Mustek LIMITED

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

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010 R 000	2009 R 000
Revenue	**3 409 515**	3 481 903
Cost of sales	**(2 923 883)**	(2 916 547)
Gross profit	**485 632**	565 356
Other income	**20 626**	14 858
Distribution, administrative and other operating expenses	**(378 292)**	(463 623)
Profit from operations	**127 966**	116 591
Investment revenues	**15 269**	20 800
Finance costs	**(53 132)**	(66 051)
Other (losses) and gains	**(2 480)**	2 319
Profit before tax	**87 623**	73 659
Income tax expense	**(23 228)**	(21 224)
Profit for the year	**64 395**	52 435
Other comprehensive income		
Exchange losses on translation of foreign operations	**(2 635)**	(10 818)
Realisation of foreign currency translation reserves	**–**	1 477
Surplus on revaluation of properties	**22 111**	6 605
Realisation of revaluation surplus on sale of property	**–**	(2 351)
Asset revaluation	**–**	(8 465)
Other comprehensive income for the year, net of tax	**19 476**	(13 552)
Total comprehensive income for the year	**83 871**	38 883
Profit attributable to:		
Equity holders of the parent	**61 374**	54 731
Non-controlling interest	**3 021**	(2 296)
	64 395	52 435
Total comprehensive income attributable to:		
Equity holders of the parent	**80 781**	41 281
Non-controlling interest	**3 090**	(2 398)
	83 871	38 883
Earnings and dividend per share (cents)		
Weighted number of ordinary shares in issue	**110 254 438**	110 449 804
Ordinary shares in issue	**109 547 165**	110 449 804
Basic earnings per ordinary share	**55,67**	49,55
Diluted basic earnings per ordinary share	**55,67**	49,55
Dividend per ordinary share – paid	**10,00**	10,00
Dividend per ordinary share – proposed	**12,00**	10,00
Headline earnings per share (cents)		
Headline earnings per ordinary share	**57,79**	48,65
Diluted headline earnings per ordinary share	**57,79**	48,65
Reconciliation between basic and headline earnings		
Basic earnings attributable to equity holders of the parent	**61 374**	54 731
Realisation of foreign currency translation reserve	**–**	1 477
Loss on disposal of subsidiary	**1 595**	–
Group's share of loss (profit) on disposal of property, plant and equipment	**742**	(2 475)
Headline earnings	**63 711**	53 733
Net asset value per share (cents)	**594,11**	527,12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2010 R 000	2009 R 000
ASSETS		
Non-current assets		
Property, plant and equipment	**182 499**	171 616
Intangible assets	**72 114**	64 667
Investments in associates	**6 364**	5 708
Other investments and loans	**36 009**	34 324
Deferred tax assets	**21 545**	24 044
Non-current trade and other receivables	**2 619**	15 652
	321 150	316 011
Current assets		
Inventories	**574 479**	652 115
Trade and other receivables	**591 200**	518 524
Foreign currency assets	**2 057**	1 604
Tax assets	**12 884**	2 890
Bank balances and cash	**259 953**	338 605
	1 440 573	1 513 738
TOTAL ASSETS	**1 761 723**	1 829 749
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**877**	884
Ordinary share premium	**122 484**	123 583
Retained earnings	**497 623**	447 294
Properties revaluation reserve	**34 159**	12 048
Foreign currency translation reserve	**(4 309)**	(1 605)
Equity attributable to equity holders of the parent	**650 834**	582 204
Non-controlling interest	**24 552**	18 488
Total equity	**675 386**	600 692
Non-current liabilities		
Long-term borrowings	**132 514**	305 616
Deferred tax liabilities	**8 373**	3 550
	140 887	309 166
Current liabilities		
Short-term borrowings	**77 518**	115 138
Trade and other payables	**732 538**	628 833
Provisions	**15 056**	15 448
Foreign currency liabilities	**161**	36 846
Deferred income	**20 507**	26 034
Tax liabilities	**13 847**	6 818
Bank overdrafts	**85 823**	90 774
	945 450	919 891
Total liabilities	**1 086 337**	1 229 057
TOTAL EQUITY AND LIABILITIES	**1 761 723**	1 829 749

