Mustek LIMITED

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

ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 Dec 2011 R000	Reviewed 6 months 31 Dec 2010 R000	Audited Year-end 30 Jun 2011 R000
Revenue	**1 963 840**	1 624 807	3 506 373
Cost of sales	**(1 675 714)**	(1 391 629)	(2 990 485)
Gross profit	**288 126**	233 178	515 888
Other income	**13 727**	6 484	2 282
Forex (loss) profit	**(62 865)**	14 650	21 793
Distribution, administrative and other operating expenses	**(196 159)**	(191 050)	(384 826)
Profit from operations	**42 829**	63 262	155 137
Investment revenues	**2 916**	3 390	7 302
Finance costs	**(14 844)**	(14 869)	(28 627)
Other losses	**—**	—	(1 413)
Share of profit of associates	**155**	—	263
Profit before tax	**31 056**	51 783	132 662
Income tax expense	**(8 285)**	(10 642)	(36 624)
Profit for the period	**22 771**	41 141	96 038
Other comprehensive income			
Exchange profits/(losses) on translation of foreign operations	**9 707**	(1 233)	(3 884)
Other comprehensive income for the year, net of tax	**9 707**	(1 233)	(3 884)
Total comprehensive income for the year	**32 478**	39 908	92 154
Profit attributable to:			
Equity holders of the parent	**23 010**	39 572	94 623
Non-controlling interest	**(239)**	1 569	1 415
	22 771	41 141	96 038
Total comprehensive income attributable to:			
Equity holders of the parent	**30 969**	38 339	90 733
Non-controlling interest	**1 509**	1 569	1 421
	32 478	39 908	92 154
Earnings and dividend per share (cents)			
Weighted number of ordinary shares in issue	**108 849 751**	109 547 165	109 547 165
Ordinary shares in issue	**108 677 165**	109 547 165	109 547 165
Basic earnings per ordinary share	**21,14**	36,12	86,38
Diluted basic earnings per ordinary share	**21,14**	36,12	86,38
Dividend per ordinary share – paid	**17,00**	12,00	12,00
Headline earnings per share (cents)			
Headline earnings per ordinary share	**13,40**	36,20	89,39
Diluted headline earnings per ordinary share	**13,40**	36,20	89,39
Reconciliation between basic and headline earnings			
Basic earnings attributable to equity holders of the parent	**23 010**	39 572	94 623
Group's share of (profit) loss on disposal of property, plant and equipment	**(8 427)**	82	1 672
Impairment of distribution right	**—**	—	1 757
Impairment of associate and other loans	**—**	—	2 036
Foreign exchange gain on liquidation of foreign subsidiary	**—**	—	(2 167)
Headline earnings	**14 583**	39 654	97 921
Net asset value per share (cents)	**645,72**	586,74	633,27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months 31 Dec 2011 R000	Reviewed 6 months 31 Dec 2010 R000	Audited Year-end 30 Jun 2011 R000
ASSETS			
Non-current assets			
Property, plant and equipment	**156 408**	137 781	128 333
Intangible assets	**67 753**	73 469	67 813
Investments in associates	**10 207**	7 706	8 589
Other investments and loans	**32 053**	34 909	33 588
Deferred tax asset	**23 185**	20 370	23 925
Non-current trade and other receivables	**—**	69	—
	289 606	274 304	262 248
Current assets			
Inventories	**737 267**	586 647	646 023
Trade and other receivables	**841 430**	579 979	556 134
Foreign currency assets	**7 505**	1 197	1 620
Tax assets	**8 819**	4 899	7 727
Bank balances and cash	**159 253**	166 577	195 787
	1 754 274	1 339 299	1 407 291
TOTAL ASSETS	**2 043 880**	1 613 603	1 669 539
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	**870**	877	877
Ordinary share premium	**118 495**	122 850	122 823
Retained earnings	**582 483**	519 244	576 181
Non-distributable reserve	**810**	4 116	2 725
Foreign currency translation reserve	**(913)**	(4 329)	(8 872)
Equity attributable to equity holders of the parent	**701 745**	642 758	693 734
Non-controlling interest	**20 449**	25 615	18 940
Total equity	**722 194**	668 373	712 674
Non-current liabilities			
Long-term borrowings	**320 360**	106 374	86 598
Deferred tax liabilities	**4 787**	3 568	5 243
	325 147	109 942	91 841
Current liabilities			
Short-term borrowings	**1 110**	117 230	58 741
Trade and other payables	**778 169**	522 686	723 604
Provisions	**11 439**	11 040	21 244
Foreign currency liabilities	**4 097**	21 961	2 185
Deferred income	**29 967**	19 306	22 479
Tax liabilities	**7 157**	8 261	5 066
Bank overdrafts	**164 600**	134 804	31 705
	996 539	835 288	865 024
Total liabilities	**1 321 686**	945 230	956 865
TOTAL EQUITY AND LIABILITIES	**2 043 880**	1 613 603	1 669 539

