Share code: MST ISIN: ZAE000012373 ("Mustek" or "the Group")

Summarised consolidated statement of comprehensive income

Cost of sales

**GROSS PROFIT** 

Investment revenues

Finance costs

Other losses

Foreign currency (losses) profits

PROFIT FROM OPERATIONS

Share of profit of associates

PROFIT FOR THE PERIOD

PROFIT ATTRIBUTABLE TO:

Owners of the parent

Non-controlling interest

Owners of the parent

Non-controlling interest

Ordinary shares in issue

**EARNINGS (R000)** 

THE PARENT

and equipment

**ASSETS** 

Intangible assets

Deferred tax asset

**CURRENT ASSETS** 

Inventories in transit

Trade and other recei Foreign currency assets

Bank balances and cash

**EQUITY AND LIABILITIES** CAPITAL AND RESERVES Ordinary stated capital

Non-distributable reserve

Foreign currency translation reserve

NON-CONTROLLING INTEREST

**NON-CURRENT LIABILITIES** Long-term borrowings

TOTAL ASSETS

Retained earnings

TOTAL FOUITY

Deferred income

Deferred income

Bank overdrafts

**TOTAL LIABILITIES** 

**OPERATING ACTIVITIES** 

**EQUIVALENTS** 

THE PERIOD

Cash receipts from customers Cash paid to suppliers and employees

Tax liabilities

Deferred tax liabilities

**CURRENT LIABILITIES** 

Short-term borrowings

Trade and other payables

Foreign currency liabilities

**CLASSIFIED AS HELD-FOR-SALE** 

**TOTAL EQUITY AND LIABILITIES** 

ASSETS CLASSIFIED AS HELD-FOR-SALE

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS

Cash and cash equivalents at beginning of the period

CASH AND CASH EQUIVALENTS AT THE END OF

Summarised consolidated cash flow statement

Tax assets

**NON-CURRENT ASSETS** 

Investments in associates

Other investments and loans

Property, plant and equipment

Headline earnings

Dividend per ordinary share

Headline earnings per ordinary share

Net asset value per share (cents)

Basic earnings per ordinary share

OTHER COMPREHENSIVE INCOME

**PROFIT BEFORE TAX** 

Distribution, administrative and other operating expenses

Exchange (losses) profits on translation of foreign operations

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:

EARNINGS AND DIVIDEND PER SHARE (CENTS)

RECONCILIATION BETWEEN BASIC AND HEADLINE

BASIC EARNINGS ATTRIBUTABLE TO OWNERS OF

Group's share of loss (profit) on disposal of property, plant

Summarised consolidated statement of financial position

Group's share of loss from disposal of investment

Weighted number of ordinary shares in issue

Other comprehensive (losses) income for the period

Unaudited 6 months

(Re-presented

2 009 256

(1 730 318)

278 938

2 469

(201 318)

80 895

2 308

(25780)

(739)

1 906

58 590

(17 343

41 247

2 109

2 109

43 356

44 779

(3532)

41 247

46 773

(3417)

43 356

20.00

42.15

41.30

44 779

191

739

45 709

Unaudited

6 months

31 Dec

130 018

58 203

12 850

24 415

16 141

241 627

818 387

84 486

4 311

12 727

238 506

68 277

1 932 942

2 242 846

729 309

809

3 494

851 528

860 657

7 736

4 095

13 700

12

6

939 167

18 048

14 045

351 324

34 056

1 382 189

2 242 846

Unaudited

6 months

1 914 439

(2 174 074)

(214717)

466 600

251 883

31 Dec

2013 R000

2013

R000

108 433 165

108 433 165

806

31 Dec

2013

R000

6 months

2 502 606

(2 167 212)

335 394

4 559

(13242)

(232 764)

93 947

7 540

(31 371)

5 923

76 039

(19082)

56 957

(1 186)

55 771

56 698

56 957

55 925

55 771

28.00

53.26

53.05

56 698

56 917

Unaudited

31 Dec

167 972

57 192

87 636

23 931

398 457

1 021 930

243 655

11 252

21 979

341 997

2 667 857

3 066 314

120 067

818 614

942 546

18 307

960 853

34 587

3 688

12 297

1 571

1 460 517

25 396

1 083

565 956

2 054 889

2 105 461

31 Dec

2 314 598

(2 357 604)

138 834

203 163

R000

809 3 056

2014

219

106 875 829

106 623 471

(154)

31 Dec

2014

R000

Audited

Year-end

30 Jun

R000

4 764 123

(4 109 007)

655 116

10 006

 $(23\ 162)$ 

(460 501)

181 459

6 388

(50 513)

(739)

6 988

143 583

(39 400)

104 183

3 228

3 228

107 411

107 334

(3 151)

104 183

109 663

107 411

107 255 590

106 682 760

(2252)