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2010 R 000	2009 R 000
Operating activities		
Cash receipts from customers	**3 353 070**	3 472 696
Cash paid to suppliers and employees	**(3 122 539)**	(3 461 717)
Net cash from operations	**230 531**	10 979
Interest received	**14 553**	11 504
Finance costs paid	**(53 132)**	(66 051)
Dividends received	**716**	1 748
Dividends paid	**(11 045)**	(11 045)
Income taxes paid	**(22 229)**	(35 642)
Net cash from (used in) operating activities	**159 394**	(88 507)
Net cash used in investing activities	**(23 062)**	(30 986)
Net cash (used in) from financing activities	**(214 984)**	37 995
Net decrease in cash and cash equivalents	**(78 652)**	(81 498)
Cash and cash equivalents at beginning of the year	**338 605**	420 103
Cash and cash equivalents at end of the year	**259 953**	338 605

Commentary

1. Statement of compliance

These condensed financial statements for the year ended 30 June 2010 are a summary of the Group's unmodified audited financial statements and are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial reporting (IAS 34), the Listings Requirements of the JSE Limited and the Companies Act of South Africa.

2. Accounting policies

The audited results for the year ended 30 June 2010 have been prepared in accordance with the Group's accounting policies which comply with IFRS. The accounting policies adopted are consistent with those applied in the preparation of the audited annual financial statements for the year ended 30 June 2009, except for the amended IAS 1 – *Presentation of Financial Statements*, the amended IFRS 7 – *Financial Instruments: Disclosures* and IFRS 8 – *Operating Segments* which have been adopted for the year ended 30 June 2010.

3. Audit report

The consolidated financial statements for the year have been audited by Deloitte & Touche and their accompanying unmodified audit report as well as their unmodified audit report for this set of summarised financial information, is available for inspection at the company's registered address.

4. Corporate governance

The Group subscribes to and complies in all material aspects with the Code on Corporate Governance Practices and Conduct as contained in the King II Report on Corporate Governance. The Group has launched initiatives to understand, align with and incorporate the principles of the King III report into the operations of the board, management and business.

5. Transformation

Management has continued to meaningfully extend its initiatives in employment equity, skills development and corporate social investment during the period. The Group is committed to a process of further transformation and economic empowerment of its stakeholders, such that an acceptable balance between the operatives and commercial benefits of such a process can be achieved, thereby ensuring the sustainability of the Group in a competitive market sector.

6. Board of directors

Dr. Len Konar has been appointed as non-executive chairman in place of Mr. Vuli Cuba who resigned with effect from 16 October 2009. Mr. Ralph Patmore has also been appointed as non-executive director following the resignation of Mr. Mike Hennessy with effect from 16 October 2009. Total remuneration paid to directors for the year under review amounted to R6,1 million (2009: R5,2 million) and share-based payments of R0,9 million (2009: R1,6 million) were expensed relating to directors.

7. Cash flow

A significant reduction in inventory levels and an increase in trade and other payables resulted in R230,5 million cash generated from operations (2009: R11,0 million). Cash generated from the continued drive to further reduce inventory levels will be used to reduce short-term borrowings further.

Mustek has also restructured its long-term finance facilities and were able to repay R207,5 million in long and short-term liabilities which will lead to significant interest savings in future. The borrowing powers of the Group have increased significantly as additional facilities were advanced by financial institutions.

8. Corporate activities

The Group acquired 100% of Mustek Capital (Pty) Ltd on 1 June 2010 for R100,0 thousand and disposed of Tier One Electronics (Pty) Ltd on 25 November 2009 for R1,0 million.

9. Operating results

Volumes increased by approximately 13%, but a significantly stronger average exchange rate of R7,61 to the US dollar compared to R9,05 in the previous financial year, negatively affected revenue and led to a 2,1% decrease to R3,410 billion.

