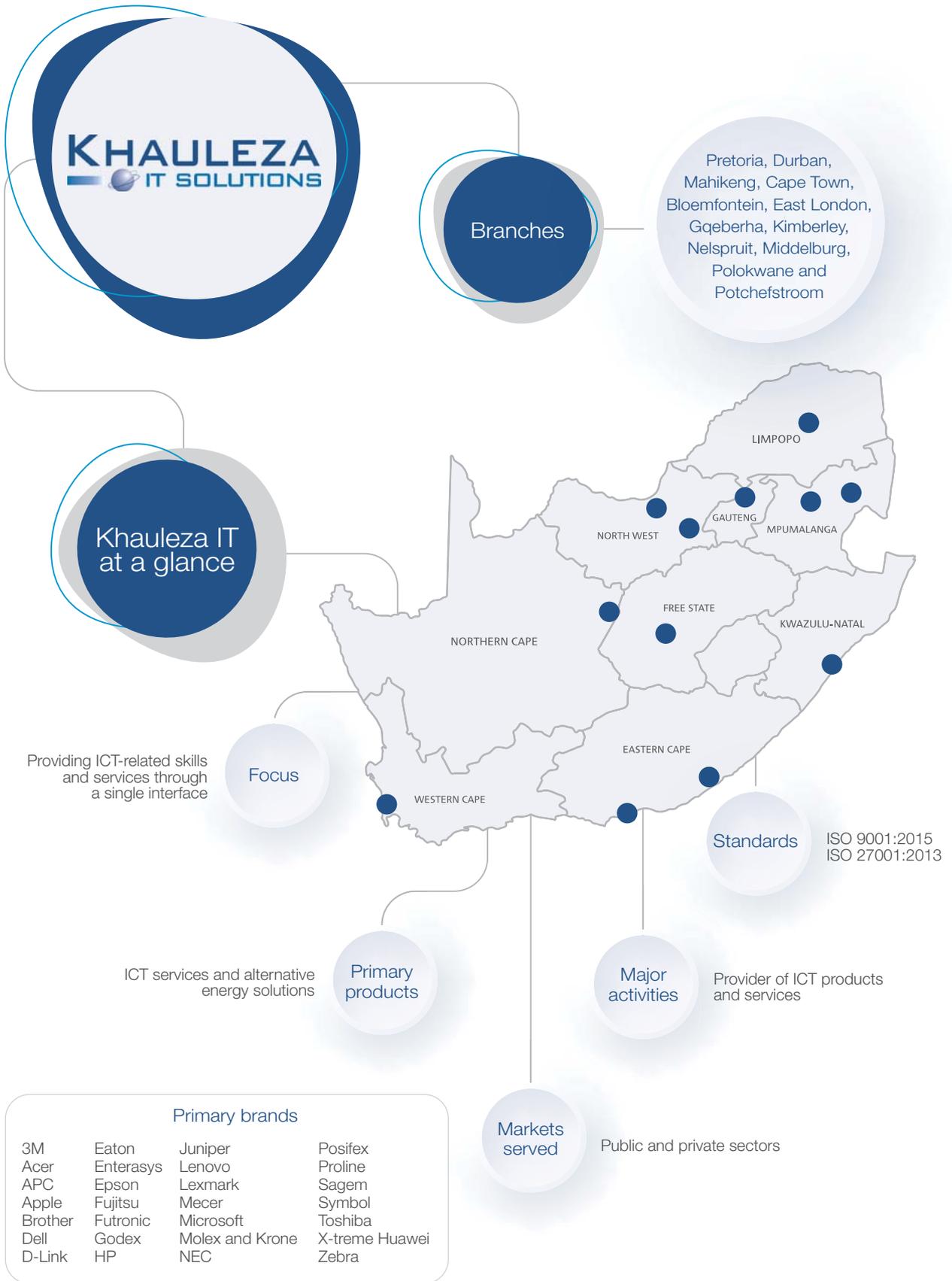


Zatophase

Mustek owns 100% of Zatophase Proprietary Limited, an investment company with a 36.1% stake in Zaloserve, 100% owner of Sizwe Africa IT Group Proprietary Limited (Sizwe)



Khauleza IT Solutions



Who we are

Khauleza IT Solutions Proprietary Limited is a national ICT service provider with a level 1 B-BBEE status. Our commitment to B-BBEE, as well as our enterprise and supplier development, are core focus areas – from our 58.33% black-owned shareholding through to our operations, employees and executive management.

Khauleza boasts a proven track record of delivering a specialised suite of services to our loyal client base through annuity income contracts and ad hoc engagements. Our skilled employees deliver services in all managed ICT disciplines and we partner with selected technology firms, vendors, and SMMEs to enhance our service offering.



49
employees



1
repair centre



30
vehicles



11
logistics centres



Multiple
SMME
partnerships

What we do

Khauleza's suite of services and products has been developed to provide the best alignment of our capabilities and our customers' needs. We continually improve and expand our service suite, while optimising current offerings.

ICT distributed services

- helpdesk
- maintenance services
- in-house repairs
- deployment services
- IMACD and end-user equipment
- procurement
- server services
- infrastructure services
- cabling services
- WAN and LAN design
- print management services.

Extended services and products

- renewable energy services
- alternative energy, solar power and grid-interactive services
- energy consulting and site assessments.

Social responsibility

At Khauleza IT Solutions, we strive for good corporate citizenship and take our social responsibility seriously. For more about our social initiatives, refer to the social and relationship capital section on page 69.

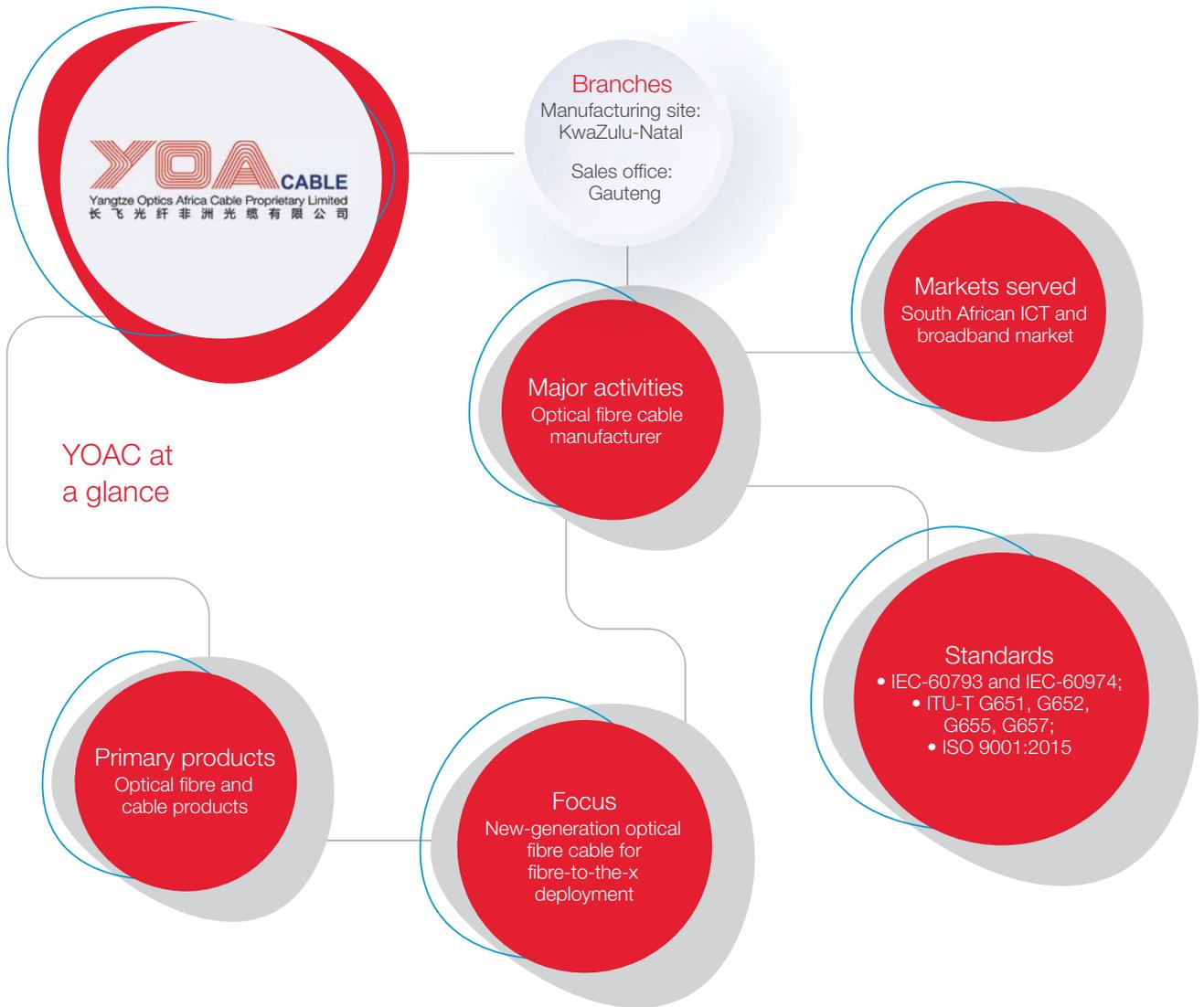


Accreditation and experience

- Acer Synergy Partnership
- Dell Technologies Authorized Solution Provider Partner
- Official Epson ASP
- Global SIX Certified Installer
- Cisco in-house Sub-Contracted to BNI
- Business HPE Partner Ready Solution Provider
- Huawei Certified Service Partner – Enterprise IT
- Huawei Certified Service Partner – Data Communications
- Huawei Certified Service Partner – Network Energy
- Juniper Networks Champion Partner
- Cisco – Reseller Partner
- Krone – Certified Installer Copper and Fibre Data Transport Solutions
- Lenovo Silver Partner
- Lexmark International Partner
- Mecer-approved Reseller
- Microsoft Gold Data Center
- Molex Certified Installer Copper and Fibre Data Transport Solutions
- Toshiba Certified Product Supplier
- PSIRA – Registered Security Service Provider
- CIDB (Construction Industry Development Board).



Yangtze Optics Africa Cable (YOAC)



Who we are

YOAC is a local optical fibre cable manufacturer located in the Dube Trade Port Industrial Development Zone in KwaZulu-Natal. Established in 2016 through the partnership of Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC) and Mustek Group, YOAC has positioned itself as one of Africa’s leading fibre cable manufacturing facilities. YOFC is globally recognised as the largest manufacturer and supplier of optical fibre and optical fibre cable products. Leveraging YOFC’s 30 years of manufacturing innovation in optical fibre and optical fibre cable ensures that YOAC can offer our customers next-generation engineered optical fibre solutions.

What we do

YOAC manufactures a range of new, innovative optical fibre cable products for the South African ICT market, with an envisaged manufacturing capacity of more than one million kilometres of optical fibre annually.

The business plays a significant role in enabling a future of affordable broadband access for all in South Africa.

YOAC also supplies associated hardware and connectivity products to enable an end-to-end solution for private fibre-to-the-home network operators and the distribution market.

Performance

YOAC returned a solid positive performance in 2021 and has a robust forecast for the year ending 31 December 2022. Sales revenue was up 7.1% and operational profit increased by 1.8%. With the easing price fluctuations of key raw materials, and several operational capacity and efficiency improvements, our sales revenue is expected to grow by 14.8% and operational profit to improve significantly. This is based on production output expected to grow by 9.7% compared to 2021.

Due to strong demand in fibre broadband services both locally and globally, the demand for optical fibre and optical fibre cable outstrips supply both locally and globally, and we expect upward pressure on pricing in Q4 2022.

YOAC launched several new cable products in the local market for both high-fibre density core network applications and low fibre density applications in lower-income areas such as Soweto and Khayelitsha. These new products contributed significantly to new sales and the acceleration of broadband fibre services in underserved areas in South Africa.

Employment and skills development

YOAC has a 24-hour manufacturing operation that currently employs 108 full-time employees. The company is committed to empowering women and people from the designated groups, as evidenced by the fact that over 90% of our employees are from previously disadvantaged backgrounds and 40% are female.

Our employees receive theoretical and on-the-job learning, as well as study assistance, while international experts are regularly contracted to provide training and mentorship to our teams at the YOAC plant. During 2021/22, the company hosted over 50 learners from different institutions of higher learning in the greater eThekweni region through various work-based learning programmes.

In FY21, we invested R1.2 million in skills development programmes.

Corporate social responsibility

YOAC supported children from the community with school stationery, as well as our employees during the civil unrest in July 2021. For more about these initiatives, read the social and relationship capital section on page 69.

Future prospects and forward planning

We expect sales revenues in FY23 to remain robust, resulting from increased market share, new product development and continued capital investment from fibre network owners.

YOAC enjoys a healthy and balanced customer base, amplified by growing direct sales and secured distributor sales channels. We are represented at nearly all the optical fibre network owners in South Africa. YOAC continues to invest in new product development and launched six new cable products over the reporting period. These will positively improve sales margins in the medium term, especially for network builds in non-traditional "leafy" suburban markets.

<https://www.yoacables.com>



Direct economic value generated and distributed

VALUE'22

55% Employees – including employee tax 6% Providers of capital 8% Providers of debt 10% Government – direct taxes 5% Depreciation and amortisation 16% Reinvested in the Group

VALUE'21

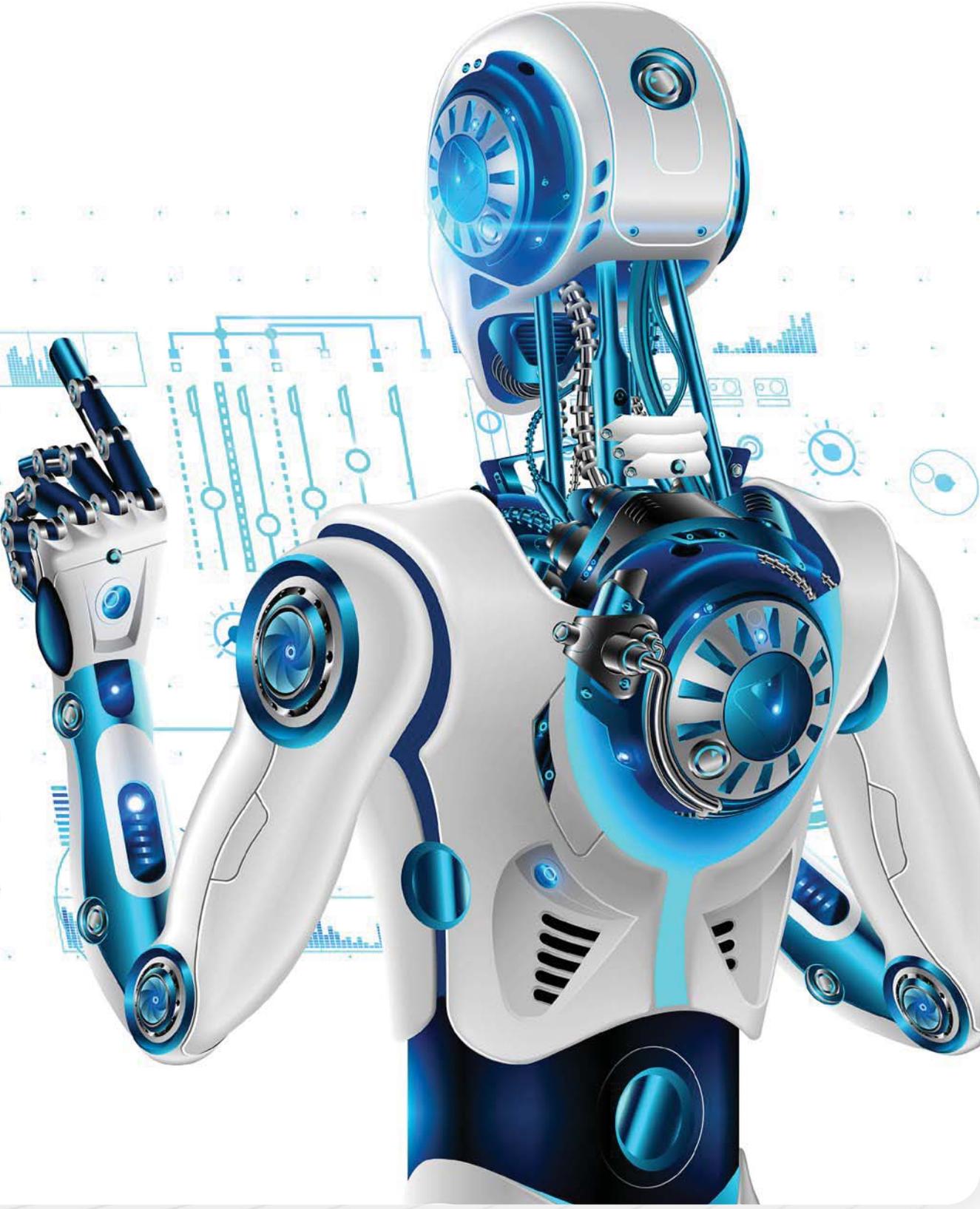
48% Employees – including employee tax 2% Providers of capital 8% Providers of debt* 11% Government – direct taxes 4% Depreciation and amortisation 27% Reinvested in the Group

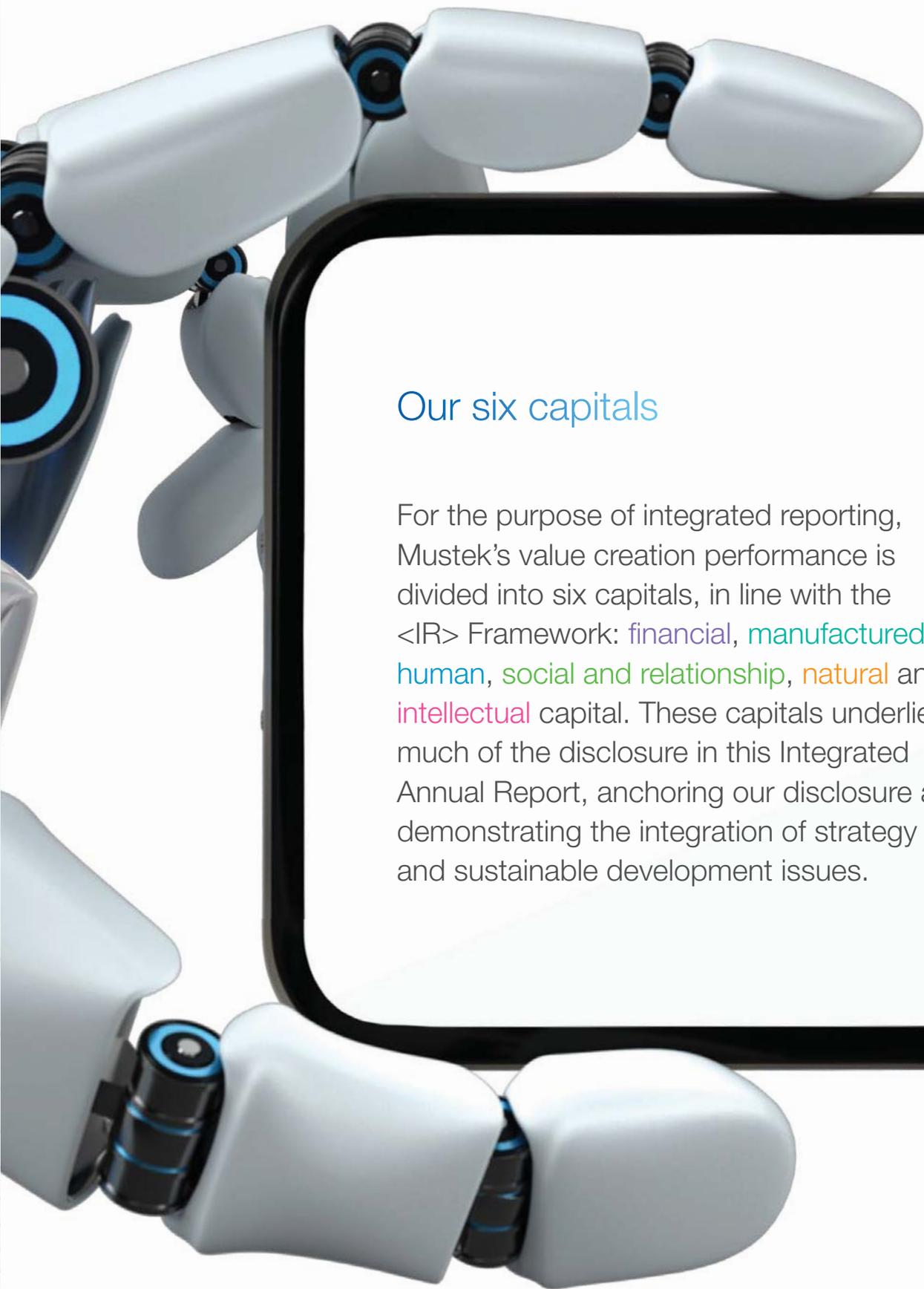
VALUE'20

60% Employees – including employee tax 3% Providers of capital 16% Providers of debt 4% Government – direct taxes 7% Depreciation and amortisation 10% Reinvested in the Group

VALUE'19

58% Employees – including employee tax 3% Providers of capital 18% Providers of debt 4% Government – direct taxes 4% Depreciation and amortisation 13% Reinvested in the Group





Our six capitals

For the purpose of integrated reporting, Mustek's value creation performance is divided into six capitals, in line with the <IR> Framework: financial, manufactured, human, social and relationship, natural and intellectual capital. These capitals underlie much of the disclosure in this Integrated Annual Report, anchoring our disclosure and demonstrating the integration of strategy and sustainable development issues.



Financial capital



Manufactured capital



Human capital



Social and relationship capital



Natural capital



Intellectual capital



Our six capitals continued



Financial capital



Financial capital is the pool of funds that is:

- available to Mustek to produce goods or provide services

- obtained through financing, such as debt, equity or grants, or generated through operations or investments

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



What it is

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

How we manage and allocate it

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

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

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

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

Foreign exchange risk management

The ZAR/USD exchange rate is a defining factor in the ICT industry, as the bulk of ICT inventory is USD based. Mustek Group is exposed to events that occur in the markets from where it acquires products, as well as to the South African and other markets to which it offers products and services. Significant and/or abrupt changes in the value of the Rand against the USD can impact the Group's financial results in various ways.

Exchange rate fluctuations affect prices, and the Rand's propensity for sharp movements against other major currencies is an ongoing challenge. In FY22, the ZAR weakened against the USD and resulted in a forex loss of R73.3 million.

Mustek cannot influence broader economics but does apply a hedging policy to minimise foreign currency exchange risk and retain a broad spread of suppliers.

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

The Group uses a combination of forward exchange contracts and option structures to manage its foreign currency exposure. This approach, although costly, provides greater predictability to the Group's earnings.



Our six capitals continued

Financial capital continued

Working capital management

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

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

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

Mustek performs ongoing credit valuations of the financial condition of customers and, where appropriate, credit insurance is purchased for individual trade receivables, subject to an insurance deductible. Monitoring and reporting on the quality of the trade receivables book are activities demanded by both the third-party insurer and the provider of funding. Details of the Group's trade receivables can be found in note 19 of the annual financial statements.

Performance

The Group recorded a highly pleasing trading performance for the financial year ended 30 June 2022. However, profit was impacted by a lower gross profit margin compared to the very strong 2021 year, and to a larger extent by a major shift in foreign exchange losses. The Group continues to seize the opportunities driven by accelerated digital/intelligent transformation and hybrid working, while successfully navigating a range of industry-wide challenges.

Profitability

Revenue continued the growth trajectory that started in FY20. Mustek succeeded in asserting itself as a leading and preferred provider of digital solutions required for a changing world. Our diversified portfolio of products and services continues to be Mustek's advantage in the marketplace. The Group's revenue increased by 11.5% to R8.91 billion (2021: R7.99 billion restated). It is encouraging to note that revenue growth has been across the Group, with Mustek and Rectron growing their revenue by 13.1% and 11.8%, respectively. The Group's IT training company, Mecer Inter-Ed, had a stand-out performance and is starting to meaningfully contribute to the Group's revenue and profitability.

The **gross profit percentage** decreased to 14.3% (2021: 14.9%) predominantly because of logistic costs increasing dramatically and oversupply of entry-level notebooks in the market during the last quarter.

The Rand depreciated by 15.1% or R2.15 against the Dollar compared to the closing rate at the end of the previous financial year, with major volatility during the financial year, resulting in **forex losses** of R73.3 million (2021: R10.5 million gain). A portion of this loss will be recovered through adjusted selling prices in line with current exchange rates.

Distribution, administrative and other operating expenses were kept well controlled and increased by 7%, mainly due to an increase in commissions as well as higher than inflationary increases in expenses such as fuel.

Successful **debt management** strategies resulted in net finance charges not being significantly impacted, despite the increased interest rates through the year.

Associates contributed a loss of R1.6 million compared to a profit of R5.3 million in the previous financial year. Khauleza and Zaloserve were negatively impacted by operational challenges and slow government spend in their specific areas. The Group recognised an impairment loss of R10.2 million on the investment in Zaloserve due to the current operational challenges being faced by Zaloserve's 100% held subsidiary, Sizwe Africa IT. The impairment loss has been added back in the calculation of headline earnings.

Continuous Power Systems, an associate that designs and manufactures a wide range of server cabinets, and Yangtze Optics Africa Cable, an associate that manufactures fibre optic cable, traded profitably. They are well placed to grow their contribution to the Group.

Other non-operating losses consist of:

- Group profit of R6.8 million on the sale of the Group's 50.1% interest in Palladium Business Solutions Proprietary Limited. The after-tax profit has been deducted in the calculation of headline earnings
- impairments of R10.2 million on other loans.

Return on equity

- 15.9% (2021: 23.8%).

Inventory

Inventory held at year-end is the highest that the Group has experienced for some time, with inventory days (excluding inventories in transit) increasing to 100.8 days (2021: 67.8 days). A significant amount of product was received earlier than expected in the last quarter of the financial year, largely for the consumer market. Inventories include goods in transit of R353.8 million (2021: R166.7 million).

Trade receivables

Trade receivable days increased slightly to 52.3 days (2021: 49.2 days).

Cash flow

The Group maintained a healthy cash generated from operations of R303.4 million (2021: R431.3 million).

Despite increased working capital, the reduced operating performance compared to a very strong prior year and the large dividend payment, we achieved a positive cash flow from operations. This reduced cash flow was anticipated, given the exceptional cash flows and dividend payout of the prior year. Management continues to focus on optimal working capital management as a key driver of the Group's profitability. The Group has sufficient banking facilities and no bank covenants were breached during the year.

Share repurchase programme

Mustek acquired 7 000 000 (2021: 4 000 000) ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R98.0 million (2021: R39.3 million). The general repurchase was effected in terms of a general authority to Mustek directors, which was granted in terms of special resolutions passed by the members at Mustek's annual general meeting (AGM) held on 29 November 2021 and 20 November 2020.

The share repurchase comprised 10.94% of the total issued ordinary shares of Mustek at the date of the 2021 AGM. The general repurchase commenced on 17 September 2021 and continued on a day-to-day basis as market conditions allowed and in accordance with the JSE Listings Requirements until 22 June 2022. The company confirms that the repurchases were effected through the order book operated by the JSE and done without any prior understanding or arrangement between the company and the counterparties.

The highest, lowest and average price paid by Mustek for the ordinary shares was 1 570 cents, 1 320 cents and 1 400 cents per share, respectively.

Shares purchased were cancelled and de-listed. The market will be notified in accordance with applicable listing rules and regulations if and when repurchases are made.

Looking ahead

The pandemic catapulted many organisations into the future, rapidly accelerating their digital transformation. These initiatives remain strategic and as an IT-focused business, the Mustek Group is ideally positioned to benefit. Demand for products to support remote working and learning environments remains buoyant. The Group also continues to see increased demand for infrastructure and networking solutions, green energy, cloud, software and cybersecurity offerings.

The supply chain disruptions that affected the industry over the past two years have somewhat eased over the second half of the current year, but still remain constrained, with product shortages in several areas. We believe that this will continue over the coming year. We see the current supply chain dynamics as positive for the Group since it helps with pricing power if stock is available.

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

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



Our six capitals *continued*



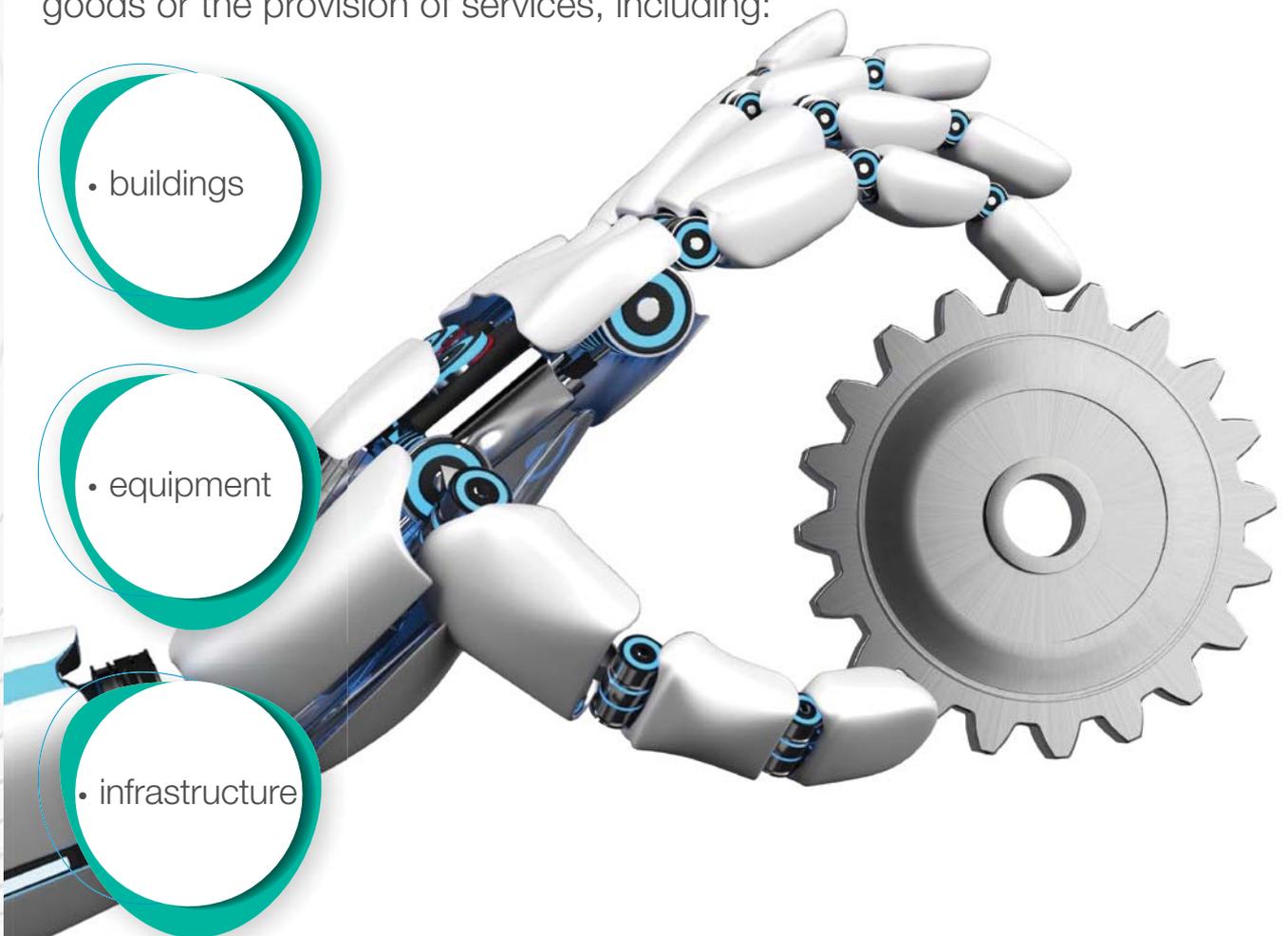
Manufactured capital

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

- buildings

- equipment

- infrastructure





The above all refer to Mustek Operations.

The Mecer semi-automated assembly plant with a daily capacity of 1 000 units is the largest of its kind in South Africa. It has the flexibility to assemble, asset tag and image customised orders according to customer needs without delaying production.

Rectron's automated warehouse is rated among the most efficient in South Africa. The line has a configuration management database (CMDB), which records all date and time stamps based on the unit's serial number. It also details the picker, builder, tester and packer.

Assets and products

The Group's financial capital is invested in a combination of manufactured capital and financial assets (accounts receivable and cash). The single largest investment in manufactured assets, and indeed in all assets, is represented by the inventories of finished goods and goods in transit.

As at 30 June, the Group's inventory on hand amounted to R2.126 billion (2021: R1.273 billion). Mustek Operations' local stockholding policy is a competitive differentiator for ordering and delivering stock to customers and in processing warranties, returns and replacements of faulty technology. By maintaining healthy inventory levels at each regional head office, Mustek ensures that warranties, returns and replacements of faulty technology are dealt with quickly and efficiently.

Most of the Group's manufactured capital of offices, warehouses, branches, plant, equipment and motor vehicles are situated within South Africa, with the Midrand head offices making up the bulk of the Group's net investment in property, plant and equipment. In July 2021, riots swept across large parts of mainly KwaZulu-Natal and Gauteng. Mustek's Durban offices were caught in the violence that took place, however, the losses following destruction of our property were fully recovered from the insurers.

The governance and management of the Group's physical assets is similar to that of its financial capital.

Mustek applies its knowledge and understanding of ICT trends to a formal procurement process to ensure that the correct products, in the right quantities, are procured at the right time, thereby mitigating the risk of obsolescence. Important aspects of this process are logistical planning, bulk buying and consolidation of shipments. Product managers focus on selling slow-moving or older inventory items before the demand for the product lines declines significantly.

Mustek and Rectron delivery and logistics teams value their distributor, reseller and customer relationships and track inventory through their integrated reseller inventory software. They add value by remitting orders along with delivery notes to customers, thus simplifying the work of the reseller.

The Group uses both its in-house vehicle fleet and an outsourced courier service to maximise customer service and fleet utilisation while minimising costs. The Group's ability to customise products to meet customer demand means that much of its stock is procured on a back-to-back basis for a specific customer order.

Mustek Operations' R&D department performs a critical role in managing the risks inherent in the assembly of a diverse range of components. The department ensures the compatibility of components and the evaluation of products prior to them being assembled.

Mustek Operations achieved ISO 9001 certification in 2003. All its business processes are included in the scope of its QMS and technological standards. These include the import, sales, assembly, testing, distribution, installation and servicing of computer-related equipment.



Our six capitals continued

Manufactured capital continued

Other aspects of the Group's asset management are:

- access control
- regular stock counts
- physical controls in terms of the Occupational Health and Safety Act, 1993
- asset insurance
- maintenance and review of the complaint register.

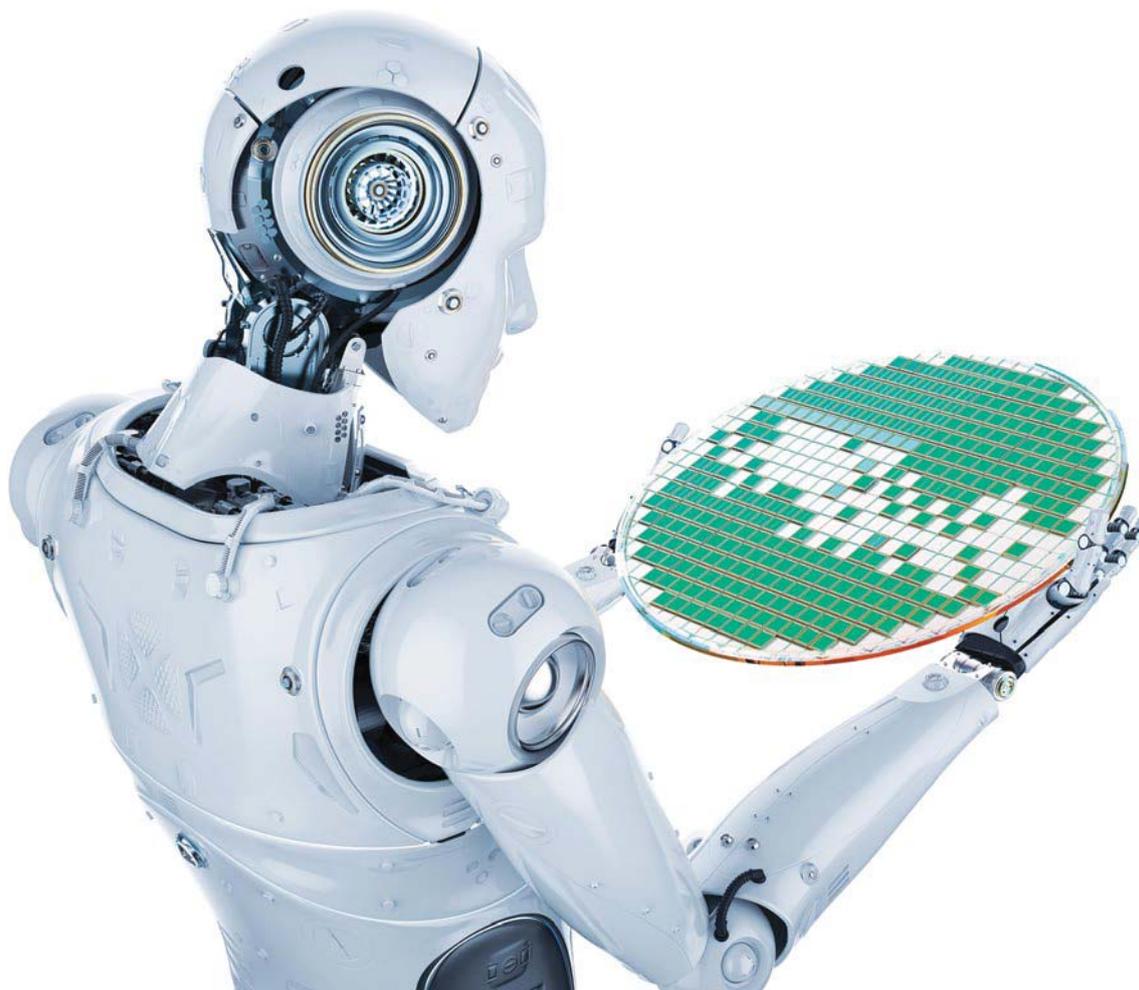
Supply chain

The Group procures IT components and finished products from a diverse range of suppliers, internationally and locally. Components are sold by Rectron or assembled by Mustek Operations into Mecer desktop PCs and laptops. The multinational brands are sold through resellers or directly to corporate clients. Mustek Operations' assembly line is used to provide value-added services to corporate clients such as mass setup and image loading. We hold distribution rights and authorised service agent agreements with most of our brands. The Group's vendors are primarily international brands who report extensively on the sources of their components. We also conduct regular due diligence and quality checks on our own ICT component suppliers.