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months 31 Dec 2011 R000	Reviewed 6 months 31 Dec 2010 R000	Audited Year-end 30 Jun 2011 R000
Operating activities			
Cash receipts from customers	**1 678 544**	1 638 578	3 531 452
Cash paid to suppliers and employees	**(1 959 239)**	(1 755 178)	(3 405 981)
Net cash (used in) from operations	**(280 695)**	(116 600)	125 471
Investment revenues received	**2 916**	3 390	7 302
Finance costs paid	**(14 844)**	(14 869)	(28 627)
Dividends paid	**(18 623)**	(13 146)	(13 146)
Income taxes paid	**(6 662)**	(6 611)	(40 507)
Net cash (used in) from operating activities	**(317 908)**	(147 836)	50 493
Net cash used in investing activities	**(23 291)**	(8 093)	(12 749)
Net cash from (used in) financing activities	**304 665**	62 553	(101 910)
Net decrease in cash and cash equivalents	**(36 534)**	(93 376)	(64 166)
Cash and cash equivalents at beginning of the period	**195 787**	259 953	259 953
Cash and cash equivalents at the end of the period	**159 253**	166 577	195 787

COMMENTARY

1. Statement of compliance

These abridged financial statements for the six months ended 31 December 2011 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 accounting policies applied in the preparation of these abridged unaudited financial results, which are based on reasonable judgements and estimates, are in accordance with IFRS. These are consistent with those applied in the annual financial statements for the year ended 30 June 2011.

3. Audit report

Neither the consolidated financial results for the six months ended 31 December 2011, nor this set of summarised financial information has been audited by the Group's auditors, and thus no audit report was issued.

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 III Report on Corporate Governance.

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 six months under review amounted to R3,8 million (31 December 2010: R3,3 million) and no share-based payments (31 December 2010: R0,2 million) were expensed relating to directors.

7. Cash flow

Inventory and receivables increased in line with historic trends while revenue growth and the weaker Rand also contributed to the R280,1 million cash used in operations (31 December 2010: R116,6 million). This was funded by our long-term borrowing facilities and is expected to reverse in the period through to June 2012, in line with historic trends.

8. Operating results

Revenue increased by 20,9% to R1,964 billion (31 December 2010: R1,625 billion) and the gross profit percentage increased to 14,7% (31 December 2010: 14,4%). Included in profit from operations is R62,9 million relating to realised and unrealised foreign exchange losses (31 December 2010: R14,7 million foreign exchange profits). A significant portion of these losses will be recovered when the related inventory is sold and by settling certain foreign creditors at lower levels than the R8,10 used at 31 December 2011 to revalue foreign creditors.

Mustek uses the Rand/USD spot rate at the beginning of each month to determine its selling prices with adjustments made during the month should the exchange rate change substantially. As a result of the sharp and sudden depreciation of the Rand against the USD during September 2011, a substantial amount of inventory is accounted for at lower levels compared to where the Rand has depreciated to. Accounting standards do not allow the fair valuation of inventory, but require the corresponding foreign accounts payable to be stated at the closing spot rate. As long as this is the case and the Rand remains as volatile as it currently is, reported earnings will be in line with the volatilities of the Rand.