A review of the overall structure has identified various inefficiencies and duplication of functions. Once-off retrenchment costs of R4,7 million negatively affected profitability and as the process was only completed towards the middle of the financial year, the full benefit will only be achieved in the next financial year. Further benefits include improved working capital management and an elimination of inefficiencies and duplication.

Distribution, administrative and other operating expenses (excluding foreign exchange profits and losses) decreased by 4,4%.

Rectron managed to increase its revenue by 8,4% and contributed R35,4 million (2009: R32,2 million) to the Group's net profit despite tough trading conditions with technology becoming more commoditised and consumers spending less. Sound financial management, inventory optimization and a renewed focus on their customers contributed to their continued success.

10. Retirement benefit plan

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

11. Industry outlook

The provision of internet bandwidth in South Africa has become a recurring theme. Recently, however, rapid development in this arena has seen South Africa's bandwidth increase to almost parity with the rest of the world, and early next year, the country will be in a situation where supply of connectivity per capita will be better than most developed countries. This is having a stimulatory effect on the local industry, with ISP's scrambling to provide uncapped access to end-users. With the cellular operators' ability to provide wireless connectivity, plans are already underway for the launch of 21Mbps and LTE (100Mbps) connections in the next year which will improve user experience tremendously. The price pressure this has created has seen uncapped ADSL being sold at a quarter of the price it was a year ago. This trend is anticipated to continue, with the price being halved again. It is also encouraging that providers are investigating ways of providing this connectivity to rural communities. Mustek's experience in providing computing to schools in these areas will be invaluable in capitalising on more projects now that connectivity is feasible and more affordable.

All of these developments have not gone unnoticed by the content providers, witnessed by the arrival of www.youtube.co.za, soon to be followed by, inter alia, iTunes, Amazon and Netflix. These rich media content providers stimulate the need for hardware, high capacity hard drives, improved graphics, larger monitors, etc., which will prove beneficial for Mustek as a hardware vendor.

The desktop PC market remains consistent. Large corporate buyers remain committed to the platform due to the control it gives them, a much lower total cost of ownership and superior performance. Corporates have realised that, to extend the life of an asset, PC upgrades should be easily facilitated utilising standard components. Notebooks, apart from memory and hard drives, use proprietary components, again increasing the total cost of ownership.

The Teachers Laptop Initiative has recently been launched and is focused on improving Information and Communications Technology (ICT) in teaching and learning and aims to ensure every teacher owns and uses a laptop, by providing them with a monthly allowance which will cover the purchase costs as well as the costs of connectivity.

12. Group outlook

The Group is focusing on increasing volumes as it remains a driver of performance across our operations.

The Group is placing increased focus on working capital management in order to reduce finance costs further.

Mustek's outlook remains focused on sustainable growth. Opportunities for further optimisation, improved production, further consolidation and cost management will be explored. Cash flow will be used prudently to further reduce our debt.

13. Dividend

The declaration of cash dividends will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements, and will be adjusted to levels considered appropriate at the time of declaration.

Mustek's continued commitments to optimal cash utilisation will mean that cash generated by the operations will be used to fund our growth and reduce our debt. To this end, the final dividend declared by the Board of Directors for the financial year ended 30 June 2010 has been increased to 12 cents per share.

Notice is hereby given that a final dividend of 12 cents per ordinary share for the year ended 30 June 2010 is declared, payable to shareholders recorded in the books of the company at the close of business on the record date appearing below. The salient dates applicable to the final dividend are as follows:

Last day of trade cum dividend	Friday, 1 October 2010
First day to trade ex dividend	Monday, 4 October 2010
Record date	Friday, 8 October 2010
Payment date	Monday, 11 October 2010

No share certificates may be dematerialised or rematerialised between Monday, 4 October 2010 and Friday, 8 October 2010, both days inclusive.

Where applicable, payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, payment cheques will be posted to certificated shareholders at their risk on the payment date. Shareholders who have dematerialised their shares will have their accounts at their Central Securities Depository Participant or broker credited on the payment date.