Looking ahead

For 2023 and beyond, Mustek's management and personnel are committed to providing computer-related equipment and services of the highest quality. Both Mustek and Rectron pride themselves on their broad product ranges and ability to identify and procure developing technologies in a timely fashion to meet the ever-changing thirst for technology.

The Group's broad range of products (multinational brands and the Mecer brand) and its reseller base enable market share growth in an expanding market. At the same time, Mecer Inter-Ed provides the Group with a foothold in the growing training and development space, with all the major opportunities on offer there – we expect major growth for this business in years to come.





Human capital

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

- alignment with and support for Mustek's governance and ethics

- drive to improve processes, goods and services through leadership and collaboration

- ability to understand and implement Mustek's strategy



Our six capitals continued

Human capital continued

The Group's total investment in the training and development of employees during the 2022 financial year amounted to

R23.7 million
(2021: R26.12 million)

Mustek Operations' training spend for FY22 was

R15.9 million
(2021: R16.7 million)

Rectron's training spend for FY22

R7.8 million
(2021: R8.37 million)

Return to work and retention rates at Mustek after parental leave is

100%

Employee turnover for the current year amounted to

21.45%
for Mustek Operations and
16.67%
for Rectron
(2021: 11.95%)

Mustek Operations' absenteeism rate was recorded as

1.45%
(2021: 1.12%), and Rectron's as
7.78%
(2021: 1.47%)

Lost productivity/working days in FY22 amounted to

2 508.41 for Mustek Operations
(2021: 1 814.15) and
1 603.00 for Rectron
(2021: 1 430.00)

Mustek Operations was involved in **14** CCMA cases during the year (2021: 9) and Rectron had 2 CCMA cases (2021: 1)

100% of staff nationally were trained on cybersecurity, anti-corruption policies and procedures. We experienced no incidents of corruption

The total number of recordable injuries reported, including medical treatment cases and LTIs was

44 injuries
(2021: 21 injuries in total)

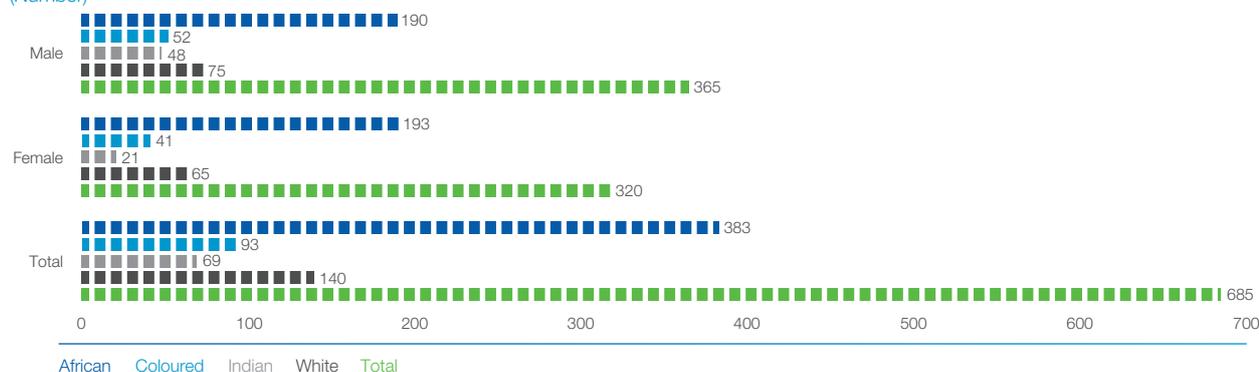
Our human capital at a glance

Our workforce

Mustek Operations' permanent workforce
Headcount as at 30 June 2022

Site	Number of employees	% breakdown
Mustek Gauteng	468	68.16
Mustek Western Cape	84	12.11
Mustek KwaZulu-Natal	54	7.77
Mustek Eastern Cape	32	4.78
Mustek Free State	12	1.79
Mustek Mpumalanga	13	1.79
Mustek Limpopo	10	1.64
Mustek Northern Cape	6	0.90
Mustek North West	6	1.06
Total	685	100.00

Mustek Operations' employee diversity statistics as at 30 June 2022 (Number)

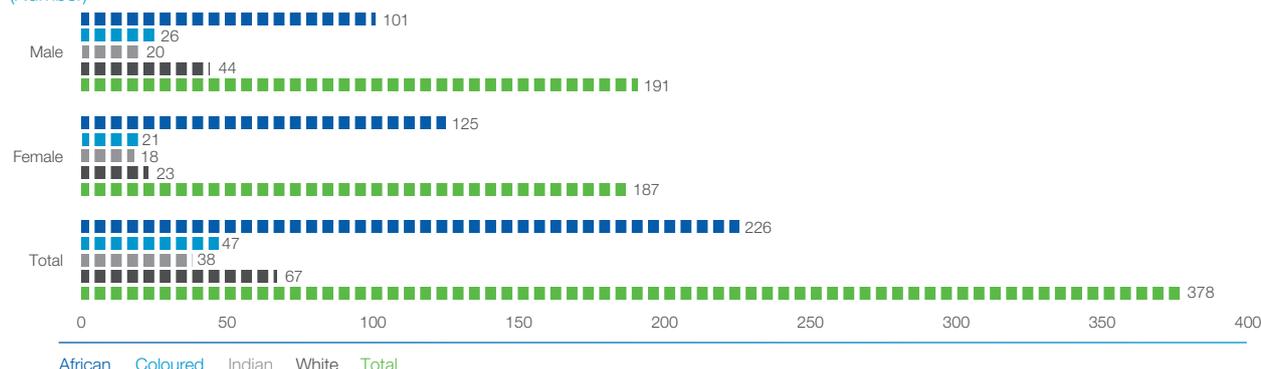


In total, Mustek had 685 employees that included 10 foreign nationals.

Rectron's permanent workforce Headcount as at 30 June 2022

Branch	Total	%
Rectron Western Cape	56	14.81
Rectron KwaZulu-Natal	35	9.26
Rectron Gauteng	251	66.41
Rectron Eastern Cape	20	5.29
Rectron Free State	16	4.23
Total	378	100.00

Rectron employee diversity statistics at 30 June 2022 (Number)



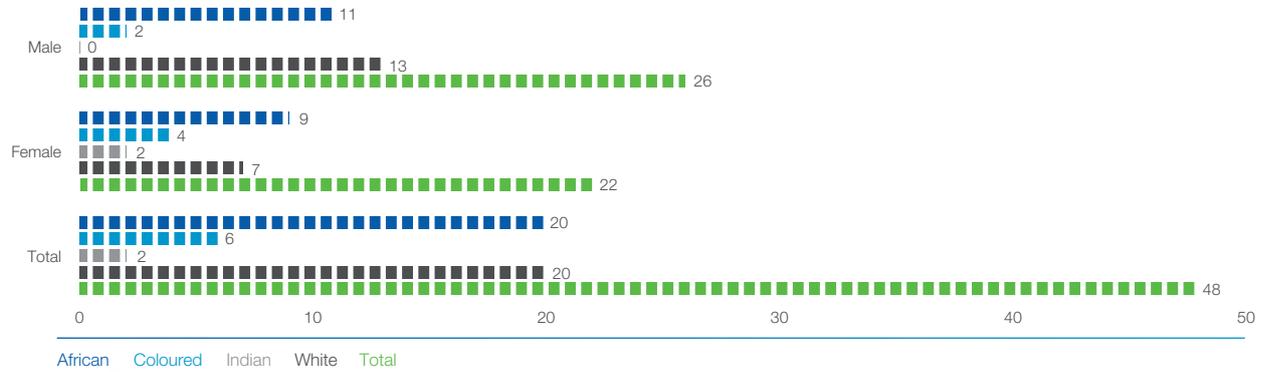
In total, Rectron had 378 employees that included five foreign nationals.



Our six capitals continued

Human capital continued

Mecer Inter-Ed employee headcount (Number)



Human capital philosophy

Management fosters a transparent and accessible relationship with its employees to support a harmonious working environment. Our mature and well-entrenched range of effective human resource policies and procedures is introduced to new employees during their induction. Mustek complies with the Labour Relations Act and all associated labour legislation, as amended, in the spirit of freedom of association.

No collective bargaining agreements are presently applicable to the Mustek, Rectron or Mecer Inter-Ed workforces.

We work continuously to align the Group’s diversity with South Africa’s economically active population (EAP), including racial and cultural demographics.

The Group’s core values embody respect, dignity and fair treatment. We adopt a zero-tolerance policy towards any form of discrimination or unfair treatment.

Mustek conforms to all applicable health and safety legislation. Temporary staff do not qualify for membership of the pension fund or medical aid.

Life skills training and wellness

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

- reducing stress-related absenteeism
- retaining skills better, as fewer staff resign due to external financial pressures
- improving staff morale
- reducing the number of external financial deductions
- building a more focused, safer and productive workforce.

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

While all national COVID-19 restrictions have been lifted and Mustek Group has returned to operating from our offices, we continue to encourage our employees to vaccinate.

All Mustek workplaces, including those of Mustek Operations and Rectron, adhere to applicable laws and regulations, as well as the highest standards recommended by international health organisations, in accordance with the Group’s safety, health, environmental and quality (SHEQ) manual. The Group’s focus on health and safety is driven by staff volunteers, elected by their peers onto various health and safety committees. These committees meet quarterly to assess company performance regarding health, safety and related issues.

Minor first aid incidents are recorded and reported by our first aiders to the safety, health and environmental (SHE) officer. Moderate to serious injuries are reported to Mustek’s payroll function and to the Commissioner for Workmen’s Compensation, who has the authority to award workmen’s compensation.

Lost-time injuries causing at least one lost day are reported to payroll and injuries resulting in three or more days lost from work are reported to the Commissioner for Workmen’s Compensation.

Occupational injuries on duty are recorded as follows:

Health and safety indicator	Mustek Operations					Rectron				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
First aid cases (FACs, ie injuries on duty leading to minor treatments, such as a plaster or a pain tablet)	4	4	26	19	28	12	51	64	72	98
Medical treatment cases (MTCs, ie injuries on duty leading to medical treatment, but no lost days)	14	11	3	3	1	9	0	0	0	2
Lost time injuries (LTIs, ie injuries on duty leading to at least one lost day)	6	9	14	10	12	11	1	7	3	1
Total number of recordable injuries, including MTCs and LTIs	24	20	17	13	13	20	1	7	3	3

Mustek Operations' human capital

Ongoing skills development and training are recognised as business imperatives and Mustek Operations is committed to developing the industry leaders of the future from within our own ranks. Employee development aligns us with national directives by prioritising skills development for previously disadvantaged individuals.

Mustek Operations implements annual performance and career development reviews, alongside a comprehensive succession planning programme. These reviews inform the development of employees identified as having the potential to fill business leadership positions in time. Their capabilities and readiness are mapped against management positions that are or may become available. Meeting the individual training needs of employees requires focused interventions and development. Specific training interventions are instrumental to constructing career paths and succession planning. These create an environment that attracts new recruits and retains current employees.

Mustek Operations is a fully accredited member of the Media, Information and Communications Technologies (MICT) SETA and reclaims its full development levies every year. Our training and development programmes are registered with MICT SETA and the Safety and Security (SAS) SETA, to provide NQF accredited courses in these areas. These courses are also extended to external trainees.

Mecer Inter-Ed offers technical and business-related training to employees and external applicants. Training programmes include technical support, system support, end-user computing and soft skills training programmes. Technical employees are encouraged to obtain certifications in fields ranging across Microsoft engineering, A+, Server+, and Microsoft Certified IT Professional (MCITP). The value of Mecer Inter-Ed's internal training presented to staff equated to over R2 million for FY22.

Employees are matched with training programmes that will support their anticipated progression through the organisation. Bursary options are also made available to employees wishing to better establish themselves within the business.

Applications are considered on a case-by-case basis. Internships are accommodated within Mustek Operations in conjunction with Microsoft. This combination provides the individual with both formal training and job experience.



Our six capitals continued

Human capital continued



Rectron's human capital

Rectron's human capital management is driven by our people strategy, focused on talent attraction, management, development, retention and transformation. Our people strategy is aimed at facilitating a journey for our staff that supports the achievement of our strategic business objectives and transformation goals. Our people play a critical role in achieving our business performance objectives and it is thus important that we invest in people initiatives which drive business success.

Talent management

Our talent management framework and application involves the talent classification of our employees by assessing their potential and performance, thus informing our succession planning, employee developmental plans and performance management focus.

Employment equity

Our employment equity forum is representative of all employee occupational levels and all demographics. This forum has been upskilled and continuously engages and drives the implementation of employment practices that support our employment equity plan, diversity and inclusion. Our employment opportunities focus on addressing gaps identified in our employment equity plan.

Skills development

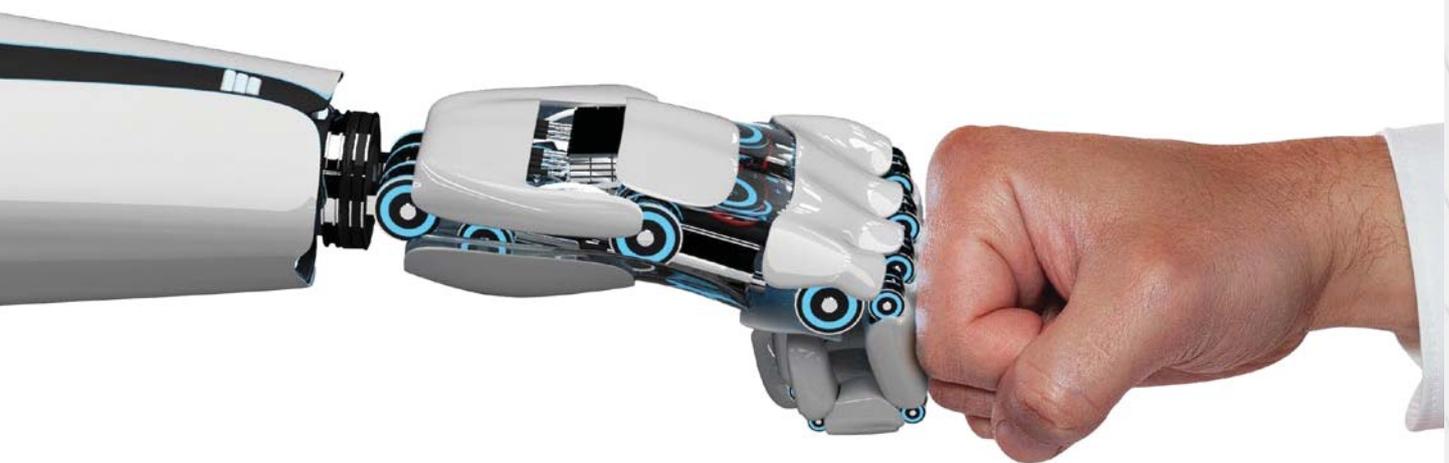
Our skills development plans are focused on leadership development, pipeline development for the acquisition of future critical skills, individual development planning and the provision of skills opportunities to unemployed youth. Our skills development initiative places emphasis on bridging internal skills gaps, addressing transformation and the broad development of skills which drive our strategic objectives. Some of our academies include our management development programmes, electrical engineering and technical support learnerships and our graduate development programme.





Social and relationship capital

Engaging with people, groups and businesses to strengthen our network



Social and relationship capital includes:



shared norms, and common values and behaviours



key stakeholder relationships, based on interactions and trust developed over years



intangibles associated with Mustek's brand and reputation



our social licence to operate



Our six capitals continued

Social and relationship capital continued



Maintaining key relationships

Mustek encourages proactive and sincere stakeholder engagement as the foundation of preserving and building on our social and relationship capital and in conducting sustainable business.

The interaction and integration of global economies mean there are multiple people, customers, investors, funders, communities, companies, governments, regulators, and economies that are affected by Mustek's operations, and thus have either a direct or indirect interest in our strategy and success. We consider these stakeholders integral to achieving our vision of being South Africa's ICT supplier of choice. Mustek is committed to working with each of its diverse stakeholders to understand their unique objectives and identify opportunities for leveraging our strengths to collaborate and achieve collective benefits.

Stakeholder feedback enables us to mould and enhance our strategy and operations to deliver more tangible value. Our stakeholder engagement framework, which includes regular constructive engagement, opportunities for feedback, and varied platforms for open dialogue, is managed by the Group's stakeholder relations officer and supported by the Group's Board of directors.

<p>Stakeholder group</p>	<p>The investor community</p> <ul style="list-style-type: none"> • shareholders • prospective investors • asset managers • bankers 	
<p>Engagement approach</p> <p>Mustek pursues engagement opportunities that cultivate trust with shareholders, investors, analysts and funders through transparent communication of operations, strategies and overall performance. In order to maintain good relationships, the Group is diligent in its management of finances, from the management of cash and debt to related risk.</p> <p>The Board is committed to achieving its goals with integrity, while being a responsible corporate citizen.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • business sustainability • share liquidity • debt-to-equity ratio • ROI • disclosure of financial and related information • macroeconomic concerns • dividend payments • management of risk and related exposure including information security • external assurance providers • long-term stability • sound governance. 	<p>Communication channels</p> <ul style="list-style-type: none"> • operational visits • investor presentations and roadshows • communication through the Securities Exchange News Service (SENS) • one-on-one communication between stakeholders and executive management • the publication of interim and full-year financial results and our Integrated Annual Report • the provision of financial information demonstrating conformance with debt covenants • corporate website • feedback emails • annual general meetings.
<p>Stakeholder group</p>	<p>Employees</p>	
<p>Engagement approach</p> <p>Mustek appreciates the pivotal role that employees play in its ongoing operations. They are an important pillar without which Mustek would not be able to deliver on its goals. It is incumbent on Mustek to maintain an open and mutually beneficial relationship with its staff members.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • job security • working conditions, including health and safety • fair remuneration and benefits • incentives and rewards • ongoing training and personal development • succession planning • non-discriminatory work environment • career paths • performance management • the Group's environmental sustainability • sound governance • securing of information, including personal information. 	<p>Communication channels</p> <ul style="list-style-type: none"> • induction and orientation of new employees • human resource policies and procedures • one-on-one supervision and instruction sessions with line managers • emails and posters • performance reviews with clear KPIs • regular employee training • Group communication via email updates • employee engagement surveys • team building and social events.



Our six capitals continued

Social and relationship capital continued

<p>Stakeholder group</p>	<p>Business partners</p> <ul style="list-style-type: none"> • customers • resellers 	
<p>Engagement approach</p> <p>Mustek sustains revenue generation and growth through partnerships with its reseller base and customers. The Group maintains constant communication with these customers to solve their problems and enable them to realise more value in their operations.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • legislative and regulatory landscape • Consumer Protection Act and POPIA compliance • diverse product and service offering across the Group • innovation and early adaptation to emerging trends • product quality, availability and after-sales support (lifecycle management) • reputable and sought-after vendors • effectiveness of processing and transacting systems • high degree of technical competence • stock availability and supply chain management • environmental impacts and “green products” • B-BBEE status. 	<p>Communication channels</p> <ul style="list-style-type: none"> • personal management meetings and visits • service management reports • customer surveys • solution and service updates and launches • incentive schemes • digital email service • web-based reseller portal • corporate website and brochures • roadshows, exhibitions and conferences • contract negotiations • telephonic support • social media interactions.
<p>Stakeholder group</p> <p>Engagement approach</p> <p>Mustek seeks partnerships that enable it to provide products and solutions of superior quality. It is important that we have a clear understanding of our suppliers’ and solution partners’ plans and goals, achieved through frequent and mutually beneficial communication.</p> <p>Maintaining strong relationships with suppliers is fundamental to the Group’s ongoing success.</p>	<p>Suppliers and vendors</p> <p>Topics of importance to them</p> <ul style="list-style-type: none"> • preferential supplier listing and B-BBEE status • products and pricing • extending market reach • innovation and early adaptation to emerging trends • meeting financial targets • accreditations and quality of training programmes • supply chain management • enterprise supplier development • market penetration • implementation of ISO 27001. 	<p>Communication channels</p> <ul style="list-style-type: none"> • preferential supplier agreements • relationship management meetings and visits • performance audits and reports • technology conferences • technology certifications • contract negotiations.

Stakeholder group	Regulatory agencies and government	
<p>Engagement approach</p> <p>The government can permit Mustek to operate or deny it the ability to do so, since it provides licences to operate. As a company listed on the JSE, Mustek is required to meet certain regulations, and maintain proactive communication with various regulatory bodies. The company ensures that it remains a going concern by complying with the requirements of legislation, guidelines, procedures and policies.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • compliance with legislation and regulations, including the JSE Listings Requirements and POPIA • skills development • governance • taxation • import and customs controls • diversity • empowerment and transformation, including B-BBEE status and employment equity • data privacy. 	<p>Communication channels</p> <ul style="list-style-type: none"> • written correspondence • interim and annual reports • collaborative forums • business associations • interpersonal meetings.
Stakeholder group	Local communities	
<p>Engagement approach</p> <p>Mustek embraces its responsibility to make a positive contribution to local communities and proactively seeks out opportunities to contribute to the communities in which it operates. Mustek focuses on technology education in disadvantaged communities and values the relationships that have been cultivated through these engagements.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • youth employment • local recruitment and vendors • social investment • community upliftment/financial education/ inclusion • development and education opportunities in previously disadvantaged communities • environmental impact and “green” products. 	<p>Communication channels</p> <ul style="list-style-type: none"> • CSI initiatives • open dialogue.
Stakeholder group	Media	
<p>Engagement approach</p> <p>Print, broadcast and online media are not only a key communication channel to our other stakeholders, but provide valuable feedback on the sentiment around Mustek Group.</p>	<p>Topics of importance to them</p> <ul style="list-style-type: none"> • interim and annual results • business sustainability • environmental, social and governance initiatives. 	<p>Communication channels</p> <ul style="list-style-type: none"> • results announcements • media statements and editorials • advertisements.



Our six capitals continued

Social and relationship capital continued

Transformation and maintaining our social licence to operate

Group transformative expenditure year-on-year (R million)

	2022	2021	2020	2019	2018
Skills development expenditure	23.7	26.1	19.6	19.8	15.5
Enterprise development expenditure	11.8	10	2.1	3.1	4.8
CSI expenditure	5.1	5.1	1.5	1.8	1.6

B-BBEE

Our commitment to transformation and B-BBEE is one of our strategic cornerstones. We view B-BBEE as both a moral and business imperative, and we continue to make good strides towards meeting and improving our B-BBEE ownership, transformation, recognition and business development targets.

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

Mustek Limited Group achieved an overall level 1 B-BBEE contributor status. The consolidated Group scorecard includes, among other subsidiaries, Mustek, Rectron and Mecer Inter-Ed. Mustek and Mecer Inter-Ed achieved level 1 B-BBEE contributor status while Rectron achieved level 2 B-BBEE contributor status.

Employment equity and workplace skills plans are submitted annually and Mustek is fully compliant with the Employment Equity Act, 55 of 1998 and the Skills Development Act, 97 of 1998.

During the 2022 financial year, the Group spent R23.7 million on staff training and skills development (2021: R26.1 million).

Procurement

Mustek procures goods and equipment that are not readily available in South Africa, mainly from overseas manufacturers. We procure significant input quantities from internationally recognised manufacturers in the Far East. Mustek does not deny the possibility that imports may be produced under unsatisfactory employment conditions; therefore, we only procure from accredited vendors.

These imports are excluded from the Group's total procurement spend in terms of the B-BBEE ICT sector codes.

Mustek meets the definition of a level 1 B-BBEE contributor in terms of its preferential procurement, as at 30 June 2022. We aim to secure full B-BBEE certificate compliance for all suppliers including exempted micro enterprises (EMEs), qualifying small enterprises (QSEs), and black-owned and black women-owned enterprises. For the past three years, we have consistently outperformed the 80% target for preferential procurement with BEE-compliant suppliers. In total, 90.76% (2021: 100.45%) of the total procurement spend was to suppliers with valid B-BBEE certificates. The percentage declined in the last year, mainly due to the effect of economic conditions on our suppliers. Some could not afford B-BBEE verification and others completely closed. However, we achieved above 100% (against a target of 80%) of our procurement spend towards empowering suppliers due to the multiplier factor and deliberate efforts to garner B-BBEE certificates for suppliers.

CSI

Our approach to CSI

Mustek Group channels its CSI toward education, training, community development and support.

Our CSI programme aims to empower previously disadvantaged communities to access opportunities in the mainstream economy, by improving the quality of, and access to, education. It also supports and facilitates the implementation of IT laboratories in selected schools. In this way, Mustek expands its pool of talent available in local communities.

The Group also supports educational initiatives that focus on STEM subjects, with ICT equipment.

Mustek Operations' CSI spend 2022

Mustek Group's CSI spend is calculated based on the Group's NPAT. Following excellent Group performance during FY22, CSI spend was approximately R5.1 million (2021: R5.1 million).

Mustek Operations' contributions were allocated to:

Beneficiary	Project description	% of spend benefiting black individuals	Amount
Cloud Education Solutions	Grant ICT equipment	100	R39 600
BeyondCOVID	Grant ICT equipment	100	R214 828
GirlHype	Grant ICT equipment	100	R145 876
MIE Java Programme for previously disadvantaged youth	Skills development to facilitate economic participation	100	R3 510 000

Cloud Education Solutions

Technology is changing the way schools teach and pupils learn, creating unique opportunities to redefine education. Cloud Education Solutions, the IT implementation partner for NGO Starting Chance and a Mustek Operations reseller, helps schools develop and support collaborative, purposeful, and technology-rich learning environments that nurture meaningful and sustainable educational innovation.

Mustek Operations donated Mecer 10" tablets to Starting Chance for its early childhood development TechSavvy programme. The tablets help to complement concrete learning, with the focus being on enhancing reading and literacy.

BeyondCOVID

People are stronger together than they are on their own, and the same applies to small businesses. BeyondCOVID organises small businesses into SMME collectives and partners them with established corporates to achieve the economies of scale required to access profitable markets, funding and supply chains. SMME collectives, modelled on farming co-operatives, reduce business risk for SMME members by providing full support on funding, infrastructure, training, enabling services, enabling technology and step change.

Mustek Operations donated personal computers and data packages to farmer members of the Taung Co-Op, an emerging farmer programme supported by BeyondCOVID and GWK, which will support virtual meetings and other essential communications pertaining to crop planning, performance management and profitability reporting. The computer equipment provided will play an invaluable role in helping the Taung Co-Op and its members on their technology enablement journey, with the promise of increased crop yields and quality going forward. Aside from the virtual communication and reporting immediately enabled, the computers establish the base infrastructure from which drones and sensors can be deployed.

GirlHype

GirlHype presents girls and youth with an opportunity to participate in, and develop technical competencies and social skills needed for, the 21st century job market and tertiary education in a fun, hands-on environment.

Mustek Operations donated laptops and networking equipment to GirlHype to provide coding lessons to 25 high school girls at COSAT High School in Khayelitsha. The participants receive 60 lessons over eight months, teaching them to code in various languages and to design and build mobile applications.

MIE Java Programme for previously disadvantaged youth

During the 2022 financial year, and in line with the Group's focus on developing youth and equipping them for a world that is fast becoming more and more digitised, we funded the participation of 26 young people in an in-depth Java training programme. Java development has been identified as one of the scarcest skills in South Africa, and worldwide, and the current supply cannot service the demand. The programme included coding/development fundamentals, soft skills, web design, and scripting – turning previously unemployed young people into sought-after experts. After successfully completing the five-month programme (which includes international certification exams), these interns are guaranteed placement at major South African blue-chip companies.



Our six capitals continued

Social and relationship capital continued

Rectron's CSI spend 2022

Our flagship CSI programme is called Progressive Educational Upliftment (PEU), derived from the Setswana word meaning "seed". PEU is centred around supporting STEM education in schools by capacitating our youth with the skills required for the Fourth Industrial Revolution economy and thus addressing some of the socio-economic challenges that South Africa faces.

Rectron's contributions were allocated to:

Beneficiary	Project description	% of spend benefiting black individuals	Amount
Koot Niemann Primary school	Grant ICT equipment	90	R231 079
Tshelenkosi Secondary school	Grant ICT equipment	100	R258 694
Boipelo Secondary school	Grant ICT equipment	100	R338 628
Ratasetjhaba Primary school	Grant ICT equipment	100	R324 013
Department of Education	Grant ICT equipment	85	R32 450

Koot Niemann Primary School

The Koot Niemann Primary School is a "no fee" school in Bloemfontein. It educates 1 271 learners from different areas in Manguang. We assisted the school with revamping and equipping a proper IT lab for students to enable computer-based programmes and learning.

Tshelenkosi Secondary School

Tshelenkosi Secondary school, located in Stanger in KwaZulu-Natal, caters for children from the community from Grades 8 to 12. Rectron assisted the school with donating ICT equipment for the purpose of equipping the school with its IT laboratory to assist students with ICT education in line with STEM subjects.

Boipelo Secondary School

Located in Kagiso in Gauteng, this school caters for the children from the surrounding community. Rectron assisted the school with revamping and equipping a new ICT lab at the school that will enable the students to become empowered through digital learning and prepare for a digital future in STEM-related subjects.

Ratasetjhaba Primary School

This small farm school located in Meyerton supports the community by providing education for and feeding children on a daily basis. We assisted the school with revamping a classroom that will be used as an ICT lab and donating equipment for the laboratory to assist all students in becoming computer literate, creating a foundation for growth in STEM subjects at this early development stage.

Department of Education

Computer equipment donated to the Department of Education in Bloemfontein was used for educational purposes.

Sizwe Africa IT Group

Education

Education is the primary focus area of our CSI strategy. We consider ICT a powerful enabler for social and economic inclusion and for tackling the many challenges facing our communities. Addressing these requires a holistic, long-term view and systemic approach founded upon insights, commitment, and partnerships.

Our education-related CSI initiatives include the provision of:

- connectivity in urban and rural schools
- ICT infrastructure and hardware in our adopted schools
- support and training for educators in e-learning technology.

Entrepreneurship

We support initiatives that develop women and youth entrepreneurs in ICT who are ready to exploit the opportunities offered by this fast-growing industry.

Environmental

Sizwe Africa IT Group is committed to reducing the current pressure on South Africa's energy grid and driving the demand for alternative energy solutions. We deploy bespoke turnkey solar solutions for our clients.

YOAC CSI spend 2022



Every year, YOAC sponsors back-to-school stationery for children in our community, ensuring that they have the equipment they need to ensure academic success. In 2021, 56 children received YOAC-sponsored stationery to the total value of R78 850.



In July 2021, KwaZulu-Natal experienced civil unrest that prevented many of our employees from accessing groceries and other necessities. We supplied groceries with a total value of R365 126 to our employees, benefiting 110 families. Employees responded by ensuring uninterrupted production at our manufacturing site.

Khauleza CSI projects 2022

Our main CSI initiative during the year under review encompassed an NQF Level 5 learnership in Ga-Rankuwa for post-matric learners. The programme, which ran from 1 September 2021 to August 2022, included four months of theoretical training, eight months of practical work placements, and a monthly stipend for the learners.



We also sponsored ICT infrastructure, Microsoft Home and Business software, anti-virus software and laptops to Kgatoentle Secondary School in Ga-Rankuwa.

Protection of customer data

As of 2023, our customers will be able to self-register with us through a website portal. Protecting customer-related data is of utmost importance to Mustek and we adhere to strict protection policies. In the year under review, no complaints related to breaches of privacy and loss of customer data were reported.

Although Mustek Operations and Rectron deals primarily with resellers, we will assist consumers directly when so warranted. Customers are requested to back up their devices before repair as part of our terms and conditions.

Customer information is stored on a secure SQL server with firewall protection and requires rigorous authentication for local network access. Databases are kept in a secure location on Mustek premises. We have not received any complaints regarding breaches of customer privacy or loss of customer data. We do not store sensitive information, such as passwords and credit card details.

Mustek Operations achieved ISO 27001 certification post year-end, with Rectron also progressing in this regard. The implementation of POPIA requirements for both Mustek Operations and Rectron are progressing well too.



In FY22, the Group received recognition by Huawei for being:

- Distributer of the Year (Mustek Limited)
- Nova Partner of the Year (Sizwe IT Group)
- Training Partner of the Year (Mecer Inter-Ed).



Our six capitals continued



Natural capital

The world's stock of natural resources, renewable and non-renewable, that support current and future prosperity of organisations.



Relative environmental conditions that can affect an organisation's purpose include:



air quality



land



biodiversity



natural resource availability



climate



water quality

Our natural capital at a glance

To achieve true sustainability, Mustek needs to harmonise its economic, social and environmental impacts for the greater good. Using natural resources sustainably gives future generations the chance to create an equal, if not better, quality of life than current generations. Economic activities and conservation of the natural environment are two sides of the same coin. Responsibly innovating through technology can conserve and even clean up the natural environment.

Mustek Group uses and provides innovative technology for conserving our environment.

Mustek uses:

- coal-based electricity sourced from Eskom
- petrol and diesel to fuel vehicles and generators
- solar energy to power buildings, thereby reducing emissions and the overall cost of electricity
- manufactured components for Mecer hardware
- packaging material
- water.

Management approach

Environmental performance is a strategic focus area for Mustek. Environmental goals are incorporated into routine operations, procedures and processes, while also being integrated into employee training.

Mustek's environmental management goals are to:

- comply with legislation and all compliance obligations
- protect the environment and prevent pollution, emphasising waste and energy management
- procure and utilise energy-efficient products and services.

We used the systematic approach of ISO 14001 and ISO 50001 to manage the Group's environmental management and energy usage. ISO 14001 considers "future challenges" for environmental management, which includes being part of sustainability and social responsibility; linking to strategic business management; engaging stakeholders; and managing parallel systems such as greenhouse gas and energy.

Our internal processes ensure compliance with local, provincial and national environmental legal requirements. These include reporting on electricity purchased from the municipality, renewable energy generated by Mustek, and our volumes of fuel consumed.

Mustek's primary environmental impact is waste in the form of packaging materials, electronic waste from redundant components and office waste, such as paper. Service providers, also ISO 14001 certified, recycle Mustek's waste in a legally compliant manner. Our carbon emissions are reduced by using photovoltaic (PV) systems that generate solar energy and by optimising our consumption of electricity. The integration of an ISO 50001 EnMS into Mustek's existing environmental management system has enabled a consistent approach to energy management that reduced our energy consumption further.

2022 highlights

Emissions for Mustek Operations decreased by 1.5% due to reduced electricity consumption and the Group's increasing use of solar energy.

Since December 2021 Mustek Operations' Gqeberha branch managed to remain fully operational by utilising rainwater from its rainwater tank system during the city's water crisis.

Rectron Midrand has installed a filtration plant at its borehole and consumes only filtered water.



Our six capitals continued

Natural capital continued

Mustek's precautionary approach

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

Mustek's precautionary approach is to maintain ISO 14001. As required by the standard, Mustek aims to identify activities, products, or services that interact or can interact with the environment and whether the associated environmental aspects may cause beneficial or adverse impacts on the environment.

