

Headline earnings
per share up 28.2%

104.15
cents

2017: 81.26 cents

Net asset value per
share up 15.4%

1 348.54
cents

2017: 1 169.08 cents

Dividend per share
up 37.5%

22.00
cents

2017: 16.00 cents

Net cash generated from
operations up 4.8%

R239.69
million

2017: R228.78 million

Audited summarised consolidated financial results for the year ended 30 June 2018

Commentary

Corporate information

Mustek is a public company incorporated and domiciled in South Africa. The main business of Mustek, its subsidiaries, joint ventures and associates is the assembling, marketing and distribution of information Communication Technology (ICT) products and services.

Basis of preparation

The audited summarised consolidated financial information for the year ended 30 June 2018 has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum contain the information required by IAS 34 Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. The audited summarised consolidated financial statements and this set of summarised financial information, which are based on reasonable judgements and estimates, have been prepared using accounting policies that comply with IFRS. The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 30 June 2017.

Audit report

Mustek's independent auditor, Deloitte & Touche, has issued an unmodified opinion on the consolidated financial statements and this set of summarised consolidated financial statements for the year ended 30 June 2018. The audit was conducted in accordance with International Standards on Auditing. The directors take full responsibility for the preparation of this provisional report and the financial information has been derived from the consolidated financial statements and are consistent in all material aspects with the consolidated financial statements. Their unmodified audit report for this set of summarised consolidated financial statements and the consolidated annual financial statements are available for inspection at the company's registered office. The auditor's report does not necessarily refer to the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report, together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

| | Audited 30 June 2018 | Audited 30 June 2017 |
|--|----------------------------|----------------------------|
| Headline earnings and dividend per ordinary share | | |
| Weighted number of ordinary shares in issue | 77 802 385 | 91 003 326 |
| Ordinary shares in issue | 73 000 000 | 83 000 000 |
| Dividend per ordinary share – paid (cents) | 16.00 | 15.00 |
| Dividend per ordinary share – proposed (cents) | 22.00 | 16.00 |
| Headline earnings per share (cents) | 104.15 | 81.26 |
| Reconciliation between basic and headline earnings (R000) | | |
| Basic earnings attributable to owners of the parent | 79 807 | 73 091 |
| Group's share of loss on disposal of property, plant and equipment | 434 | 391 |
| Group's share of loss on disposal of goodwill | - | 468 |
| Group's share of loss on impairment of investment | 792 | - |
| Headline earnings | 81 033 | 73 950 |
| Net asset value per share (cents) | 1 348.54 | 1 169.08 |

Fair value measurement of financial instruments

Fair value measurements of financial assets and liabilities are analysed as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Audited 30 June 2018 | Audited 30 June 2017 |
|---|----------------------------|----------------------------|
| Financial assets and liabilities | | |
| Held-for-trading: Foreign currency assets | | |
| These financial assets consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets are included in foreign currency losses | 2 | 2 602 |
| Held-for-trading: Foreign currency liabilities | | |
| These financial liabilities consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets are included in foreign currency losses | 2 | 4 481 |
| Available-for-sale: Other investments and loans | | |
| This financial asset consists of shares held in Zinox Technologies Limited. The inputs used to measure the fair value of this investment are the Group's share of the net asset value of Zinox Technologies Limited. As the fair value approximates the carrying value of this asset, no revaluation was done during the reporting periods presented | 3 | 18 742 |

Operating results

The Group's revenue increased by 8.2% to R5.67 billion (2017: R5.24 billion) mainly as a result of strong growth in new products and services added to the Group's portfolio over the last five years.

The gross profit percentage increased to 14.0% (2017: 12.6%) predominantly due to reduced sales to mass retailers and a reduction in aged stock that sells at lower margins.

The Rand depreciated by 16.7% or R1.96 against the Dollar during the last quarter of the financial year. This sudden movement negatively impacted the results and unrealised forex losses of R42.7 million (2017: R3.5 million) were recorded and included as part of foreign currency losses. A substantial portion of this loss will be recovered through a combination of higher selling prices and forward exchange contracts entered into after year-end at amounts lower than the 30 June 2018 closing rate of R13.71.