20.00

100.72

100.07

107 334

(41)

739

108 032

858.67

Audited

Year-end

30 Jun

2014

R000

160 029

60 032

51 589

70 894

29 164

371 708

1 036 984

232 895

839

16 555

203 163

2 329 472

2 701 180

119 627

791 787

809

3 829

916 052

18 461

934 513

34 788

14 725 49 513

1 474

2 452

35 470

277 306

1 717 154

1 766 667

2 701 180

Audited

Year-end

30 Jun

R000

4 616 623

(263437)

466 600

203 163

1 400 445

# Summarised unaudited financial results for the six months ended 31 December 2014

Headline earnings

**26**%

per ordinary share up

### Commentary

Revenue up

**25**%

Corporate information

Mustek is a limited liability company incorporated and domiciled in South Africa. The main business of Mustek, its subsidiaries and associates is the assembling, marketing, distribution and servicing of ICT (information communication technology) products and services.

The summarised unaudited financial results for the period ended 31 December 2014 have been prepared in accordance with the framework concepts, and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accounts (SAICA) Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008. This set of summarised financial information, which is based on reasonable judgements and estimates, has been prepared using accounting policies that comply with IFRS. These are consistent with those applied in the audited annual financial statements for the year ended 30 June 2014.

Neither the consolidated financial results for the six months ended 31 December 2013, nor this set of summarised financial information has been audited by the Group's auditors, and thus no audit report was issued.

The directors take full responsibility for the preparation of this summarised report. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors

Rectron Australia BV was classified as a discontinued operation on 31 December 2013. Towards the end of the previous financial year, management took a decision not to dispose of the company. As a result, the comparative statement of comprehensive income has been re-presented to include the results of Rectron Australia BV as part of continuing operations.

The Group is pleased to report that revenue grew by 24.6% to R2.503 billion (31 December 2013: R2.009 billion). The revenue growth was supported mainly by growth from its Huawei Enterprise Solutions division, its Microsoft Volume Licensing

The gross profit percentage was marginally down from 13.9% to 13.4% mainly as a result of the lower gross profit percentage achieved by its Huawei Enterprise Solutions division and its Microsoft Volume Licensing offering. Although the gross profit percentages achieved by these new lines of business are lower, their contributions to profit are expected to continue growing.

The increase of 15,6% in distribution, administrative and other operating expenses arose mainly as a result of the investment in specialists to drive the growth in the new business lines. Distribution, administrative and other operating expenses as a percentage of revenue was 9.3% (31 December 2013: 10.0%). The Group's more conservative forex hedging policy is working well considering the sharp depreciation of the Rand in the

period from 30 June 2014 to 31 December 2014. The Board is pleased with the significant improvement in Rectron Australia's revenues and results. Although the company incurred a loss of R2.6 million for the period under review, it is a significant improvement on the R8.1 million loss suffered

during the comparative period. Revenue grew to R141.3 million (31 December 2013: R30.9 million) and we expect further The contribution from our associates increased mainly as a result of the additional attributable earnings generated from the

acquisition of an effective 26% stake in Sizwe Africa IT Group Proprietary Limited, effective from 10 March 2014 Focus on optimal working capital management continues. Despite the weaker ZAR/USD exchange rate, inventory was down

Mustek's headline earnings is 26.3% higher at 53.26 cents per share (31 December 2013: 42.15 cents per share) and basic earnings is 28.5% higher at 53.05 cents per share (31 December 2013: 41.30 cents per share).

The R43.0 million cash used in operations (31 December 2013: R259.6 million) was expected due to the significant revenue growth and the weaker ZAR/USD exchange rate. This was funded by bank overdraft facilities and is expected to reverse in

the period through to June 2015, in line with historic trends

Following an audit by an accredited verification agency, Mustek was awarded a level 2 B-BBEE rating, using the ICT sector

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. Board of directors

### No changes were made to the Board during the period under review.

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

### nental, social and governance aspects The Group subscribes to and complies in all material aspects with the Code on Corporate Governance Practices and

Conduct as contained in the King III Report on Corporate Governance. Mustek is committed to transparent and integrated reporting in the spirit of King III and the Global Reporting Initiative

(GRI). We are accordingly continuously updating corporate governance practices where necessary and are enhancing our internal information gathering systems to provide the quality and type of information required for authentically integrated Initiatives include a reduction in energy consumption after a target to reduce energy consumption by 20% was set in 2011. This target was reached through ongoing staff awareness programmes, the replacement of ICT equipment with energy-efficient units, installing hundreds of rooftop solar panels and thousands of LED lights. These installations will pay for themselves in a this, installing interligious frooting sold paries and tribusarious to LED lights. These installations will play for the listerior few years and will not only significantly reduce our overall electricity demand and usage, it will also demonstrate the viability of renewable energy for powering corporate infrastructure.

