MUSTEK LIMITED

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

REVIEWED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 6 months 31 Dec 2010 R000	Unaudited 6 months 31 Dec 2009 R000 (Restated)	Audited Year-end 30 Jun 2010 R000 (Restated)
Revenue	**1 624 807**	1 601 610	3 409 515
Cost of sales	**(1 391 629)**	(1 349 491)	(2 923 883)
Gross profit	**233 178**	252 119	485 632
Other income	**21 134**	15 177	20 626
Distribution, administrative and other operating expenses	**(191 050)**	(197 199)	(378 227)
Profit from operations	**63 262**	70 097	128 031
Investment revenues	**3 390**	6 569	15 269
Finance costs	**(14 869)**	(27 625)	(53 132)
Other gains and (losses)	**—**	207	(2 480)
Profit before tax	**51 783**	49 248	87 688
Income tax expense	**(10 642)**	(12 442)	(23 228)
Profit for the period	**41 141**	36 806	64 460
Other comprehensive income			
Exchange (losses) gains on translation of foreign operations	**(1 233)**	1 002	(2 322)
Other comprehensive income for the year, net of tax	**(1 233)**	1 002	(2 322)
Total comprehensive income for the year	**39 908**	37 808	62 138
Profit attributable to:			
Equity holders of the parent	**39 572**	34 917	61 439
Non-controlling interest	**1 569**	1 889	3 021
	41 141	36 806	64 460
Total comprehensive income attributable to:			
Equity holders of the parent	**38 339**	35 919	59 048
Non-controlling interest	**1 569**	1 889	3 090
	39 908	37 808	62 138
Earnings and dividend per share (cents)			
Weighted number of ordinary shares in issue	**109 547 165**	110 449 804	110 254 438
Ordinary shares in issue	**109 547 165**	110 449 804	109 547 165
Basic earnings per ordinary share	**36,12**	31,61	55,73
Diluted basic earnings per ordinary share	**36,12**	31,61	55,73
Dividend per ordinary share – paid	**12,00**	10,00	10,00
Dividend per ordinary share – proposed	**0,00**	0,00	12,00
Headline earnings per share (cents)			
Headline earnings per ordinary share	**36,20**	31,69	56,41
Diluted headline earnings per ordinary share	**36,20**	31,69	56,41
Reconciliation between basic and headline earnings			
Basic earnings attributable to equity holders of the parent	**39 572**	34 917	61 439
Group's share of loss on disposal of property, plant and equipment	**82**	87	742
Headline earnings	**39 654**	35 004	62 181
Net asset value per share (cents)	**586,74**	539,60	563,41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 6 months 31 Dec 2010 R000	Unaudited 6 months 31 Dec 2009 R000 (Restated)	Audited Year-end 30 Jun 2010 R000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	**137 781**	151 650	143 602
Intangible assets	**73 469**	66 715	72 114
Investments in associates	**7 706**	5 708	6 364
Other investments and loans	**34 909**	35 146	36 009
Deferred tax asset	**20 370**	24 012	22 025
Non-current trade and other receivables	**69**	10 569	2 619
	274 304	293 800	282 733
Current assets			
Inventories	**586 647**	488 172	574 479
Trade and other receivables	**579 979**	612 451	591 200
Foreign currency assets	**1 197**	142	2 057
Tax assets	**4 899**	5 216	12 884
Bank balances and cash	**166 577**	244 685	259 953
	1 339 299	1 350 666	1 440 573
TOTAL ASSETS	**1 613 603**	1 644 466	1 723 306
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	**877**	884	877
Ordinary share premium	**122 850**	124 395	122 484
Retained earnings	**519 244**	466 296	492 818
Property revaluation reserve	**—**	—	—
Non-distributable reserve	**4 116**	4 116	4 116
Foreign currency translation reserve	**(4 329)**	297	(3 096)
Equity attributable to equity holders of the parent	**642 758**	595 988	617 199
Non-controlling interest	**25 615**	20 377	24 552
Total equity	**668 373**	616 365	641 751
Non-current liabilities			
Long-term borrowings	**106 374**	299 349	132 514
Deferred tax liabilities	**3 568**	2 192	3 591
	109 942	301 541	136 105
Current liabilities			
Short-term borrowings	**117 230**	31 557	77 518
Trade and other payables	**522 686**	512 271	732 538
Provisions	**11 040**	7 968	15 056
Foreign currency liabilities	**21 961**	404	161
Deferred income	**19 306**	23 810	20 507
Tax liabilities	**8 261**	1 481	13 847
Bank overdrafts	**134 804**	149 069	85 823
	835 288	726 560	945 450
Total liabilities	**945 230**	1 028 101	1 081 555
TOTAL EQUITY AND LIABILITIES	**1 613 603**	1 644 466	1 723 306