Environmental key performance GRI indicators for Mustek

- no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services were reported
- all products include labelling that indicates:
 - model number
 - input rating
 - output rating (if relevant)
 - a recycling statement included on all Mecer computer boxes
- no issues of non-compliance with regulations and voluntary codes concerning product and service information and labelling were reported
- the Group's objective is to reduce its emissions where possible, supported by ongoing energy management improvement initiatives such as:
 - replacing all LED lights with more energy-efficient options, on an ongoing basis
 - replacing old air conditioners as these fail with environmentally-friendly models utilising a R410a coolant that generates less greenhouse gases. Other models contain inverters that consume less power while offering superior power outputs
 - upgrading of solar infrastructure at head office and certain branches
 - utilising borehole water or rainwater tanks wherever possible to spare municipal supplies.

Although Mustek Operations' operational activities increased over the course of the year, overall emissions decreased by 1.5% to 2 123 CO₂e (FY21: 2 155 CO₂e). This was due to an increase in PV energy consumption and decreased bought electricity consumption brought about by intensified loadshedding. As a consequence, our fuel bill for generators increased by 50%.

- Mustek and Rectron have registered with the Department of Environment, Forestry and Fisheries as required by the Extended Producer Responsibility regulations of the Waste Act, 59 of 2008. Mustek and Rectron have also registered with the relevant Producer Responsibility Organisations, as required, for the reporting of weights of electronic product and its associated packaging

- the National Energy Act Regulations require a mandatory display and submission of energy performance certificates for buildings greater than 1 000 m² by December 2022. Assessments by accredited service providers are currently underway
- electronic waste is classified as hazardous in its waste form. It is thus collected and responsibly recycled, with 22 tonnes (2021: 15 tonnes) of e-waste recycled by Mustek head office and its bigger branches in this financial year
- Rectron recycled 24 tonnes (2021: 18 tonnes) of waste, of which seven tonnes was e-waste. During the year our Durban and Cape Town branches implemented recycling initiatives, which boosted Rectron's recycling tonnage.

Energy consumption and greenhouse gas (GHG) emissions

Reducing Eskom electricity consumption lowers costs and raises Mustek's profile as a leading provider of renewable energy technology.

In 2011, Mustek Operations set its first energy reduction target, which was reached mainly through the installation of thousands of LED lights and the solar panel project. These installations significantly reduced the Group's overall electricity footprint and demonstrated the viability of renewable energy for powering corporate infrastructure.

In 2013, Mustek invested R3.9 million into installing 924 solar PV panels on the roof of its Midrand head office and assembly line. These panels reduce the Midrand installation's electrical consumption and its peak demand by approximately 10%.

Based on the success of the Mustek initiative, in 2014 Rectron installed a similar array of solar panels to reduce its energy costs and GHG emissions. In 2018, Mustek added another PV system to its MST building and in 2019, installed a PV system while constructing its new Cape Town premises.

These initiatives have reduced Mustek's energy consumption by 67% from 6 505 CO₂e in FY10 to 2 123 CO₂e in FY22.

With its current PV systems having proved so successful, Mustek Midrand is upgrading its solar infrastructure to handle its daily power consumption, supported by a 2.1 MWh battery backup storage solution. This major upgrade is scheduled to come online in Q2 FY23.

Rectron has optimised its Eastern Cape PV plant with the objective to go "off-grid" from municipal and national supplies. This upgraded system is not yet delivering due to delays in gaining certain city council approvals.

Emissions

Mustek – emissions (tonnes CO ₂ e)	2018	2019	2020	2021	2022
Scope 1 Stationary fuels	10	27	32	38	56*
Company-owned vehicles	366	386	323	59	224**
Other fugitive emissions (non-Kyoto gases)	31	79	77	74	8
Scope 2 Electricity***	2 099	2 026	2 026	1 984	1 835
Total emissions	2 506	2 518	2 458	2 155	2 123

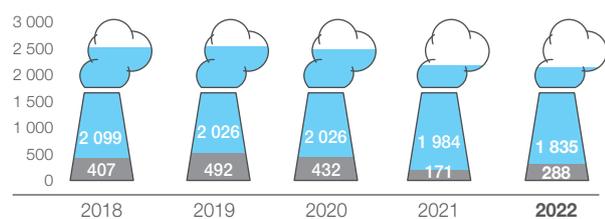
* Use of diesel continued to increase due to loadshedding.

** Mustek started using its own drivers again in addition to couriers, hence the increase in fuel for company-owned vehicles.

*** Mustek uses internal meters to measure electricity consumption at its Midrand branch.

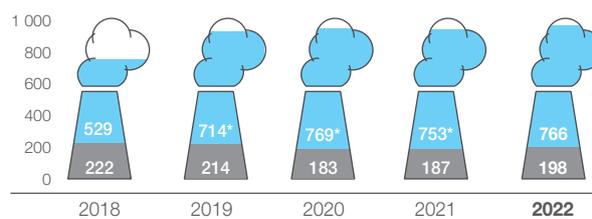
Rectron – emissions (CO ₂ e)	2018	2019	2020	2021	2022
Scope 1 Non-renewable fuel	222	214	183	187	198
Scope 2 Electricity	529	714	769	753	766
Total emissions (Scope 1 and Scope 2)	751	928	952	940	964

Mustek – emissions (CO₂e)



Scope 1 Non-renewable fuel
Scope 2 Electricity

Rectron – emissions (CO₂e)



Scope 1 Non-renewable fuel
Scope 2 Electricity



Our six capitals continued

Natural capital continued

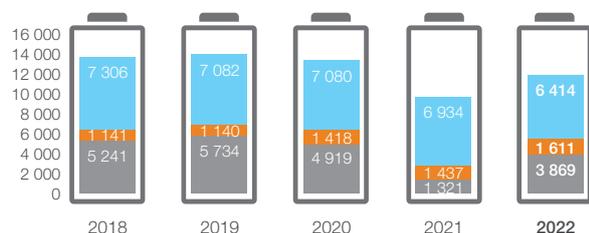
Energy

Mustek – energy consumption (GJ)	2018	2019	2020	2021	2022
Scope 1 Stationary fuels	137	373	435	513	768
Company-owned vehicles (petrol)	2 744	2 564	2 057	212	1 210
Company-owned vehicles (diesel)	2 360	2 797	2 427	596	1 891
Scope 1 Renewable fuel (solar)	1 141	1 140	1 418	1 437	1 611
Scope 2 Electricity (GJ)	7 306	7 082	7 080	6 934	6 414
Total energy consumed	13 687	13 956	13 417	9 692	11 893

Rectron – energy consumption (GJ)	2018	2019	2020	2021	2022
Scope 1 Renewable fuel	1 306	1 337	1 038	812	906*
Scope 1 Non-renewable fuel	3 042	2 941	2 506	2 555	2 703
Scope 2 Electricity consumed	1 850	2 494	2 688	2 633	2 677
Total energy consumed	6 198	6 772	6 232	6 000	6 286

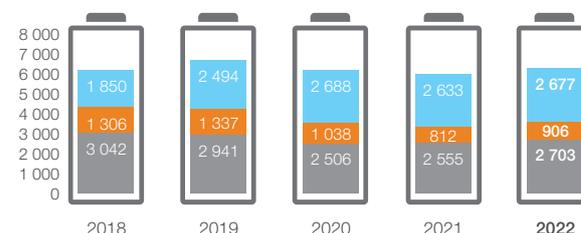
* The goal to take the Eastern Cape branch off-grid was not attained due to delays in council approval.

Mustek – energy consumption (GJ)



Scope 1 Non-renewable fuel
 Scope 1 Renewable fuel
 Scope 2 Electricity consumed

Rectron – energy consumption (GJ)



Scope 1 Non-renewable fuel
 Scope 1 Renewable fuel
 Scope 2 Electricity consumed

In FY23, Mustek Operations is investing in excess of R20 million in the Midrand Office's solar energy, which will see the site operating almost entirely independently of the national energy grid.

In FY22, Rectron invested in upgraded solar power solutions at both its Port Elizabeth and Midrand branches. The company is committed to remaining up to date with factors that impact the environment, legislation relating to environmental compliance and ways that we can contribute towards improving the environment in which we operate.

Waste abatement and disposal

Waste management at Mustek receives considerable attention. Much of Mustek and Rectron’s waste is packing materials, including wooden pallets, cardboard, plastic, polystyrene fillers and electronic waste.

Electronic waste is considered hazardous in its waste form and should be recycled or disposed of in a legally compliant manner. Mustek and Rectron utilise service providers that can demonstrate compliance and are ISO 14001 certified. The lifecycle approach is addressed in the labelling of Mecer computer boxes that inform customers of the need to suitably dispose of obsolete computer equipment to prevent hazardous waste dumping in landfill sites.

At Mustek Operations’ Gauteng site, a waste management company has an onsite team to separate waste into various streams, which are collected and sent for recycling, or disposed of at a permitted landfill site. The tonnage per stream is reported back to Mustek. Waste also contributes to the Group’s emissions, although it has a far more significant impact on landfill sites and wasted resources. The Scope 3 contribution of emissions from waste is, however, not included in our reported emissions values.

The amount of waste recycled by Mustek head office and its bigger branches was 138 tonnes, with much of this waste being derived from cardboard recycling.

Group waste

Mustek Operations and Rectron – waste (tonnes)	2018	2019	2020	2021	2022
Mustek Operations recycled waste (including branches)	149	150	134	156	138
Rectron recycled waste (including branches)	11	11	8	18	16

Mustek Operations Gauteng targets a recycling percentage of 78% and in FY22 we achieved an exemplary 81%.

Mustek Gauteng – waste recycled (%)



Rectron Gauteng recycled

16 tonnes

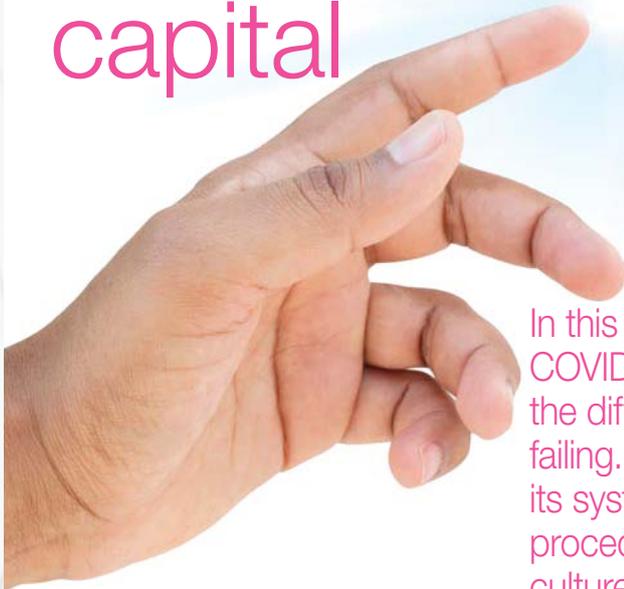
of waste, with its Durban and Cape Town branches also now embarking on waste recycling initiatives.



Our six capitals continued



Intellectual capital



In this information age, and especially in the COVID-19 era, intellectual capital can be the difference between an enterprise prospering or failing. The intellectual capital of a company includes its systems, research and development policies, procedures and controls, patents, and corporate culture. Intellectual capital dovetails with human capital through employee competence, skills, training and development (which includes knowledge of work procedures, work ethics and values), and experience. In brief, intellectual property (IP), human capital, social and relationship capital, and corporate processes combine to produce intellectual capital.

Mustek's knowledge-based intangibles include:

- intellectual property, such as patents, copyrights, software, rights and licences

- organisational capital, including tacit knowledge, systems, procedures and protocols

Mustek's intellectual capital comprises:

- ICT industry insight
- competitive intelligence
- corporate culture
- understanding our customers and markets
- assembly lines and logistics management
- our human assets.

Intellectual capital in the ICT sector

In the ICT industry, more so than in many others, the most successful companies are defined by the talent they can deploy in vital internal roles such as innovation, logistics, product/service development, human development and marketing. With ICT developing at warp speed due to the pandemic-inspired shift to remote working, retaining top talent has become increasingly crucial to sustainable profitability in this hyper-competitive industry. Another key factor for ICT wholesalers and distributors is access to the top ICT brands.

Mustek has established a corporate culture based on respect, hard work, ethics, innovation and generous rewards. As a result, employee churn is historically low and the Group's executive and technology leadership remain stable from year to year.

As a result, Mustek depends on the cumulative intellectual capital refined over 34 years to inform, adapt and drive our business strategy. Building onto the five other capitals, Mustek's intellectual capital keeps the Group sustainably profitable, year after year.

How we leverage intellectual capital to drive our strategy

The ICT industry is fiercely competitive and fast moving. Mustek's adaptability and understanding of the industry and consumer trends are critical to staying relevant in future while meeting current demands.

The Group's intellectual capital is refined by continually:

- anticipating the needs of customers in the future
- offering comprehensive, high-value solutions
- partnering with the best providers of forward-thinking technology solutions and services
- acquiring product lines in emerging technologies
- assessing product and service gaps, as well as identifying adjacent opportunities
- improving operational efficiencies and cost management
- identifying and mitigating risks
- upskilling and motivating our workforce.

Mustek can react nimbly to any market demand and can gear the assembly line to reconfigure devices in line with current consumer trends. In a constantly changing IT landscape, this flexibility is vital to the Group's success.

Moving beyond brands into solutions

In its first two decades, Mustek focused largely on Mecer, our proprietary brand of PCs, notebooks, servers and peripherals. In 2008, in response to the ICT industry's evolution beyond products and brands, Mustek repositioned the Group as a broad-based distributor of premium-brand ICT products and solutions. This horizontal and vertical growth strategy aggregates brands, products and in-house ICT expertise into the end-to-end solutions that clients require. Unlike earlier years, there is no particular emphasis on hardware or software, as these are integrated into the solutions specifically required by clients. Mustek has since grown into a truly all-round ICT solutions provider, able to offer any corporate, office or home ICT-related solution on any scale throughout South Africa.

Nevertheless, sought-after brands attract our target audiences. Mustek accumulated a stable of global, leading brands such as Microsoft, Samsung, Huawei, Lenovo, Apple and many others. It is a formidable portfolio supported by South Africa's leading distribution and servicing network.

Mecer, Mustek Operations' in-house brand and easily the most well recognised local South African ICT brand, continues to grow sales volumes across its growing portfolio of computers, power supply and peripheral ICT hardware.

Green energy solutions

The Group has added green energy solutions to the ICT stack as a natural extension of our UPS business. What started as an internal trial of solar power for our server room and conveyor belts has become a strong business.

Excellence through international standards and awards

Group recognition by Huawei:

- Distributor of the Year (Mustek Limited)
- Nova Partner of the Year (Sizwe IT Group)
- Training Partner of the Year (Mecer Inter-Ed).

Mustek Operations was awarded:

- Inverter Brand of the Year (Mecer) – Channelwise Awards
- Consumer Distributor of the Year – Lenovo
- Beyond Awards Total Solutions Win – Zebra
- PC Channel Partner Award – Huawei Consumer Business Group.

Rectron was awarded by Microsoft:

- Star Achiever's Award
- Second place in the MEA region
- First place in South Africa.

Mustek's certifications

- ISO 9001:2015 (quality)
- ISO 14001:2015 (environment).

All of Mustek's business processes are included in the scope of its QMS, including the import, sales, assembly, testing, distribution, installation and servicing of computer-related equipment and technological standards.



Our leadership team

A diverse and effective leadership team

Each of our directors brings valuable skills and experience that contribute to the effectiveness of the Board as a whole.



Hein Engelbrecht (53)

Group chief executive officer

Qualifications:

BCom (Hons), CA(SA)

Committees:

Group Social and Ethics Committee

Hein Engelbrecht holds a BCom (Hons), is a registered chartered accountant and joined the Group in 1997 as Group financial manager. He completed his articles with Grant Thornton Kessel Feinstein and spent two-and-a-half years as financial manager of Office Directions Proprietary Limited. He was appointed to the Board on 1 September 2000. After the passing of David Kan, Hein was promoted to Group chief executive officer on 30 June 2022.



Neels Coetzee (47)

Executive director/Mustek Operations: Managing director

Qualifications:

BCom (Hons), CA(SA)

Committees:

Group IT Steering Committee

Neels Coetzee holds a BCom (Hons), is a registered chartered accountant and joined the Group in 2001 as Group financial manager after completing his articles with Deloitte & Touche in 2000. He was appointed to the Board as financial director on 29 August 2008. Neels was appointed as managing director of Mustek Operations effective 5 July 2022.



Shabana Aboo Baker Ebrahim (34)

Group financial director

Qualifications:

BCom Hons (Cum Laude), CA(SA)

Committees:

Group IT Steering Committee

Shabana Aboo Baker Ebrahim is a qualified chartered accountant and holds a Masters in Taxation. She joined the Group in 2020 as Group financial manager and worked with the Group as the audit manager on the Deloitte audit team since 2016. Shabana was previously an Associate Director at Deloitte & Touche. Her experience includes financial management and reporting, auditing, governance and compliance, strategy development and implementation, and taxation.



Pamela Marlowe (40)

Independent non-executive director

Qualifications:

CA(SA)

Committees:

Group Audit and Risk Committee (chairman)

Pamela Marlowe is a Founder and Managing Director of DNM Consulting Proprietary Limited and Pamag Incorporated. She holds a Bachelor of Accountancy degree from the University of the Witwatersrand, an HDipTax qualification from Nelson Mandela Metropolitan University and is a registered chartered accountant. She is a registered Tax Practitioner with SARS and a Registered Auditor with IRBA. She is a member of the IoDSA and a Certified Director by the IoDSA. She is a member of the Finance Committee of St Peter's College, a Trustee of the EnviroServ BBOS Trust, the Chairperson of the Resultant Finance Risk and Audit Committee and a Non-Executive Director of Resultant Finance.



Shelley Thomas (55)

Independent non-executive director

Qualifications:

CA(SA)

Committees:

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

Shelley has over 20 years of experience sitting on boards and oversight committees in the public and private sectors. Her experience includes the head of forensic, compliance, and governance and that of financial director. Shelley previously sat on a regulatory board for 11 years, where she provided regulatory oversight for operating licences.



Rev Dr Vukile Mehana (69)

Non-executive chairman

Qualifications:

BTh, AMP, Top Management Programme Certificate on Public Enterprise, MBA,
DPhil, DBA

Committees:

Group Remuneration and Nominations Committee (Nominations chairman)

Rev Dr Mehana is an ordained minister of the Methodist Church. He is currently the Executive Chairman of Sizwe Africa IT Group. He is a former chairperson of the Governing Council of the University of KwaZulu-Natal, the founder and former chairperson of the Community Schemes Ombud Services (CSOS), a former chairperson of the NHBRC and a former adjunct professor at the University of Cape Town Graduate School of Business. Rev Dr Mehana holds a BTh from Rhodes University, AMP from INSEAD Business School (France), Top Management Programme Certificate on Public Enterprises from the National University of Singapore, MBA from De Montfort University (UK) with DPhil from the University of Johannesburg and a DBA from the Commonwealth University.



Ralph Patmore (70)

Lead independent non-executive director

Qualifications:

BCom, MBL, Stanford Executive Programme

Committees:

Group Audit and Risk Committee, Group Social and Ethics Committee,
Group Remuneration and Nomination Committee (Remuneration chairman)

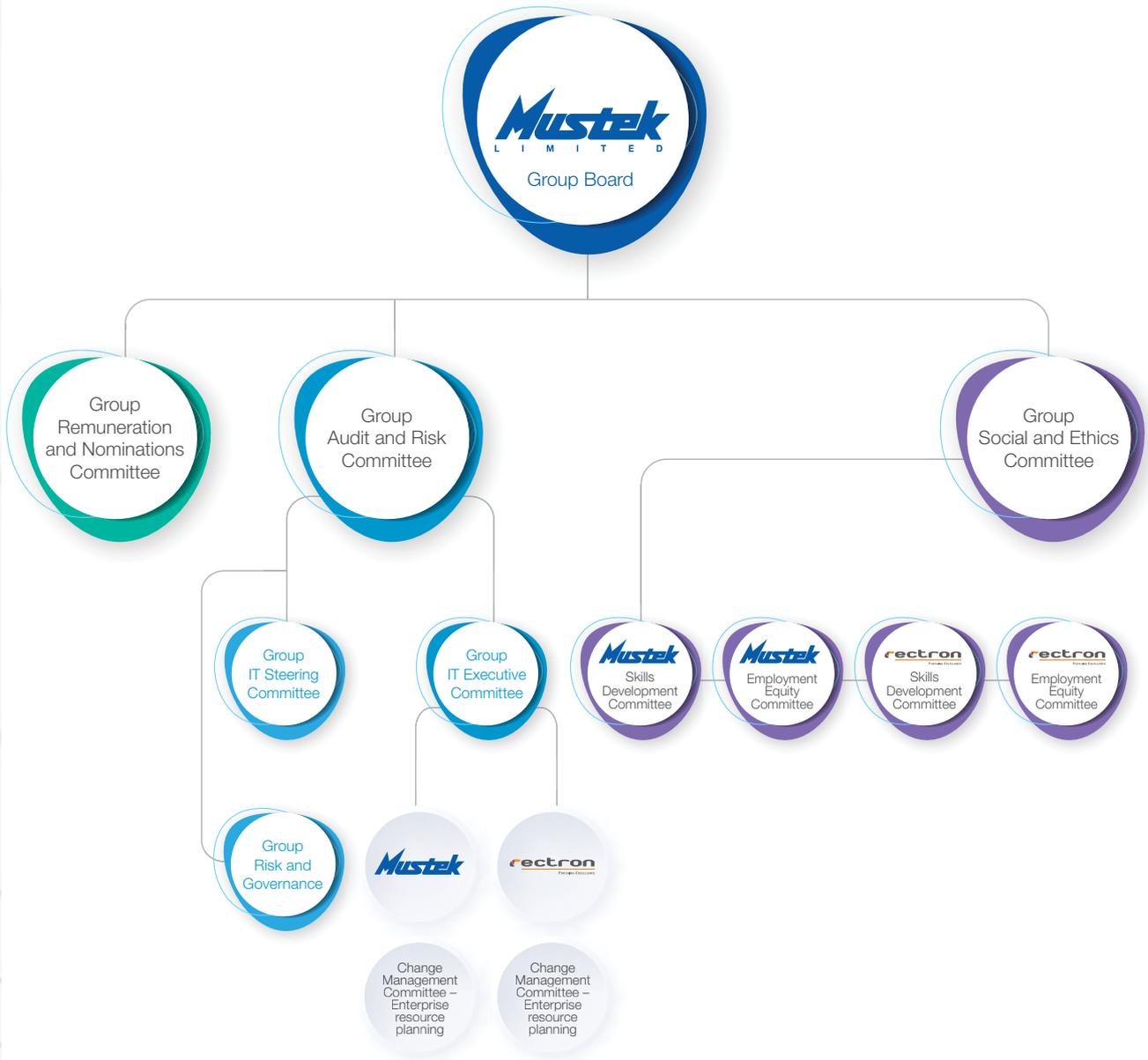
Ralph Patmore was appointed to the Board on 16 October 2009. He holds a BCom and an MBL from Unisa's School of Business Leadership. He was the chief executive officer of Iliad Africa Limited from its inception in 1998 until his retirement in September 2008. He is also a non-executive director of Trellidor Holdings Limited and Calgro M3 Holdings Limited.



Corporate governance report

Governance reporting structure

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



Board of directors



Vukile Mehana

69
Black male
Non-executive
Board chairman



Ralph Patmore

70
White male
Lead independent,
non-executive
director



Shelley Thomas

55
Indian female
Independent
non-executive
director



Neels Coetzee

47
White male
Executive director/
Mustek Operations:
Managing director



Pamela Marlowe

40
Black female
Independent
non-executive
director



Hein Engelbrecht

53
White male
Group chief
executive officer



Shabana Aboo Baker Ebrahim

34
Indian female
Group financial
director

Social and Ethics Committee



Shelley Thomas

55
Indian female
Chairman



Hein Engelbrecht

53
White male



Ralph Patmore

70
White male



Standing invitees

Mustek MD, Mustek CFO, and HC executives, Rectron CEO and FD, and Group company secretary

IT steering committee



Shabana Aboo Baker Ebrahim

34
Indian female
Group financial
director (chairman)



Olga-Lee Levey

50
White female
Chief information
officer



Dimitri Tserpes

57
White male
Mustek chief
technical officer



Spencer Chen

46
Coloured male
Rectron chief
executive director



Neels Coetzee

47
White male
Mustek Operations:
Managing director



Alan Michas

70
White male
Rectron
IT manager



Christiaan Engelbrecht

41
White male
Rectron
financial director

Audit and Risk Committee



Pamela Marlowe

40
Black female
Chairman



Ralph Patmore

70
White male



Shelley Thomas

55
Indian female



Standing invitees

Group CEO, Group FD, Mustek MD, Mustek CFO, Rectron FD, internal auditor, external auditor and Group company secretary

Remuneration and Nominations Committee



Ralph Patmore

70
White male
Chairman



Shelley Thomas

55
Indian female



Vukile Mehana

69
Black male



Standing invitees

Group CEO, Group FD, Group company secretary

CEO – chief executive officer
MD = managing director
FD = financial director
HC = human capital



Corporate governance report continued

Custodians of governance

The Board accepts its responsibility as the custodian of corporate governance within the Group and is therefore accountable to stakeholders to provide value-enabling governance. The Board is constituted in terms of the company's memorandum of incorporation and in line with King IV. Most of the Board members are independent non-executive directors who bring diversity to Board deliberations and create value by constructively challenging management.

A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers. A Group delegation of authority framework is in place and regularly reviewed to ensure the necessary authority is delegated to management to implement and execute the strategy. The Board is satisfied that the Group delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Board is the highest decision-making body in the Group. It approves the Group's strategy and ensures that it is aligned with the Group's values. The Board assumes collective responsibility for steering and monitoring strategy implementation and performance targets, as well as any risks involved in the implementation of the strategy.

It is collectively responsible for the Group's long-term success. The Board is accountable to shareholders and strives to balance the interests of the Group and those of its various stakeholders. All directors are continuously taking steps to ensure that they have sufficient working knowledge of the Group and industry within the triple context in which it operates. Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making.

The directors have access to the advice and services of the Group company secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors.

Board composition

It was with great sadness that we announced the passing of David Kan on 19 May 2022. Subsequently, Hein Engelbrecht was promoted to Group chief executive officer and Neels Coetzee to managing director of the Mustek Operations. Shabana Aboo Baker Ebrahim was appointed as Group financial director. Non-executive directors remain unchanged from the previous reporting period.

The Board met seven times during the 2022 financial year, two being special meetings and one being a strategy session.

Board and sub-committee attendance is outlined below:

Name	Classification	Board attendance	Committee membership and attendance		
			ARC	RNC	SEC
Non-executive director					
Vukile Mehana	Non-executive Board chairman	7/7		2/2*	
Independent non-executive directors					
Ralph Patmore	Lead independent non-executive director	6/7	5/5	2/2*	2/2
Shelley Thomas	Independent non-executive director	7/7	5/5	2/2	2/2*
Pamella Marlowe	Independent non-executive director	7/7	5/5*		
Executive directors					
Hein Engelbrecht ²	Group chief executive officer	7/7			
Neels Coetzee ³	Managing director	6/7**			
Shabana Aboo Baker Ebrahim ⁴	Group financial director	–			
David Kan ¹	Chief executive officer	4/5			

* Chairman.

** Recused from the meeting.

ARC – Audit and Risk Committee.

RNC – Remuneration and Nominations Committee.

SEC – Social and Ethics Committee.

1 – deceased 19 May 2022.

2 – promoted to Group chief executive officer on 30 June 2022.

3 – promoted to managing director of Mustek Operations on 5 July 2022.

4 – appointed as Group financial director on 5 July 2022.

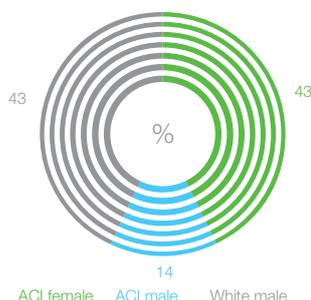
Appointment, rotation and re-election of directors

The Board has a formal and transparent policy regarding the appointment of directors to the Board. While the appointments are a matter for the Board, the authority to oversee the nomination and to carry out the interview process has been delegated to the Group Remuneration and Nominations Committee.

Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The Group Remuneration and Nominations Committee also considers race and gender diversity in its assessment in line with its race and gender diversity policy. The committee's targets for race and gender were 50% and 30%, respectively. These targets are taken into consideration with new appointments. Both these targets were exceeded with the appointment of Shabana Aboo Baker Ebrahim. New targets of 65% for race and 50% for gender were agreed upon until there are further changes to the Board.

New appointees are appropriately familiarised with the Group's business through an induction programme. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with the requirements set out in the Companies Act, 71 of 2008, as amended (the Companies Act) and King IV.

Board demographics



(ACI – African, coloured, Indian)

Race and gender performance



In accordance with the company's memorandum of incorporation, a director, having been appointed by the Board since the last AGM of the company, is obliged to retire and, being eligible, offers himself/herself for election at the next AGM. Shabana Aboo Baker Ebrahim was appointed as Group financial director on 5 July 2022 and her appointment will be confirmed by shareholders at the AGM to be held on 5 December 2022.

In line with the memorandum of incorporation, one-third of the directors are required to retire, and if available and eligible, stand for re-election at the company's AGM. Those directors who have been in office for the longest, as calculated from the last re-election or appointment date, are required to stand for re-election. At the AGM, Ralph Patmore and Vukile Mehana will retire and be eligible for re-election.

The professional profiles of Shabana Aboo Baker Ebrahim, Ralph Patmore and Vukile Mehana can be found on pages 78 to 89 in the Integrated Annual Report.

Board composition

Race

	2022 target	2022 actual	2023 target
Black	50%	4 (57%)	65%
Other	50%	3 (43%)	35%

Gender

	2022 target	2022 actual	2023 target
Female	30%	3 (43%)	50%
Male	70%	4 (57%)	50%

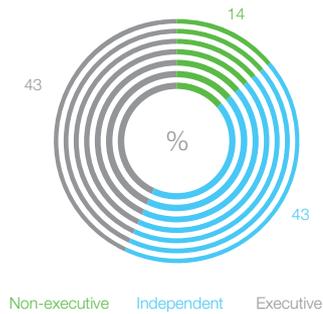


Corporate governance report continued

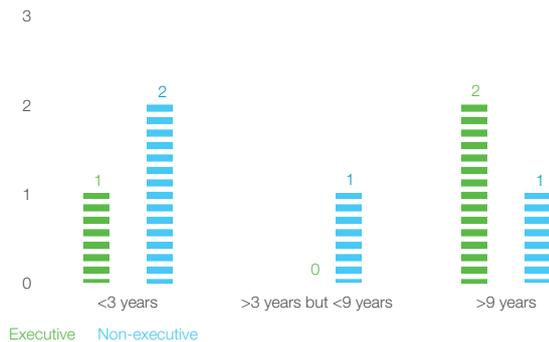
Non-executive director tenure and succession

The management of the Board's succession process is crucial to its sustainability. The Group Remuneration and Nominations Committee ensures that, as directors retire, candidates with the necessary experience are identified to ensure that the Board's competence and balance are maintained and enhanced, taking into account the Group's current and future needs.

Director classification



Board tenure



Leadership roles and functions

Non-executive directors

All members of the Board have a fiduciary responsibility to represent the best interest of the Group and all of its stakeholders. The Group's non-executive directors are individuals of a high calibre and credibility who make a significant contribution to the Board's deliberations and decisions. They have the necessary skills and experience to exercise judgement on areas such as strategy, performance, transformation, diversity and employment equity.

Board members' skills and experience

Area	Count
Large corporations	7
Accounting and auditing	6
Technology and innovation	2
Human resources	3
Marketing and strategy	4
Macroeconomic and public policy	5
Governance	7
Stakeholder management	7
Environment and climate	3

The chairman

The chairman's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focused and operates as a unit. Vukile Mehana is a non-executive chairman and his role is separate from that of the Group chief executive officer, Hein Engelbrecht.

Vukile Mehana provides overall leadership to the Board and the Group chief executive officer without limiting the principle of collective responsibility for Board decisions.

Chief executive officer

The Board appoints the chief executive officer to lead and implement the execution of the approved strategy. Hein Engelbrecht serves as the link between management and the Board and is accountable to the Board. Quarterly progress reports are received from the Group chief executive officer on the progress made against the implementation of the strategy. The Group Remuneration and Nominations Committee evaluates the performance of the Group chief executive officer against approved targets on an annual basis.

Group company secretary

The Group company secretary plays a vital role in the corporate governance of the Group and is responsible for ensuring Board compliance with procedures and regulations of a statutory nature. The Group company secretary ensures compliance with the JSE Listings Requirements and is responsible for submitting the annual compliance certificate to the JSE Limited.

The Group company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the Board and its members and the company itself are properly administered. The Board satisfied itself regarding Sirkien van Schalkwyk's work experience, performance, technical skills and overall competence in fulfilling her role as Group company secretary at the Board meeting on 8 September 2022 (during which time she was excused from the meeting). She is a consultant and maintains an arm's length relationship with the Board. She reports to the chairman on all statutory duties and functions performed relating to the Board.

The Group company secretary's primary responsibilities are to:

- ensure that Board procedures are followed and reviewed regularly
- ensure applicable rules and regulations for the conduct of the affairs of the Board are complied with
- maintain statutory records in accordance with legal requirements
- guide the Board as to how its responsibilities should be properly discharged in the best interest of the company
- keep abreast and inform the Board of current and new developments regarding best practice corporate governance thinking and practice.

Ethical and effective leadership

The Board is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws, while being a responsible corporate citizen. The Board has adopted a Code of Ethics and Business Conduct that is continuously reviewed and sets the tone for an ethical culture within the Group. The directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as the social, political and physical environment within which the Group operates.

The Group Code of Ethics and Business Conduct is included as part of the induction for new employees as well as other regular training programmes and is available on the company's website at www.mustekgroup.com. Ethics are part of our recruitment process, evaluation of performance and rewards of employees as well as the sourcing of suppliers. No material ethical leadership and corporate citizenship deficiencies were identified by the Board Audit and Risk Committee and the Group Social and Ethics Committee, monitors compliance with Group's Code of Ethics and Business Conduct through various reporting channels including its internal audit department and the whistleblower hotline. Quarterly feedback is given to the relevant committees and the Board while sanctions and remedies are in place when ethical standards are breached.

Mustek received no requests in terms of the Promotion of Access to Information Act, 2000 during the reporting period.

In line with the requirements of the POPIA, the company's privacy policy is available on the website at www.mustekgroup.com

Independence and conflicts

During the year ended 30 June 2022, none of the directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in note 29 to the annual financial statements.

During the reporting period, the declaration and conflict of interest policy was reviewed and updated. Directors are required to inform the Board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest, in accordance with the declaration and conflict of interest policy that is in place. A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda. This is minuted accordingly.

When categorising the non-executive directors as independent, the interests, position, association or relationship is taken into consideration. Independent non-executive directors serving for longer than nine years are subjected to a rigorous review of their independence and performance by the Board.

The Board makes full disclosure regarding individuals serving for more than nine years to enable shareholders to make their own assessment of directors. This, together with the test of being judged from the perspective of a reasonable and informed third party and other indicators on a substance-over-form basis, Ralph Patmore, Shelley Thomas and Pamela Marlowe were found to be independent. The categorisation of directors can be found on pages 78 to 79 of the Integrated Annual Report.

Insider trading

No employee of the Group may deal directly or indirectly in the company's shares based on unpublished price-sensitive information regarding the business. No director or officer of the Group may disclose trade information regarding business. Directors or officers of the Group are precluded from trading in the shares of the Group during a closed period or prohibited period, as determined by the Board. Notification to this effect is communicated to the Group's employees. A price-sensitive information Group policy was reviewed and is in place in line with the JSE Listings Requirements.

Any director wishing to trade in ordinary shares of the company must obtain clearance from the chairman of the Board or, in his absence, the Group chief executive officer. The directors keep the Group company secretary advised of all their dealings in securities and details of dealings are placed on SENS in line with the JSE Listings Requirements.

Assessment of the Board

The Board was evaluated by way of questionnaires to determine the focus areas for the year. The overall functioning of the Board was satisfactory. With the appointment of the Group chief executive officer, a more Group-focused approach commenced, supporting current investments as well as potential new investments. Support for associate companies would continue with a view on more value add.



Corporate governance report continued

Commitment to the governance principles set out in King IV

The Board remains committed to the principles of King IV and ensures that its recommendations are materially entrenched into the Board's internal controls, policies, terms of reference and overall procedures and processes. A King IV application register, setting out how the company has applied the principles of King IV, is available on our website, www.mustekgroup.com.

Integrated effective control

As the custodian of governance, the Board is ultimately responsible for ensuring effective control within the business. The Board ensures effective control through a number of mechanisms, including:

Compliance with applicable laws, regulations and governance practices

The decisions and actions taken by the Board ensure that the company subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Group Social and Ethics Committee with financial compliance overseen by the Group Audit and Risk Committee. During the financial year, the company was fully compliant with the requirements of the company's memorandum of incorporation, the Companies Act and JSE Listings Requirements. Full compliance with the POPIA would be monitored. In alignment with POPIA compliance, Mustek is pleased to announce that it has been certified with ISO 27001: *Information Security Management*.