Distribution, administrative and other operating expenses increased by 11.7%. Share appreciation rights are valued at each reporting period and a share-based payment expense of R6.7 million (2017: R1.4 million income) was included in distribution, administrative and other operating expenses. Bonuses amounting to R7.0 million (2017: Rnil) also contributed to the increase.

Net finance charges decreased from R87.3 million to R76.6 million and the reduction in inventory and accounts receivable levels contributed to this saving. Working capital management continues to be a driver of profitability and is currently receiving management's full attention.

An improved performance from Sizwe Africa IT Group Proprietary Limited and a reduced loss from Yangtze Optics Africa Holdings Proprietary Limited (YOA) saw the contribution from associates increase. Management believes that YOA will be profitable in the 2019 financial year after securing and starting to supply a leading fibre company towards the end of the financial year.

Mustek's headline earnings per share is 28.2% higher at 104.15 cents (2017: 81.26 cents) and basic earnings per share is 27.7% higher at 102.58 cents (2017: 80.32 cents).

Cash flow

The improvement in working capital levels contributed to cash generated from operations of R239.7 million (2017: R228.8 million).

Management continues to focus on optimal working capital management as it remains a driver of profitability in our industry.

Inventory days improved by 15.8% to 72.3 days (2017: 85.9 days).

Trade and other receivable days improved by 17.9% to 62.5 days (2017: 76.1 days).

Transformation

Following an audit by an accredited verification agency, Mustek achieved a level 1 BBBEE rating, using the amended ICT sector codes.

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, while continuing to ensure the sustainability and prosperity of the Group in a competitive market sector.

Board of directors

No changes were made to the board during the period under review.

Corporate activities

On 5 October 2017, Mustek disposed of its 20% investment in Zinox Technologies Limited (Zinox), a company incorporated in Nigeria for a cash consideration of R14.4 million. Prior to the transaction, Zinox declared a dividend of R3.5 million to the company and the total loss on the disposal of Zinox amounted to R0.8 million.

After acquiring a 99-year notarial lease on land in Cape Town for R9.6 million in the previous financial year, the Group spent a further amount of R24.7 million developing the site and is planning to relocate its Cape Town offices to the new premises during November 2018. It is estimated that a further R10.3 million will be spent to complete the development.

Retirement benefit plan

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

Company and industry outlook

Microsoft announced that it will no longer support Windows 7 after 14 January 2020 and we anticipate an acceleration of the refresh cycle during the time leading up to this date.

Our investments in new product lines such as networking equipment, sustainable energy and fibre are starting to contribute meaningfully to both revenue and profit. The growth in fibre to the home is not only assisting our fibre sales, but also increasing the demand for new devices in order to fully benefit from the faster internet speeds. The Group will continue to look for opportunities to add additional products to its product offering in order to better utilise its infrastructure. The contributions from products such as Huawei are expected to continue growing and although the gross profit margin might be lower for these products, net profit should increase.

The smart education and learning market is expected to grow as more education institutions realise the importance of digitisation in the mobile and connected world. We are excited to be able to support schools and universities with digital education deployment and to assist them in taking advantage of this growth opportunity.

CORPORATE INFORMATION: Mustek Limited Incorporated in the Republic of South Africa Registration number: 1987/070161/06
Share code: MST ISIN: ZAE000012373 "Mustek" or "the Group" Directors: Rev Dr VC Mehana (Non-executive Chairman), DC Kan (Chief executive officer), CJ Coetzee (Financial director), H Engelbrecht, LL Dhlamini, Dr ME Gama*, RB Patmore*
*Independent Non-executive director Company secretary: Sirikien van Schalkwyk, 1 Carlsberg, 430 Neuwenthuysen Street, Erasmusskloof Extension 2, 0181. PO Box 4896, Riverval, 0174, Telephone: +27 (0) 12 751 6000. Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. PO Box 61051, Marshalltown, 2107.
Telephone: +27 (0) 11 370 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: itd@mustek.co.za
Sponsor: Deloitte & Touche Sponsor Services Proprietary Limited. www.mustek.co.za

Although economic and market conditions are expected to remain difficult, the increased contribution from our associates and the reduction in net finance costs as a result of lower inventory levels at both Mustek and Rectron should contribute to higher profitability.