As a result, Mustek's headline earnings is 13,40 cents per share (31 December 2010: 36,20 cents per share) and basic earnings is 21,14 cents per share (31 December 2010: 36,12 cents per share).

Mustek grew its revenue by 59,8% after adding new products and a renewed focus on its customers ensured growth in all sectors. Rectron's revenue declined slightly after the departure of its CEO caused uncertainty amongst staff. This was short-lived and the company has regained its focus, growing its revenue after the appointment of Lindi Shortt as the new CEO.

Distribution, administrative and other operating expenses (excluding foreign exchange profits and losses) were well controlled and increased by only 2,7%.

9. 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.

10. Industry outlook

Internet connectivity costs – particularly in the mobile arena – continue to decline in South Africa, lowering the total cost of ownership for notebooks and desktop computers and driving users to seek more value from their purchases.

As these costs continue to drop, the landscape will become more attractive for large international content owners and distributors to make their entry, only increasing the usage case for owning a home computer.

This we believe over the coming six to 12 months will make all-in-one computers with big screens and high-end components, as well as Ultrabooks, the new category of ultrathin, super-powerful and power conscious mobile computers, more attractive to a larger audience of buyers.

The market has also begun paying close attention to the upcoming release of Microsoft's Windows 8 operating system. With its intuitive user interface, support for touch-based input and its cloud centricity, Windows 8 could be the operating system that finally blurs the line between individuals' professional and personal lives on the conventional computer.

11. 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.

With the addition of Acer and Lenovo to Toshiba and Mecer products over the past 12 months, Mustek has become one of the most preferred distributors for the local reseller community to do business with. Not only does the company now have an expanded product portfolio to offer its customers, it is finally in a position to offer customers increased choice. For customers that have relatively generic technology requirements, but are not prepared to compromise on quality there is Acer, Lenovo and Toshiba – three of the world's top brands – to choose from. For customers that have more specific requirements and want to exercise a deeper level of control over their hardware platforms, Mustek can build configurations to exact customer requirements through the Mecer brand. The company believes this strategy will serve it well over the coming years.

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

12. 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.

13. Post balance sheet events

There have been no significant events subsequent to 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
(preparer of abridged Group results)

29 February 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R000	Ordinary share premium R000	Retained earnings 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 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
Profit for the period	—	—	55 051	—	—	55 051	(154)	54 897
Other comprehensive income	—	—	—	—	(2 657)	(2 657)	6	(2 651)
Premium on acquisition of additional shareholding in a controlled entity	—	—	—	(1 391)	—	(1 391)	—	(1 391)
Recognition of share-based payments	—	(27)	—	—	—	(27)	—	(27)
Disposal of subsidiary	—	—	—	—	—	—	(6 527)	(6 527)
Realisation of foreign exchange gains on liquidation of foreign subsidiary	—	—	985	—	(985)	—	—	—
Other adjustments	—	—	901	—	(901)	—	—	—
Balance at 30 June 2011	**877**	**122 823**	**576 181**	**2 725**	**(8 872)**	**693 734**	**18 940**	**712 674**
Profit for the period	**—**	**—**	**23 010**	**—**	**—**	**23 010**	**(239)**	**22 771**
Other comprehensive income	**—**	**—**	**—**	**—**	**7 959**	**7 959**	**1 748**	**9 707**
Recognition of share-based payments	**—**	**26**	**—**	**—**	**—**	**26**	**—**	**26**
Dividends paid	**—**	**—**	**(18 623)**	**—**	**—**	**(18 623)**	**—**	**(18 623)**
Realisation of non-distributable reserve	**—**	**—**	**1 915**	**(1 915)**	**—**	**—**	**—**	**—**
Buy back of ordinary shares	**(7)**	**(4 354)**	**—**	**—**	**—**	**(4 361)**	**—**	**(4 361)**
Balance at 31 December 2011	**870**	**118 495**	**582 483**	**810**	**(913)**	**701 745**	**20 449**	**722 194**