The Board Charter

The roles and responsibilities of the Board and individual directors are set out in the Board Charter, which is aligned with the provisions of relevant statutory and regulatory requirements and is reviewed on an annual basis. The charter regulates the parameters within which the Board operates and ensures the application of the principles of good governance in all its dealings.

Governance structures and delegation

The company's governance structure provides for delegation of authority, while enabling the Board to retain effective control. Such structures similarly support and enable the informed oversight exercised by the Board. The Board delegates authority to established Board committees of the Group and the Group chief executive officer, with clearly defined mandates.

Board committees

The roles, responsibilities and composition of the Board committees are described below. The responsibilities delegated to these committees are formally documented in each committee's terms of reference, which are approved by the Board and reviewed annually. After each committee meeting, committee chairmen report back to the Board, which facilitates transparent communication between directors and ensures that all aspects of the Board's mandate are addressed.

The terms of reference are subject to change as and when required by the Board in order to accommodate the company's changing needs. Roles and associated responsibilities and the composition of membership across committees are considered holistically. All committees have a minimum of three members and, as a whole, have the necessary knowledge, skills, experience and capacity to execute their duties effectively. The chairman of each Board committee reports at each scheduled meeting of the Board, and minutes of Board committee meetings are provided to the Board.

Both the directors and the members of the Board committees are supplied with full and timely information that enables them to discharge their responsibilities properly. All directors have unrestricted access to all Group information.

The chairman of each Board committee is required to attend the AGM to answer questions raised by shareholders.

Group Audit and Risk Committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the Group Audit and Risk Committee would remain one committee. However, the agenda is divided into two separate sections so as to ensure that both audit and risk management responsibilities are attended to. There was no change to the composition of the committee and it comprises Pamella Marlowe (chairman), Ralph Patmore and Shelley Thomas.

The committee, appointed by the Board and approved by shareholders at the company's AGM on 29 November 2021, comprised three independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act. As a collective, and having regard to the size and circumstances of the Group, the committee is adequately skilled, and all members possess the appropriate financial and related qualifications, skills, financial expertise and experience required to discharge their responsibilities.

The Group chief executive officer, Mustek Operations: managing director, Group financial director, external audit partner and the internal auditor attend meetings by invitation. The Board is satisfied that the independence, experience and qualifications of each member enable them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

Summarised roles and responsibilities:

- providing the Board with additional assurance regarding the efficiency and reliability of the financial information used by the directors to assist them in the discharge of their duties
- reviewing interim and annual financial statements, the Integrated Annual Report and any other external reports issued by the organisation
- overseeing the internal audit function
- ensuring that significant business, financial and other risks have been identified and are being managed suitably
- ensuring the independence of external audit and overseeing the external audit process
- ensuring good standards of governance, reporting and compliance are in operation
- overseeing the Group's risk management profile.

During the 2022 financial year, the committee met on five occasions and meetings were scheduled in line with the Group's financial reporting cycle. A special meeting was held to review and approve the Integrated Annual Report.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. Refer to pages 108 to 110 of the annual financial statements for the Group Audit and Risk Committee report. 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.

Group IT Steering Committee

Within the Group, the Group IT Steering Committee is the committee responsible for the governance of technology and information. It sets the direction for how technology should be approached and addressed. The strategic intent of Group IT is documented and communicated in the Group IT strategy and is aligned with the enterprise strategy. The committee is chaired by the Group financial director. Olga-Lee Levey is the Group chief information officer and other relevant senior staff are included in meetings. The Group IT Steering Committee meets formally at least four times a year to report on its duties in accordance with its terms of reference as approved by the Board. The committee reports to the Board via the Group Audit and Risk Committee.

Group Social and Ethics Committee

Subsequent to the reporting period, Spencer Chen stepped down as a member and the Group chief executive officer, Hein Engelbrecht, was appointed as a member of the committee. During the reporting period, there were no changes to the composition of the committee and it therefore comprised Shelley Thomas (independent chairman), Ralph Patmore and Spencer Chen.

The committee's role and responsibilities are set out below.

Summarised roles and responsibilities:

- planning, implementing and monitoring the Group's strategy for transformation
- monitoring compliance with legislation
- monitoring employment equity and fair labour practices
- monitoring good corporate citizenship and the Group's contribution to the development of communities in which it operates
- monitoring ethics and business conduct.

The Group Social and Ethics Committee met twice during the reporting period. Due to the new Group approach, it was agreed that the committee meet four times a year to monitor implementation of the various strategies falling under the ambit of the committee. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Refer to pages 88 to 89 of the Integrated Annual Report for the Group Social and Ethics Committee report.

Group Remuneration and Nominations Committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the Group Remuneration Committee and Nominations Committee would remain one committee. The composition of the committee remains unchanged and comprises Ralph Patmore (independent chairman), Shelley Thomas and Vukile Mehana.

Summarised roles and responsibilities:

- identifying and nominating new directors for approval by the Board
- ensuring that appointments to the Board are formal and transparent
- approving the classification of directors as independent
- overseeing induction and training of directors and conducting annual performance reviews of the Board and Board committees
- overseeing an appropriate separation between executive, non-executive and independent directors
- ensuring proper and effective functioning of the Group's Board committees
- reviewing the Board's structure, the size and composition of the various Board committees and making recommendations
- overseeing the remuneration philosophy and practices
- overseeing and monitoring Mustek's share appreciation rights scheme.

The Group Remuneration and Nominations Committee met twice during the reporting period and the committee composition remained the same. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Refer to pages 90 to 94 for the remuneration report by the Group Remuneration and Nominations Committee, including the remuneration policy.



Group Social and Ethics Committee report

Performance for 2022

This report is prepared in compliance with the requirements of the Companies Act. It describes how the committee discharged its responsibilities in respect of the financial year ended 30 June 2022 and will be presented to the shareholders at the AGM to be held on 5 December 2022.

Group Social and Ethics Committee members

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

Responsibilities of the committee

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

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

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

Ethics and business conduct

The Group's Code of Ethics and Business Conduct, which embodies its guiding principles and values, was reviewed during the year and found to be relevant. The Group's Code of Ethics and Business Conduct are included in induction packs for new employees. This policy deals with, inter alia, no tolerance for discrimination in whatever form, human rights, health and safety and the implementation of the Group's ethical standards to stakeholders. The Code of Ethics and Business Conduct is available on the company's website www.mustekgroup.com. The company's fraud line was reviewed during the year and confirmed to be relevant and effective, providing an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. Feedback in terms of calls received, via the fraud line or directly with the internal auditor or HR department, is reported on at each meeting.

Labour

Employment equity policies embody our commitment to implementing employment equity across the Group.

Deviation appointments in the employment equity plan are discussed at Employment Equity Committee meetings. Skills development remains an area of focus and the various skills development programmes that have been implemented are reported on more fully in this Integrated Annual Report.

Refer to the human capital section on page 55 of this Integrated Annual Report.

Socio-economic development

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

Transformation

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

Scorecard element	BEE score	Planned future focus areas
Equity ownership	25.00	Focus on increasing black ownership.
Management control (including employment equity)	15.22	Compliance with five-year employment equity plan. Increased compliance with equity-aligned recruitment policies.
Skills development	19.85	One of our core focus areas, in support of the country's educational focus.
Enterprise and supplier development: <ul style="list-style-type: none"> • preferential procurement • enterprise development • supplier development. 	48.60	Focus on support to SMEs and exempted micro-enterprises. Stricter compliance with procurement policies.
Socio-economic development	12.00	Alignment with the country's focus on uplifting previously disadvantaged communities, particularly in the areas of ICT and education.

Stakeholder management

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

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

Refer to page 63 for more information on the stakeholder groups and engagement.

Sustainability

The Group's sustainability framework focuses on energy and emissions, waste management, economic factors and product responsibility. These matters are elaborated upon further in this Integrated Annual Report.

Environment

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

Refer to the Natural Capital section of this report on page 70.

Health and safety

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

Evaluation of committee performance

The committee was evaluated during the reporting period by way of questionnaires to identify the focus areas for the current financial year. Weak areas were identified and the following focus areas were identified for monitoring in the current financial year:

- leadership development and talent management on senior levels
- continued POPIA implementation
- rebuilding morale after the strike.



Shelley Thomas

Group Social and Ethics Committee chairman

21 October 2022



Group Remuneration and Nominations Committee report

This report comprises three sections:

- **PART I:** Matters considered by the Remuneration and Nominations Committee
- **PART II:** Remuneration policies and principles for shareholders' vote at the annual general meeting
- **PART III:** Implementation report of the remuneration policy.

PART I: Report from the Group Remuneration and Nominations Committee

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

Appointment of directors to the Board

Apart from a candidate's experience, availability and likely fit, the committee also considers candidates' integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The Group Remuneration and Nominations Committee also considers race and gender diversity in its assessment, in line with its gender and race diversity policy, and voluntary targets were confirmed during the reporting period. The targets were reviewed during the reporting period and having exceeded the current targets were changed to 65% and 50% for race and gender, respectively. One Indian female was appointed during the reporting period.

Group Remuneration and Nominations Committee members

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

Role of the Group Remuneration and Nominations Committee

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

The committee:

- assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on a Group-wide basis
- approves a remuneration policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration
- ensures the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM of shareholders once every year

- considers the results of the performance evaluation of the Group chief executive officer, executive director (Mustek Operations: managing director) and Group financial director, both as directors and as executives, in determining remuneration
- recommends to the Board the remuneration of non-executive directors for approval by shareholders
- determines the policy and scope of pension arrangements, employment contracts, termination payments and compensation commitments and makes recommendations to the Board on these benefits for executive directors
- reviews market trends and reputable survey results in determining such packages and arrangements
- regularly reviews the incentive scheme to ensure continued contribution to shareholder value and that these are administered in terms of the rules
- assumes responsibility for its composition by setting the direction and approving the process for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities
- regularly reviews the Board structure, size, composition and mix of skills and experience and makes recommendations to the Board with regard to any adjustments that are deemed necessary
- sets targets for race and gender representation in its membership for recommendation to the Board
- establishes arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity for recommendation to the Board
- ensures succession plans for the Group chief executive officer and Group financial director as well as senior management appointments are developed and implemented and confirmed by the Board.

Committee evaluation

The committee conducted a condensed self-evaluation by way of questionnaires to identify the focus areas for the current financial year. The results were that the performance of the committee was satisfactory. The following focus areas were identified for monitoring by the committee during the current financial period:

- have a Group focus and review the Group chief executive officer and Group financial director job profiles with regard to these changes
- continue with focus on succession planning for executive directors and ensure that succession plans are in place for other businesses in the Group
- greater focus on non-financial targets in performance evaluations.



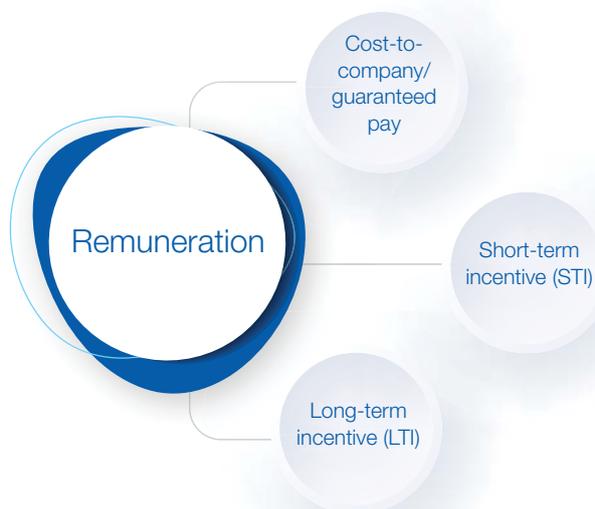
Ralph Patmore

Group Remuneration and Nominations Committee Chairman

21 October 2022

PART II: Remuneration policy

The Group offers an integrated remuneration and reward model, which comprises:



Background statement

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

Remuneration structure

Element	Cost-to-company		Variable pay	
	Base pay	Benefits	STI	LTI
Mustek Group	<ul style="list-style-type: none"> monthly salary hourly wage. 	<ul style="list-style-type: none"> pension fund funeral benefit travel allowance. 	<ul style="list-style-type: none"> annual incentive bonus scheme. 	<ul style="list-style-type: none"> share appreciation rights performance shares.
Objective	<ul style="list-style-type: none"> retention and attraction. 	<ul style="list-style-type: none"> retention in terms of the comprehensiveness of benefits offered attraction to offer similar benefits to prospective employees. 	<ul style="list-style-type: none"> reward company and Group performance reward individual performance retention/attraction recognition. 	<ul style="list-style-type: none"> reward individual performance retention/attraction recognition recognition of the Group's long-term success reward company and Group performance.

Guaranteed packages

Following established best market practices, salaries are set with reference to the scope and nature of an individual's role and his or her performance and experience, compared with the 25th to 75th quartile pay levels of South African companies to ensure sustainable performance and market competitiveness.

Employees receive guaranteed packages, which might include membership to one of the Group's medical healthcare schemes and a travel or vehicle allowance for necessary business travel.

Employees' guaranteed remuneration is reviewed and after a recommendation to the Board, implemented effective from July 2022. An average increase of 6.5% was implemented, subject to performance evaluations.

Short-term incentive

The Board rewards management and salaried employees with an annual performance incentive based on certain criteria listed below. The actual value awarded is subject to the achievement of predetermined thresholds relating to the performance and position of the Group and individual performance during the reporting period.

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

The committee may from time to time consider discretionary short-term bonuses for individuals. All payments in terms of the quantitative portion of the STI scheme are based on audited year-end results. The bonus paid out therefore always relates to the results of the previous year.



Group Remuneration and Nominations Committee report

continued

For the year ending 30 June 2023, weighting for STIs will be as follows:

- 20% return on equity (ROE)
- 40% headline profit before tax (PBT)
- 20% working capital management
- 20% discretionary.

These components would be scored as follows:

ROE

- ROE < 7.5% = score of 0% and only the discretionary portion of the incentive will qualify
- ROE of 7.5% = score of 50%
- ROE between 7.5% and 11.5% = score is calculated on a sliding scale ranging between 50% and 100%
- ROE > 11.5% = score of 100%.

PBT

IFRS 2 variations to the budget would be added back since it is determined by share price movements:

- < budget = score of 0%
- on budget = score of 50%
- 5% above = score of 75%
- 10% above = score of 100%.

Working capital

- if the improvement in accounts receivable and inventory as a percentage of annualised revenue is 10% or more compared to the average for the previous four years, a score of 100% would be achieved for this component
- if the improvement in net working capital as a percentage of annualised revenue is between 5% and 10% compared to the average for the previous four years, a score of 75% would be achieved for this component
- if the improvement in net working capital as a percentage of annualised revenue is between 0% and 5% compared to the average for the previous four years, a score of 50% would be achieved for this component
- if there is no improvement in net working capital as a percentage of annualised revenue compared to the average for the previous four years, no score would be achieved for this component.

Net working capital would be calculated by adding receivables and inventory and then dividing it by annualised revenue.

The calculation would be done on a quarterly basis and the average score for the year will be used to determine the score for this component.

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

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

Long-term incentive (LTI)

The LTI plan forms part of the variable compensation and is used to attract, retain and motivate employees who influence the long-term sustainability and strategic objectives of the Group. The purpose is to foster sustainable performance or value creation over the long term, which is aligned to the Group's strategy and enhances stakeholder value. Its main characteristic is the promise to deliver value over a future vesting period, once performance criteria are met or exceeded.

The directors may, on an annual basis or from time to time, grant options to employees selected by the Group Remuneration and Nominations Committee. The Group Remuneration and Nominations Committee shall determine the number of share appreciation rights (SARs). The price at which SARs may be granted will be the weighted average market price of the ordinary shares of the company on the JSE, as certified by the Group company secretary, for the 30 days of June each year. All SARs granted will remain in force for a period of six months after vesting.

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

The price at which SARs may be exercised will be the weighted average market price of the ordinary shares of the company on the JSE, for the 30 days immediately preceding that on which the employee is exercising the option. Upon exercising the SARs, the employee will be paid an amount determined as the difference between the exercise price and the grant price multiplied by the number of SARs, less any tax that may at that time be applicable to such a cash bonus. The maximum payment per tranche is capped at 8% of the latest published EBITDA. This cap is reviewed annually.

Details of the benefits held by the executive directors under the existing LTI schemes are detailed in note 30 of the annual financial statements.

Policy on directors' remuneration

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

Non-executive directors

It is the Group's policy to identify, attract and retain non-executive directors who can add value to the Group. The Board applies principles of good corporate governance relating to directors' remuneration and also keeps abreast of changing trends. Governance of directors' remuneration is undertaken by the committee. The committee takes cognisance of market norms and practices as well as additional responsibilities placed on the Board members by new legislation and corporate governance principles.

The fees for non-executive directors are recommended by the committee and will be tabled for approval by the shareholders at the AGM on 5 December 2022.

Non-executive directors receive a base fee for their main Board and committee membership and an attendance fee per meeting. Board members only receive fees for meetings they attend.

The policy on remuneration for non-executive directors is that this should:

- be market-related (having regard to the median fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to similar sectors)

- not be linked to the share price of Mustek. The non-executive fees are benchmarked against the fee survey for “small-cap technology” issued by PricewaterhouseCoopers annually.

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

Shareholders will be requested to approve an increase of 6% to the director fees as set out in the notice of AGM on page 98 and below:

Chairman	R473 555 annual retainer
Board member	R122 100 annual retainer R18 075 per meeting attended
Audit and Risk Committee	
Chairman	R97 625 annual retainer R22 870 per meeting attended
Member	R61 775 annual retainer R15 000 per meeting attended
Remuneration and Nominations Committee	
Chairman	R72 200 annual retainer R21 200 per meeting attended
Member	R53 475 annual retainer R14 200 per meeting attended
Social and Ethics Committee	
Chairman	R63 975 annual retainer R11 625 per meeting attended
Member	R13 050 annual retainer R5 600 per meeting attended

Use of external remuneration advisers

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

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

Mustek received a 98.3% and 78.1% non-binding advisory vote in favour of its remuneration policy and implementation report, respectively, at the AGM held on 29 November 2021.

The remuneration policy (as set out in part II) and our implementation report (as set out in part III) will again be put to shareholders as two separate non-binding advisory votes at the AGM to be held on 5 December 2022.



Group Remuneration and Nominations Committee report

continued

PART III: Remuneration implementation report

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy detailed on pages 91 to 93.

Total directors' remuneration

The table below provides an overview of the total remuneration paid to executive and non-executive directors for the financial year ended 30 June 2022:

	2022 R000	2021 R000
Executive directors	28 060	28 069
Non-executive directors	1 775	1 612
Total	29 835	29 681

Executive directors' remuneration

Executive directors	Basic salary R000	Expense allowances R000	Bonus and performance related R000	Share appreciation rights exercised R000	Fringe benefit on interest-free loan R000	Total R000
2022	10 235	637	6 355	9 441	834	28 060
DC Kan	3 461	271	–	2 320	492	7 066
H Engelbrecht	3 789	270	3 613	3 903	288	11 863
CJ Coetzee	2 985	96	2 742	3 218	54	9 131
2021	10 209	701	10 474	4 672	2 013	28 069
DC Kan	3 709	335	3 883	1 940	1 207	11 074
H Engelbrecht	3 633	270	3 747	1 374	660	9 684
CJ Coetzee	2 867	96	2 844	1 358	146	7 311

Non-executive directors' remuneration

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

In accordance with the Companies Act and the company's memorandum of incorporation, non-executive directors' fees are approved by the shareholders at the AGM. The current fee levels are to be approved by shareholders at the AGM to be held on 5 December 2022 and are stated on page 98 of the notice of annual general meeting included in this Integrated Annual Report.

The total amount spent on non-executive directors' fees for 2022 and 2021 is as follows:

Non-executive director	2022 Fees for services R000	2021 Fees for services R000
VC Mehana	512	499
LL Dhlamini	–	226
ME Gama	–	317
RB Patmore	439	432
S Thomas	449	94
P Marlowe	375	–
G Motau	–	44
	1 775	1 612

Directors' service contracts

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

Notice of annual general meeting

MUSTEK LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1987/070161/06)
Share code: MST ISIN: ZAE000012373
(Mustek or the company or the Group)

Notice is hereby given that the annual general meeting of the company's shareholders will be held at Mustek Limited's head office at 322 15th Road, Randjespark, Midrand on Monday, 5 December 2022 at 10:00 (the annual general meeting).

Purpose

The purpose of the meeting is to present, consider and adopt the financial statements of the company for the year ended 30 June 2022; to transact the business set out in this notice of annual general meeting by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder; and to transact such other business as may be transacted at the annual general meeting.

Record date, attendance and voting

	2022
Record date in order to be eligible to receive the annual general meeting notice	Friday, 21 October
Annual general meeting notice posted to shareholders	Monday, 31 October
Last date to trade in order to be eligible to vote at the annual general meeting	Tuesday, 22 November
Record date in order to be eligible to vote at the annual general meeting	Friday, 25 November
Submit forms of proxy for administration purposes for the annual general meeting (by 10:00)	Thursday, 1 December
Annual general meeting (at 10:00)	Monday, 5 December
Results of the annual general meeting released on SENS	Monday, 5 December

- Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy or its completion is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
- The instrument appointing a proxy and the authority (if any) under which it is signed must preferably reach the company's transfer secretaries at the address given below by 10:00 on Thursday, 1 December 2022. It can also be given to the chairman of the annual general meeting up to the commencement of the annual general meeting.

- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their central securities depository participant (CSDP) or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.
- Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
- In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document or identity card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the annual general meeting as sufficient identification.

Agenda

- Presentation and consideration of the annual financial statements of the Group, including the reports of the directors and the Group Audit and Risk Committee for the year ended 30 June 2022 as set out in the company's Integrated Annual Report 2022, of which this annual general meeting notice forms part.
- To consider and, if deemed fit, approve, with or without modification, the following special and ordinary resolutions:

Note:

- for any of the ordinary resolution numbers 1 to 9 and 11 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof
- for any of the special resolution numbers 1 to 3 to be adopted, 75% or more of the voting rights exercised on each such special resolution must be exercised in favour thereof
- for ordinary resolution number 10 to be adopted, 75% or more of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.



Notice of annual general meeting continued

Ordinary business

1.1 Ordinary resolution number 1: Confirmation of the appointment of Shabana Aboo Baker Ebrahim as a director

“Resolved that Shabana Aboo Baker Ebrahim, who was appointed as a Group financial director of the company effective 5 July 2022, be and is hereby confirmed.”

An abbreviated curriculum vitae in respect of Shabana Aboo Baker Ebrahim may be viewed on page 78 of the Integrated Annual Report, of which this notice forms part.

Reason for ordinary resolution number 1

The reason for ordinary resolution number 1 is that article 5.1.4 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that director appointments must be approved by shareholders at the next annual general meeting.

1.2 Ordinary resolution number 2: Re-election of Ralph Patmore as a director

“Resolved that Ralph Patmore, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as an independent non-executive director.

An abbreviated curriculum vitae in respect of Ralph Patmore may be viewed on page 79 of the Integrated Annual Report, of which this notice forms part.

The Group Remuneration and Nominations Committee has considered Ralph Patmore’s past performance and contribution to the company and, in accordance with article 5.1.8 of the memorandum of incorporation of the company, recommends that Ralph Patmore is re-elected as an independent non-executive director of the company.

1.3 Ordinary resolution number 3: Re-election of Vukile Mehana as a director

“Resolved that Vukile Mehana, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as chairman.

An abbreviated curriculum vitae in respect of Vukile Mehana may be viewed on page 79 of the Integrated Annual Report of which this notice forms part.

The Group Remuneration and Nominations Committee has considered Vukile Mehana’s past performance and contribution to the company and, in accordance with article 5.1.8 of the memorandum of incorporation of the company, recommends that Vukile Mehana is re-elected as chairman of the Board of directors of the company.

Reason for ordinary resolution numbers 2 and 3

The reason for ordinary resolutions numbers 2 and 3 is that article 5.1.8 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that a component of the directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

1.4 Ordinary resolution number 4: Confirmation of the appointment of the auditors

“Resolved that the appointment of BDO South Africa Inc. as independent auditors of the company for the ensuing year (the designated auditor being Vanessa de Villiers) on the recommendation of the company’s Group Audit and Risk Committee, be hereby ratified.”

Reason for ordinary resolution number 4

The reason for ordinary resolution number 4 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the company as required by the Companies Act.

1.5 Ordinary resolution number 5: Appointment of Pamela Marlowe as a member and chairman of the Group Audit and Risk Committee

“Resolved that Pamela Marlowe be elected a member and chairman of the Group Audit and Risk Committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated curriculum vitae in respect of Pamela Marlowe may be viewed on page 78 of the Integrated Annual Report of which this notice forms part.

1.6 Ordinary resolution number 6: Appointment of Ralph Patmore as a member of the Group Audit and Risk Committee

“Resolved that Ralph Patmore be elected a member of the Group Audit and Risk Committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated curriculum vitae in respect of Ralph Patmore may be viewed on page 79 of the Integrated Annual Report of which this notice forms part.

1.7 Ordinary resolution number 7: Appointment of Shelley Thomas as a member of the Group Audit and Risk Committee

“Resolved that Shelley Thomas be elected a member of the Group Audit and Risk Committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated curriculum vitae in respect of Shelley Thomas may be viewed on page 79 of the Integrated Annual Report of which this notice forms part.

Reason for ordinary resolution numbers 5 to 7

The reason for ordinary resolution numbers 5 to 7 (inclusive) is that the company, being a public listed company, must appoint an Audit Committee as prescribed by sections 66(2) and 94(2) of the Companies Act, which also requires that the members of such Audit Committee be appointed, or reappointed, as the case may be, at each annual general meeting of a company.

1.8 Ordinary resolution number 8: Endorsement of the remuneration policy and implementation report

Ordinary resolution 8.1

“Resolved that the company’s remuneration policy, as set out in the remuneration report on pages 91 to 93 of the Integrated Annual Report of which this notice forms part, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of the King IV Report.”

Ordinary resolution 8.2

“Resolved that the implementation report, as set out on page 94 of the Integrated Annual Report of which this notice forms part, be and is hereby endorsed as a non-binding advisory vote of shareholders of the company in terms of the King IV Report.”

Reason for ordinary resolution numbers 8.1 and 8.2

The reason for ordinary resolution numbers 8.1 and 8.2 is that King IV recommends that the remuneration policy of the company be endorsed through separate non-binding advisory votes by shareholders at the annual general meeting of a company. Failure to pass these resolutions will not have legal consequences relating to existing arrangements. However, the Board of directors of the company will take the outcome of the vote into consideration when assessing the company’s remuneration policy and implementation report. Should these resolutions be voted against by 25% or more of the voting rights exercised, the Board will enter into an engagement process to ascertain the reasons for the dissenting votes and address legitimate and reasonable objections and concerns raised.

1.9 Ordinary resolution number 9: Placing unissued shares under directors’ control

“Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 30 June 2022, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Limited, save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer.”

Reason for ordinary resolution number 9

The reason for ordinary resolution number 9 is that the Board requires authority from shareholders in terms of article 3 of its memorandum of incorporation to issue shares in the company. This general authority, once granted, allows the Board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required inter alia in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio that may be required from time to time. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue at 30 June 2022 on the terms and further restrictions more fully set out in ordinary resolution number 10 below.

1.10 Ordinary resolution number 10: General authority to issue shares for cash

“Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash placed under their control as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% (2 950 000 shares) of the issued share capital at 30 June 2022, provided that:

- the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this resolution
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 5% of the company’s issued share capital of that class. For purposes of determining whether the aforementioned 5% has been or will be reached, the securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class that may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period



Notice of annual general meeting continued

- any such issue will be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements, and to related parties through a bookbuild process provided as set out below:
 - shares that are the subject of such a general issue for cash must be less than 30% (thirty percent) of the applicant's listed equity securities as at the date of the notice of AGM seeking the general issue for cash authority, provided that:
 - » as contemplated in paragraph 5.50(b) of the JSE Listings Requirements, this authority shall not be extended beyond the next AGM or 15 (fifteen) months from the date of this AGM, whichever is earlier;
 - » the calculated number of issued ordinary shares as at the date of the notice of AGM is 59 000 000 issued shares;
 - » shares that are the subject of the general issue for cash shall in any one financial year not exceed 5 900 000 (five million nine hundred thousand) ordinary shares, being 10% (ten percent) in aggregate of the number of shares in the company's issued share capital in issue at the date of this notice of the AGM;
 - » any shares issued under this authority, prior to this authority lapsing, shall be deducted from the shares that the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
 - » in the event of a sub-division or consolidation of shares, prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- related parties may participate in a general issue for cash through a bookbuild process provided:
 - the approval by shareholders contemplated in paragraph 5.52(e) expressly affords the ability to the issuer to allow related parties to participate in a general issue for cash through a bookbuild process;
 - related parties may only participate with a maximum bid price at which they are prepared to take-up shares or at book close price. In the event of a maximum bid price and the book closes at a higher price the relevant related party will be "out of the book" and not be allocated shares; and
 - equity securities must be allocated equitably "in the book" through the book build process and the measures to be applied must be disclosed in the SENS announcement launching the bookbuild;
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

The reason for ordinary resolution number 10

For listed entities wishing to issue shares, it is necessary for the Board not only to obtain the prior authority of the shareholders as may be required in terms of their memorandum of incorporation contemplated in ordinary resolution number 10 above but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements of the JSE. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares in compliance with the Listings Requirements of the JSE. The authority granted in terms of this resolution number 10 must accordingly

be read together with authority granted in terms of ordinary resolution number 9 above and any exercise thereof will be subject to the conditions contained in ordinary resolution number 10.

Note: This resolution requires the approval of not less than 75% of the votes cast by shareholders present or represented by proxy and entitled to vote at this annual general meeting.

1.11 Ordinary resolution number 11: Authority to action

"Resolved that any one director of the company and/or the Group company secretary is hereby authorised to do all such things and sign all such documents as deemed necessary to implement the ordinary and special resolutions as set out in this notice convening the annual general meeting at which these resolutions will be considered."

The reason for ordinary resolution number 11

The reason for ordinary resolution number 11 is to ensure that the resolutions voted favourably upon are duly implemented through the delegation of powers provided for in terms of clause 5.3 of the company's memorandum of incorporation.

Special business

2.1 Special resolution number 1: Remuneration of non-executive directors

"Resolved that the remuneration payable to the non-executive directors be approved on the following basis with effect from this annual general meeting until the next annual general meeting held in 2023:

Chairman	R473 555 annual retainer
Board member	R122 100 annual retainer R18 075 per meeting attended
Audit and Risk Committee	
Chairman	R97 625 annual retainer R22 870 per meeting attended
Member	R61 775 annual retainer R15 000 per meeting attended
Remuneration and Nominations Committee	
Chairman	R72 200 annual retainer R21 200 per meeting attended
Member	R53 475 annual retainer R14 200 per meeting attended
Social and Ethics Committee	
Chairman	R63 975 annual retainer R11 625 per meeting attended
Member	R13 050 annual retainer R5 600 per meeting attended

Reason for and effect of special resolution number 1

The reason for the proposed special resolution is to comply with section 66(9) of the Companies Act, which requires the approval of directors' fees prior to the payment of such fees.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

2.2 Special resolution number 2: Financial assistance to related and inter-related companies

“Resolved that the Board of directors of the Group be and is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 2), to authorise the Group to provide any direct or indirect financial assistance (“financial assistance” will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company of the Group (related and inter-related will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine.”

Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to provide a general authority to the Board of directors of the Group for the Group to grant direct or indirect financial assistance to any company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

2.3 Special resolution number 3: Authority to repurchase shares by the company

“Resolved as a special resolution that the company and its subsidiaries be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the company, the Listings Requirements of the JSE and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, namely that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution

- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital
- a resolution has been passed by the Board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position or required shareholder spread of the Group
- the general repurchase is authorised by the company's memorandum of incorporation
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf
- the company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of section 5.72(g) of the Listings Requirements of the JSE.”

Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company and/or its subsidiaries must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.



Notice of annual general meeting continued

Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolution number 3 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the Group position would not be compromised as to the following:
 - the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this annual general meeting and for a period of 12 months after the purchase
 - the consolidated assets of the Group will at the time of the annual general meeting and at the time of making such determination be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group
 - the ordinary capital and reserves of the Group after the purchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the annual general meeting and after the date of the share purchase
 - the working capital available to the Group after the purchase will be sufficient for the Group's requirements for a period of 12 months after the date of the share repurchases and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group.
2. For the purposes of considering special resolution number 3, and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the Integrated Annual Report, in which this notice of annual general meeting is included, at the places indicated:
 - directors and management (pages 78 and 79)
 - major shareholders (page 112)
 - directors' interests in securities (page 186)
 - share capital of the company (page 170)
 - contingent liabilities (page 181)
 - responsibility statement (page 100)
 - material changes (page 100).
3. For purposes of special resolution number 2, the Board will only utilise the general authority bestowed upon them to provide direct or indirect financial assistance to related and inter-related companies to the extent that the directors, after considering the amount of financial assistance to be granted, are of the opinion that:
 - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as defined in the Companies Act)
 - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company
 - all conditions or restrictions regarding the granting of financial assistance as set out in the company's memorandum of incorporation have been satisfied and that the Board of directors has passed a resolution authorising the grant of the said financial assistance (the Board resolution) under their general authority so granted, the company which will then provide written notice of the Board resolution to all shareholders
 - within 10 days after adoption of the Board resolution, if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution(s) during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the Board resolution
 - within 30 business days after the end of the financial year, in any other case.
4. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.
5. The directors, whose names are reflected in this Integrated Annual Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by law and the Listings Requirements of the JSE.
6. Other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report up to the date of this annual general meeting notice.

By order of the Board

S van Schalkwyk
Company secretary

21 October 2022

Form of proxy

MUSTEK LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1987/070161/06)

Share code: MST ISIN: ZAE000012373

(Mustek or the company or the Group)

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in “own-name”, must not complete this form.

Certificated shareholders and/or dematerialised shareholders with “own-name” registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

For use by Mustek shareholders at an annual general meeting held at Mustek Limited’s head office at 322 15th Road, Randjespark, Midrand, on Monday, 5 December 2022 at 10:00 (the annual general meeting).

I/We (please print name in full)

of (address)

being a shareholder/s of Mustek Limited, holding _____ shares in the company hereby appoint:

1. _____ or, failing him/her,

2. _____ or, failing him/her,

3. the chairman of the annual general meeting,

as my proxy to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 30 June 2022			
Ordinary resolution number 1: Confirmation of the appointment of Shabana Aboo Baker Ebrahim as a director			
Ordinary resolution number 2: To re-elect Ralph Patmore as director			
Ordinary resolution number 3: To re-elect Vukile Mehana as director			
Ordinary resolution number 4: Confirmation of auditor’s appointment			
Ordinary resolution number 5: Appointment of Pamela Marlowe to Audit and Risk Committee			
Ordinary resolution number 6: Appointment of Ralph Patmore to Audit and Risk Committee			
Ordinary resolution number 7: Appointment of Shelley Thomas to Audit and Risk Committee			
Ordinary resolution number 8:			
8.1 Endorsement of remuneration policy			
8.2 Endorsement of the implementation report			
Ordinary resolution number 9: Placing of shares under the directors’ control			
Ordinary resolution number 10: General authority to issue shares for cash			
Ordinary resolution number 11: Authority to action			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Financial assistance to related and inter-related companies			
Special resolution number 3: General authority to the company and its subsidiaries to repurchase shares			

(indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this _____ day of _____ 2022

Signature

Please read the notes on the reverse side hereof.



Notes to the form of proxy

1. Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

Summary in term of section 58(8)(b)(i) of the Companies Act, 71 of 2008, as amended

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 71 of 2008, as amended, which summary is set out below:

A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at a shareholders' meeting on behalf of the shareholder:

- a shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person
- a proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation
- a shareholder may revoke a proxy appointment in writing
- a proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder
- a proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

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General information

Mustek Limited

Registered office

322 15th Road, Randjespark, Midrand, 1685

Auditors

BDO South Africa Incorporated

Chartered Accountants (SA)

Registered Auditors

Secretary

Sirkien Van Schalkwyk

Company registration number

1987/070161/01

Level of assurance

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

Preparer

The annual financial statements were internally compiled by: Shabana Aboo Baker Ebrahim (Group financial director) CA(SA).



Directors' responsibility and approval

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

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the Group and company's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 106 to 107.

The annual financial statements set out on pages 108 to 190, which have been prepared on the going concern basis were approved by the Board on 12 September 2022 and were signed on their behalf by:

Approval of financial statements



VC Mehana



H Engelbrecht

The CEO and finance director responsibility statement

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

- a) the consolidated and separate annual financial statements set out on pages 116 to 190, fairly present in all material respects the financial position, financial performance and cash flows of Mustek Limited (the issuer) in terms of IFRS;
- b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated and separate financial statements false or misleading;
- c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- d) the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- f) we are not aware of any fraud involving directors.