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Reviewed 6 months 31 Dec 2010 R000	Unaudited 6 months 31 Dec 2009 R000	Audited Year-end 30 Jun 2010 R000
Operating activities			
Cash receipts from customers	**1 638 578**	1 523 335	3 353 070
Cash paid to suppliers and employees	**(1 755 178)**	(1 513 610)	(3 122 539)
Net cash (used in) from operations	**(116 600)**	9 725	230 531
Investment revenues received	**3 390**	5 854	14 553
Finance costs paid	**(14 869)**	(27 625)	(53 132)
Dividends received	**—**	715	716
Dividends paid	**(13 146)**	(11 045)	(11 045)
Income taxes paid	**(6 611)**	(19 772)	(22 229)
Net cash (used in) from operating activities	**(147 836)**	(42 148)	159 394
Net cash used in investing activities	**(8 093)**	(20 219)	(23 062)
Net cash from (used in) financing activities	**62 553**	(31 553)	(214 984)
Net decrease in cash and cash equivalents	**(93 376)**	(93 920)	(78 652)
Cash and cash equivalents at beginning of the period	**259 953**	338 605	338 605
Cash and cash equivalents at the end of the period	**166 577**	244 685	259 953

Comztek The Systems Distributor
Mustek
rectron www.rectron.net

COMMENTARY

1. Statement of compliance

These condensed financial statements for the six months ended 31 December 2010 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, as amended.

2. Accounting policies

The accounting policies applied in the preparation of these abridged reviewed financial statements, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS"). These are consistent with those applied in the annual financial statements for the year ended 30 June 2010, except for a change in the accounting policy adopted for the measurement of property, plant and equipment from the revaluation model to the cost model as allowed in IAS16 – Property, Plant and Equipment, for the period ended 31 December 2010. Furthermore, the comparative information has been reclassified in order to disclose computer software as intangible assets rather than property, plant and equipment.

The change in accounting policy has resulted in the restatement of the following statement of financial position balances as at 31 December 2009:

R000 Dr/(Cr)	Intangible assets	Property, plant and equipment	Deferred tax asset	Deferred tax liability	Property revaluation reserve	Non-distributable reserve	Retained earnings	Foreign currency translation reserve
Balance as previously reported	56 601	175 185	23 694	(3 550)	(12 048)	—	(471 133)	727
Restatement impact	10 114	(23 535)	318	1 358	12 048	(4 116)	4 837	(1 024)
Restated balance	66 715	151 650	24 012	(2 192)	—	(4 116)	(466 296)	(297)

3. Review report

The consolidated financial results for the six months ended 31 December 2010 and this set of summarised financial information have been reviewed, but not audited by Deloitte & Touche, whose unmodified review report is available for inspection at the Company's registered office.

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

No changes were made to the board during the period under review. Total remuneration paid to directors for the period under review amounted to R3,3 million (2009: R3,1 million) and share-based payments of R0,2 million (2009: R0,5 million) were expensed relating to directors.

7. Cash flow

A significant reduction in trade and other payables contributed to the R116,6 million cash utilised in operations (31 December 2009: R9,7 million cash from operations). In line with historic trends, this is expected to reverse in the period through to June 2011.

8. Corporate activities

The Group acquired a further 25% of Digital Surveillance Systems (Pty) Ltd on 1 December 2010 for R1,9 million and acquired a 40% stake in Continuous Power Systems (Pty) Ltd on 14 December 2010 for a nominal amount after advancing a loan of R1,3 million.