CONDENSED SEGMENT ANALYSIS

	Total		Mustek		Rectron		Comztek		Group		Eliminations	
Business segments	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000
Revenue	**1 963 840**	1 624 807	**1 106 438**	692 283	**681 462**	728 499	**244 809**	236 892	**—**	—	**(68 869)**	(32 867)
EBITDA*	**54 187**	75 614	**37 607**	36 431	**18 581**	35 532	**3 392**	9 185	**(5 393)**	(5 534)	**—**	—
Depreciation and amortisation	**(11 358)**	(12 352)	**(5 915)**	(7 085)	**(4 098)**	(4 134)	**(1 345)**	(1 133)	**—**	—	**—**	—
Profit (loss) from operations	**42 829**	63 262	**31 692**	29 346	**14 483**	31 398	**2 047**	8 052	**(5 393)**	(5 534)	**—**	—
Investment revenues	**2 916**	3 390	**1 563**	660	**1 485**	5 725	**3 437**	1 615	**194**	153	**(3 763)**	(4 763)
Finance costs	**(14 844)**	(14 869)	**(1 886)**	(110)	**(6 654)**	(9 613)	**(6 304)**	(5 136)	**(3 763)**	(4 773)	**3 763**	4 763
Other gains	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Share of profit of associates	**155**	—	**—**	—	**—**	—	**—**	—	**155**	—	**—**	—
Profit (loss) before tax	**31 056**	51 783	**31 369**	29 896	**9 314**	27 510	**(820)**	4 531	**(8 807)**	(10 154)	**—**	—
Income tax (expense) benefit	**(8 285)**	(10 642)	**(9 361)**	(5 765)	**(1 559)**	(6 512)	**169**	(1 208)	**2 466**	2 843	**—**	—
Profit (loss) for the period	**22 771**	41 141	**22 008**	24 131	**7 755**	20 998	**(651)**	3 323	**(6 341)**	(7 311)	**—**	—
Attributable to:												
Equity holders of the parent	**23 010**	39 572	**22 008**	24 113	**7 977**	19 553	**(634)**	3 217	**(6 341)**	(7 311)	**—**	—
Minority interest	**(239)**	1 569	**—**	18	**(222)**	1 445	**(17)**	106	**—**	—	**—**	—
	22 771	41 141	**22 008**	24 131	**7 755**	20 998	**(651)**	3 323	**(6 341)**	(7 311)	**—**	—

*Earnings before interest, taxation, depreciation and amortisation.

	Total		South Africa		Mustek East Africa		Rectron Australia		Comztek Africa	
Geographical segments	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000	**6 months 31 Dec 2011 R000**	6 months 31 Dec 2010 R000
Revenue	**1 963 840**	1 624 807	**1 823 490**	1 505 820	**19 144**	10 835	**75 015**	62 413	**46 191**	45 739
Profit (loss) before tax	**31 056**	51 783	**30 645**	50 359	**(248)**	(490)	**90**	2 219	**569**	(305)
Income tax (expense) benefit	**(8 285)**	(10 642)	**(7 228)**	(10 003)	**74**	—	**(534)**	(312)	**(597)**	(327)
Profit (loss) for the period	**22 771**	41 141	**23 417**	40 356	**(174)**	(490)	**(444)**	1 907	**(28)**	(632)
Attributable to:										
Equity holders of the parent	**23 010**	39 572	**23 430**	39 624	**(174)**	(490)	**(222)**	954	**(24)**	(515)
Minority interest	**(239)**	1 569	**(13)**	733	**—**	—	**(222)**	954	**(4)**	(117)
	22 771	41 141	**23 417**	40 356	**(174)**	(490)	**(444)**	1 907	**(28)**	(632)

Comztek The Systems Distributor   Mustek   rectron www.rectron.net

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