14. Annual general meeting

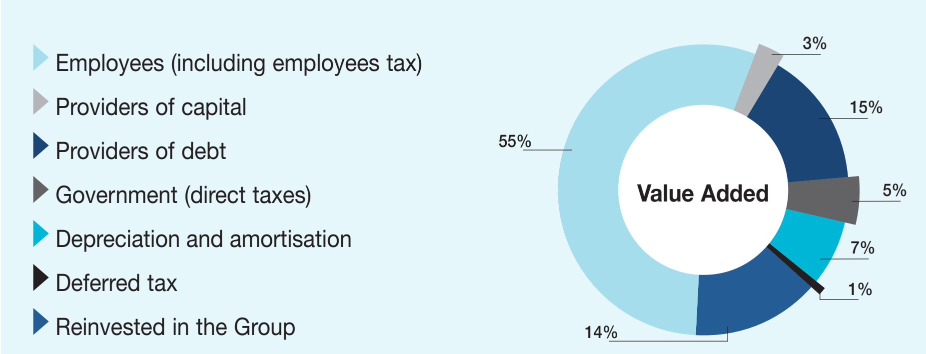
The notice of the annual general meeting will be included in the annual report that will be posted to shareholders in due course.

15. Post balance sheet events

There have been no significant events subsequent to year-end up until the date of this report that requires adjustment or disclosure.

On behalf of the board of directors

David Kan *Chief Executive Officer* **Neels Coetzee** *Financial Director* 30 August 2010



CONSOLIDATED SEGMENT ANALYSIS

Business segments	Total 2010 R 000	Total 2009 R 000	Mustek 2010 R 000	Mustek 2009 R 000	Rectron 2010 R 000	Rectron 2009 R 000	Comztek 2010 R 000	Comztek 2009 R 000	Group 2010 R 000	Group 2009 R 000	Eliminations 2010 R 000	Eliminations 2009 R 000
Revenue	**3 409 515**	3 481 903	**1 586 923**	1 746 463	**1 482 928**	1 367 947	**394 981**	428 964	**–**	–	**(55 317)**	(61 471)
EBITDA*	**154 513**	142 479	**84 979**	78 585	**68 846**	72 417	**10 593**	14 917	**(9 905)**	(23 440)	**–**	–
Depreciation and amortisation	**(26 547)**	(25 888)	**(15 466)**	(15 281)	**(9 381)**	(9 423)	**(1 700)**	(1 184)	**–**	–	**–**	–
Profit (loss) from operations	**127 966**	116 591	**69 513**	63 304	**59 465**	62 994	**8 893**	13 733	**(9 905)**	(23 440)	**–**	–
Investment revenues	**15 269**	20 800	**18 459**	24 736	**5 374**	2 031	**1 265**	1 106	**563**	8 854	**(10 392)**	(15 927)
Finance costs	**(53 132)**	(66 051)	**(32 246)**	(36 241)	**(13 484)**	(20 993)	**(6 103)**	(7 946)	**(11 691)**	(16 798)	**10 392**	15 927
Other (losses) and gains	**(2 480)**	2 319	**–**	1 916	**–**	–	**–**	(4 718)	**(2 480)**	5 121	**–**	
Profit (loss) before tax	**87 623**	73 659	**55 726**	53 715	**51 355**	44 032	**4 055**	2 175	**(23 513)**	(26 263)	**–**	–
Income tax (expense) benefit	**(23 228)**	(21 224)	**(17 110)**	(15 537)	**(12 729)**	(13 069)	**28**	(1 240)	**6 583**	8 622	**–**	–
Profit (loss) for the period	**64 395**	52 435	**38 616**	38 178	**38 626**	30 963	**4 083**	935	**(16 930)**	(17 641)	**–**	–
Attributable to:												
Equity holders of the parent	**61 374**	54 731	**38 547**	40 208	**35 440**	32 159	**4 317**	5	**(16 930)**	(17 641)	**–**	–
Non-controlling interest	**3 021**	(2 296)	**69**	(2 030)	**3 186**	(1 196)	**(234)**	930	**–**	–	**–**	–
	64 395	52 435	**38 616**	38 178	**38 626**	30 963	**4 083**	935	**(16 930)**	(17 641)	**–**	–