9. Operating results

Volumes increased by approximately 8%, but a significantly stronger average exchange rate of R7,09 to the US dollar compared to R7,63 in the corresponding comparative period, negatively affected revenue and restricted revenue growth to 1,4%.

Distribution, administrative and other operating expenses (excluding foreign exchange profits and losses) decreased by 3,1%.

Rectron contributed R19,6 million (31 December 2009: R13,6 million) to the Group's net profit despite tough trading conditions with technology becoming more commoditised and consumers spending less. Sound financial management, inventory optimisation 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 buzz around tablet form factor systems continues unabated. Every large manufacturer has announced or released product to compete with the iPad. Most manufacturers have chosen to either release products based on Microsoft Windows or Google Android.

Microsoft has not yet announced a tablet specific version of its operating system. Although this might limit the appeal to the consumer, the business community still represents a bigger portion of the market. The ability to run line of business applications on a tablet without modification broadens the device's appeal.

The notebook sector remains the most popular form factor. We expect the tablet to take market share from the netbook segment. The desktop segment remains consistent. It's still the format of choice where portability is not required because data protection is easily achieved via physical and perimeter security, a much lower total cost of ownership and superior performance.

The access to broadband in South Africa is improving but price remains an obstacle. It is rather significant that the fastest consumer internet service provider is a mobile provider. Uncapped ADSL has been with us for a year and despite many dire warnings the sky has not fallen. The WACS (West Africa Cable System) with a capacity of 5.12Tbps is due this year and we expect even more pressure on ISP's and a second round of price drops. 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.

12. Company outlook

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

14. Cautionary announcement

Shareholders are referred to the cautionary announcement by Mustek on 15 December 2010 on the Securities Exchange News Service ("SENS") and in the press on 17 December 2010, renewed on SENS on 28 January 2011 and in the press on 31 January 2011, regarding the expression of interest to effect the buy-out and delisting of Mustek by a consortium led by the company's chief executive officer, David Kan and the Trinitas Private Equity Fund. Shareholders are advised that discussions are still in progress and are therefore required to continue exercising caution when dealing in the company's securities until a further announcement is made.

15. Post balance sheet events

Rectron, a wholly owned subsidiary of Mustek, has entered into a Sale of Shares Agreement on 31 January 2011 whereby Rectron disposed of its 60% stake in Corex IT Distribution Dynamics (Pty) Ltd to Chao-Chung (Fred) Lu for a total cash consideration of R9 790 549 with effect from 1 January 2011.

There have been no other significant events subsequent to the period-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

25 February 2011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R000	Ordinary share premium R000	Retained earnings R000	Property revaluation reserve R000	Non-distributable reserve R000	Foreign currency translation reserve R000	Attributable to equity holders of the parent R000	Non-controlling interest R000	Total R000
Balance at 30 June 2009 – As previously reported	884	123 583	447 294	12 048	—	(1 605)	582 204	18 488	600 692
Reversal of revaluation and related deferred tax	—	—	—	(12 048)	146	—	(11 902)	—	(11 902)
Reclassification of at acquisition revaluations net of deferred tax	—	—	(4 870)	—	3 970	900	—	—	—
Balance at 30 June 2009 – Restated	884	123 583	442 424	—	4 116	(705)	570 302	18 488	588 790
Profit for the period	—	—	34 917	—	—	—	34 917	1 889	36 806
Other comprehensive income	—	—	—	—	—	1 002	1 002	—	1 002
Recognition of share-based payments	—	812	—	—	—	—	812	—	812
Dividends paid	—	—	(11 045)	—	—	—	(11 045)	—	(11 045)
Balance at 31 December 2009	884	124 395	466 296	—	4 116	297	595 988	20 377	616 365
Profit for the period	—	—	26 522	—	—	—	26 522	1 132	27 654
Other comprehensive income	—	—	—	—	—	(3 393)	(3 393)	69	(3 324)
Recognition of share-based payments	—	609	—	—	—	—	609	—	609
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**	**492 818**	**—**	**4 116**	**(3 096)**	**617 199**	**24 552**	**641 751**
Profit for the period	**—**	**—**	**39 572**	**—**	**—**	**—**	**39 572**	**1 569**	**41 141**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(1 233)**	**(1 233)**	**—**	**(1 233)**
Recognition of share-based payments	**—**	**366**	**—**	**—**	**—**	**—**	**366**	**—**	**366**
Dividends paid	**—**	**—**	**(13 146)**	**—**	**—**	**—**	**(13 146)**	**—**	**(13 146)**
Investment in subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(506)**	**(506)**
Balance at 31 December 2010	**877**	**122 850**	**519 244**	**—**	**4 116**	**(4 329)**	**642 758**	**25 615**	**668 373**