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

Share repurchase programme

Mustek acquired 10 000 000 ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R54 854 417. The general repurchase commenced on 30 August 2017 and continued on a day-to-day basis as market conditions allowed and in accordance with the JSE Limited (JSE) Listings Requirements until 20 June 2018.

The repurchase of shares will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements in the year to 30 June 2019. This programme will be effected in accordance with the authority granted by shareholders at the annual general meeting held on 2 November 2017. It is currently intended that any shares purchased will be cancelled and delisted. The market will be notified in accordance with applicable listing rules and regulations if and when purchases are made.

Dividend

The declaration of cash dividends will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements and opportunities to repurchase shares. It will be adjusted to levels considered appropriate at the time of declaration. To this end, the board has declared a final dividend of 22 cents (2017: 16 cents) per ordinary share for the financial year ended 30 June 2018.

Notice is hereby given that a final dividend of 22 cents per ordinary share for the year ended 30 June 2018 is declared, payable to shareholders recorded in the books of the company at the close of business on the record date appearing below. This dividend is declared out of income reserves. The company's income tax reference number is 9550081716 and the company has 73 000 000 ordinary shares in issue and ranking for dividend at the date of this declaration. The South African dividend tax rate is 20% and no secondary tax on companies credits have been utilised, resulting in a net dividend of 17.80 cents per share to shareholders who are not a tax exempt.

The salient dates applicable to the final dividend are as follows:

| | |
|--------------------------------|------------------------------|
| Last day of trade cum dividend | Tuesday, 25 September 2018 |
| First day to trade ex dividend | Wednesday, 26 September 2018 |
| Record date | Friday, 28 September 2018 |
| Payment date | Monday, 1 October 2018 |

No share certificates may be dematerialised or rematerialised between Wednesday, 26 September 2018 and Friday, 28 September 2018, 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.

Restatement of 2016 statement of cash flows

The 2016 statement of cash flows was restated in order to correctly classify an acquisition of additional shares in a previously controlled entity as financing activities as opposed to investing activities. The error was detected through the JSE's proactive monitoring review process.

| | Group – 2016 | | |
|---------------------------------------|-----------------------------|---------------|-------------|
| | As previously reported R000 | Restated R000 | Impact R000 |
| Net cash used in investing activities | (56 949) | (37 107) | 19 842 |
| Net cash used in financing activities | (32 503) | (52 345) | (19 842) |

Legal dispute

One of Mustek's biggest debtors went into business rescue in the latter part of 2017 and an amount of R20.0 million is outstanding after receiving an insurance settlement from its credit insurer. The R20 million was secured with a guarantee that is now disputed by the insurance company that issued the guarantee. Mustek obtained a legal opinion from senior counsel and has not raised any provision against the R20 million because it is their view that the amount is recoverable.

Post-balance sheet events

On 24 July 2018, the Group disposed of vacant land in Midrand for a cash consideration of R17.5 million and the pre-tax capital profit on the disposal which is not included in this set of results amounted to R8.1 million. The asset is disclosed as held for sale.

There have been no other 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 Neels Coetzee, CA(SA)
Chief Executive Officer Financial Director (preparer of provisional Group results)