H Engelbrecht
12 September 2022



CJ Coetzee
12 September 2022

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 2022 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

12 September 2022



Independent auditor's report

for the year ended 30 June 2022

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 116 to 190, which comprise the consolidated and separate statements of financial position as at 30 June 2022, 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 a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Mustek Limited as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are

further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and company in accordance with the Independent Regulatory Board 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
<p>Inventory – allowance for obsolescence (this key audit matter relates to the consolidated and separate financial statements)</p> <p>As disclosed in note 18 of the consolidated and separate financial statements, the Group and company carried inventory of R2.5 billion (2021: R1.4 billion) and R1.5 billion (2021: R825 million) respectively as at year-end. An allowance for inventory obsolescence amounting to R151 million (2021: R127 million) and R104 million (2021: R76 million) has been raised in the Group and company results respectively.</p> <p>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.</p>	<p>In evaluating the allowance for inventory obsolescence, we performed various audit procedures, including the following:</p> <ul style="list-style-type: none"> assessed the design and implementation of the Group and company's relevant controls relating to the determination of the allowance; obtained calculations for the allowance from management and recalculated the arithmetical accuracy of the calculations; performed year-on-year analytical procedures on obsolescence levels and write-down rates; through discussions with management, obtained an understanding of the inventory obsolescence accounting policy, including methodologies, 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 or substantive testing, 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, substantive net realisable value testing on a sample of year-end inventory items, 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.

BDO South Africa Incorporated

Registration number: 1995/002310/21

Practice number: 905526

VAT number: 4910148685

Chief Executive Officer: LD Mokoena

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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 2022", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

VR de Villiers
Director
Registered Auditor

12 September 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196



Audit and Risk Committee report

Annual financial statements for the year ended 30 June 2022

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)(f) of the Companies Act No 71 of 2008 (the Act) and incorporating the recommendations of the King IV™* Report on Corporate Governance for South Africa, 2016 (King IV).

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

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

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

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

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

There were no changes to the composition of the committee, which consists of Pamela Marlowe (chairman), Shelley Thomas and Ralph Patmore, all three independent non-executive directors. The Group chief executive officer, managing director, financial director, partner of the external auditor and the internal auditor attend meetings by invitation and attended all meetings held during the reporting period. The Board is satisfied that the independence, experience and qualifications of each member enable 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 meetings were held during the reporting period and attendance of the meetings has been included in the Integrated Annual Report.

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

2. Role of the Audit and Risk Committee

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

The committee:

- fulfils the duties that are assigned to it by the Companies Act and as governed by other legislative requirements
- 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
- provides the financial director, external auditor and the head of internal audit with unrestricted access to the committee

- and its chairman as is required in relation to any matter falling within the ambit of the committee
- meets with the external auditor, senior managers and executive directors as the committee may elect
- meets confidentially with the internal and external auditors without other executive Board members and the Group's financial director 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
- 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
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters
- conducts 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
- reviewed the proactive monitoring process in terms of the letter from the JSE dated 9 November 2021, including Annexure 3.

3. Execution of functions during the year

The committee is satisfied that, for the 2022 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 Inc. and Vanessa de Villiers as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2022, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor
- nominated the external auditor and the independent auditor for each material subsidiary company for re-appointment
- requested from BDO South Africa Inc., the formal letter of their latest inspection performed by IRBA on the firm and Vanessa de Villiers, including any findings to the firm and/or individual in line with paragraph 22.15(h) of the JSE Listings Requirements
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures
- obtained an annual confirmation from the auditor that their independence was not impaired
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services
- confirmed that no non-audit services were conducted by BDO South Africa Inc.
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries

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- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

3.2 Internal audit

The committee:

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

3.3 Adequacy and functioning of the Group's internal controls

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

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

3.4 Financial reporting

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

The committee, among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the Board for their approval and then for disclosure to stakeholders
- oversaw that the annual financial statements fairly present the financial position of the company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern
- considered the appropriateness of the accounting policies adopted and changes thereto
- reviewed the external auditor's audit report and key audit matters included
- reviewed the representation letter relating to the annual financial statements that 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, including the restatement of the statement of comprehensive income due to the prior year error disclosed in note 35.

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.

3.6 Risk management

The committee:

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

3.7 Information technology

The committee:

- monitored the value delivery on IT and monitored the return on investments on significant IT projects
- monitored that IP 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

Implementing the new ERP system was again delayed due to the load testing requiring further enhancements. Implementation is expected to be in October 2022.

3.8 Legal and regulatory requirements

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

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



Audit and Risk Committee report continued

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

As required by 3.84(g) of the JSE Limited Listings Requirements, the committee has satisfied itself that the financial director in office during the year, CJ (Neels) Coetzee, had the appropriate expertise and experience. Prior to her appointment, Shabana Aboo Baker Ebrahim was evaluated by the committee and 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 required that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting to be held on 5 December 2022 that Pamela Marlowe, Shelley Thomas and Ralph Patmore be reappointed as members of the Audit and Risk Committee until the next annual general meeting in 2023.

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. The following focus areas for the financial year were as follows for monitoring by the committee:

- full implementation of the Epicor Enterprise Resource Planning (ERP) system
- greater attention to assurance activities and synergies between them by Internal and External Auditors as well as entities within the Group
- implementation of a data analytics strategy and performing an assessment of how data analysis can be used for risk assessment and control
- focus on protecting the company in terms of cybersecurity.

7. Integrated annual report

Following the review by the committee of the consolidated annual financial statements of Mustek Limited for the year ended 30 June 2022, the committee is of the view that in all material aspects they comply with the relevant provisions of the Companies Act and IFRS and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

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

Having achieved its objectives, the committee has recommended the annual financial statements for the year ended 30 June 2022 for approval to the Board.

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



Pamela Marlowe
Chairman Audit and Risk Committee

12 September 2022

Directors' report

for the year ended 30 June 2022

The directors present their report on the annual financial statements of Mustek Limited and the Group for the year ended 30 June 2022.

Review of financial results and activities

Mustek Limited is a company incorporated in South Africa and listed on the JSE Limited. The Group's major activities comprise the procurement, assembly, distribution and servicing of computers, computer components and allied products. The Group's profit before taxation was R322.1 million (2021: R407.3 million).

This report is presented with profound sadness as Mustek Limited mourns the passing of David Kan, our much loved and respected co-founder and CEO since the Group's inception in 1987.

The COVID-19 pandemic proved to have a silver lining for the Group as the pandemic forced governments and businesses to accelerate their digital transformations and highlighted the importance, and increased the relevance, of the entire ICT sector.

Mustek has largely succeeded in asserting itself as a leading and preferred provider of digital solutions required for a changing world. In conjunction with strategic partners from across the ICT industry, Mustek is well positioned for the forthcoming years.

Full details of the financial position, results of operations and cash flows of the Group and company are set out in these consolidated and separate annual financial statements. The Group confirms that it has adopted HEPS and EPS as a measure for its trading statements.

Share capital

			2022 Number of shares	2021 Number of shares
Authorised				
Ordinary shares			250 000 000	250 000 000
Issued				
	2022 R000	2021 R000	2022 Number of shares	2021 Number of shares
Ordinary shares	–	–	59 000 000	66 000 000

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



Directors' report continued

for the year ended 30 June 2022

Shareholder's spread

At 30 June 2022, 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	% shares in issue
DK Trust	9 532 442	16.2
Old Mutual Life Assurance Company SA Limited	6 533 171	11.1
Peresec Prime Brokers Proprietary Limited	4 152 662	7.0
Mustek Electronics Properties Proprietary Limited	3 685 605	6.2
	23 903 880	40.5

2022	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5 000	4 180	93.3	1 593 860	2.7
5 001 – 10 000	126	2.8	992 064	1.7
10 001 – 50 000	111	2.5	2 443 803	4.1
50 001 – 100 000	16	0.4	1 236 392	2.1
100 001 – 1 000 000	29	0.6	9 270 182	15.7
Over 1 000 000	17	0.4	43 463 699	73.7
	4 479	100.0	59 000 000	100.0

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

At 30 June 2021, 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	% shares in issue
DK Trust	9 532 442	14.4
Old Mutual Life Assurance Company SA Limited	9 370 619	14.2
Peresec Prime Brokers Proprietary Limited	4 583 934	6.9
Mustek Electronics Properties Proprietary Limited	3 685 605	5.6
	27 172 600	41.1

2021	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5 000	1 867	88.6	1 110 877	1.7
5 001 – 10 000	80	3.8	642 593	1.0
10 001 – 50 000	86	4.1	2 076 850	3.1
50 001 – 100 000	19	0.9	1 501 579	2.3
100 001 – 1 000 000	40	1.9	16 167 312	24.5
Over 1 000 000	15	0.7	44 500 789	67.4
	2 107	100.0	66 000 000	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	% of shares in issue
Non-public shareholders				
Directors of the company	3	0.1	4 638 046	7.0
Companies controlled by the directors	1	–	3 685 605	5.6
Trusts with directors as trustees	1	–	9 532 442	14.5
Public shareholders	2 102	99.9	48 143 907	72.9
	2 107	100.0	66 000 000	100.0

Authority to buy back shares

Mustek acquired 7 000 000 (2021: 4 000 000) ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R98.0 million (2021: R39.3 million) (the general repurchase). The general repurchase was effected in terms of a general authority to Mustek's directors (the directors), which was granted in terms of special resolutions passed by the members at Mustek's annual general meeting (AGM) held on 29 November 2021. The share repurchase comprised 10.94% of the total issued ordinary shares of Mustek at the date of the 2021 AGM.

The general repurchase commenced on 29 November 2021 and continued on a day-to-day basis as market conditions allowed and in accordance with the JSE Limited (JSE) Listings Requirements until 22 June 2022. The company confirms that the repurchases were effected through the order book operated by the JSE and done without any prior understanding or arrangement between the company and the counterparties. The shares repurchased were de-listed. The highest, lowest and average price paid by Mustek for the ordinary shares were 1 570 cents, 1 320 cents and 1 400 cents per share, respectively.

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 90 cents per ordinary share was declared on 6 October 2021 and paid on 11 October 2021. During the previous financial year, a final dividend of 26 cents per ordinary share was declared on 7 October 2020 and paid on 12 October 2020.

A gross dividend of 76 cents per ordinary share was declared as follows after the end of the financial year:

Last day of trade cum dividend	4 October 2022
First day to trade ex-dividend	5 October 2022
Record date	7 October 2022
Payment date	10 October 2022



Directors' report continued

for the year ended 30 June 2022

Directorate

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

Directors	Office	Designation
VC Mehana	Chairman	Non-executive
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

Loss of director

Directors	Cause of change	Office	Date
DC Kan	Deceased	Chief executive officer	19 May 2022

Appointments of directors

Directors	Designation	Date
S Aboo Baker Ebrahim	Executive	05 July 2022

Changes in responsibilities

Effective 30 June 2022, Hein Engelbrecht was appointed Group chief executive officer after the passing of Mustek's founder, David Kan.

Neels Coetzee was appointed as managing director of Mustek Operations, effective 5 July 2022, replacing Hein in the role. Effective 5 July 2022, Shabana Aboo Baker Ebrahim was appointed as Group financial director to replace Neels.

Investments in subsidiaries, associates and other loans

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

Zaloserve Proprietary Limited

The Group owns 36.1% of Zaloserve Proprietary Limited (Zaloserve), the holding company of Sizwe Africa IT Group Proprietary Limited (Sizwe). The Group sold 3.9% of Zaloserve to Zaloserve Management Proprietary Limited, a company owned by Sizwe's management team, for a total consideration of R11.0 million on 30 June 2021. The consideration due attracts interest at the repo rate plus 1% and is repayable on or before 30 June 2026. As at 30 June 2022, both the investment in Zaloserve as well as the loan to Zaloserve Management Proprietary Limited were impaired by R10.1 million and R4.6 million respectively. The reason for impairment is due to the poor performance of the Zaloserve group (specifically Sizwe IT Africa), as well as uncertainty of future forecasts due to operational constraints. The R10.1 million impairment of the investment in associate has been added back to the calculation of headline earnings.

Yangtze Optics Africa Holdings Proprietary Limited

YOAC is located at the Dube Trade Port in Durban and Mustek is a 25.1% shareholder of YOAC. 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 2022 was R4.8 million (2021: R11.5 million). They continue to grow their revenue and management believes that the company will continue to contribute profitably to the Group's bottom line.

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 R40.4 million (2021: R45.9 million) of which R16 million have no fixed repayment terms. The balance, R24.4 million, owing by the late DC Kan has become payable after his passing in May 2022 and has been disclosed as a current receivable. The carrying amount of these loans are stated after impairment in terms of IFRS 9 Financial Instruments.

Investment in Palladium Business Solutions Proprietary Limited

The Group disposed of its 50.1% interest in Palladium Business Solutions Proprietary Limited for R26.25 million with effect from 22 June 2022. Refer to note 34.

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 29 November 2021
- with effect from 29 November 2021, the remuneration payable to non-executive directors applicable for a period of twelve months
- in accordance with section 45 of the Companies Act, the provision of any financial assistance by the company to any company or corporation which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions which the directors of Mustek may determine.

Events after the reporting period

Purchase of building

A building was purchased in Cape Town for R28 million in August 2022. The purchase price was settled in cash. This building will be occupied by Rectron's Cape Town branch.

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

Legal disputes

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

Insurance settlement

One of Mustek's largest debtors was liquidated in 2018 and an amount of R20 million remained outstanding after receiving an insurance settlement from Mustek's credit insurer. The indebtedness was secured by a letter of guarantee for the amount of R20 million, which guarantee was disputed by the issuer (a registered insurance company) of such guarantee. On 29 July 2019, the High Court ruled in favour of the issuer and the after tax amount of R12.6 million was fully written off in the 30 June 2019 financial statements.

Following the above judgement, Mustek sought advice from new counsel and in January 2020 instituted action afresh (on a new legal basis) against the issuer of the guarantee letter, the underwriting company and the individual involved in the transaction.

On 14 August 2022, subsequent to year-end, the insurance company has entered into settlement negotiations in order to endeavour to settle Mustek's claims, which negotiations are continuing.

COVID-19 claim

Rectron's claim for the loss of gross profit (R10 million including VAT) following business interruption triggered by the COVID-19 lockdown in March 2020 was settled in the current year.

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.

Auditors

BDO South Africa Incorporated continued in office as auditors for the company and its major subsidiaries for 2022.

At the AGM, the shareholder will be requested to reappoint BDO South Africa Incorporated as the independent external auditors of the company and to confirm Ms VR de Villiers as the designated lead audit partner for the 2023 financial year.

Secretary

The company secretary is Sirkien Van Schalkwyk.



Statements of comprehensive income

for the year ended 30 June 2022

	Notes	Group		Company	
		2022 R000	2021 Restated* R000	2022 R000	2021 R000
Revenue	4	8 909 567	7 992 306	6 086 716	5 408 711
Cost of sales		(7 636 886)	(6 804 339)	(5 276 041)	(4 620 409)
Gross profit		1 272 681	1 187 967	810 675	788 302
Foreign currency (losses) gains	5	(73 315)	10 476	(29 693)	9 533
Impairment losses on trade receivables	19	(28 647)	(14 942)	(19 714)	(7 913)
Distribution, administrative and other operating expenses		(763 799)	(711 046)	(497 163)	(473 286)
Profit from operations	5	406 920	472 455	264 105	316 636
Investment income	6	6 778	4 968	42 809	32 274
Finance costs	7	(76 751)	(75 144)	(49 230)	(54 612)
(Loss) income from equity-accounted investments	16	(1 572)	5 292	–	–
Other non-operating (losses) gains	8	(13 297)	(314)	9 963	(6 085)
Profit before taxation		322 078	407 257	267 647	288 213
Income tax expense	9	(96 866)	(110 830)	(60 016)	(73 053)
Profit for the year		225 212	296 427	207 631	215 160
Other comprehensive loss:					
<i>Items that will be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operations		(1 714)	(4 569)	–	–
Other comprehensive loss for the year net of taxation		(1 714)	(4 569)	–	–
Total comprehensive income for the year		223 498	291 858	207 631	215 160
Profit attributable to:					
Owners of the parent		219 970	293 772	207 631	215 160
Non-controlling interest	15	5 242	2 655	–	–
		225 212	296 427	207 631	215 160
Total comprehensive income attributable to:					
Owners of the parent		218 256	289 203	207 631	215 160
Non-controlling interest	15	5 242	2 655	–	–
		223 498	291 858	207 631	215 160
Earnings per share					
Basic earnings per ordinary share (cents)	21	350.96	424.54		
Diluted basic earnings per ordinary share (cents)	21	350.96	424.54		

* The prior year Group revenue and cost of sales has been restated. There has been no impact on prior year gross profit. Refer to note 35 for further details.

Statements of financial position

as at 30 June 2022

	Notes	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
ASSETS					
Non-current assets					
Property, plant and equipment	10	191 991	200 899	38 985	36 368
Investment property	11	10 412	–	–	–
Right-of-use assets	12	48 859	79 274	68 357	103 021
Goodwill	13	46 550	54 627	–	–
Intangible assets	14	104 006	90 004	64 415	49 251
Investments in subsidiaries	15	–	–	294 936	286 283
Investment in associates	16	122 953	140 787	37 367	40 949
Other loans	17	22 810	61 772	44 643	52 085
Prepayments	19	21 228	–	21 228	–
Deferred tax assets	9	45 441	43 365	36 103	36 599
		614 250	670 728	606 034	604 556
Current assets					
Loan to associate	16	2 092	1 473	2 092	1 473
Inventories	18	2 480 187	1 439 558	1 496 495	824 930
Trade and other receivables	19	1 475 348	1 228 313	1 064 932	895 901
Contract assets	4	3 398	6 105	3 398	6 105
Foreign currency assets	25	48 965	7 311	26 014	6 622
Current tax receivable		10 923	5 895	3 024	1 694
Cash and cash equivalents	20	375 323	267 679	53 751	122 049
		4 396 236	2 956 334	2 649 706	1 858 774
TOTAL ASSETS		5 010 486	3 627 062	3 255 740	2 463 330
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	–	–	–	–
Retained earnings		1 409 811	1 345 440	933 661	881 629
Foreign currency translation reserve		3 252	4 966	–	–
Equity attributable to equity holders of the parent		1 413 063	1 350 406	933 661	881 629
Non-controlling interest		–	7 174	–	–
		1 413 063	1 357 580	933 661	881 629
Liabilities					
Non-current liabilities					
Borrowings and other liabilities	22	48 026	43 479	10 244	4 810
Contract liabilities	4	24 101	23 014	24 101	23 014
Deferred tax liabilities	9	4 743	2 642	–	–
Lease liabilities	12	29 307	58 823	55 188	86 908
Loans from subsidiaries	15, 22	–	–	34 950	37 516
		106 177	127 958	124 483	152 248
Current liabilities					
Trade and other payables	24	3 213 525	2 040 993	1 874 167	1 293 374
Loans from subsidiaries	15, 22	–	–	54 126	47 669
Borrowings and other liabilities	22	2 410	2 246	–	–
Foreign currency liabilities	25	327	9 305	17	6 061
Lease liabilities	12	22 988	23 057	23 148	23 584
Contract liabilities	4	28 050	30 373	23 873	27 387
Current tax payable		1 681	4 172	–	–
Bank overdraft	22	222 265	31 378	222 265	31 378
		3 491 246	2 141 524	2 197 596	1 429 453
Total liabilities		3 597 423	2 269 482	2 322 079	1 581 701
TOTAL EQUITY AND LIABILITIES		5 010 486	3 627 062	3 255 740	2 463 330



Statements of changes in equity

for the year ended 30 June 2022

	Ordinary stated capital R000	Retained earnings R000	Foreign currency translation reserve R000	Equity attributable to equity holders of the parent R000	Non- controlling interest R000	Total equity R000
Group						
Balance at 1 July 2020	–	1 109 124	9 535	1 118 659	8 012	1 126 671
Profit for the year	–	293 772	–	293 772	2 655	296 427
Other comprehensive loss	–	–	(4 569)	(4 569)	–	(4 569)
Buy back of shares	–	(39 256)	–	(39 256)	–	(39 256)
Dividends paid	–	(18 200)	–	(18 200)	(3 493)	(21 693)
Balance at 30 June 2021	–	1 345 440	4 966	1 350 406	7 174	1 357 580
Profit for the year	–	219 970	–	219 970	5 242	225 212
Other comprehensive loss	–	–	(1 714)	(1 714)	–	(1 714)
Buy back of shares	–	(97 999)	–	(97 999)	–	(97 999)
Dividends paid	–	(57 600)	–	(57 600)	(2 495)	(60 095)
Disposal of subsidiary (note 34)	–	–	–	–	(9 921)	(9 921)
Balance at 30 June 2022	–	1 409 811	3 252	1 413 063	–	1 413 063
Note		21				

	Ordinary stated capital R000	Retained earnings R000	Total equity R000
Company			
Balance at 1 July 2020	–	723 925	723 925
Profit for the year	–	215 160	215 160
Buy back of shares	–	(39 256)	(39 256)
Dividends paid	–	(18 200)	(18 200)
Balance at 30 June 2021	–	881 629	881 629
Profit for the year	–	207 631	207 631
Buy back of shares	–	(97 999)	(97 999)
Dividends paid	–	(57 600)	(57 600)
Balance at 30 June 2022	–	933 661	933 661
Note		21	

Statements of cash flows

for the year ended 30 June 2022

	Notes	Group		Company	
		2022 R000	2021 Restated* R000	2022 R000	2021 R000
Cash flows from operating activities					
Cash receipts from customers		8 637 161	7 920 283	5 887 603	5 408 551
Cash paid to suppliers and employees		(8 333 730)	(7 488 973)	(5 889 082)	(5 072 723)
Cash generated from (used in) operations	20	303 431	431 310	(1 479)	335 828
Interest income received	6	6 241	4 455	3 838	2 214
Dividends received		–	–	38 035	5 243
Finance costs paid	7	(76 751)	(75 144)	(46 662)	(54 612)
Dividends paid		(60 095)	(21 693)	(57 600)	(18 200)
Tax paid	32	(101 009)	(118 166)	(60 850)	(81 146)
Net cash generated from (used in) operating activities		71 817	220 762	(124 718)	189 327
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(24 590)	(32 414)	(13 343)	(15 453)
Sale/recoupment of property, plant and equipment	10	6 056	616	6 025	711
Purchase of intangible assets	14	(27 470)	(24 081)	(16 449)	(15 706)
Disposal of subsidiary net of cash disposed	34	13 756	–	–	–
Loans repaid by subsidiaries	15	–	–	11 394	5 598
Loans advanced to subsidiaries	15	–	–	(1 690)	–
Increase (decrease) in loans to associate	16	2 981	(5 000)	2 981	(5 000)
Dividends received from associate	16	2 520	–	–	–
Advances of other loans	17	–	(10 000)	–	(10 000)
Receipts from other loans	17, 19	15 451	6 261	16 971	3 916
Increase of non-current prepayments	19	(21 228)	–	(21 228)	–
Net cash used in investing activities		(32 524)	(64 618)	(15 339)	(35 934)
Cash flows from financing activities					
Buy back of ordinary shares	21	(97 999)	(39 256)	(97 999)	(39 256)
Loans received from subsidiaries	15, 23	–	–	1 324	3 539
Repayment of borrowings	23	(2 257)	(187)	–	–
Proceeds from (repayment to) bank overdraft	23	190 887	(87 454)	190 887	(87 454)
Payment on lease liabilities	23	(22 280)	(25 200)	(22 453)	(26 068)
Net cash generated from (used in) financing activities		68 351	(152 097)	71 759	(149 239)
Total cash movement for the year		107 644	4 047	(68 298)	4 154
Cash and cash equivalents at the beginning of the year		267 679	263 632	122 049	117 895
Cash and cash equivalents at the end of the year	20	375 323	267 679	53 751	122 049

* Refer to note 35 for details of prior year restatement.



Accounting policies

for the year ended 30 June 2022

1. Significant accounting policies

1.1 Basis of preparation

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

These annual financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

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

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

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

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

Goodwill impairment assessment (refer to note 13)

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

Determining the lease term (refer to note 12)

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

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

Critical judgements in applying accounting policies

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

Revenue recognition – Principal versus agent (see note 4)

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

To determine the nature of its obligation, the Group:

- 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).
- 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 licence sales related to cloud services.

Notes to the annual financial statements

for the year ended 30 June 2022

2 New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations not yet effective

The Group and company have chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group and company's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/interpretation	Effective date: years beginning on or after	Expected impact
• Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	01 January 2022	Unlikely there will be a material impact
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	01 January 2022	Unlikely there will be a material impact
• IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	01 January 2022	Unlikely there will be a material impact
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	01 January 2023	Not expected to impact results but may result in additional disclosure
• IAS 1 Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies)	01 January 2023	Unlikely there will be a material impact
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)	01 January 2023	Unlikely there will be a material impact
• IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	01 January 2023	Unlikely there will be a material impact
• IFRS 9 Financial Instruments (Annual Improvement to IFRS Standards 2018-2020)	01 January 2022	Unlikely there will be a material impact

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



Notes to the annual financial statements continued

for the year ended 30 June 2022

3. Segmental reporting

Business segments

The Group has identified reportable segments that 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.

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

	Mustek R000	Rectron R000	Group R000	Elimination R000	Total R000
2022					
Revenue					
External sales	6 027 130	2 882 437	–	–	8 909 567
Inter-segment sales**	191 560	199 913	–	(391 473)	–
Total revenue from continuing operations	6 218 690	3 082 350	–	(391 473)	8 909 567
Segment results					
EBITDA*	369 330	121 030	(35 148)	–	455 212
Depreciation and amortisation	(34 579)	(14 516)	–	803	(48 292)
Profit (loss) from operations	334 751	106 514	(35 148)	803	406 920
Investment income	1 658	2 541	40 386	(37 807)	6 778
Finance costs	(45 555)	(31 471)	–	275	(76 751)
Other non-operating gains (losses)	1 972	1 598	(4 837)	(12 030)	(13 297)
Loss from equity-accounted investments	–	–	(1 572)	–	(1 572)
Profit (loss) before tax	292 826	79 182	(1 171)	(48 759)	322 078
Income tax (expense) benefit	(81 928)	(22 865)	7 927	–	(96 866)
Profit (loss) for the year	210 898	56 317	6 756	(48 759)	225 212
Attributable to:					
Owners of the parent	210 898	51 075	6 756	(48 759)	219 970
Non-controlling interest	–	5 242	–	–	5 242
	210 898	56 317	6 756	(48 759)	225 212

* Earnings before interest, tax, depreciation and amortisation.

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

3. Segmental reporting continued

	Mustek R000	Rectron R000	Group R000	Elimination R000	Total R000
2021					
Revenue (restated)***					
External sales	5 371 377	2 620 929	–	–	7 992 306
Inter-segment sales**	125 194	136 772	–	(261 966)	–
Total revenue from continuing operations	5 496 571	2 757 701	–	(261 966)	7 992 306
Segment results					
EBITDA*	416 284	134 426	(34 711)	–	515 999
Depreciation and amortisation	(33 807)	(10 268)	–	531	(43 544)
Profit (loss) from operations	382 477	124 158	(34 711)	531	472 455
Investment income	617	2 106	2 245	–	4 968
Finance costs	(51 229)	(24 291)	–	376	(75 144)
Other non-operating losses	–	–	(314)	–	(314)
Income from equity-accounted investments	–	–	5 292	–	5 292
Profit before tax	331 865	101 973	(27 488)	907	407 257
Income tax (expense) benefit	(92 044)	(27 184)	8 398	–	(110 830)
Profit for the year	239 821	74 789	(19 090)	907	296 427
Attributable to:					
Owners of the parent	239 821	72 134	(19 090)	907	293 772
Non-controlling interest	–	2 655	–	–	2 655
	239 821	74 789	(19 090)	907	296 427

* Earnings before interest, tax, depreciation and amortisation.

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

*** Prior year segmental revenue restated. Refer to note 35 for details of the restatement.

	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
2022					
Other information					
Capital expenditure	32 751	19 308	–	–	52 059
Assets					
Segment assets	2 973 017	1 810 512	93 799	(2 810)	4 874 518
Investment in associates	–	–	125 045	–	125 045
Current tax assets	4 396	6 527	–	–	10 923
Consolidated total assets	2 977 413	1 817 039	218 844	(2 810)	5 010 486
Liabilities					
Segment liabilities	2 191 832	1 407 079	–	(3 169)	3 595 742
Current tax liabilities	1 681	–	–	–	1 681
Consolidated total liabilities	2 193 513	1 407 079	–	(3 169)	3 597 423
Number of employees at year-end	779	369	–	–	1 148



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

3. Segmental reporting *continued*

	Mustek R000	Rectron R000	Group R000	Eliminations R000	Total R000
2021					
Other information					
Capital expenditure	37 533	18 960	–	–	56 493
Assets					
Segment assets	2 178 969	1 183 538	116 400	–	3 478 907
Investment in associates	–	–	142 260	–	142 260
Current tax assets	3 245	2 650	–	–	5 895
Consolidated total assets	2 182 214	1 186 188	258 660	–	3 627 062
Liabilities					
Segment liabilities	1 481 450	783 860	–	–	2 265 310
Current tax liabilities	4 172	–	–	–	4 172
Consolidated total liabilities	1 485 622	783 860	–	–	2 269 482
Number of employees at year-end	699	369	–	–	1 068
Geographical segments					
	East Africa R000	Taiwan R000	South Africa R000	Total R000	
2022					
Revenue	42 079	–	8 867 488	8 909 567	
(Loss) profit before tax	(2 032)	5 216	318 894	322 078	
Income tax expense	(1 212)	(1 016)	(94 638)	(96 866)	
(Loss) profit for the year	(3 244)	4 200	224 256	225 212	
Attributable to:					
Owners of the parent	(3 244)	4 200	219 014	219 970	
Non-controlling interest	–	–	5 242	5 242	
	(3 244)	4 200	224 256	225 212	
Other information					
Capital expenditure	306	–	51 753	52 059	
Segment assets	53 391	33 171	4 913 001	4 999 563	
Current tax assets	–	–	10 923	10 923	
Consolidated total assets	53 391	33 171	4 923 924	5 010 486	
	East Africa R000	Taiwan R000	South Africa R000***	Total R000	
2021					
Revenue (restated)	41 290	480	7 950 536	7 992 306	
(Loss) profit before tax	1 654	2 482	403 121	407 257	
Income tax expense	(1 705)	(940)	(108 185)	(110 830)	
(Loss) profit for the year	(51)	1 542	294 936	296 427	
Attributable to:					
Owners of the parent	(51)	1 542	292 281	293 772	
Non-controlling interest	–	–	2 655	2 655	
	(51)	1 542	294 936	296 427	
Other information					
Capital expenditure	521	–	55 972	56 493	
Segment assets	52 967	17 853	3 550 347	3 621 167	
Current tax assets	–	–	5 895	5 895	
Consolidated total assets	52 967	17 853	3 556 242	3 627 062	

*** Prior year segmental revenue restated. Refer to note 35 for details of the restatement.

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

4. Revenue

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Revenue from contracts with customers				
Sale of goods	8 801 376	7 904 829	6 042 119	5 378 104
Rendering of services	108 191	87 477	44 597	30 607
	8 909 567	7 992 306	6 086 716	5 408 711
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 maker (CODM) in order to evaluate the financial performance of the entity.				
The Group and company derive revenue from the transfer of goods and services over time and at a point in time in the following major product lines:				
Sale of goods (revenue earned at a point in time)				
Hardware sales				
Dealers	5 519 454	4 482 309	3 436 502	3 037 492
Retailers	1 124 313	1 402 848	699 075	588 189
Public sector supplies	1 716 071	1 534 958	1 716 071	1 534 959
Export	200 494	223 340	104 296	143 653
	8 560 332	7 643 455	5 955 944	5 304 293
Software sales*				
Dealers	154 012	175 069	40 317	46 028
Retailers	43 765	25 711	15 054	4 064
Public sector supplies	27 500	21 260	27 500	21 260
Export	6 362	33 351	1 382	2 459
Cloud services (agent)	9 405	5 983	1 922	–
	241 044	261 374	86 175	73 811
Rendering of services (revenue earned over time)				
Maintenance and support contracts – net of deferred revenue	30 001	(1 549)	27 231	(1 598)
Training courses – net of deferred revenue	60 756	38 570	–	–
	90 757	37 021	27 231	(1 598)
Rendering of services (revenue earned at a point in time)				
Repair services	17 434	50 456	17 366	32 205
Total revenue from contracts with customers	8 909 567	7 992 306	6 086 716	5 408 711

* Refer to note 35 for details of restatement.

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

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

- identify the contract(s) with a customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract
- recognise revenue when (or as) the entity satisfies a performance obligation.

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



Notes to the annual financial statements continued

for the year ended 30 June 2022

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 element.
4. Our returns policy states 14 days from date of purchase but Consumer Protection Act dictates maximum of 30 days if all return criteria are met. A refund liability and corresponding adjustment to revenue is recognised for expected returns.
5. Warranties are included with the sale of all our goods. The warranty period will vary, dependent on the product sold.

Revenue from services

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

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

Mecer Inter-Ed provides training solutions in the form of vendor authorised ICT training courses as well as learnerships and skills 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 licences and cloud solutions

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

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.

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Contract assets	3 398	6 105	3 398	6 105
Reconciliation of contract assets				
Opening balance	6 105	5 012	6 105	4 833
Transfers of contract assets to inventories	(6 105)	(5 012)	(6 105)	(4 833)
New contracts from hardware sales	3 398	6 105	3 398	6 105
Closing balance	3 398	6 105	3 398	6 105

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

4. Revenue continued

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Summary of contract liabilities				
Deferred revenue – maintenance contracts	43 817	40 082	43 817	40 082
Deferred revenue – training contracts	4 177	2 986	–	–
Expected discounts and rebates	90	2 894	90	2 894
Expected refunds to customers	4 067	7 425	4 067	7 425
	52 151	53 387	47 974	50 401
Reconciliation of contract liabilities				
Opening balance	53 387	47 931	50 401	38 970
Deferred income recognised in revenue	(25 444)	(20 239)	(22 458)	(11 806)
Deferred revenue – maintenance contracts	26 193	18 970	26 193	18 970
Deferred revenue – training courses	4 177	2 458	–	–
Expected discounts and rebates	(2 804)	1 154	(2 804)	1 154
Expected refunds to customers	(3 358)	3 113	(3 358)	3 113
Closing balance	52 151	53 387	47 974	50 401
Split between non-current and current portions				
Non-current liabilities	24 101	23 014	24 101	23 014
Current liabilities	28 050	30 373	23 873	27 387
	52 151	53 387	47 974	50 401

Deferred revenue arises as a result of:

- various onsite 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).

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.

Discounts and rebates – this relates to the estimated discounts and rebates that the Group expects to grant to customers on sales made in the current financial year. This estimation was based on historical trends.

Refunds – this relates to the estimated refunds that the Group expects to credit customers on goods returned within the return policy period. This estimation was based on historical trends.