Net asset value

per share

of 884 cents

Mustek has a consistent record in community support and corporate social investment (CSI). The Group focuses its CSI efforts on children's needs – in particular their education – but also supports charities, sporting events and community facilities.

For more than a decade, we have conducted a comprehensive HIV/Aids strategy and programme, which includes providing antiretroviral drugs to infected HIV-positive staff.

Mustek has further maintained its ISO 14001 certification since 2004 and has received no fines or sanctions for noncompliance with environmental laws and regulations.

### Industry outlook

Desktop computers still prove a viable option for many corporations, especially within the banking and security industries. During 2014, the consumer drove adoption, and while the consumer will still have a large influence on adoption, 2015 has been predicted as the year the enterprise begins driving adoption again, via enterprise applications and Windows 10 – creating a core experience for businesses, with a renewed emphasis on the desktop.

The Internet of Things (IoT) is still on the rise, and it is predicted that 1 billion wireless IoT devices will be shipped in 2015 - up 60% from 2014. This speaks to the emphasis that will be placed on the network and how important the efficient gathering of this additional data will be. Given the recent security breaches happening globally and locally, a continued focus will remain on cable and fibre solutions, where corporations will need to start looking back to their foundational elements to ensure a strong system is in place to effectively handle their data and security needs.

Given this surge in Big Data, demand for devices that are able to process data at fast speeds, have longer battery life and serve a multitude of needs, will increase. We see an even bigger demand over the next year for Broadwell Core M, Intel's -generation processors over the next year, which serve a wide range of devices and needs including tablets, notebooks, ultrabooks, desktops and smartphones

Looking ahead, Mustek Limited will continue to refine its broad-based ICT distributor status, where we expect to see further revenue and profit traction in our Microsoft Volume Licensing offering, Huawei Enterprise Solutions, and CCTV surveillance and cabling products and services.

The Group is also starting to see some traction in its CCTV Surveillance and Cabling products and expects growing contributions to both revenue and profit going forward

Our suite of products provides Mustek with the flexibility to switch focus to more profitable market segments. Recognising that desktop unit sales are not showing high growth, we can push our strong variety of entry-level, mid-level and aspirational Big Data remains a buzzword in the industry, and will be a focus area for Mustek Limited over the next period. We have seen

significant growth and experienced great success in this sector after the period-end with our NEC Server, NEC Storage and Fujitsu Scanner ranges. We recognise that Big Data management, and will be key to optimal client retention and procurement, we will begin exploring opportunities with strategic partners in the service and storage area. In line with the new B-BBEE code coming in May 2015, an increased focus will be placed on skills development – adding to our well-established skills development training and certification offerings for current and potential employees. South Africa has one of the highest rates of public investment in education in the world and the government spends more on education than on any other sector. Technology and e-learning as a teaching and learning tool and enabler has been widely accepted as a way to expedite the educational progress within our country. Mustek has, over the last few years, been investing

substantially in this particular market vertical and we believe that we are well positioned to grow our market share in this sector over the next three to five years. The amount of interest shown by various provinces during the last few months is encouraging. Lenovo will be launching ThinkServer in South Africa during the second quarter of 2015 and is undoubtedly interested in growing its market share in the South African market. To date, Mustek has not been a significant player in this market and we

Mustek Limited is well positioned to round off a successful financial year, and we look forward to adapting with the industry in the years to come.

have started ramping up operations to take hold of the opportunity presented in the local market

Mustek acquired a further 1 999 289 ordinary shares in the issued share capital of Mustek on the open market for a purchase consideration in aggregate of R15 778 140. The general repurchase commenced on 24 November 2014 and continued on a day-to-day basis as market conditions allowed, and in accordance with the JSE Limited Listings Requirements, until 30 December 2014. 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 period to 30 June 2015. This programme will be effected in accordance with the terms of the authority granted by shareholders at the annual general meeting held on 12 December 2014. 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

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. In line with the dividend policy, no interim dividend will be paid

There have been no significant events subsequent to the period end up until the date of this report that require adjustment