CONDENSED SEGMENT ANALYSIS

	Total		Mustek		Rectron		Comztek		Group		Eliminations	
Business segments	**6 Months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)
Revenue	**1 624 807**	1 601 610	**692 283**	719 417	**728 499**	724 074	**236 892**	182 505	**—**	—	**(32 867)**	(24 386)
EBITDA*	**75 614**	84 427	**36 431**	53 155	**35 532**	30 125	**9 185**	7 564	**(5 534)**	(6 417)	**—**	—
Depreciation and amortisation	**(12 352)**	(14 330)	**(7 085)**	(8 752)	**(4 134)**	(4 762)	**(1 133)**	(816)	**—**	—	**—**	—
Profit (loss) from operations	**63 262**	70 097	**29 346**	44 403	**31 398**	25 363	**8 052**	6 748	**(5 534)**	(6 417)	**—**	—
Investment revenues	**3 390**	6 569	**660**	5 055	**5 725**	5 140	**1 615**	1 949	**153**	—	**(4 763)**	(5 575)
Finance costs	**(14 869)**	(27 625)	**(110)**	(12 887)	**(9 613)**	(10 202)	**(5 136)**	(4 536)	**(4 773)**	(5 575)	**4 763**	5 575
Other gains	**—**	207	**—**	207	**—**	—	**—**	—	**—**	—	**—**	—
Profit (loss) before tax	**51 783**	49 248	**29 896**	36 778	**27 510**	20 301	**4 531**	4 161	**(10 154)**	(11 992)	**—**	—
Income tax (expense) benefit	**(10 642)**	(12 442)	**(5 765)**	(10 378)	**(6 512)**	(4 554)	**(1 208)**	(754)	**2 843**	3 244	**—**	—
Profit (loss) for the period	**41 141**	36 806	**24 131**	26 400	**20 998**	15 747	**3 323**	3 407	**(7 311)**	(8 748)	**—**	—
Attributable to:												
Equity holders of the parent	**39 572**	34 917	**24 113**	26 400	**19 553**	13 590	**3 217**	3 675	**(7 311)**	(8 748)	**—**	—
Non-controlling interest	**1 569**	1 889	**18**	—	**1 445**	2 157	**106**	(268)	**—**	—	**—**	—
	41 141	36 806	**24 131**	26 400	**20 998**	15 747	**3 323**	3 407	**(7 311)**	(8 748)	**—**	—

*Earnings before interest, taxation, depreciation and amortisation.

	Total		South Africa		Mustek East Africa		Rectron Australia		Comztek Africa	
Geographical segments	**6 Months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)	**6 months 31 Dec 2010 R000**	6 months 31 Dec 2009 R000 (Restated)
Revenue	**1 624 807**	1 601 610	**1 505 820**	1 494 562	**10 835**	14 332	**62 413**	60 805	**45 739**	31 911
Profit (loss) before tax	**51 783**	49 248	**50 359**	47 748	**(490)**	296	**2 219**	2 748	**(305)**	(1 544)
Income tax expense	**(10 642)**	(12 442)	**(10 003)**	(11 316)	**—**	(79)	**(312)**	(614)	**(327)**	(433)
Profit (loss) for the period	**41 141**	36 806	**40 356**	36 432	**(490)**	217	**1 907**	2 134	**(632)**	(1 977)
Attributable to:										
Equity holders of the parent	**39 572**	34 917	**39 624**	35 477	**(490)**	217	**954**	1 067	**(515)**	(1 844)
Non-controlling interest	**1 569**	1 889	**733**	955	**—**	—	**954**	1 067	**(117)**	(133)
	41 141	36 806	**40 356**	36 432	**(490)**	217	**1 907**	2 134	**(632)**	(1 977)

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BASTION GRAPHICS