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Deferred revenue maturity analysis				
Year 1	23 894	20 054	19 717	17 068
Year 2	12 897	12 393	12 897	12 393
Year 3	7 242	6 870	7 242	6 870
Year 4	3 173	2 851	3 173	2 851
Year 5	788	900	788	900
	47 994	43 068	43 817	40 082



Notes to the annual financial statements continued

for the year ended 30 June 2022

5. Profit from operations

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Operating income				
Bad debts recovered	3 939	10 387	497	1 544
Compensation from insurance claims	18 886	8 696	10 120	8 696
Rental income from investment property	1 465	–	–	–
The compensation from insurance claims relates to:				
• R8.77 million – COVID-19 claim that compensated Rectron for loss of gross profit following business interruption due to the national lockdown implemented in March 2020				
• R10.1 million – compensation from SASRIA related to the July 2021 looting in KwaZulu-Natal. Compensation was for loss of property, plant and equipment as well as business interruption. The remaining proceeds of R13.2 million for loss of inventory was applied to cost of sales.				
Auditor's remuneration				
External audit fees	6 115	5 137	3 445	3 009
Other consultation services	137	375	91	87
	6 252	5 512	3 536	3 096
Leases				
Short-term leases	831	–	831	–
Total lease expenses	831	–	831	–
Depreciation and amortisation				
Depreciation of investment property on the cost model	366	–	–	–
Depreciation of property, plant and equipment	20 491	15 082	9 221	7 890
Depreciation of right-of-use assets	23 442	23 939	25 293	25 978
Amortisation of intangible assets	3 993	4 523	1 215	1 648
Total depreciation and amortisation	48 292	43 544	35 729	35 516
(Profit) loss on disposal/scraping of property, plant and equipment and intangible assets	(4 196)	1 986	(4 780)	1 711
Foreign exchange (losses) gains				
Realised	(33 345)	15 935	(8 042)	24 158
Unrealised	(88 608)	(3 465)	(47 648)	(15 186)
Fair value adjustment – open forward exchange contracts	48 638	(1 994)	25 997	561
Net foreign exchange (losses) gains	(73 315)	10 476	(29 693)	9 533

6. Investment income

	Notes	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
Dividend income					
Group entities:					
Dividends from subsidiaries and associates		–	–	38 035	28 606
Interest income					
Investments in financial assets:					
Bank balances		5 856	4 454	2 629	2 214
Loans to Group companies:					
Subsidiaries		–	–	1 223	940
Associates and other receivables		922	514	922	514
Total interest income		6 778	4 968	4 774	3 668
Total investment income		6 778	4 968	42 809	32 274

Dividend income from investments is recognised when:

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

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

7. Finance costs paid					
Interest paid on bank overdraft		14 256	23 083	13 741	22 883
Interest paid on borrowings		2 568	2 507	–	–
Interest paid on lease liabilities	12	3 872	3 517	6 589	6 024
Interest paid on letters of credit and trade finance		56 055	46 037	26 332	23 198
Interest paid on loan from Group companies		–	–	2 568	2 507
Total finance costs		76 751	75 144	49 230	54 612
8. Other non-operating (losses) gains					
Gains (losses) on disposals					
Investments in subsidiaries	15, 34	6 818	–	–	(1 675)
Investments in associates	16	–	2 620	–	–
		6 818	2 620	–	(1 675)
Impairment loss/expected credit loss on					
Investments in subsidiaries	15	–	–	–	(5 213)
Loans to subsidiaries	15	–	–	(616)	(1 646)
Investments in associates	16	(10 161)	–	–	–
Goodwill	13	–	(1 000)	–	–
Other loans	17	(10 263)	(1 950)	(1 072)	(2 349)
		(20 424)	(2 950)	(1 688)	(9 208)
Reversal of impairment loss/expected credit loss					
Loans to subsidiaries	15	–	–	11 396	4 782
Loans to associates	16	20	16	20	16
Other loans	17, 19	289	–	235	–
		309	16	11 651	4 798
Total other non-operating (losses) gains		(13 297)	(314)	9 963	(6 085)



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

9. Taxation

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
South African normal tax	94 430	108 126	60 016	73 053
Foreign tax	2 228	2 644	–	–
Withholding tax	208	60	–	–
	96 866	110 830	60 016	73 053
Comprising				
Normal current tax				
– Current year	96 555	126 092	60 028	85 563
– Prior year	(995)	(1 113)	(508)	–
Normal deferred tax				
– Current year	(2 202)	(16 458)	(840)	(12 510)
– Prior year	1 863	2 249	–	–
– Rate change	1 437	–	1 336	–
Withholding tax	208	60	–	–
	96 866	110 830	60 016	73 053
The tax expense relates to the following tax jurisdictions:				
South African Revenue Service	94 638	108 185	60 016	73 053
Kenya Revenue Authority	1 212	1 705	–	–
Revenue Service Office, New Taipei City Government	1 016	940	–	–
	96 866	110 830	60 016	73 053
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate				
Profit before tax	322 078	407 257	267 647	288 213
	%	%	%	%
Applicable tax rate	28.0	28.0	28.0	28.0
Dividends received	–	–	(4.0)	(2.8)
Current tax prior year over provision	(0.3)	(0.3)	(0.2)	–
Deferred tax asset prior year over provision	0.6	0.6	–	–
Capital gains tax	0.2	0.3	–	–
Change in tax rate	0.5	–	0.5	–
Loss (profits) from associates already taxed	0.1	(0.4)	–	–
Learnership agreement allowances	(0.6)	(1.1)	(0.3)	(0.8)
Other losses (gains)	1.3	–	(1.2)	–
Disallowed expenses	0.3	0.1	–	1.0
Non-taxable income	–	–	(0.4)	–
	30.1	27.2	22.4	25.4

As communicated by the Minister of Finance during the March 2022 budget speech, the South African income tax rate of 28% will be reduced to 27% for years of assessments commencing on or after 1 April 2022. Thus for the Group and company, deferred tax has been determined using a rate of 27%.

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

9. 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% (2021: 28%), except if otherwise indicated:

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Deferred tax liability				
Accelerated wear and tear for tax purposes	(9 436)	(13 390)	(1 213)	(1 376)
Right-of-use asset	(13 192)	(22 197)	(18 456)	(28 846)
Prepayments	(805)	(574)	(535)	(331)
Operating lease assets	–	–	(23)	(6)
Unrealised exchange gains or losses	(8 257)	(6 358)	(6 163)	(4 531)
Total deferred tax liability	(31 690)	(42 519)	(26 390)	(35 090)
Deferred tax asset				
Allowance for expected credit losses	13 281	6 237	7 427	6 226
Amortisation of intangible assets	–	3	–	3
Minor assets	1	3	1	3
Salary-related accruals/liabilities	26 127	25 087	17 411	17 809
Lease liabilities	14 120	22 926	21 151	30 938
Commission accruals	3 580	3 465	3 580	3 465
Other accruals	914	7 299	887	842
Deferred revenue	13 170	13 075	11 831	11 223
Net contract liabilities	205	1 393	205	1 180
Other	61	764	–	–
Deferred tax balance from temporary differences other than unused tax losses	71 459	80 252	62 493	71 689
Tax losses available for set off against future taxable income	929	2 990	–	–
Total deferred tax asset	72 388	83 242	62 493	71 689
The deferred tax assets and the deferred tax liabilities that relate to income tax in the same jurisdiction, and where the law allows net settlement to have been offset in the statement of financial position as follows:				
Deferred tax liability	(4 743)	(2 642)	–	–
Deferred tax asset	45 441	43 365	36 103	36 599
Total net deferred tax asset	40 698	40 723	36 103	36 599
The Group's deferred tax assets relates to the following geographical locations:				
South Africa	45 232	38 580	36 103	36 599
East Africa	611	2 178	–	–
Taiwan	–	–	–	–
	45 843	40 758	36 103	36 599



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

9. Taxation *continued*

	Notes	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
Reconciliation of deferred tax asset (liability)					
At beginning of year		40 723	24 497	36 599	24 089
Reduction due to rate change		(1 437)	–	(1 337)	–
Differences on taxable loss		(2 061)	(1 740)	–	–
Differences on allowances for credit losses		6 833	(2 745)	1 477	(3 045)
Differences on amortisation of intangible assets		(2)	(2)	(2)	(2)
Differences on salary-related accruals		2 894	15 891	246	8 613
Differences on accelerated wear and tear		1 016	(1 013)	119	253
Differences on prepayments		(273)	97	(223)	74
Differences on minor assets		(2)	(2)	(2)	(2)
Differences on operating lease assets		–	–	(19)	9
Differences on right-of-use asset		8 969	(13 809)	9 706	(11 470)
Differences on lease liability		(8 172)	13 459	(9 004)	11 427
Differences on commission accrual		248	783	248	1 333
Differences on other accruals		(6 136)	(411)	77	–
Differences on unrealised exchange gains and losses		(2 070)	(476)	(1 860)	2 629
Differences on deferred revenue		582	1 199	1 046	1 856
Differences on unrealised capital gains		–	958	–	–
Differences on unrealised fair value capital gain on investment		–	(141)	–	–
Differences on contract assets and liabilities		(967)	1 397	(968)	835
Differences on other temporary differences		(520)	764	–	–
Movement through the statement of comprehensive income		(1 098)	14 209	(496)	12 510
Foreign currency translation reserve		(460)	2 017	–	–
Movement through equity		(460)	2 017	–	–
Sale of subsidiary	34	1 533	–	–	–
		40 698	40 723	36 103	36 599

Recognition of deferred tax asset

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

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

10. Property, plant and equipment

	2022			2021		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Land and buildings	102 516	(3 489)	99 027	114 312	(5 409)	108 903
Plant and machinery	70 803	(49 749)	21 054	69 526	(46 116)	23 410
Furniture, fixtures and office equipment	49 663	(27 319)	22 344	51 142	(32 089)	19 053
Motor vehicles	14 743	(8 047)	6 696	17 053	(10 450)	6 603
Computer equipment	68 771	(43 882)	24 889	62 929	(38 684)	24 245
Leasehold improvements	57 202	(39 221)	17 981	57 763	(39 078)	18 685
Total	363 698	(171 707)	191 991	372 725	(171 826)	200 899

	2022			2021		
	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	28 890	(24 145)	4 745	28 750	(23 007)	5 743
Furniture, fixtures and office equipment	21 638	(11 165)	10 473	21 413	(14 744)	6 669
Motor vehicles	13 642	(7 278)	6 364	15 986	(9 797)	6 189
Computer equipment	44 627	(28 070)	16 557	40 656	(24 125)	16 531
Leasehold improvements	16 038	(15 976)	62	18 582	(18 130)	452
Total	125 619	(86 634)	38 985	126 171	(89 803)	36 368



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

10. Property, plant and equipment *continued*
Reconciliation of property, plant and equipment

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improvements R000	Total R000
Group – 2022							
Opening balance							
Cost	114 312	69 526	51 142	17 053	62 929	57 763	372 725
Accumulated depreciation	(5 409)	(46 116)	(32 089)	(10 450)	(38 684)	(39 078)	(171 826)
Net book value at 1 July 2021	108 903	23 410	19 053	6 603	24 245	18 685	200 899
Additions	632	1 270	7 436	2 062	11 133	2 057	24 590
Disposal of subsidiary (note 34)	–	–	(117)	–	(162)	(19)	(298)
Disposals and scrapplings – cost	–	(11)	(7 886)	(4 383)	(4 601)	(2 545)	(19 426)
Disposals and scrapplings – accumulated depreciation and impairment	–	11	7 445	3 282	4 043	2 543	17 324
Transfers to investment property	(10 520)	–	–	–	–	–	(10 520)
Foreign exchange movements	–	3	3	(1)	(92)	–	(87)
Depreciation	12	(3 629)	(3 590)	(867)	(9 677)	(2 740)	(20 491)
Net book value at 30 June 2022	99 027	21 054	22 344	6 696	24 889	17 981	191 991
Made up as follows:							
Cost	102 516	70 803	49 663	14 743	68 771	57 202	363 698
Accumulated depreciation	(3 489)	(49 749)	(27 319)	(8 047)	(43 882)	(39 221)	(171 707)
	99 027	21 054	22 344	6 696	24 889	17 981	191 991
Group – 2021							
Opening balance							
Cost	116 572	65 713	44 773	18 272	63 219	56 611	365 160
Accumulated depreciation	(5 357)	(44 420)	(31 785)	(10 552)	(47 134)	(37 973)	(177 221)
Net book value at 1 July 2020	111 215	21 293	12 988	7 720	16 085	18 638	187 939
Additions	588	3 974	9 383	475	16 672	1 322	32 414
Disposals and scrapplings – cost	(151)	–	(2 815)	(1 576)	(16 560)	(109)	(21 211)
Disposals and scrapplings – accumulated depreciation and impairment	2	–	2 449	1 182	15 689	25	19 347
Foreign exchange movements	(2 339)	(29)	(31)	(63)	(46)	–	(2 508)
Depreciation	(412)	(1 828)	(2 921)	(1 135)	(7 595)	(1 191)	(15 082)
Net book value at 30 June 2021	108 903	23 410	19 053	6 603	24 245	18 685	200 899
Made up as follows:							
Cost	114 312	69 526	51 142	17 053	62 929	57 763	372 725
Accumulated depreciation	(5 409)	(46 116)	(32 089)	(10 450)	(38 684)	(39 078)	(171 826)
	108 903	23 410	19 053	6 603	24 245	18 685	200 899

10. **Property, plant and equipment** continued
Reconciliation of property, plant and equipment continued

	Land and buildings R000	Plant and machinery R000	Furniture, fixtures and office equipment R000	Motor vehicles R000	Computer equipment R000	Leasehold improvements R000	Total R000
Company – 2022							
Opening balance							
Cost	784	28 750	21 413	15 986	40 656	18 582	126 171
Accumulated depreciation	–	(23 007)	(14 744)	(9 797)	(24 125)	(18 130)	(89 803)
Net book value at 1 July 2021	784	5 743	6 669	6 189	16 531	452	36 368
Additions	–	152	5 087	2 039	6 065	–	13 343
Disposals and scrapplings – cost	–	(11)	(4 426)	(4 383)	(2 530)	(2 545)	(13 895)
Disposals and scrapplings – accumulated depreciation	–	11	4 334	3 282	2 218	2 545	12 390
Depreciation	–	(1 150)	(1 123)	(780)	(5 797)	(371)	(9 221)
Net book value at 30 June 2022	784	4 745	10 541	6 347	16 487	81	38 985
Made up as follows:							
Cost	784	28 890	21 638	13 642	44 627	16 038	125 619
Accumulated depreciation	–	(24 145)	(11 165)	(7 278)	(28 070)	(15 976)	(86 634)
	784	4 745	10 473	6 364	16 557	62	38 985
Company – 2021							
Opening balance							
Cost	784	28 086	19 084	16 773	45 250	18 582	128 559
Accumulated depreciation	–	(21 902)	(13 772)	(9 572)	(35 006)	(17 745)	(97 997)
Net book value at 1 July 2020	784	6 184	5 312	7 201	10 244	837	30 562
Additions	–	663	2 329	423	12 038	–	15 453
Disposals and scrapplings – cost	–	–	–	(1 211)	(16 632)	–	(17 843)
Disposals and scrapplings – accumulated depreciation and impairment	–	–	–	817	15 269	–	16 086
Depreciation	–	(1 104)	(972)	(1 041)	(4 388)	(385)	(7 890)
Net book value at 30 June 2021	784	5 743	6 669	6 189	16 531	452	36 368
Made up as follows:							
Cost	784	28 750	21 413	15 986	40 656	18 582	126 171
Accumulated depreciation	–	(23 007)	(14 744)	(9 797)	(24 125)	(18 130)	(89 803)
	784	5 743	6 669	6 189	16 531	452	36 368



Notes to the annual financial statements continued

for the year ended 30 June 2022

10. Property, plant and equipment continued

Depreciation rates

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

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 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. The residual value of buildings in the company exceeds the original costs. Land is not depreciated.

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

There are no restrictions over the title to any of the property, plant and equipment. Property, plant and equipment to the value of R64.3 million (2021: R64.3 million) has been pledged as security for a mortgage bond and property, plant and equipment to the value of R36.5 million (2021: R35.9 million) has been pledged as security for a trade finance facility.

11. Investment property

	2022			2021		
	Cost R000	Accumulated depreciation R000	Carrying value R000	Cost R000	Accumulated depreciation R000	Carrying value R000
Group						
Investment property	12 737	(2 325)	10 412	–	–	–

	Opening balance	Transfers	Foreign exchange movements	Depreciation	Total
Reconciliation of investment property Group – 2022					
Investment property	–	10 520	258	(366)	10 412

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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

During the current year, the building owned by Mustek East Africa, situated in Nairobi, was fully rented out and thus the property was transferred to investment property from property, plant and equipment at carrying value.

The fair value is likely to lie within the range of R33.5 million to R48 million, dependent on sale method. Refer to note 26.

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

	2022 R000	2021 R000	2022 R000	2021 R000
Amounts recognised in profit and loss for the year				
Rental income from investment property	1 465	–	–	–



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

12. Right-of-use assets and lease liabilities

The Group leases several assets, including buildings, vehicles and equipment. The lease terms range between one and ten years (2021: one – ten years). Short-term leases are recognised on the straight-line basis. The Group has no leases of low-value assets.

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Details pertaining to leasing arrangements, where the Group and company are the lessees, are presented below:				
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are as follows:				
Land and buildings	44 906	73 832	68 357	103 021
Motor vehicles	3 936	5 326	–	–
Equipment	17	116	–	–
	48 859	79 274	68 357	103 021
Additions/modifications to right-of-use assets				
Land and buildings – additions	4 810	7 796	2 412	7 796
Land and buildings – modifications	–	61 576	–	59 146
Motor vehicles – additions	–	3 885	–	–
	4 810	73 257	2 412	66 942
The lease modifications in the prior year related to changes in the contractual lease term. These changes were not considered to be new contracts but rather modifications to the existing contracts as the modifications did not result in any increases to the scope of the lease contract by adding the right to use one or more underlying assets.				
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5).				
Land and buildings	21 953	22 514	25 293	25 978
Motor vehicles	1 391	1 326	–	–
Equipment	98	99	–	–
	23 442	23 939	25 293	25 978
Other disclosures				
Carrying amount of right-of-use assets derecognised due to lease terminations – buildings and motor vehicles	(11 783)	(1 782)	(11 783)	(34)

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Lease liabilities				
Lease liability reconciliation				
Opening balance	81 880	33 809	110 492	69 681
Additions	4 810	11 681	2 412	7 796
Modifications	–	61 590	–	59 083
Lease termination	(12 115)	–	(12 115)	–
Interest expense	3 872	3 517	6 589	6 024
Lease payments	(26 152)	(28 717)	(29 042)	(32 092)
Closing balance	52 295	81 880	78 336	110 492
The maturity analysis of lease liabilities is as follows:				
Year 1	25 966	27 672	28 308	30 752
Year 2	25 070	26 671	28 074	30 484
Year 3	5 729	26 337	11 181	30 599
Year 4	662	8 205	7 069	13 923
Year 5	15	2 758	6 935	9 275
Onwards	–	–	11 787	18 722
	57 442	91 643	93 354	133 755
Less finance charges component	(5 147)	(9 763)	(15 018)	(23 263)
	52 295	81 880	78 336	110 492
Non-current liabilities	29 307	58 823	55 188	86 908
Current liabilities	22 988	23 057	23 148	23 584
	52 295	81 880	78 336	110 492

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

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

Group and company as a lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group and company are the lessees, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group and company recognise the lease payments as an operating expense (when applicable) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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



Notes to the annual financial statements continued

for the year ended 30 June 2022

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

Lease liability

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

The lease liability is presented as a separate line item on the statement of financial position.

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

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

Lease liability remeasurement scenario	Lease liability remeasurement methodology
Change to the lease term.	– discounting the revised lease payments using a revised discount rate
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	– discounting the revised payments using a revised discount rate

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

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position. The right-of-use asset is initially measured at cost.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

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

13. Goodwill

	2022			2021		
	Cost R000	Accumulated impairment R000	Carrying value R000	Cost R000	Accumulated impairment R000	Carrying value R000
Group						
Goodwill	54 267	(7 717)	46 550	62 344	(7 717)	54 627

The carrying amount of goodwill has been allocated as follows:

	Pre-tax discount 2022	Pre-tax discount 2021	Forecasted cash flows	2022	2021
	Mustek	25.53%		22.75%	Five year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.
Palladium Business Solutions	–	23.08%		–	8 077
Rectron	26.82%	25.41%	Five year cash forecast, based on budgeted profits, with perpetual cash forecast thereafter.	27 276	27 276
				46 550	54 627

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

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs were determined using a discounted cash flow model. A value-in-use was calculated and used as the recoverable amount. The key assumptions for the discounted cash flow model, are those regarding discount rates and expected growth rates. Management estimates discount rates using pre-tax rates that reflect management's assessment of the time value of money and their views on the risks specific to the CGUs. Discount rates used are based on a weighted average cost of capital of similar businesses in the same sector and of similar size, adjusted for the risk profile of the business. To be conservative, no growth has been forecasted for the short term, with 4 – 4.5% (2021: 4%) 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, expectations of future changes in the market, a view on expected inflation rates and economic outlook as economies recover from the pandemic.

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

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

Based on the assessments done in 2021 as well as the poor performance of a business unit within the Mustek CGU, goodwill relating to this business unit was impaired in total (R1 million) during the prior financial year.

Sensitivity analysis

Management has adjusted the cash flows of each CGU for entity-specific risk factors to arrive at the future cash flows expected to be generated from the CGU. There is no indication based on a reasonable fluctuation in those risk factors that the goodwill of the CGUs is impaired.

Reconciliation of goodwill

	Opening balance	Disposals through sale of subsidiary (note 34)	Total
	Group – 2022		
Goodwill	54 627	(8 077)	46 550
	Opening balance	Impairment loss	Total
Group – 2021			
Goodwill	55 627	(1 000)	54 627



Notes to the annual financial statements continued

for the year ended 30 June 2022

14. Intangible assets

	2022			2021		
	Cost R000	Accumulated amortisation R000	Carrying value R000	Cost R000	Accumulated amortisation R000	Carrying value R000
Group						
Computer software	193 405	(89 399)	104 006	184 212	(94 208)	90 004
Company						
Computer software	135 006	(70 591)	64 415	118 983	(69 732)	49 251

Reconciliation of intangible assets

	Opening balance	Additions	Scrapping	Disposal of subsidiary (note 34)	Foreign exchange movements	Amortisation	Total
	Group – 2022						
Computer software	90 004	27 470	(92)	(9 386)	3	(3 993)	104 006

	Opening balance	Additions	Scrapping	Foreign exchange movements	Amortisation	Total	
	Group – 2021						
Computer software		71 205	24 081	(736)	(23)	(4 523)	90 004

	Opening balance	Additions	Scrapping	Amortisation	Total
	Company – 2022				
Computer software	49 251	16 449	(70)	(1 215)	64 415

	Opening balance	Additions	Scrapping	Amortisation	Total	
	Company – 2021					
Computer software		35 858	15 706	(665)	(1 648)	49 251

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.

Mustek and Rectron are in the process of implementing a new ERP system and the amount spent thus far combined and separately (for Mustek) is R100.6 million (2021: R72.4 million) and R62.4 million (2021: R47.3 million) respectively. The new ERP system was scheduled to be implemented during the financial year but due to unplanned impacts on the project, brought about by process optimisation requirements, the implementation date had to be moved out. The ERP system will be completed and available for use in the next financial year and the costs incurred in developing the software will be amortised in accordance with IAS 38 Intangible Assets. This software has been assessed for impairment based on the same judgements and estimates used for the goodwill impairment assessment as described in note 13.

Software is written off on a straight-line basis over their remaining useful lives of between one and three years.

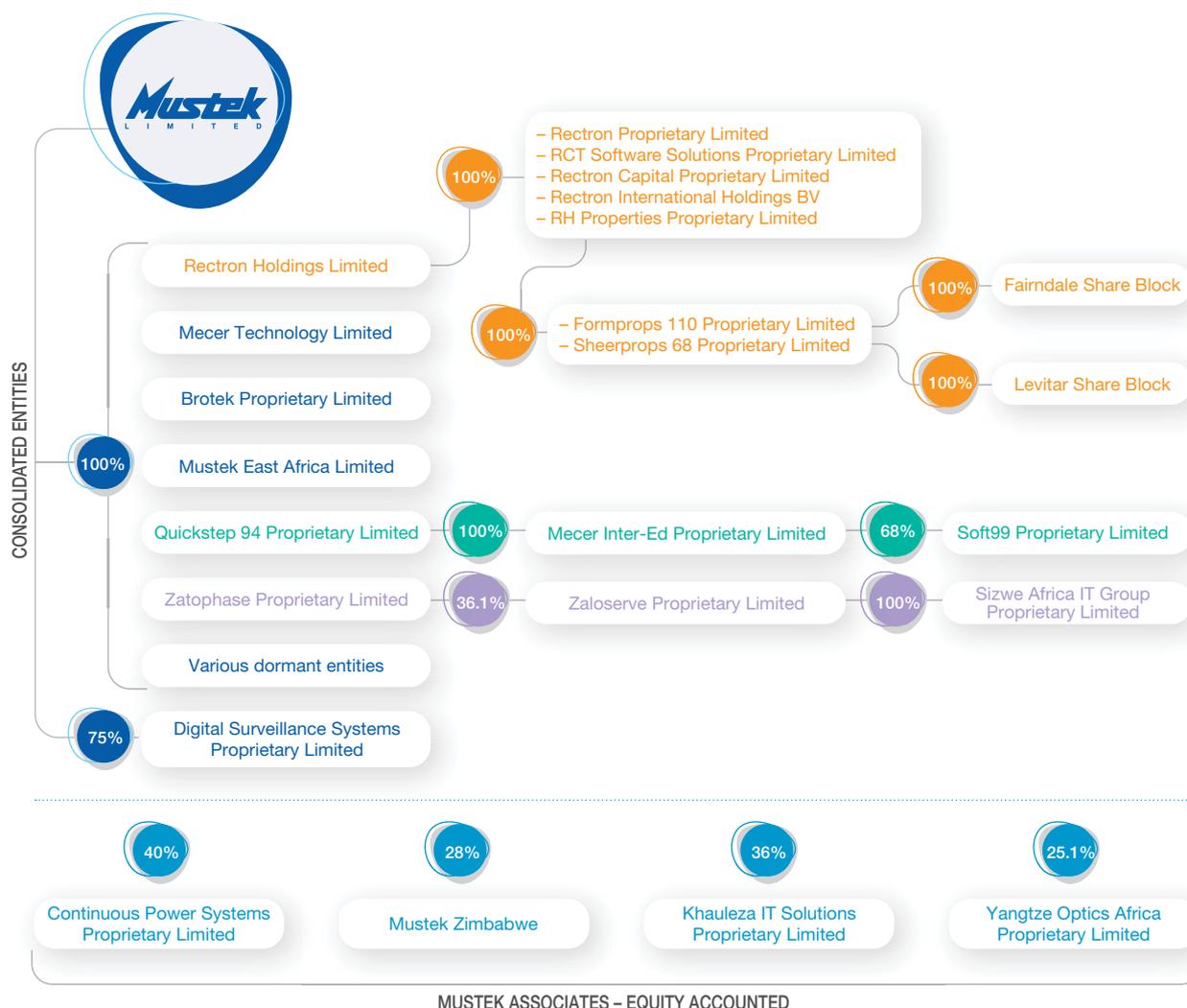
Intangible assets acquired separately

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

15. Investment in subsidiaries

	Notes	2022 R000	2021 R000
Company			
Net investment in subsidiaries			
Shares at cost less accumulated impairment		243 391	243 391
– opening balance		243 391	250 279
– write-offs and impairment		–	(6 888)
Loans owing by subsidiaries		114 344	116 470
– opening balance		116 470	130 519
– decrease in loans		(8 770)	(4 658)
– foreign exchange movement		6 644	(9 391)
Loan impairments		(62 798)	(73 578)
– opening balance		(73 578)	(76 714)
– current year impairment adjustments		10 780	3 136
Non-current investment in subsidiaries		294 937	286 283
Loans owing to subsidiaries	22, 23	(89 076)	(85 185)
		205 861	201 098

The following organogram indicates the entities, which are controlled or equity accounted by the Group, either directly or indirectly through subsidiaries. Palladium Business Solutions Proprietary Limited was disposed of by RCT Software Solutions Proprietary Limited (refer to note 34).



Notes to the annual financial statements continued

for the year ended 30 June 2022

15. Investment in subsidiaries continued

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

Company	Country of incorporation	Nature of activities	% holding 2022	% holding 2021	2022 R000	2021 R000
Name of company						
Ballena Trading 29 Proprietary Limited*	South Africa	Dormant	51	51	5 272	5 272
Brotek Proprietary Limited	South Africa	Property holding	100	100	71 468	71 468
CIS Thutukani Technology Proprietary Limited	South Africa	Dormant	100	100	6 793	6 793
Digital Surveillance Systems Proprietary Limited*	South Africa	Dormant	75	75	5 896	5 896
Lithatek Investments Proprietary Limited*	South Africa	Dormant	100	100	19 448	19 448
MFS Technologies Proprietary Limited**	South Africa	Dormant	100	100	–	–
Makeshift 1000 Proprietary Limited*	South Africa	Dormant	100	100	10 698	10 698
Mecer Technology Limited	Taiwan	Trading	100	100	6 629	6 629
Mustek East Africa Limited (Note 1)	Kenya	Trading	100	100	12 315	12 315
Mustek Electronics (Cape Town) Proprietary Limited*	South Africa	Dormant	100	100	3 229	3 229
Mustek Electronics (Durban) Proprietary Limited*	South Africa	Dormant	100	100	1 658	1 658
Mustek Electronics (Port Elizabeth) Proprietary Limited*	South Africa	Dormant	100	100	327	327
Mustek Lesotho Proprietary Limited**	South Africa	Dormant	99	99	–	–
Mustek Limited Company Limited**	South Africa	Dormant	100	100	–	–
Mustek Middle East FZCO*	South Africa	Dormant	100	100	1 392	1 392
Quickstep 94 Proprietary Limited*	South Africa	Investment holding	100	100	2 581	2 581
Rectron Holdings Limited	South Africa	Trading	100	100	115 973	115 973
Tradeselect 38 Proprietary Limited*	South Africa	Dormant	100	100	3 400	3 400
Zatophase Proprietary Limited	South Africa	Investment holding	100	100	35 944	35 944
Total cost					303 023	303 023
Accumulated impairment					(59 632)	(59 632)
Opening balance					(59 632)	(54 419)
Impair of investment in subs					–	(5 213)
Carrying amount at year-end					243 391	243 391

* Fully impaired in prior years.

** Amounts less than R1000.

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

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

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

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

15. Investment in subsidiaries *continued***Subsidiaries with material non-controlling interests**

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations. As at year-end the Group does not have any non-controlling interests as the 50.1% holding in Palladium Business Solutions (Pty) Ltd was disposed of (refer to note 34). This information is provided for comparative purposes.

Subsidiary

	Country of incorporation	% ownership interest held by non-controlling interest	
		2022	2021
Palladium Business Solutions Proprietary Limited	South Africa	–	49.90

Summarised statement of financial position

	Palladium Business Solutions Proprietary Limited	
	2022 R000	2021 R000
Assets		
Non-current assets	–	288
At acquisition intangible assets recognised net of amortisation and deferred tax	–	8 205
Current assets	–	13 975
Total assets	–	22 468
Liabilities		
Current liabilities	–	6 726
Total liabilities	–	6 726
Total net assets	–	15 742
Carrying amount of non-controlling interest	–	7 855

Summarised statement of profit or loss and other comprehensive income

	Palladium Business Solutions Proprietary Limited	
	2022 R000	2021 R000
Revenue	49 854	44 033
Expenses	(35 266)	(33 462)
Amortisation of at acquisition intangible assets	(2 011)	(2 011)
Profit before tax	12 577	8 560
Tax expense	(2 072)	(3 241)
Profit for the year	10 505	5 319
Total comprehensive income	10 505	5 319
Profit allocated to non-controlling interest	5 242	2 655



Notes to the annual financial statements continued

for the year ended 30 June 2022

15. Investment in subsidiaries continued Summarised statement of cash flows

	Palladium Business Solutions Proprietary Limited	
	2022 R000	2021 R000
Cash generated from operating activities	–	4 449
Cash inflows (outflows) from investing activities	–	9
Cash outflows from financing activities	–	(547)
Net increase in cash and cash equivalents	–	3 911
Dividend paid to non-controlling interest	2 495	3 493
	2022 R000	2021 R000
Loans to subsidiaries		
Mustek East Africa Limited		
<i>This loan bears interest at two percent per annum (2021: 2%) and is repayable on demand (management has no expectation to demand settlement of this loan in the foreseeable future). This loan is unsecured.</i>	50 289	42 892
Zatophase Proprietary Limited		
<i>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.</i>	1 257	–
	51 546	42 892

Exposure to credit risk

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

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

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

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

The loss allowance for Group loans receivable is calculated based on 12-month 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 ECL. The loss allowance is updated to either twelve month or lifetime ECL at each reporting date based on changes in the credit risk since initial recognition.

15. Investment in subsidiaries continued

Exposure to credit risk continued

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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 ECL
Performing	Low risk of default and no amounts are past due	12-month ECL
In default	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Lifetime ECL (credit impaired)

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)		Internal credit rating (where applicable)		Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Net carrying amount R000
	Rating agency		Rating agency					
Company – 2022								
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		12-month ECL	51 089	(800)	50 289
Mustek Lesotho Proprietary Limited			Internal rating	In default	Lifetime ECL (credit impaired)	952	(952)	–
Mustek Limited Company Limited			Internal rating	In default	Lifetime ECL (credit impaired)	3 511	(3 511)	–
Mustek Middle East FZCO			Internal rating	In default	Lifetime ECL (credit impaired)	1 118	(1 118)	–
Quickstep 94 Proprietary Limited			Internal rating	In default	Lifetime ECL (credit impaired)	7 026	(7 026)	–
Soft 99 Proprietary Limited			Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	–
Zatophase Proprietary Limited			Internal rating	Performing	12-month ECL	2 095	(838)	1 257
						114 344	(62 798)	51 546



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

15. Investment in subsidiaries *continued*
Credit loss allowances *continued*

Instrument	External credit rating	Rating agency	Internal credit rating	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Net carrying amount R000
Company – 2021							
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		12 – month ECL	43 914	(1 022)	42 892
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)	18 422	(18 422)	–
Soft 99 Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 882	(2 882)	–
					116 470	(73 578)	42 892

Loans from subsidiaries

	Company	
	2022 R000	2021 R000
Brotek Proprietary Limited <i>Note 2</i>	77 593	73 702
CIS Thuthukani Technology Proprietary Limited <i>Note 1</i>	10 212	10 212
MFS Technologies Proprietary Limited <i>Note 1</i>	1 271	1 271
	89 076	85 185

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

Note 2: Brotek is made up of two loans with different terms:

The first loan has a balance of R40.2 million (2021: R33.9 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 to note 22) and advanced to Mustek during June 2020. The balance of this loan is R37.4 million (2021: R39.8 million). This loan is carried at amortised cost and carries the same terms as the mortgage bond disclosed in note 22. R2.4 million (2021: R2.3 million) is repayable in the next 12 months.

15. Investment in subsidiaries continued
Loans from subsidiaries continued
 Split between non-current and current portions

	2022 R000	2021 R000
Non-current liabilities	34 950	37 516
Current liabilities	54 126	47 669
	89 076	85 185

Classification

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

Recognition and measurement

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

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

Impairment

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

Fair value of subsidiary loans

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

16. Investment in associates

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Shares at cost	61 287	85 734	40 246	40 246
– opening balance	85 734	88 026	40 246	40 246
– write-offs/disposals	(24 447)	(2 292)	–	–
Impairments	(14 350)	(24 539)	(4 189)	(4 189)
– opening balance	(24 539)	(24 539)	(4 189)	(4 189)
– adjustment for impairment on investment written off	20 350	–	–	–
– current year impairments	(10 161)	–	–	–
Share of undistributed post-acquisition gains	74 705	74 700	–	–
– opening balance	74 700	75 496	–	–
– current year share of post-acquisition (losses) gains	(1 572)	5 292	–	–
– current year dividends received from associates	(2 520)	–	–	–
– current year write-offs/disposals	4 097	(6 088)	–	–
Loans owing by associates	3 418	13 701	3 418	6 401
– opening balance	13 701	8 600	6 401	1 300
– write-off of loans	(7 300)	–	–	–
– (decrease) increase in loans	(2 983)	5 101	(2 983)	5 101
Accumulated impairment on loans	(15)	(7 336)	(16)	(36)
Investment in associates	125 045	142 260	39 459	42 422



Notes to the annual financial statements continued

for the year ended 30 June 2022

16. Investment in associates continued Summarised financial information of material associates

	Revenue R000	Profit (loss) before tax R000	Tax R000	Total compre- hensive income R000	Dividend received from associate R000
2022					
Summarised statement of profit or loss and other comprehensive income					
Yangtze Optics Africa Proprietary Limited	279 150	22 145	(3 347)	18 798	–
Zaloserve Proprietary Limited	931 232	(8 500)	3 326	(5 174)	–
Khauleza IT Solutions Proprietary Limited	40 381	(15 598)	–	(15 598)	2 520
Continuous Power Systems Proprietary Limited	61 752	4 125	(1 155)	2 970	–
	1 312 515	2 172	(1 176)	996	2 520

	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000
Summarised statement of financial position					
Yangtze Optics Africa Proprietary Limited	62 777	226 569	–	117 580	171 766
Zaloserve Proprietary Limited	65 405	402 351	25 365	260 857	181 534
Khauleza IT Solutions Proprietary Limited	1 283	23 471	175	3 572	21 007
Continuous Power Systems Proprietary Limited	33 969	31 533	22 886	11 303	31 313
	163 434	683 924	48 426	393 312	405 620

16. Investment in associate continued
Summarised financial information of material associates continued

	Revenue R000	Profit (loss) before tax R000	Tax R000	Total compre- hensive income R000	
2021					
Summarised statement of profit or loss and other comprehensive income					
Yangtze Optics Africa Proprietary Limited	258 004	54 306	(8 230)	46 076	
Zaloserve Proprietary Limited	720 475	(32 423)	5 686	(27 032)	
Khauleza IT Solutions Proprietary Limited	116 279	8 714	(3 075)	5 639	
Continuous Power Systems Proprietary Limited	64 298	8 718	(2 441)	6 277	
Mustek Zimbabwe Private Limited	14 329	981	(253)	728	
Preworx Proprietary Limited	–	–	–	–	
	1 173 385	40 296	(8 313)	31 688	
	Non-current assets R000	Current assets R000	Non-current liabilities R000	Current liabilities R000	Total net assets R000
Summarised statement of financial position					
Yangtze Optics Africa Proprietary Limited	62 931	232 562	–	145 850	149 643
Zaloserve Proprietary Limited	94 693	428 059	81 817	254 540	186 395
Khauleza IT Solutions Proprietary Limited	2 648	55 097	661	8 271	48 813
Continuous Power Systems Proprietary Limited	37 632	29 124	29 722	9 846	27 188
Mustek Zimbabwe Private Limited	384	2 330	–	608	2 106
Preworx Proprietary Limited	963	–	8 757	–	(7 794)
	199 251	747 172	120 957	419 115	406 351



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

16. Investment in associate *continued*

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

Company – unlisted

	Note	Percentage holding		Cost			2021 R000
		2022* %	2022 R000	Additions/ (disposals) R000	Opening impairment R000	Additional impairment 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	36 057	–	–	–	36 057
Total Company			40 246	–	(4 189)	–	40 246

Group – unlisted

	Note	Percentage holding		Cost			2021 R000
		2022* %	2022 R000	(Write-off) R000	Opening impairment R000	(Additional impairment)/ write-off 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	36.1	21 041	–	–	(10 160)	21 041
Yangtze Optics Africa Holdings Proprietary Limited	2	25.1	36 057	–	–	–	36 057
Preworx Proprietary Limited	5	–	–	(24 447)	(20 350)	20 350	24 447
Total Group			61 287	(24 447)	(24 539)	10 190	85 734

* There has been no change in the percentage holding of the above associates during the current year, except for the investment in Preworx Proprietary Limited which was written off. Refer to note 5 below.