Earnings before interest, taxation, depreciation and amortisation

Geographical segments	Total 2010 R 000	Total 2009 R 000	South Africa 2010 R 000	South Africa 2009 R 000	Mecer East Africa 2010 R 000	Mecer East Africa 2009 R 000	Rectron Australia 2010 R 000	Rectron Australia 2009 R 000	Comztek Africa 2010 R 000	Comztek Africa 2009 R 000
Revenue	**3 409 515**	3 481 903	**3 181 285**	3 238 044	**27 200**	25 157	**121 937**	134 405	**79 093**	84 297
Profit (loss) before tax	**87 623**	73 659	**86 900**	75 183	**(207)**	787	**2 860**	(950)	**(1 930)**	(1 361)
Income tax (expense) benefit	**(23 228)**	(21 224)	**(22 944)**	(20 443)	**269**	934	**(29)**	(1 720)	**(524)**	5
Profit (loss) for the period	**64 395**	52 435	**63 956**	54 740	**62**	1 721	**2 831**	(2 670)	**(2 454)**	(1 356)
Attributable to:										
Equity holders of the parent	**61 374**	54 731	**62 343**	53 928	**62**	1 721	**1 415**	291	**(2 446)**	(1 209)
Non-controlling interest	**3 021**	(2 296)	**1 613**	812	**–**	–	**1 416**	(2 961)	**(8)**	(147)
	64 395	52 435	**63 956**	54 740	**62**	1 721	**2 831**	(2 670)	**(2 454)**	(1 356)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R 000	Ordinary share premium R 000	Retained earnings R 000	Investments revaluation reserve R 000	Properties revaluation reserve R 000	Translation reserve R 000	Attributable to equity holders of the parent R 000	Non-controlling interest R 000	Total R 000
Balance at 30 June 2008	884	121 031	403 608	8 465	7 794	7 634	549 416	19 408	568 824
Net profit for the year	–	–	54 731	–	–	–	54 731	(2 296)	52 435
Other comprehensive income	–	–	–	(8 465)	4 254	(9 239)	(13 450)	(102)	(13 552)
Recognition of share-based payments	–	2 552	–	–	–	–	2 552	–	2 552
Dividends paid	–	–	(11 045)	–	–	–	(11 045)	(613)	(11 658)
Investment in subsidiary	–	–	–	–	–	–	–	2 091	2 091
Balance at 30 June 2009	884	123 583	447 294	–	12 048	(1 605)	582 204	18 488	600 692
Net profit for the year	–	–	61 374	–	–	–	61 374	3 021	64 395
Other comprehensive income	–	–	–	–	22 111	(2 704)	19 407	69	19 476
Recognition of share-based payments	–	1 421	–	–	–	–	1 421	–	1 421
Dividends paid	–	–	(11 045)	–	–	–	(11 045)	–	(11 045)
Investment in subsidiary	–	–	–	–	–	–	–	2 974	2 974
Buy back of ordinary shares	(7)	(2 520)	–	–	–	–	(2 527)	–	(2 527)
Balance at 30 June 2010	877	122 484	497 623	–	34 159	(4 309)	650 834	24 552	675 386

Corporate information: **Company secretary:** Neels Coetzee. **Transfer secretaries:** Computershare Investor Services (Pty) Ltd. 70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107, South Africa Telephone: (011) 370-5000. **Registered office:** 322 15th Road, Randjespark, Midrand, 1685. **Postal address:** PO Box 1638, Parklands, 2121. **Contact numbers: Telephone:** +27 (0) 11 237-1000 **Facsimile:** +27 (0) 11 314-5039 **Email:** ltd@mustek.co.za **Sponsor:** Deloitte & Touche Sponsor Services (Pty) Ltd

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BASTION GRAPHICS