Foreign

## On behalf of the Board of directors

Chief Executive Officer

Neels Coetzee CA(SA) 25 February 2015 (preparer of summarised Group results

# Summarised consolidated statement of changes in equity

	stated capital R000	Retained earnings R000	distributable reserve R000	translation reserve R000	to owners of the parent R000	controlling interest R000	Total R000
BALANCE AT 30 JUNE 2013	117 916	706 140	809	1 500	826 365	12 546	838 911
Net profit for the period	_	44 779	_	_	44 779	(3 532)	41 247
Other comprehensive income	_	_	_	1 994	1 994	115	2 109
Dividends paid	_	(21 610)	_	_	(21 610)	_	(21 610)
BALANCE AT 31 DECEMBER 2013	117 916	729 309	809	3 494	851 528	9 129	860 657
Net profit for the period	_	62 478	_	_	62 478	381	62 859
Other comprehensive income	_	_	_	335	335	784	1 119
Acquisition of new subsidiary	_	_	_	_	_	8 167	8 167
Buy back of shares	(36 327)	_	_	_	(36 327)	_	(36 327)
Share capital issued	38 038	_	_		38 038		38 038
BALANCE AT 30 JUNE 2014	119 627	791 787	809	3 829	916 052	18 461	934 513
Net profit for the period	_	56 698	_	_	56 698	259	56 957
Other comprehensive income	_	_	_	(773)	(773)	(413)	(1 186)
Dividends paid	_	(29 871)	_	_	(29 871)	_	(29 871)
Buy back of shares	(15 778)	_	_	_	(15 778)	_	(15 778)
Share capital issued	16 218	_	_	_	16 218	_	16 218
BALANCE AT 31 DECEMBER 2014	120 067	818 614	809	3 056	942 546	18 307	960 853

Summarised segment analysis										
odiffinationa orginati difatyoto	To	otal	Mus	stek	Red	tron	Gro	up	Elimina	ations
BUSINESS SEGMENTS	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000 (Re-presented)	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000 (Re-presented)	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000
REVENUE	2 502 606	2 009 256	1 458 046	1 303 953	1 184 998	908 834	_	_	(140 438)	(203 531)
EBITDA*	102 886	90 642	81 087	74 095	29 160	23 268	(7 361)	(6 721)	_	_
Depreciation and amortisation	(8 939)	(9 747)	(8 172)	(6 327)	(767)	(3 420)	_	_	_	_
PROFIT (LOSS) FROM OPERATIONS	93 947	80 895	72 915	67 768	28 393	19 848	(7 361)	(6 721)	_	_
Investment revenues	7 540	2 308	5 142	4 015	4 266	855	1 259	319	(3 127)	(2 881)
Finance costs	(31 371)	(25 780)	(15 671)	(16 438)	(15 700)	(9 342)	(3 127)	(2 881)	3 127	2 881
Other losses	_	(739)	_	_	_	_	_	(739)	_	_
Share of profit of associates	5 923	1 906	_	_	_	_	5 923	1 906	_	_
PROFIT (LOSS) BEFORE TAX	76 039	58 590	62 386	55 345	16 959	11 361	(3 306)	(8 116)	_	_
Income tax (expense) benefit	(19 082)	(17 343)	(17 017)	(16 228)	(4 649)	(2 943)	2 584	1 828	_	_
PROFIT (LOSS) FOR THE PERIOD	56 957	41 247	45 369	39 117	12 310	8 418	(722)	(6 288)	_	_
ATTRIBUTABLE TO:										·
Owners of the parent	56 698	44 779	43 823	39 117	13 597	11 950	(722)	(6 288)	_	_
Non-controlling interest	259	(3 532)	1 546	_	(1 287)	(3 532)	_	_	_	_
	56 957	41 247	45 369	39 117	12 310	8 418	(722)	(6 288)	_	_

*Earnings before interest, taxation, depreciation and amortisation.	Total		South Africa		Mustek East Africa		Rectron Australia	
GEOGRAPHICAL SEGMENTS	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000 (Re-presented)	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000 (Re-presented)
REVENUE	2 502 606	2 009 256	2 334 423	1 945 355	26 878	32 975	141 305	30 926
Profit (loss) before tax	76 039	58 590	79 648	69 447	54	244	(3 663)	(11 101)
Income tax (expense) benefit	(19 082)	(17 343)	(20 163)	(20 010)	(22)	(361)	1 103	3 028
PROFIT (LOSS) FOR THE PERIOD	56 957	41 247	59 485	49 437	32	(117)	(2 560)	(8 073)
ATTRIBUTABLE TO:								
Owners of the parent	56 698	44 779	57 939	49 437	32	(117)	(1 273)	(4 541)
Non-controlling interest	259	(3 532)	1 546	_	_	_	(1 287)	(3 532)
	56 957	41 247	59 485	49 437	32	(117)	(2 560)	(8 073)

**NET CASH USED IN OPERATIONS** (43 006) (259 635 (74 153)Investment revenues received 7 540 2 308 6 388 Finance costs paid  $(31\ 371)$ (25780)(62042)(29 871) (21 610) (21 687) Dividends paid Income taxes paid (14768)(24610)(76229)**NET CASH USED IN OPERATING ACTIVITIES** (111476) $(329\ 327)$ (227723)**NET CASH USED IN INVESTING ACTIVITIES** (36 248) (21043)(104621)**NET CASH FROM FINANCING ACTIVITIES** 286 558 135 653 68 907 NET INCREASE (DECREASE) IN CASH AND CASH

Corporate information: www.mustek.co.za Company secretary: Sirkien van Schalkwyk

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