2022 R000	Loans to				2021 R000	2022 R000	Equity-accounted share of earnings				2021 R000	Net investment	
	Advanced/ (repaid) R000	Opening impairment R000	Reversal of impairment R000				Current year profits R000	Current year disposal R000	Dividend received R000	2022 R000		2021 R000	
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 418	(2 983)	(36)	20	6 401	-	-	-	-	-	-	3 402	6 365	
-	-	-	-	-	-	-	-	-	-	-	36 057	36 057	
3 418	(2 983)	(36)	20	6 401	-	-	-	-	-	-	39 459	42 422	

2022 R000	Loans to				2021 R000	2022 R000	Equity-accounted share of earnings				2021 R000	Net investment	
	Advanced/ (repaid)/ (written off) R000	Opening impairment R000	Reversal of impairment/ write-off R000				Current year profits (losses) R000	Current year write-off R000	Dividend received R000	2022 R000		2021 R000	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	7 358	(5 615)	-	(2 520)	15 493	7 358	15 493	
3 418	(2 983)	(36)	20	6 401	8 244	1 188	-	-	7 056	11 646	13 421		
-	-	-	-	-	54 012	(1 863)	-	-	55 875	64 893	76 916		
-	-	-	-	-	5 091	4 718	-	-	373	41 148	36 430		
-	(7 300)	(7 300)	7 300	7 300	-	-	4 097	-	(4 097)	-	-		
3 418	(10 283)	(7 336)	7 320	13 701	74 705	(1 572)	4 097	(2 520)	74 700	125 045	142 260		



Notes to the annual financial statements continued

for the year ended 30 June 2022

16. Investment in associate continued

- 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 made up of two loans:
The first loan has a balance of R1.3 million (2021: R1.3 million). This loan is interest free and has no fixed repayment terms (management has no expectation to demand settlement of this loan within the next 12 months).

The second loan has a balance of R2.1 million (2021: R5.1 million). This loan is carried at amortised cost and carries interest at prime. The loan is repayable over a period of five years. R2.1 million is repayable in the next 12 months (2021: R1.5 million) and is disclosed as a separate line item under current assets on the face of the statements of financial position.

Both loans are stated net of expected credit loss, in accordance with IFRS 9. The type of credit loss model used is Moody's Analytics RiskCalc. The estimated credit loss was determined based on a 12-month ECL using an external credit rating of Ba1 per Moody's Investor Services.
- Mustek Limited acquired a 25.1% share in Yangtze Optics Africa Holdings Proprietary Limited with effect from 8 March 2016.
- 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. The investment in Mustek Zimbabwe exceeded its recoverable amount and the post-acquisition gains were impaired in prior years.
- Mustek Limited owns 100% of Zatophase Proprietary Limited. Zatophase Proprietary Limited owns a 36.1% share in Zaloserve Proprietary Limited after selling 3.9% of the company to Zaloserve Management Proprietary Limited on 30 June 2021 for a consideration of R11 million. Furthermore, Zaloserve Proprietary Limited owns 100% of Sizwe Africa IT Group. Refer below for information regarding the impairment of the investment in Zaloserve.
- The investment in Preworx Proprietary Limited was written off in the current year due to the company being no longer in existence.

Investment in Zaloserve impairment

The investment in Zaloserve was impaired in the current year to the Group's interest in the net asset value of the Zaloserve group. The reason for impairment is due to the poor performance of the Zaloserve group (specifically Sizwe Africa IT) as well as uncertainty of future forecasts due to operational constraints. The net asset value approximates the fair value of the underlying assets and liabilities of the Zaloserve group.

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 (2021: 12 months)
Khauleza IT Solutions Proprietary Limited	Provider of IT support solutions	South Africa	12 months (2021: 12 months)
Continuous Power Systems Proprietary Limited	Provider of uninterrupted power supply solutions	South Africa	12 months (2021: 12 months)
Zaloserve Proprietary Limited	Group of IT support solutions provider companies	South Africa	12 months (2021: 12 months)
Yangtze Optics Africa Holdings Proprietary Limited	Fibre optics technology	South Africa	12 months (2021: 12 months)

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

The net investment is stated after accumulated impairment charges of R14.3 million (2021: R31.9 million) for the Group and R4.2 million (2021: R4.2 million) for the company. The carrying amounts of the investments approximates the fair values.

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

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

17. Other loans

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Other loans are presented at amortised cost, which is net of ECL, as follows:				
A Lai <i>This loan is secured, interest free and has no fixed terms of repayment. This loan has been impaired in full.</i>	–	990	–	990
M Cameron <i>This loan was unsecured, interest free, and was repaid during the current financial year.</i>	–	932	–	932
Elimu Technologies Proprietary Limited <i>This loan is unsecured, bears interest at prime and has no fixed repayment terms. This loan has been impaired in full.</i>	–	–	–	–
Mustek Executive Share Trust <i>Note 1, 2 and 3</i>	–	–	44 643	50 163
DC Kan <i>Note 4</i>	24 439	26 658	–	–
H Engelbrecht <i>Note 1</i>	12 854	14 478	–	–
CJ Coetzee <i>Note 1</i>	2 270	3 205	–	–
JW Viviers <i>Note 2</i>	–	443	–	–
JL Chen <i>Note 2</i>	845	1 142	–	–
IG3 Education Limited (incorporated in Australia) <i>This loan bears interest at 4.17% per annum and is overdue. This loan has been impaired in full in the current year.</i>	–	3 041	–	–
Zaloserve Management Proprietary Limited <i>This loan bears interest at repo +1% per annum and is repayable on or before 30 June 2026.</i>	6 841	10 883	–	–
	47 249	61 772	44 643	52 085

Note 1: 3.8 million Mustek Limited shares were issued to directors of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the directors in terms of the rules of the trust. The loan from the Share Trust was in turn funded by a loan from Mustek Limited to the Share Trust. Up to 31 August 2017, these loans bore interest at the South African repo rate plus one percent. From 01 September 2017, the loans are interest free. Tax on fringe benefits is charged to the loan accounts on a monthly basis. These loans are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment and note 29 for related party disclosure.

Note 2: During the 2015 financial year, 1.9 million Mustek Limited shares were issued to members of the executive management of Mustek Limited in terms of an executive share option scheme. The purchase of these shares was funded by means of a loan from the Mustek Executive Share Trust to the staff members in terms of the rules of the trust deed. The trust deed provides that the Board of directors determine the interest rate. Interest was charged at the South African repo rate plus one percent. From 01 September 2017, these loans were interest free and deemed fringe benefits. These are full recourse loans, have no fixed repayment terms and settlement is not expected within the next 12 months. Refer below for details on impairment and note 29 for related party disclosure.

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

Note 4: The loan to DC Kan was advanced under the same scenario noted above in note 1. Due to the passing of Mr Kan in May 2022, this loan has become due and payable and thus disclosed as a short-term loan included in Trade and other receivables (note 19).



Notes to the annual financial statements continued

for the year ended 30 June 2022

17. 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 twelve month (12m) expected losses. A rate of 1% (2021:1%) was used for the expected credit loss on certain of the loans (Mustek Share Trust and Director loans) as these loans are expected to have low credit risk as the borrowers have capacity to meet their obligations and sufficient measures are put in place to ensure recoverability of these loans. In determining the amount of ECL 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 PD occurring as well as estimating the loss upon default.

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

In determining the amount of ECL for the loan to Zaloserve Management Proprietary Limited, the Group has taken into account any historic default experience, the financial positions of the counterparty as well as the future prospects in the industries in which the counterparty operates. The type of credit loss model used is Moody's Analytics RiskCalc SA financial statement PD and LGD model supplemented with a judgemental overlay to take into account the risk of the underlying security for this loan, being the shares in Sizwe Africa IT Proprietary Limited. A credit loss allowance equal to the difference between the carrying amount of the loan and the net asset value of the equivalent shares in Sizwe Africa IT Proprietary Limited has been recognised.

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

17. Other loans continued

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 rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Group – 2022							
A Lai		Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	2 087	(2 087)	–
DC Kan		Internal rating	Performing	12-month ECL	24 686	(247)	24 439
H Engelbrecht		Internal rating	Performing	12-month ECL	12 984	(130)	12 854
CJ Coetzee		Internal rating	Performing	12-month ECL	2 293	(23)	2 270
JL Chen		Internal rating	Performing	12-month ECL	853	(8)	845
IG3 Education Limited		Internal rating	Doubtful	Lifetime ECL (credit impaired)	4 811	(4 811)	–
Zaloserve Management Proprietary Limited		Internal rating	Doubtful	Lifetime ECL (credit impaired)	11 537	(4 696)	6 841
					60 251	(13 002)	47 249

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Group – 2021							
A Lai		Internal rating	Performing	12-month ECL	1 000	(10)	990
M Cameron		Internal rating	Performing	12-month ECL	941	(9)	932
Elimu Technologies Proprietary Limited		Internal rating	In default	Lifetime ECL (credit impaired)	1 940	(1 940)	–
DC Kan		Internal rating	Performing	12-month ECL	26 927	(269)	26 658
H Engelbrecht		Internal rating	Performing	12-month ECL	14 624	(146)	14 478
CJ Coetzee		Internal rating	Performing	12-month ECL	3 237	(32)	3 205
JW Viviers		Internal rating	Performing	12-month ECL	448	(5)	443
JL Chen		Internal rating	Performing	12-month ECL	1 155	(13)	1 142
IG3 Education Limited		Internal rating	Performing	12-month ECL	3 239	(198)	3 041
Zaloserve Management Proprietary Limited	Ba1	Moody's Investor Services		12-month ECL	11 000	(117)	10 883
					64 511	(2 739)	61 772



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

17. Other loans *continued*
Credit loss allowances *continued*

Instrument	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Company – 2022						
A Lai	Internal rating	In default	Lifetime ECL (credit impaired)	1 000	(1 000)	–
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	2 087	(2 087)	–
Mustek Executive Share Trust	Internal rating	Performing	12-month ECL	45 094	(451)	44 643
				48 181	(3 538)	44 643

Instrument	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R000	Loss allowance R000	Amortised cost R000
Company – 2021						
A Lai	Internal rating	Performing	12-month ECL	1 000	(10)	990
M Cameron	Internal rating	Performing	12-month ECL	941	(9)	932
Elimu Technologies Proprietary Limited	Internal rating	In default	Lifetime ECL (credit impaired)	1 940	(1 940)	–
Mustek Executive Share Trust	Internal rating	Performing	12-month ECL	50 670	(507)	50 163
				54 551	(2 466)	52 085

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	
	2022 R000	2021 R000	2022 R000	2021 R000
Opening balance in accordance with IFRS 9	799	1 185	526	514
Changes due to investments recognised at the beginning of the reporting period:				
Transfer to lifetime ECL (credit impaired)	(325)	(22)	(10)	(22)
Financial assets that have been repaid during the reporting period	(65)	(9)	(65)	(1)
New loans advanced	–	117	–	35
Write-offs	–	(472)	–	–
Closing balance	409	799	451	526

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Opening balance in accordance with IFRS 9	1 940	–	1 940	–
Changes due to investments recognised at the beginning of the reporting period:				
Transfer from 12-month ECL	10 506	1 940	1 000	1 940
Increase in loans	147	–	147	–
Closing balance	12 593	1 940	3 087	1 940

18. Inventories

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Trading inventory	2 277 504	1 399 483	1 368 701	861 594
Allowance for obsolescence	(151 073)	(126 648)	(103 799)	(75 718)
Trading inventory, net of allowance for obsolescence	2 126 431	1 272 835	1 264 902	785 876
Inventories in transit	353 756	166 723	231 593	39 054
Total inventories	2 480 187	1 439 558	1 496 495	824 930
Allowance for obsolescence reconciliation				
Opening balance	(126 648)	(57 536)	(75 718)	(49 622)
Current year provision	(43 232)	(149 437)	(46 430)	(105 701)
Amount written off/written down	18 806	80 325	18 348	79 605
	(151 074)	(126 648)	(103 800)	(75 718)

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 120-150 days as aged stock. The net realisable value of inventory represents the estimated selling price less all estimated costs to sell and costs to be incurred in the current market at reporting date. The effects of supply and demand conundrums, change in trends and consumer behaviour have been considered in determining the net realisable value of inventory. The Group and company provides for the amount by which the cost of inventory exceeds the net realisable value multiplied by the units of stock on hand at reporting date.

The cost of inventories recognised as an expense during the year was R7.7 billion (2021: R6.7 billion) and R5.3 billion (2021: R4.6 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 R18.8 million (2021: R28.3 million) for the Group and company, in respect of write-downs to net realisable value.

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

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



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

19. Trade and other receivables

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Financial instruments at amortised cost				
Trade receivables	1 343 464	1 127 583	968 737	806 876
Loss allowance	(58 655)	(44 909)	(32 128)	(25 726)
Trade receivables at amortised cost	1 284 809	1 082 674	936 609	781 150
Other receivables	33 611	40 564	20 933	28 104
Other short-term receivables	24 439	10 363	–	10 366
Non-financial instruments				
VAT	29 630	23 372	9 992	19 600
Prepayments	124 087	71 340	118 626	56 681
Total trade and other receivables	1 496 576	1 228 313	1 086 160	895 901
Split between non-current and current portions				
Non-current assets	21 228	–	21 228	–
Current assets	1 475 348	1 228 313	1 064 932	895 901
	1 496 576	1 228 313	1 086 160	895 901

The non-current portion of trade and other receivables relates to a prepayment made for a solar solution. As at year-end the solution was not yet owned or installed and did not qualify as property, plant and equipment. Once the installation is completed and ready to use the prepayment will be re-classified. The solar solution is expected to come into use during November 2022.

Exposure to currency risk

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

Classification

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

Recognition and measurement

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

Impairment

The Group and company recognise a loss allowance for ECL on trade receivables. The amount of ECL is updated at each reporting date. The Group and company measure the loss allowance for trade receivables at an amount equal to lifetime ECL based on the simplified approach, which represents the ECL 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 ECL. 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% (2021: 85% to 90%) of the value of individual trade receivables subject to an insurance deductible. Note that the majority of trade receivables are encumbered (see note 22).

The average credit period on sale of goods and services is between 30 and 60 days (2021: 30 and 60 days) from date of invoice. Generally, no interest is charged on trade receivables. Of the trade receivable balance at year-end, R45.5 million (2021: R61.9 million) and R34.0 million (2021: R34.1 million) is due from the Group and the company's largest customers respectively.

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

The other classes within trade and other receivables do not contain material impaired assets except for other short-term receivables. Other short-term receivables in the current year includes the loan to DC Kan. Refer to note 17 for detail of the loan and related estimated credit loss allowance. The short-term receivable due from Sizwe Africa IT (Pty) Ltd as at 30 June 2021 has been repaid.

19. Trade and other receivables *continued*

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 ECL (collectively assessed). Individual debtors are also assessed and debtors that have defaulted in payments or the probability exists that the debtor is experiencing financial difficulties will also be provided for (individually assessed).

A combination of models derived from internal data and external models was produced on relevant data. For individually material trade receivables and intercompany accounts, we make use of ratings or Moody's Analytics RiskCalc SA financial statement PD and LGD models, adjusted for such items as implied Group support. For the remainder of trade receivables, we perform analysis of empirical evidence of historical defaults and losses with a judgemental overlay which generally includes SA benchmark data, where possible, and measured per risk pool.

Foreign counterparties, where their country has a lower credit rating than South Africa, are attributed the higher of their ECL rating and that of their country.

The Group and company's policy is to define a default as a credit sale that is uncollected after 90 days.

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

Credit ratings issued by Moody's Investor Services, 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 macroeconomic data and scenarios with recommended weightings.

This is consistent with the methodology applied in prior periods.

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

Moody's Analytics does not disclose the specific macroeconomic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures. The South African economy experienced a sharp decline in activity in 2020 with the Q4 2019 level of GDP only due to be re-attained between Q3 2022 and Q1 2026 across the three scenarios. GDP growth is forecast to range from -0.40% to -3.29% across the scenarios. 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 ECL. 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 – 2022			
Balance at the beginning of the year	20 678	24 231	44 909
Foreign exchange movements	17	17	34
Net amounts written off as uncollectable	–	(14 935)	(14 935)
Charged to profit and loss	(9 642)	38 289	28 647
Balance at the end of the year	11 053	47 602	58 655
Group – 2021			
Balance at the beginning of the year	31 460	22 125	53 585
Foreign exchange movements	(221)	(10)	(231)
Net amounts written off as uncollectable	(394)	(22 993)	(23 387)
Charged to profit and loss	(10 167)	25 109	14 942
Balance at the end of the year	20 678	24 231	44 909



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

19. Trade and other receivables *continued*
Expected credit losses *continued*

	Collectively assessed R000	Individually assessed R000	Total R000
Company – 2022			
Balance at the beginning of the year	13 519	12 207	25 726
Net amounts written off as uncollectable	–	(13 312)	(13 312)
Charged to profit and loss	(6 204)	25 918	19 714
Balance at the end of the year	7 315	24 813	32 128
Company – 2021			
Balance at the beginning of the year	23 832	15 897	39 729
Net amounts written off as uncollectable	–	(21 916)	(21 916)
Charged to profit and loss	(10 313)	18 226	7 913
Balance at the end of the year	13 519	12 207	25 726

Group – 2022

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2022	Indicative ECL amount R000	Indicative net balance R000
0 – 30 days									
Lesotho	710	Sovereign rate and empirical	B2	42.8	0.21	0.25	0.25	(2)	708
Malawi	171	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Kenya	1 529	Sovereign rate and empirical	B2	42.8	0.21	0.25	0.25	(3)	1 526
Mozambique	32	Sovereign rate and empirical	Caa2	44.1	0.21	0.72	0.72	–	32
Namibia	1 308	Sovereign rate and empirical	B1	42.5	0.21	0.18	0.21	(3)	1 305
Eswatini	1 427	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(5)	1 422
Zimbabwe	1 006	Sovereign rate and empirical	Default	44.8	0.21	10 – 100	10 – 100	(696)	310
South Africa	717 528	Empirical	Ba1	5.68	0.21	–	0.21	(1 507)	716 021
Total	723 711							(2 217)	721 494
30 – 60 days									
Kenya	2 050	Sovereign rate and empirical	B2	42.8	0.33	0.25	0.33	(7)	2 043
Lesotho	208	Sovereign rate and empirical	B2	42.8	0.33	0.25	0.33	(1)	207
Namibia	942	Sovereign rate and empirical	B1	42.5	0.33	0.18	0.33	(3)	939
Eswatini	421	Sovereign rate and empirical	B3	42.8	0.33	0.35	0.35	(1)	420
Zimbabwe	872	Sovereign rate and empirical	Default	44.1	0.33	10 – 100	10 – 100	(463)	409
South Africa	314 248	Empirical	Ba1	5.68	0.33	–	0.33	(1 037)	313 211
Total	318 741							(1 512)	317 229

19. Trade and other receivables continued

Expected credit losses continued

Group – 2022 continued

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2022	Indicative ECL amount R000	Indicative net balance R000
60 – 90 days									
Kenya	579	Sovereign rate and empirical	B2	42.8	1.33	0.35	1.33	(8)	571
Namibia	6	Sovereign rate and empirical	B1	42.5	1.33	0.18	1.33	–	6
Eswatini	14	Sovereign rate and empirical	B3	42.8	1.33	0.35	1.33	–	14
Zambia	3	Sovereign rate and empirical	Ca	44.1	1.33	44.13	44.13	(1)	2
Zimbabwe	723	Sovereign rate and empirical	Default	44.1	1.33	10 – 100	10 – 100	(72)	651
South Africa	89 243	Empirical	Ba1	5.68	1.33	–	1.33	(1 188)	88 055
Total	90 568							(1 269)	89 299
90+ days									
Lesotho	710	Sovereign rate and empirical	B2	42.8	5.48	0.35	5.48	(39)	671
Kenya	10 262	Sovereign rate and empirical	B2	42.8	5.48	0.35	5.48	(562)	9 700
Mozambique	32	Sovereign rate and empirical	Caa2	44.1	5.48	0.72	5.48	(2)	30
Namibia	633	Sovereign rate and empirical	B1	42.5	5.48	0.18	5.48	(35)	598
Eswatini	548	Sovereign rate and empirical	B3	42.8	5.48	0.35	5.48	(30)	518
Zimbabwe	982	Sovereign rate and empirical	Default	44.1	5.48	10 – 100	10 – 100	(694)	288
South Africa	85 626	Empirical	Ba1	5.68	5.48	–	5.48	(4 693)	80 933
Total	98 793							(6 055)	92 738
Total Group ECL								(11 053)	



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

19. Trade and other receivables *continued***Expected credit losses** *continued*

Group – 2021

	Indicative amount at 30 June 2021	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2021	Indicative ECL amount R000	Indicative net balance R000
0 – 30 days									
Kenya	5 058	Sovereign rate and empirical	B2	35.0	1.04	1.39	1.39	(71)	4 987
Mozambique	33	Sovereign rate and empirical	Caa2	35.0	1.04	3.57	3.57	(1)	32
Namibia	1 169	Sovereign rate and empirical	Ba3	35.0	1.04	0.73	1.04	(12)	1 157
Eswatini	568	Sovereign rate and empirical	B3	35.0	1.04	1.88	1.88	(11)	557
Zimbabwe	3 803	Sovereign rate and empirical	Default	100.0	10 – 40	10.00	10 – 40	(1 549)	2 254
South Africa	606 281	Empirical	Ba1	5.49	1.04	1.04	1.04	(6 305)	599 976
Total	616 912							(7 949)	608 963
30 – 60 days									
Kenya	906	Sovereign rate and empirical	B2	35.0	1.68	1.39	1.68	(15)	891
Lesotho	230	Sovereign rate and empirical	B2	35.0	1.68	1.39	1.68	(4)	226
Mozambique	23	Sovereign rate and empirical	Caa2	35.0	1.68	3.57	3.57	(1)	22
Namibia	552	Sovereign rate and empirical	Ba2	35.0	1.68	0.73	1.68	(9)	543
Eswatini	715	Sovereign rate and empirical	B3	35.0	1.68	1.88	1.88	(13)	702
Zambia	26	Sovereign rate and empirical	Ca	35.0	1.68	10.00	10.00	(4)	22
Zimbabwe	2 814	Sovereign rate and empirical	Default	100.0	10 – 40	10.00	10 – 40	(294)	2 520
South Africa	257 687	Empirical	Ba1	5.49	1.68	1.68	1.68	(4 329)	253 358
Total	262 953							(4 669)	258 284

19. Trade and other receivables continued

Expected credit losses continued

Group – 2021 continued

	Indicative amount at 30 June 2021	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2021	Indicative ECL amount R000	Indicative net balance R000
60 – 90 days									
Kenya	1 235	Sovereign rate and empirical	B2	35.0	4.05	1.39	4.05	(50)	1 185
Mozambique	10	Sovereign rate and empirical	Caa2	35.0	4.05	3.57	4.05	(1)	9
Namibia	58	Sovereign rate and empirical	Ba3	35.0	4.05	0.73	4.05	(2)	56
Eswatini	1	Sovereign rate and empirical	B3	35.0	4.05	1.88	4.05	–	1
Zambia	44	Sovereign rate and empirical	Ca	35.0	4.05	10.00	10.00	(4)	40
Zimbabwe	1 615	Sovereign rate and empirical	Default	100.0	10 – 40	10.00	10 – 40	(161)	1 454
South Africa	53 441	Empirical	Ba1	5.49	4.05	4.05	4.05	(2 164)	51 277
Total	56 404							(2 382)	54 022
90+ days									
Kenya	8 438	Sovereign rate and empirical	B2	35.0	6.68	1.39	6.68	(564)	7 874
Namibia	44	Sovereign rate and empirical	Ba3	35.0	6.68	0.73	6.68	(3)	41
Eswatini	52	Sovereign rate and empirical	B3	35.0	6.68	1.88	6.68	(4)	48
Zambia	2 915	Sovereign rate and empirical	Ca	35.0	6.68	10.00	10.00	(292)	2 623
Zimbabwe	5 026	Sovereign rate and empirical	Default	100.0	10 – 40	10.00	10 – 40	(933)	4 093
South Africa	58 125	Empirical	Ba1	5.49	6.68	6.68	6.68	(3 882)	54 243
Total	74 600							(5 678)	68 922
Total Group ECL								(20 678)	



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

19. Trade and other receivables *continued*Expected credit losses *continued*

Company – 2022

	Indicative amount at 30 June 2022	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2022	Indicative ECL amount R000	Indicative net balance R000
0 – 30 days									
Malawi	171	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(1)	170
Namibia	674	Sovereign rate and empirical	B1	42.5	0.21	0.18	0.21	(1)	673
Eswatini	879	Sovereign rate and empirical	B3	42.8	0.21	0.35	0.35	(3)	876
Zimbabwe	344	Sovereign rate and empirical	Default	44.1	0.21	10.00	10.00	(35)	309
South Africa	520 143	Empirical	Ba1	5.68	0.21	–	0.21	(1 092)	519 051
Total	522 211							(1 132)	521 079
30 – 60 days									
Namibia	876	Sovereign rate and empirical	B1	42.5	0.33	0.18	0.33	(2)	874
Eswatini	291	Sovereign rate and empirical	B3	42.8	0.33	0.35	0.35	(1)	290
Zimbabwe	455	Sovereign rate and empirical	Default	4.1	0.33	10.00	10.00	(45)	410
South Africa	230 936	Empirical	Ba1	5.68	0.33	–	0.33	(761)	230 175
Total	232 558							(809)	231 749
60 – 90 days									
Zimbabwe	723	Sovereign rate and empirical	Default	44.1	1.33	10.00	10.00	(72)	651
South Africa	73 495	Empirical	Ba1	5.68	1.33	–	1.33	(978)	72 517
Total	74 218							(1 050)	73 168
90+ days									
Zimbabwe	320	Sovereign rate and empirical	Default	44.1	5.48	10.00	10.00	(32)	288
South Africa	76 667	Empirical	Ba1	5.68	5.68	–	5.48	(4 203)	72 464
Total	76 987							(4 235)	72 752
Intercompany balances									
Rectron	47 856	PD and LGD – RiskCalc	2.01	57.4	0.18	–	0.18	(88)	47 768
Mustek East Africa	198	PD and LGD – RiskCalc	4.65	57.8	0.39	0.25	0.39	(1)	197
Total	48 054							(89)	47 965
Total Company ECL								(7 315)	

19. Trade and other receivables *continued*Expected credit losses *continued*

Company – 2021

	Indicative amount at 30 June 2021	Measurement approach	Sovereign rating	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2021	Indicative ECL amount R000	Indicative net balance R000
0 – 30 days									
Mozambique	12	Sovereign rate and empirical	Caa2	35.0	1.04	3.57	3.57	(1)	11
Namibia	471	Sovereign rate and empirical	Ba3	35.0	1.04	0.73	1.04	(5)	466
Eswatini	271	Sovereign rate and empirical	B3	35.0	1.04	1.88	1.88	(5)	266
Zimbabwe	2 505	Sovereign rate and empirical	Default	100.0	1.04	10.00	10.00	(250)	2 255
South Africa	402 600	Empirical	Ba1	5.49	1.04	1.04	1.04	(4 187)	398 413
Total	405 859							(4 448)	401 411
30 – 60 days									
Mozambique	12	Sovereign rate and empirical	Caa2	35.0	1.68	3.57	3.57	(1)	11
Namibia	551	Sovereign rate and empirical	Ba3	35.0	1.68	0.73	1.68	(9)	542
Eswatini	418	Sovereign rate and empirical	B3	35.0	1.68	1.88	1.88	(8)	410
Zambia	21	Sovereign rate and empirical	Ca	35.0	1.68	10.00	10.00	(2)	19
Zimbabwe	2 800	Sovereign rate and empirical	Default	100.0	1.68	10.00	10.00	(280)	2 520
South Africa	167 478	Empirical	Ba1	5.49	1.68	1.68	1.68	(2 814)	164 664
Total	171 280							(3 114)	168 166
60-90 days									
Mozambique	10	Sovereign rate and empirical	Caa2	35.0	4.05	3.57	4.05	–	10
Namibia	57	Sovereign rate and empirical	Ba3	35.0	4.05	0.73	4.05	(2)	55
Zambia	44	Sovereign rate and empirical	Ca	35.0	4.05	10.00	10.00	(5)	39
Zimbabwe	1 615	Sovereign rate and empirical	Default	100.0	4.05	10.00	10.00	(161)	1 454
South Africa	38 023	Empirical	Ba1	5.49	4.05	4.05	4.05	(1 540)	36 483
Total	39 749							(1 708)	38 041
90+ days									
Zambia	2 915	Sovereign rate and empirical	Ca	35.0	6.68	10.00	10.00	(291)	2 624
Zimbabwe	4 547	Sovereign rate and empirical	Default	100.0	6.68	10.00	10.00	(455)	4 092
South Africa	49 732	Empirical	Ba1	5.49	6.68	6.68	6.68	(3 322)	46 410
Total	57 194							(4 068)	53 126



Notes to the annual financial statements continued

for the year ended 30 June 2022

19. Trade and other receivables continued

Expected credit losses continued

Company – 2021 continued

	Indicative amount at 30 June 2021	Measurement approach	Probability of default or rating %	LGD %	ECL% prior to adjustment for sovereign risk	ECL% on sovereign	ECL% at 30 June 2021	Indicative ECL amount R000	Indicative net balance R000
Intercompany balances									
Rectron	22 117	PD and LGD – RiskCalc	0.76	56.4	0.79	–	0.79	(175)	21 942
Mustek East Africa	200	PD and LGD – RiskCalc	2.81	56.7	2.99	1.95	2.99	(6)	194
Total	22 317							(181)	22 136
Total Company ECL								(13 519)	

Individually assessed debtors

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

	Group		Company		
	ECL %	Indicative amount at 30 June 2022 R000	Indicative ECL amount R000	Indicative amount at 30 June 2022 R000	Indicative ECL amount R000
2022					
Category 1	20%	18 114	3 962	4 004	1 000
Category 2	20% – 80%	44 984	19 828	–	–
Category 3	80% – 100%	25 199	23 812	25 199	23 813
		88 297	47 602	29 203	24 813

	Group		Company		
	ECL %	Indicative amount at 30 June 2021 R000	Indicative ECL amount R000	Indicative amount at 30 June 2021 R000	Indicative ECL amount R000
2021					
Category 1	15%	5 401	778	5 401	778
Category 2	Between 15% and 100%	15 434	12 320	2 301	1 573
Category 3	100%	11 133	11 133	9 856	9 856
		31 968	24 231	17 558	12 207

Category 1 – debtors included in this category are impaired at 20% (2021: 15%) as a result of credit insurance being held for the remaining 80% (2021: 85%) 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% (2021:15% and 100%).

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

19. Trade and other receivables *continued*

Credit risk management *continued*

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

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

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

The company holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on liquidation of the debtor. The collateral held by the Group and company amounted to R239 million (2021: R143 million).

20. Cash and cash equivalents

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Bank balances and cash	375 323	267 679	53 751	122 049
Cash generated from operations				
Profit before taxation	322 078	407 257	267 647	288 213
Adjustments for:				
Depreciation and amortisation	48 292	43 544	35 729	35 516
(Profits) losses on disposals and scrappings of property, plant and equipment	(4 196)	1 986	(4 780)	1 711
Fair value adjustments of FECs	(48 638)	1 994	(25 997)	(561)
Unrealised foreign exchange losses	88 608	3 465	47 648	15 186
Loss (income) from equity-accounted investments	1 572	(5 292)	–	–
Dividends received	–	–	(38 035)	(28 606)
Interest income	(6 778)	(4 968)	(4 774)	(3 668)
Finance costs paid	76 751	75 144	49 230	54 612
Profit on sale of subsidiary	(6 818)	–	–	–
Allowance for obsolescence and inventory written off	24 426	69 108	28 082	26 096
Impairment losses on trade receivables and bad debts	28 647	14 942	19 714	7 913
Prescription of liability	–	–	–	(578)
Write-off/impairment of investment in subsidiaries	–	–	–	6 888
Reversal of impairment of loans to subsidiaries	–	–	(10 780)	(3 136)
Impairment of investment in associate	10 161	–	–	–
Profit on part sale of associate	–	(2 620)	–	–
(Reversal of impairment) impairment of associate loans	(20)	30	(20)	30
Impairment of other loans	9 974	1 904	837	2 304
Impairment of goodwill	–	1 000	–	–
Share-based payment expense	25 502	12 350	20 371	9 859
Changes in working capital:				
Inventories	(1 065 590)	100 420	(699 647)	135 936
Trade and other receivables	(272 406)	(72 023)	(199 111)	(109)
Trade and other payables	1 070 394	(221 294)	512 127	(221 937)
Contract assets	2 707	(1 093)	2 707	(1 272)
Contract liabilities	(1 235)	5 456	(2 427)	11 431
	303 431	431 310	(1 479)	335 828



Notes to the annual financial statements continued

for the year ended 30 June 2022

21. Stated capital and earnings per share

	Group		Company	
	2022	2021	2022	2021
Authorised				
Ordinary shares (000)	250 000	250 000	250 000	250 000
Reconciliation of number of shares issued				
Opening balance (000)	66 000	70 000	66 000	70 000
Shares bought back and cancelled – funded by retained earnings (000)	(7 000)	(4 000)	(7 000)	(4 000)
	59 000	66 000	59 000	66 000
	R000	R000	R000	R000
Issued				
Opening balance	–	–	–	–
Shares bought back	(97 999)	(39 256)	(97 999)	(39 256)
Share buy backs funded by retained earnings	97 999	39 256	97 999	39 256
Closing balance	–	–	–	–

Capital risk management

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

The Group's Board of directors reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of 60% : 40% (2021: 60% : 40%). The current debt-to-equity ratio is 60%: 40%.

	Number of shares 000	Repurchase price R000	Average repurchase price per share (ZAR)
Share repurchases			
Ordinary shares			
Included in the above:			
Total shares repurchased	7 000	97 999	14.00

Earnings per share

Basic earnings per share

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

Basic earnings per share was based on earnings of R 220.0 million (2021: R 293.8 million) and a weighted average number of ordinary shares of 62.7 million (2021: 69.2 million).

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

	Group	
	2022	2021
Basic earnings per share		
From operations (cents per share)	350.96	424.54
Diluted earnings per share		
From operations (cents per share)	350.96	424.54

21. Stated capital and earnings per share continued

Earnings per share continued

Headline earnings per share

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

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

	Group			
	2022		2021	
Headline earnings per share (cents per share)	357.38		441.81	
Diluted headline earnings per share (cents per share)	357.38		441.81	
Weighted average number of ordinary shares	62 676 789		69 197 929	
	Gross 2022 R000	Net 2022 R000	Gross 2021 R000	Net 2021 R000
Reconciliation between profit attributable to equity holders of the parent and headline earnings – Group				
Profit for the year attributable to equity holders of the parent		219 970		293 772
Basic earnings		219 970		293 772
Adjusted for:				
Group's share of (profit) loss on disposal/recoupment of property, plant and equipment and intangible assets	(4 196)	(3 020)	1 986	430
Impairment of goodwill	–	–	1 000	1 000
Group's share of profit on part sale of associate	–	–	(2 620)	(673)
Group's share of impairment of investment in associate	10 161	10 161	–	–
Group's share of profit on disposal of subsidiary	(6 818)	(4 592)	–	–
Non-headline items within associate equity accounted earnings				
Group's share on loss on sale of investment in subsidiary	–	–	2 503	2 965
Group's share of impairment of property, plant and equipment	2 165	1 559	10 463	7 533
Group's share of profit on sale of property, plant and equipment	(113)	(82)	(418)	(301)
Headline earnings		223 996		305 726

At year-end, no share options were outstanding (2021: no share options were outstanding). The weighted average market price for the current financial year was R13.64 per share (2021: R8.53 per share).