30 August 2018

Midrand

Summarised consolidated cash flow statement

| | 30 June 2018 R000 | 30 June 2017 R000 | Restated 30 June 2016 R000 |
|--|-------------------------|-------------------------|-------------------------------------|
| OPERATING ACTIVITIES | | | |
| Cash receipts from customers | 5 778 409 | 5 251 783 | 5 563 726 |
| Cash paid to suppliers and employees | (5 538 720) | (5 023 008) | (5 388 679) |
| Net cash from operations | 239 689 | 228 775 | 175 047 |
| Investment revenues received | 10 658 | 20 937 | 19 281 |
| Finance costs paid | (87 255) | (108 266) | (110 793) |
| Dividends paid | (13 659) | (13 950) | (35 605) |
| Income taxes paid | (10 862) | (27 637) | (34 697) |
| Net cash from operating activities | 138 571 | 99 859 | 13 233 |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | (44 052) | (23 750) | (24 858) |
| Proceeds from sale of property, plant and equipment | 526 | 153 | 271 |
| Proceeds on disposal of subsidiary, net of cash disposed | - | - | (1 263) |
| Acquisition of subsidiaries, net of cash acquired | - | (6 256) | - |
| Decrease (increase) in investments in and loans to associates | 1 427 | (10 202) | (8 018) |
| Decrease (increase) in investments and loans | 13 713 | (2 518) | 9 844 |
| Additions to intangible asset | (16 621) | (9 781) | (13 083) |
| Net cash used in investing activities | (45 007) | (52 354) | (37 107) |
| FINANCING ACTIVITIES | | | |
| Buy back of ordinary shares | (54 854) | (68 986) | (42 823) |
| Increase in long-term borrowings | 3 187 | 5 721 | 9 164 |
| Increase (decrease) in short-term borrowings | 7 730 | 953 | (14 800) |
| Increase (decrease) in bank overdrafts | 15 378 | (138 435) | 15 964 |
| Acquisition of additional shares in a previously controlled entity | - | - | (19 842) |
| Net cash used in financing activities | (28 559) | (200 747) | (62 345) |
| Net increase (decrease) in cash and cash equivalents | 65 005 | (153 242) | (76 219) |
| Cash and cash equivalents at beginning of the year | 230 371 | 383 613 | 459 832 |
| Cash and cash equivalents at end of the year | 295 376 | 230 371 | 383 613 |

Summarised segmental analysis

| | Total | | Mustek | | Rectron | | Group | | Eliminations | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 |
| Business segments | | | | | | | | | | |
| Revenue | 5 671 293 | 5 243 147 | 3 626 754 | 3 135 498 | 2 164 331 | 2 429 919 | - | - | (319 792) | (322 270) |
| EBITDA * | 193 564 | 202 465 | 166 883 | 132 170 | 50 417 | 96 265 | (23 736) | (15 970) | - | - |
| Depreciation and amortisation | (30 483) | (28 773) | (20 055) | (18 759) | (10 428) | (10 014) | - | - | - | - |
| Profit (loss) from operations | 163 081 | 173 692 | 146 828 | 113 411 | 39 989 | 76 251 | (23 736) | (15 970) | - | - |
| Investment revenues | 10 658 | 20 937 | 5 378 | 7 818 | 7 107 | 13 780 | - | - | (4 000) | (5 649) |
| Finance costs | (87 255) | (108 266) | (60 523) | (57 759) | (26 673) | (50 507) | (4 069) | (5 649) | 4 000 | 5 649 |
| Other losses | (792) | (468) | - | - | - | - | (792) | (468) | - | - |
| Share of profit of associates | 15 749 | 7 956 | - | - | - | - | 15 749 | 7 956 | - | - |
| Profit before tax | 101 441 | 93 851 | 91 683 | 63 470 | 20 423 | 39 524 | (10 665) | (9 143) | - | - |
| Income tax (expense) benefit | (20 183) | (20 131) | (22 174) | (13 933) | (4 047) | (9 273) | 6 038 | 3 075 | - | - |
| Profit (loss) for the year | 81 258 | 73 720 | 69 509 | 49 537 | 16 376 | 30 251 | (4 627) | (6 068) | - | - |
| Attributable to: | | | | | | | | | | |
| Owners of the parent | 79 808 | 73 091 | 69 509 | 49 537 | 14 874 | 29 574 | (4 575) | (6 020) | - | - |
| Non-controlling interest | 1 450 | 629 | - | - | 1 502 | 677 | (62) | (48) | - | - |
| | 81 258 | 73 720 | 69 509 | 49 537 | 16 376 | 30 251 | (4 627) | (6 068) | - | - |

* Earnings before interest, taxation, depreciation and amortisation

| | Total | | South Africa | | East Africa | | Taiwan | |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 | 30 June 2018 R000 | 30 June 2017 R000 |
| Geographical segments | | | | | | | | |
| Revenue | 5 671 293 | 5 243 147 | 5 631 805 | 5 204 256 | 38 301 | 37 762 | 1 187 | 1 129 |
| Profit (loss) before tax | 101 441 | 93 851 | 98 015 | 94 205 | 2 171 | (1 600) | 1 255 | 1 246 |
| Income tax (expense) benefit | (20 183) | (20 131) | (19 553) | (20 863) | (301) | 1 295 | (329) | (563) |
| Profit (loss) for the year | 81 258 | 73 720 | 78 462 | 73 342 | 1 870 | (305) | 92 | |