	Group		Company	
	2022	2021	2022	2021
Dividends per share				
Final (cents)	90.00	26.00	90.00	26.00

A final dividend of 76 cents per share (2021: 90 cents) was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only.



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

22. Borrowings and other liabilities

	Notes	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
Held at amortised cost					
Secured					
Mortgage bond		37 360	39 617	–	–
Bank overdrafts		170 000	31 330	170 000	31 330
Unsecured					
Bank overdrafts		52 265	48	52 265	48
Loan from subsidiary	15	–	–	37 360	39 812
Total interest – bearing borrowings		259 625	70 995	259 625	71 190
Interest – free					
Unsecured					
Share-based payment liabilities – non-financial liability	29	25 963	12 929	20 991	10 202
Loans from subsidiaries – financial liability	15	–	–	51 716	45 373
Total interest – free borrowings		25 963	12 929	72 707	55 575
Split between non-current and current portions					
Non-current liabilities		48 026	43 479	45 281	42 326
Current liabilities		237 562	40 445	287 051	84 439
Bank overdrafts		222 265	31 378	222 265	31 378
Short term portion of long-term borrowings		2 410	2 246	–	–
Short term portion of share-based payment liability	24	12 887	6 821	10 660	5 392
Loans from subsidiaries	15	–	–	54 126	47 669
Total borrowings		285 588	83 924	332 332	126 765
The borrowings are repayable as follows:					
On demand or within one year		240 293	42 919	289 783	87 039
Year 2		15 577	7 998	13 428	7 299
Year 3		37 300	7 550	36 703	6 970
Year 4		–	34 277	–	34 277
		293 170	92 744	339 914	135 585
Less finance charges component		(7 582)	(8 820)	(7 582)	(8 820)
		285 588	83 924	332 332	126 765

Additional information

Included in borrowings are the following:

Accounts receivable securitisation loans

Included in bank overdrafts, is an amount of R170 million (2021: R31.3 million), which represents a general banking facility from the Bank of China Limited, bearing interest at JIBAR plus 2% (ZAR utilisation) or LIBOR plus 1.9% (USD utilisation) (2021: JIBAR plus 2%) and is repayable by 13 January 2023 (2021: 15 January 2022). It is the intention of the directors to renew the facility for a further period of 12 months. This loan is classified as subsequently measured at amortised cost. The facility is secured over accounts receivable in Mustek Limited and Rectron Proprietary Limited. A working capital ratio of more than 1.2, as well as a net debt-to-equity ratio not exceeding 150%, is required to be maintained by Mustek Limited. Furthermore, the total facility of R880 million (2021: R580 million) is limited to 90% of the trade receivables less than 120 days of age, in Mustek Limited. All facility covenants were met in the current and previous financial year.

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

The mortgage bond is secured by property, with a carrying amount of R 64.3 million (2021: R 64.3 million).

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

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

22. Borrowings and other liabilities continued

Exposure to liquidity risk

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

Included in this note is a listing of the Group and company's borrowing powers, borrowing capacity and banking facilities. The following table details the Group and company's remaining contractual maturity 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 2022			
Non-interest-bearing	1 391 400	–	1 391 400
Variable interest rate instruments	1 808 228	267 207	2 075 435
	3 199 628	267 207	3 466 835
Group 2021			
Non-interest-bearing	987 407	–	987 407
Variable interest rate instruments	1 039 395	79 815	1 119 210
	2 026 802	79 815	2 106 617

	Trade and other payables R000	Borrowings R000	Loan from subsidiaries R000	Total R000
Company 2022				
Non-interest-bearing	953 687	–	51 716	1 005 403
Variable interest rate instruments	909 820	222 265	44 942	1 177 027
	1 863 507	222 265	96 658	2 182 430
Company 2021				
Non-interest-bearing	672 165	–	45 373	717 538
Variable interest rate instruments	615 817	31 378	48 437	695 632
	1 287 982	31 378	93 810	1 413 170

Borrowing powers, borrowing capacity and banking facilities

In terms of the Memorandum of Incorporation, the company's borrowing powers are unlimited. The Group and company have the following banking facilities amounting to R2.7 billion (2021: R2.4 billion) and R1.7 billion (2021: R1.7 billion) respectively:

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
General overdraft and similar facilities	2 075 076	1 914 068	1 341 704	1 364 560
Letters of credit facilities	653 940	520 431	358 560	314 160
Total facilities	2 729 016	2 434 499	1 700 264	1 678 720
Utilised facilities	(2 030 493)	(1 110 585)	(1 132 085)	(647 195)
Unutilised facilities	698 523	1 323 914	568 179	1 031 525



Notes to the annual financial statements continued

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22. Borrowings and other liabilities continued

Exposure to currency risk

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

Exposure to interest rate risk

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

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Financial liabilities				
Loans received and bank borrowings linked to LIBOR	930 713	707 666	452 862	515 817
Loans received and bank borrowings linked to JIBAR	489 809	263 059	269 809	131 329
Loans received and bank borrowings linked to South African prime rates	290 182	139 665	89 625	39 861
Loans received and bank borrowings linked to other	357 149	–	357 149	–
	2 067 853	1 110 390	1 169 445	687 007
Financial assets				
Loans granted at fixed rates of interest	–	3 041	51 089	43 914
Bank balances and loans linked to South African prime rates	85 417	105 939	55 153	79 752
Bank balances and deposits linked to LIBOR	2 306	47 532	575	43 729
Bank deposits linked to money market rates	268 811	136 983	126	13 999
Bank deposits linked to Kenyan prime rates	529	–	–	–
Bank deposits linked to other foreign prime rates	27 203	3 538	–	–
	384 266	297 033	106 943	181 394

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.

	2022		2021	
	Increase	Decrease	Increase	Decrease
Group				
Increase or decrease in rate				
Impact on profit or loss:				
LIBOR 1% (2021:1%)	(9 284)	9 284	(6 601)	6 601
JIBAR 1% (2021:1%)	(4 898)	4 898	(2 631)	2 631
South African prime 1% (2021:1%)	(2 048)	2 048	(337)	337
Other 1% (2021:1%)	(606)	606	1 405	(1 405)
	(16 836)	16 836	(8 164)	8 164
Company				
Increase or decrease in rate				
Impact on profit or loss:				
LIBOR 1% (2021:1%)	(4 523)	4 523	(4 721)	4 721
JIBAR 1% (2021:1%)	(2 698)	2 698	(1 313)	1 313
South African prime 1% (2021:1%)	(345)	345	399	(399)
Other 1% (2021:1%)	(3 570)	3 570	140	(140)
	(11 136)	11 136	(5 495)	5 495

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

	Opening balance R000	New leases/ modifications R000	Lease termination R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2022						
Mortgage bond	39 617	–	–	–	(2 257)	37 360
Lease liabilities	81 880	4 810	(12 115)	(7 305)	(22 280)	52 295
Bank overdrafts	31 378	–	–	–	190 887	222 265
Total liabilities from financing activities	152 875	4 810	(12 115)	(7 305)	166 350	311 920
	Opening balance R000	New leases/ modifications R000	Other non-cash movements R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Group – 2021						
Mortgage bond	40 000	–	(196)	(196)	(187)	39 617
Lease liabilities	33 809	73 271	–	73 271	(25 200)	81 880
Bank overdrafts	118 832	–	–	–	(87 454)	31 378
Total liabilities from financing activities	192 641	73 271	(196)	73 075	(112 841)	152 875
	Opening balance R000	New leases/ modifications R000	Lease termination and other non-cash movements R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Company – 2022						
Lease liabilities	110 492	2 412	(12 115)	(9 703)	(22 453)	78 336
Loans from subsidiaries	85 185	–	2 568	2 568	1 323	89 076
Bank overdraft	31 378	–	–	–	190 887	222 265
Total liabilities from financing activities	227 055	2 412	(9 547)	(7 135)	169 757	389 677
	Opening balance R000	New leases/ modifications R000	Other non-cash movements R000	Total non-cash movements R000	Cash flows R000	Closing balance R000
Company – 2021						
Lease liabilities	69 681	66 879	–	66 879	(26 068)	110 492
Loans from subsidiaries	105 009	–	(23 363)	(23 363)	3 539	85 185
Bank overdraft	118 832	–	–	–	(87 454)	31 378
Total liabilities from financing activities	293 522	66 879	(23 363)	43 516	(109 983)	227 055



Notes to the annual financial statements continued

for the year ended 30 June 2022

24. Trade and other payables

	Note	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
Financial instruments at amortised cost					
Trade payables		1 230 121	783 486	927 740	614 786
Letters of credit and trade finance payables		1 808 228	1 039 395	909 820	615 817
Other payables		106 473	116 170	1 406	968
Accruals		54 806	87 751	24 541	56 411
Non-financial instruments					
Short-term share-based payment liability	22	12 887	6 821	10 660	5 392
VAT payable		1 010	7 370	–	–
		3 213 525	2 040 993	1 874 167	1 293 374

The letters of credit supply a 120 day trade payment term to the Group. The maximum facility available is R1.7 billion (2021: R1.5 billion) and R965.2 million (2021: R948.7 million) for the Group and company respectively. For majority of the available facilities interest is calculated at LIBOR plus 1.7% – 3.0% (2021: LIBOR plus 3%). 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 143 days (2021: 110 days).

Included in accruals above are the following:

- leave pay accrual: Employee entitlements to annual leave are recognised as services are rendered. An accrual, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to reporting date
- bonus accrual: The bonus accrual relates to the annual 13th cheque payable to employees of the Group and the company.

Exposure to currency risk

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

25. Financial instruments and risk management

Financial risk management

Overview

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

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

The Group'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.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Foreign currency risk

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

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

25. 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	
	2022 R000	2021 R000	2022 R000	2021 R000
US Dollar exposure				
Non-current assets				
Loans to subsidiaries	15	–	51 089	43 914
Current assets				
Trade and other receivables	19	22 821	–	28 058
Cash and cash equivalents	20	2 167	575	43 729
Current liabilities				
Trade and other payables	24	(1 698 633)	(787 697)	(627 926)
Net US Dollar exposure		(1 673 645)	(736 033)	(512 225)
Euro exposure				
Current assets				
Cash and cash equivalents	20	139	–	–
Current liabilities				
Trade and other payables	24	(236 079)	(236 079)	(127 113)
Net Euro exposure		(235 940)	(236 079)	(127 113)
Other currency exposure*				
Loans receivable		–	3 040	–
Current assets				
Trade and other receivables	19	22 297	–	–
Cash and cash equivalents	20	27 732	–	–
Current liabilities				
Trade and other payables	24	(21 123)	(1 544)	(2 924)
Other currency exposure		28 906	(1 544)	(2 924)
Net exposure to foreign currency in Rand		(1 880 679)	(973 656)	(642 262)

* Other currencies include Australian Dollar, British Pound, Taiwanese Dollar and Kenyan Shillings (2021: Australian Dollar, British Pound, United Arab Emirates Dirham, Namibian Dollar, Lesotho Maluti and Zambian Kwacha).

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

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

	Contract rate	Contract foreign currency amount 000	Contract Rand amount R000	Fair value of contract R000
Group – 2022				
BUY				
US Dollars – less than three months	15.620	67 663	1 056 869	41 942
US Dollars – three to six months	15.860	1 500	23 794	760
Euro – less than three months	16.766	23 324	391 060	5 936
			1 471 723	48 638
Foreign currency assets				48 965
Foreign currency liabilities				(327)
				48 638



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for the year ended 30 June 2022

25. Financial instruments and risk management *continued***Forward exchange contracts – financial assets and liabilities at fair value through profit and loss** *continued*

	Contract rate	Contract foreign currency amount 000	Contract Rand amount R000	Fair value of contract R000
Group – 2021				
BUY				
US Dollars – less than three months	14.265	52 566	749 861	708
US Dollars – three to six months	14.495	989	14 330	(14)
Euro – less than three months	17.187	12 100	207 957	(2 688)
			<u>972 148</u>	<u>(1 994)</u>
Foreign currency assets				7 311
Foreign currency liabilities				<u>(9 305)</u>
				<u>(1 994)</u>

	Contract rate	Contract foreign currency amount 000	Contract Rand amount R000	Fair value of contract R000
Company – 2022				
BUY				
US Dollars – less than three months	15.716	39 928	627 490	20 060
Euro – less than three months	16.766	23 324	391 060	5 937
			<u>1 018 550</u>	<u>25 997</u>
Foreign currency assets				26 014
Foreign currency liabilities				<u>(17)</u>
				<u>25 997</u>

	Contract rate	Contract foreign currency amount 000	Contract Rand amount R000	Fair value of contract R000
Company – 2021				
Imports – capital				
US Dollars – less than three months	14.185	37 316	529 322	3 263
US Dollars – three to six months	14.495	989	14 330	(14)
Euro – less than three months	17.187	12 100	207 957	(2 688)
			<u>751 609</u>	<u>561</u>
Foreign currency assets				6 622
Foreign currency liabilities				<u>(6 061)</u>
				<u>561</u>

25. Financial instruments and risk management continued

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

	Average spot rate		Closing spot rate	
	2022	2021	2022	2021
US Dollar	15.22	15.44	16.41	14.26
Euro	17.14	18.39	17.11	16.91

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group (South African Rand) to an increase or decrease in the respective 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.

Increase or decrease in rate	2022	2022	2021	2021
	Increase R000	Decrease R000	Increase R000	Decrease R000
Group				
Impact on profit before tax				
US Dollar 10% (2021: 10%)	(167 364)	167 364	(83 893)	83 893
Euro 10% (2021: 10%)	(23 594)	23 594	(12 711)	12 711
	(190 958)	190 958	(96 604)	96 604
Company				
Impact on profit before tax				
US Dollar 10% (2021: 10%)	(73 603)	73 603	(51 222)	51 222
Euro 10% (2021: 10%)	(23 608)	23 608	(12 711)	12 711
	(97 211)	97 211	(63 933)	63 933



Notes to the annual financial statements continued

for the year ended 30 June 2022

26. Fair value information

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

Levels of fair value measurements	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Level 2				
Recurring fair value measurements				
Assets				
Fair value through profit and loss				
Foreign currency assets	48 965	7 311	26 014	6 622
Liabilities				
Fair value through profit and loss				
Foreign currency liabilities	327	9 305	17	6 061
Total	48 638	(1 994)	25 997	561

Level 2 financial assets and liabilities consist of assets and liabilities arising from open forward exchange contracts. Forward exchange contracts are measured at fair value through profit or loss in accordance with IFRS 9.

Valuation techniques used to derive level 3 fair values

Land and office building

Level 3 fair values of the land and office building in Nairobi (refer to note 11) was determined using a blend of the contractor's, income and comparable approaches.

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

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

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

Foreign currency forward contracts

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.

27. Employee costs and retirement benefit plans

As at 30 June 2022 the Group had 1 157 permanent employees (2021: 1 068) and the company 685 (2021: 616). Employee benefits expense is made up of the following for all employees, including executive directors:

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Employee costs				
Employee salaries and wages	530 161	451 584	322 683	278 333
Pension contributions (defined contribution plan)	168	3 751	–	–
Learnerships	6 018	22 399	3 987	16 899
Temporary staff	13 530	11 474	13 530	11 474
	549 877	489 208	340 200	306 706

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

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

28. Guarantees and contingent liabilities

Limited guarantees

- Standby letter of credit for Intel International BV, Microsoft Corporation and Vivotek Inc. for US\$1.75 million
- R0.4 million guarantee of payment in favour of Growthpoint Properties Limited
- R5.8 million guarantee of payment in favour of Department of Customs & Excise, South African Revenue Service
- R3.7 million guarantee of payment in favour of DG Murray Trust, South Africa. This guarantee expires on 30 April 2025.

Legal disputes

Insurance settlement

One of Mustek's largest debtors was liquidated in 2018 and an amount of R20 million remained outstanding after receiving an insurance settlement from Mustek's credit insurer. The indebtedness was secured by a letter of guarantee in the amount of R20 million, which guarantee was disputed by the issuer (a registered insurance company) of such guarantee. On 29 July 2019, the High Court ruled in favour of the issuer and the after tax amount of R12.6 million was fully written off in the 30 June 2019 financial statements.

Following the above judgement, Mustek sought advice from new counsel and in January 2020 instituted action afresh (on a new legal basis) against the issuer of the guarantee letter, the underwriting company and the individual involved in the transaction.

On 14 August 2022, subsequent to year-end, the insurance company has entered into settlement negotiations in order to endeavour to settle Mustek's claims, which negotiations are continuing.

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.



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for the year ended 30 June 2022

29. Related parties

The company had the following related parties and transactions:

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2022			
Related party			
Brotek Proprietary Limited	Loan	(2 568)	(77 593)
	Rental	(6 526)	–
	Cost recoveries	(389)	–
Mecer Inter-Ed Proprietary Limited	Sales	2 614	252
	Rental	1 972	–
	Purchases	(22 233)	–
	Management fees	40	–
	Cost recoveries	540	–
Mecer Technology Limited	Dividends	515	–
	Management fees	(7 387)	(654)
Mustek East Africa Limited (note 2)	Loan	936	51 089
	Sales	281	198
Rectron Holdings Limited (note 1)	Dividends	35 000	–
	Sales	159 415	55 035
	Purchases	(220 220)	(25 236)
	Loan	287	–
	Cost recoveries	9 273	–

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

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

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

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2022			
Related party			
Continuous Power Systems Proprietary Limited (note 1)	Loan	269	3 402
	Sales	306	27
	Purchases	(25 670)	(4 434)
	Cost recoveries	534	–
Sizwe Africa IT Group Proprietary Limited	Loan	653	–
	Sales	47 732	30 289
Khauleza IT Solutions Proprietary Limited	Rental	185	–
	Sales	896	305
	Purchases	(1 476)	(343)
	Cost recoveries	53	–
	Dividends	2 520	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	63	47
	Purchases	(745)	(42)

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

29. Related parties continued

Other related parties (Group and company)	Nature of relationship	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2022				
Related party				
Mustek Electronics Properties Proprietary Limited	Controlled by a Rental director*		(17 122)	–

* David Kan, Mustek's former CEO was both a director and the majority shareholder of Mustek Electronics Properties Proprietary Limited and thus this company was a related party to the Group and company up until 19 May 2022.

Subsidiaries	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2021			
Related party			
Brotek Proprietary Limited	Loan	(2 507)	(73 702)
	Rental	(6 168)	(125)
	Intercompany charges	(431)	–
Mecer Inter-Ed Proprietary Limited	Sales	4 480	199
	Rental	1 479	–
	Purchases	(15 120)	–
	Intercompany charges	524	–
Mecer Technology Limited	Dividends	843	–
	Management fees	(7 373)	(579)
Mustek East Africa Limited (note 2)	Loan	940	43 914
	Sales	1 063	154
Rectron Holdings Limited (note 1)	Sales	104 405	26 216
	Dividends	4 400	–
	Purchases	(144 479)	(9 167)
	Other	134	–
	Cost recoveries	9 311	–

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

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



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29. Related parties continued

Associates	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2021			
Related party			
Continuous Power Systems Proprietary Limited	Loan	100	6 401
	Sales	288	36
	Purchases	(22 632)	(4 905)
	Other	460	–
Sizwe Africa IT Group Proprietary Limited	Loan	414	10 414
	Sales	10 925	1 649
Khauleza IT Solutions Proprietary Limited	Sales	11 589	4 508
	Purchases	(919)	(216)
	Rental	133	(13)
	Cost recoveries	53	–
Yangtze Optics Africa Holdings Proprietary Limited	Sales	90	6
	Purchases	(332)	–
	Rent	138	–

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

Other related parties	Nature of relationship	Type of transaction	Amount of transaction (paid) received R000	Amount (payable) receivable R000
2021				
Related party				
Mustek Electronics Properties Proprietary Limited	Controlled by director	Rental	(20 918)	(57)

Interest of directors in contracts

Mustek Limited has entered into two lease agreement with Mustek Electronics Properties Proprietary Limited. The original lease agreements were effective from 1 September 2011 and were renewed during the prior financial year. The renewed lease agreements terminate on 31 August 2024. David Kan, Mustek's former CEO was both a director and the majority shareholder of Mustek Electronics Properties Proprietary Limited. Lease payments to the amount of R17.2 million (2021: R20.9 million) was paid with regards to the lease agreement. From 19 May 2022 Mustek Electronics Proprietary Limited is not a related party to the Group.

The aforementioned transaction was at arm's length.

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

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Key management personnel compensation				
Short-term employee benefits	69 038	67 117	54 148	51 176
Share appreciation rights expense	25 502	12 350	20 371	9 858
	94 540	79 467	74 519	61 034

* The prior year key management personnel compensation has been restated after re-consideration of the make up of key management personnel for both the company and Group.

30. Directors' emoluments

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

	2022 R000	2021 R000
Total directors' emoluments		
Executive	28 060	28 069
Non-executive	1 775	1 612
	29 835	29 681

Executive 2022

Directors emoluments	Basic salary R000	Bonuses and performance- related payments R000	Expense allowances R000	Fringe benefits on interest-free loan R000	Long service award and leave payout R000	Share appreciation rights exercised R000	Total R000
Services as director							
DC Kan	3 461	–	271	492	522	2 320	7 066
H Engelbrecht	3 789	3 613	270	288	–	3 903	11 863
CJ Coetzee	2 985	2 742	96	54	36	3 218	9 131
	10 235	6 355	637	834	558	9 441	28 060

2021

Directors emoluments	Basic salary R000	Bonuses and performance related payments R000	Expense allowances R000	Fringe benefits on interest free loan R000	Share appreciation rights exercised R000	Total R000
Services as director						
DC Kan	3 709	3 883	335	1 207	1 940	11 074
H Engelbrecht	3 633	3 747	270	660	1 374	9 684
CJ Coetzee	2 867	2 844	96	146	1 358	7 311
	10 209	10 474	701	2 013	4 672	28 069



Notes to the annual financial statements continued

for the year ended 30 June 2022

30. Directors' emoluments continued

Non-executive 2022

Directors' emoluments	Fees for services as director R000	Total R000
VC Mehana	512	512
RB Patmore	439	439
S Thomas	449	449
PM Marlowe	375	375
	1 775	1 775

2021

Directors' emoluments	Fees for services as directors R000	Total R000
VC Mehana	499	499
LL Dhlamini	226	226
ME Gama	317	317
RB Patmore	432	432
S Thomas	94	94
G Motau	44	44
	1 612	1 612

Outstanding non-executive director fees of R0.14 million (2021: R0.5 million) are included in trade and other payables.

Directors' shareholding

At 30 June 2022, the directors in office at year-end collectively held the following direct and indirect interests in shares in the company, which represents 4% (2021: 27.1%) of the issued share capital of the company. (No change occurred between 30 June 2022 and 12 September 2022):

	Direct		Beneficial	
	2022	2021	Indirect 2022	2021
DC Kan	–	2 288 046	–	13 218 047
H Engelbrecht	1 750 000	1 750 000	–	–
CJ Coetzee (note 1)	800 000	600 000	–	–
	2 550 000	4 638 046	–	13 218 047

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

Note 1: Includes 407 923 (2021: 207 923) shares held through contracts for difference.

30. Directors' emoluments *continued*

Share-based payments

Share appreciation rights scheme

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

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

	Weighted average price (Rands)		Number of options	
	2022	2021	2022	2021
Phantom shares outstanding at the beginning of the year	7.19	5.98	6 032 471	7 029 586
Phantom shares granted during the year	10.17	6.77	1 855 869	2 455 587
Phantom shares exercised during the year	7.30	4.38	(2 875 825)	(3 330 082)
Phantom shares that lapsed during the year	8.16	5.85	(890 990)	(122 620)
Phantom shares outstanding at year-end	8.87	7.19	4 121 525	6 032 471

A total of 1 855 869 phantom shares were granted to a number of employees during the current financial year. 1 717 552 phantom shares with a grant price of R6.71 and 1 158 273 phantom shares with a grant price of R8.18 were exercised during the year. The shares that lapsed was due to employees that passed or 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 2022	30 June 2021
Share price	R16.39	R10.7
Grant price	R8.18/R6.77/R10.17	R6.71/R8.18/R6.77
Fair value	R8.21/R9.62/R6.93	R3.99/R3.63/R4.61
Expected volatility	24.30%/29.92%/36.85%	35.00%/50.00%/45.00%
Expected life	0 years/1 year/2 years	0 years/1 year/2 years
Risk-free rate	5.77%/7.21%/7.78%	3.86%/4.40%/4.96%
Expected dividend yield	5.50%/4.50%/4.00%	3.00%/3.00%/3.40%

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 of R25.5 million and R20.37 million respectively (2021: R12.35 million and R9.86 million, respectively) related to cash-settled SARS during the current year.



Notes to the annual financial statements *continued*

for the year ended 30 June 2022

30. Directors' emoluments *continued*

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

	2023	2024	2025	Number of undelivered phantom shares	Total Rand value
Option price					
R8.18	624 857	–	–	624 857	5 111 330
R6.77		1 972 204	–	1 972 204	13 351 821
R10.17		–	1 524 464	1 524 464	15 503 799
	624 857	1 972 204	1 524 464	4 121 525	33 966 950

The directors have the following phantom share options outstanding:

Undelivered phantom shares at 30 June 2022

Grant date	Grant price	DC Kan	H Engelbrecht	CJ Coetzee	Total
20 February 2020	R8.18	304 808	–	–	304 808
2 September 2020	R6.77	–	328 700	270 694	599 394
2 September 2021	R10.17	–	225 355	185 587	410 942
		304 808	554 055	456 281	1 315 144

Reconciliation of outstanding director phantom shares	Strike price/ exercise price	Date awarded/ exercised/lapsed	DC Kan	H Engelbrecht	CJ Coetzee	Total
Opening balance			1 042 036	885 730	729 425	2 657 191
Phantom shares granted	R10.17	2 September 2021	265 124	225 355	185 587	676 066
Phantom shares exercised	R13.33	7 October 2021	(350 522)	(297 943)	(245 365)	(893 830)
	R15.63	28/29 June 2022	–	(259 087)	(213 366)	(472 453)
Phantom shares lapsed		19 May 2022	(651 830)	–	–	(651 830)
Closing balance	–	–	304 808	554 055	456 281	1 315 144

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

Undelivered phantom shares at 30 June 2021

Grant date	Grant price	DC Kan	H Engelbrecht	CJ Coetzee	Total
19 February 2019	R6.71	350 522	297 943	245 365	893 830
20 February 2020	R8.18	304 808	259 087	213 366	777 261
2 September 2020	R6.77	386 706	328 700	270 694	986 100
		1 042 036	885 730	729 425	2 657 191

31. Going concern

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

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

- the Group continues to have the ongoing support of its banking group and access to undrawn facilities of R699 million (refer to note 22), as well as R375 million in cash and cash equivalents as at 30 June 2022
- as at 30 June 2022, the Group had R895.1 million in net working capital, no significant capital commitments and lease commitments of R26 million due within one year
- the Group was in compliance with its financial covenants at 30 June 2022 and is forecasting covenant compliance at 31 December 2022 and 30 June 2023.

32. Tax paid

	Note	Group		Company	
		2022 R000	2021 R000	2022 R000	2021 R000
Balance at beginning of the year		1 723	8 596	1 694	6 111
Current tax for the year recognised in profit or loss		(95 768)	(125 039)	(59 520)	(85 563)
Adjustment in respect of businesses sold during the year including exchange rate movements	34	2 278	–	–	–
Balance at end of the year		(9 242)	(1 723)	(3 024)	(1 694)
		(101 009)	(118 166)	(60 850)	(81 146)

33. Events after the reporting period

Purchase of building

A building was purchased in Cape Town for R28 million in August 2022. The purchase price was settled in cash. This building will be occupied by Rectron's Cape Town branch.

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 financial statements.

34. Disposal of subsidiary

	Group		Company	
	2022 R000	2021 R000	2022 R000	2021 R000
Carrying value of assets sold				
Property, plant and equipment	(298)	–	–	–
Intangible assets	(9 386)	–	–	–
Deferred tax liability	1 533	–	–	–
Goodwill	(8 077)	–	–	–
Inventories	(535)	–	–	–
Trade and other receivables	(10 762)	–	–	–
Trade and other payables	8 388	–	–	–
Tax liabilities	2 278	–	–	–
Cash	(12 494)	–	–	–
Non-controlling interest	9 921	–	–	–
Total net assets sold	(19 432)	–	–	–
Profit on disposal	(6 818)	–	–	–
Proceeds on disposal	(26 250)	–	–	–
Consideration received				
Cash	26 250	–	–	–

The Group disposed of its 50.1% interest in Palladium Business Solutions Proprietary Limited on 22 June 2022.



Notes to the annual financial statements continued

for the year ended 30 June 2022

35. Prior period error

During the current year a re-assessment was done on cloud service products that the Group distributes. An analysis was done against the factors noted in IFRS 15 B35-B38 and it was concluded that the Group acts an agent for distribution of these products as opposed to a principal. This analysis was done after the May 2022 IFRIC Agenda Decision – Principal versus Agent: Software Reseller, was published. Based on the analysis it was concluded that the prior year judgement of recognising sales of cloud service products as a principal was incorrect. The prior year consolidated statement of comprehensive income was restated and the impact of the error for the year ended 30 June 2021 for the Group was as follows:

	As previously reported	Prior year error	2021 restated
Statement of comprehensive income			
Revenue	8 035 521	(43 215)	7 992 306
Cost of sales	(6 847 554)	43 215	(6 804 339)
Gross profit	1 187 967	–	1 187 967

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
- the opening retained earnings balance as at 1 July 2021 or
- the Group and company profit.

Glossary

Terms and abbreviations

Assurance	A statement or indication that inspires confidence; a guarantee or pledge.
Cloud computing	The practice of using a network of remote servers hosted on the internet to store, manage, and process data, rather than a local server or a personal computer.
Companies Act	South Africa's Companies Act, 71 of 2008, as amended
Component	A part or element of a larger whole, especially a part of a machine.
Computing accessories	A peripheral device that connects to a computer system to add functionality. Examples are a mouse, keyboard, monitor, printer and scanner.
Current ratio	Current assets divided by current liabilities.
E-commerce	Commercial transactions conducted electronically on the internet.
E-tailors	Online retailers.
Employment equity	A policy or programme designed to reserve jobs for people formerly disadvantaged under apartheid.
End-user	The person who actually uses a particular product.
Fibre (optics)	Thin flexible fibres of glass or other transparent solids that transmit light signals.
Foreign exchange risk	A financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company.
FY22	Mustek's 2022 financial year: 1 July 2021 to 30 June 2022
Gross profit	A company's residual profit after selling a product or service and deducting the cost associated with its production and sale.
Headline earnings	A measurement of a company's earnings based solely on operational and capital investment activities.
Hedging policy	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies or securities.
ICT Charter	A sector code on broad-based black economic empowerment for the ICT sector.
Incentive schemes	A programme implemented by an organisation deliberately intended to induce or encourage a specific action by using incentives.
Institutional knowledge	A collective set of facts, concepts, experiences and know-how held by a group of people.
Interest cover	EBITDA divided by net interest paid.
Internet of Things	A proposed development of the internet in which everyday objects have network connectivity, allowing them to send and receive data.
King IV	King IV Report on Corporate Governance for South Africa.
Kyoto gases	The six greenhouse gases covered by the UNFCCC/Kyoto Protocol.
Lockdown	A state of restricted movement and activity announced by South Africa's national government in response to the COVID-19 pandemic.
Managed services	The proactive management of an IT asset or object by a third party on behalf of a customer.
Materiality	A matter is material if it could substantively affect Mustek's ability to create and sustain value in the short, medium or long term.
Net asset value	Ordinary shareholders' equity – total assets less total liabilities.
Networking	Two or more electronic devices connected to form a series of communication paths.
New normal	The current situation, following COVID-19, that is significantly different from what was experienced before but is expected to become the norm.
Obsolescence	The condition of no longer being used or useful.
Operating margin	A measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc.
Peripherals	Any auxiliary device, such as a computer mouse or keyboard that connects to and works with the computer.
Private sector	The economy that is not state controlled and is run by individuals and companies for profit.
Public sector	The part of the economy concerned with providing various government services.
Reseller	A company or individual (merchant) that purchases goods or services with the intention of reselling them rather than consuming or using them.
Return on equity	The amount of net income returned as a percentage of shareholders' equity.
Revolving credit	Credit that is automatically renewed as debts are paid off.



Glossary continued

Scope 3 emissions	Indirect GHG emissions from sources not owned or directly controlled by the entity but related to the entity's activities.
Solutions	A combination of products and services, delivered with the express purpose of causing a system capable of running general-purpose applications to deliver a positive business outcome in accordance with a predetermined goal.
Stock turnaround	The number of times the inventory must be replaced during a given period of time, typically a year.
Subsidiary	A company controlled by a holding company.
Turnaround	The number of times the inventory must be replaced during a given period of time, typically a year.
Turnkey	The provision of a complete product or service that is ready for immediate use.
Vendor	The party in the supply chain that makes goods and services available to companies or consumers.
Verticals	Vertical markets – business niches where companies and customers are interconnected around specialised needs.
Warranties	A written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it if necessary within a specified period.

Acronyms

AGM	Annual general meeting
AI	Artificial intelligence
AP	Access point
B-BBEE	Broad-based black economic empowerment
B2B	Business-to-business
B2C	Business-to-consumer
BEE	Black economic empowerment
bps	Basis points
BSI	British Standards Institution
CCIS	Converged connectivity and infrastructure solutions
CCMA	Commission for Conciliation, Mediation and Arbitration
CCTV	Closed-circuit television
CEO	Chief executive officer
CGU	Cash-generating units
CMDB	Configuration management data base
CompTIA	The Computing Technology Industry Association
COVID-19	Coronavirus disease 2019
CSDP	Central securities depository participant
CSI	Corporate social investment
CTC	Cost-to-company
DVR	Digital video recorder
EAP	Economically active population
EBITDA	Earnings before interest, taxation, depreciation and amortisation
ECL	Expected credit losses
EME	Exempted micro enterprise
EnMS	Energy management system
ERP	Enterprise resource planning
ESG	Environmental, social and governance
EWSETA	Energy and Water Sector Education Training Authority
EXCO	Executive Committee
Forex	Foreign exchange

G4	Current iteration of Global Reporting Initiative Guidelines
GDP	Gross domestic product
GHG	Greenhouse gas
GPS	Global positioning system
GRI	Global Reporting Initiative
HR	Human resources
HVAC	Heating, ventilation and air conditioning
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IMACD	Install, move, add, change, disposal
IMF	International Monetary Fund
IoDSA	Institute of Directors in South Africa
IoT	Internet of Things
IP	Intellectual property
<IR>	International Integrated Reporting Framework of the International Sustainability Standards Board
ISO	International Standards Organization
IT	Information Technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
LAN	Local area network
LED	Light emitting diode
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LTI	Long-term incentive
MCITP	Microsoft Certified IT Professional
MICT SETA	Media, Information and Communications Technologies Sector Education and Training Authority
MIE	Mecer Inter-Ed
MST	Mustek Security Technologies, the Mustek security division
NAV	Net asset value
NPAT	Net profits after tax
NVR	Network video recorder
OEM	Original equipment manufacturer
OS	Operating system
PBT	Profit before tax
PC	Personal computer
PD	Probability of default
PEU	Progressive Educational Upliftment
PMBOK	Project management body of knowledge
POPIA	Protection of Personal Information Act, 4 of 2013
PoS	Point of sale
PPE	Personal protective equipment
PV	Photovoltaic
QCTO	Quality Council for Trades and Occupations
QMS	Quality management system
QSE	Qualifying small enterprise



Glossary continued

Acronyms continued

R&D	Research and development
ROE	Return on equity
ROI	Return on investment
RPA	Robotic process automation
SaaS	Software as a service
SAICA	South African Institute for Chartered Accountants
SAR	Share appreciation right
SAS SETA	Safety and Security Sector Education and Training Authority
SCI	Sustainable Community Investment
SENS	Securities Exchange News Service
SETA	Sector Education and Training Authority
SHE	Safety, health and environment
SHEQ	Safety, health, environmental and quality
SME	Small and medium enterprise
SMME	Small, medium and micro enterprises
SOP	Standard operating procedure
STDI	Sustainability Data Transparency Index
STEM	Science, Technology, Engineering and Maths
STI	Short-term incentive
TCO	Total cost of ownership
TNAV	Tangible net asset value
UIF	Unemployment Insurance Fund
UNS	Unified network solutions
UPS	Uninterrupted power supply
USD	United States Dollar
VAT	Value added tax
VILT	Virtual instructor-led training
WAN	Wide area network
WMS	Warehouse management system
YOAC	Yangtze Optics Africa Cable
ZAR	South African Rand

Company information

Mustek Limited

Incorporated in the Republic of South Africa
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JSE share code: MST
ISIN: ZAE000012373
(Mustek or the Group or the company)

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