L I M I T E D

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

Revenue up
11.5%
2015 R5.31 billion
2014 R4.76 billion

Headline earnings per share up
24.2%
2015 125.05 cents
2014 100.72 cents

Dividend per share up
25.0%
2015 35.00 cents
2014 28.00 cents

Net asset value per share up
11.7%
2015 959.00 cents
2014 858.67 cents

Audited provisional consolidated financial results for the year ended 30 June 2015

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 2015 R000	Audited 2014 R000
ASSETS		
Non-current assets		
Property, plant and equipment	174 709	160 029
Intangible assets	62 843	60 032
Investments in associates	61 478	51 589
Other investments and loans	77 653	70 894
Deferred tax asset	29 593	29 164
	406 276	371 708
Current assets		
Inventories	1 129 663	1 036 984
Inventories in transit	206 035	232 895
Trade and other receivables	1 246 139	839 036
Foreign currency assets	8 179	839
Tax assets	2 059	16 555
Bank balances and cash	459 832	203 163
	3 051 907	2 329 472
TOTAL ASSETS	3 458 183	2 701 180
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated capital	93 354	119 627
Retained earnings	894 636	791 787
Non-distributable reserve	809	809
Foreign currency translation reserve	4 949	3 829
Equity attributable to owners of the parent	993 748	916 052
Non-controlling interest	19 268	18 461
Total equity	1 013 016	934 513
Non-current liabilities		
Long-term borrowings	23 127	34 788
Deferred tax liabilities	4 576	–
Deferred income	15 627	14 725
	43 330	49 513
Current liabilities		
Short-term borrowings	2 687	1 474
Trade and other payables	2 011 195	1 400 445
Foreign currency liabilities	1 373	2 452
Deferred income	22 238	35 470
Tax liabilities	2 595	7
Bank overdrafts	361 749	277 306
	2 401 837	1 717 154
Total liabilities	2 445 167	1 766 667
TOTAL EQUITY AND LIABILITIES	3 458 183	2 701 180

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 2015 R000	Audited 2014 R000
Revenue	5 310 102	4 764 123
Cost of sales	(4 624 183)	(4 109 007)
Gross profit	685 919	655 116
Other income	37 826	10 006
Foreign currency losses	(547)	(23 162)
Distribution, administrative and other operating expenses	(489 697)	(460 501)
Profit from operations	233 501	181 459
Investment revenues	17 364	6 388
Finance costs	(77 416)	(50 513)
Other losses	–	(739)
Share of profit of associates	10 813	6 988
Profit before tax	184 262	143 583
Income tax expense	(50 155)	(39 400)
Profit for the year	134 107	104 183
Other comprehensive income		
Exchange profits on translation of foreign operations	540	3 228
Other comprehensive income for the year, net of tax	540	3 228
Total comprehensive income for the year	134 647	107 411
Profit attributable to:		
Owners of the parent	132 720	107 334
Non-controlling interest	1 387	(3 151)
	134 107	104 183
Total comprehensive income attributable to:		
Owners of the parent	133 840	109 663
Non-controlling interest	807	(2 252)
	134 647	107 411
Earnings and dividend per share (cents)		
Weighted number of ordinary shares in issue	106 228 765	107 255 590
Ordinary shares in issue	103 623 471	106 682 760
Dividend per ordinary share – paid	28.00	20.00
Dividend per ordinary share – proposed	35.00	28.00
Headline earnings per ordinary share	125.05	100.72
Basic earnings per ordinary share	124.94	100.07
Reconciliation between basic and headline earnings		
Basic earnings attributable to owners of the parent	132 720	107 334
Group's share of loss (profit) on disposal of property, plant and equipment	118	(41)
Group's share of loss from disposal of investment	–	739
Headline earnings	132 838	108 032
Net asset value per share (cents)	959.00	858.67

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	Audited 2015 R000	Audited 2014 R000
Operating activities		
Cash receipts from customers	4 902 999	4 616 623
Cash paid to suppliers and employees	(4 528 976)	(4 700 380)
Net cash from (used in) operations	374 023	(83 757)
Investment revenues received	17 364	6 388
Finance costs paid	(77 416)	(50 513)
Dividends paid	(29 871)	(21 687)
Income taxes paid	(29 329)	(76 229)
Net cash from (used in) operating activities	254 771	(225 798)
Net cash used in investing activities	(46 726)	(104 621)
Net cash from financing activities	48 624	66 982
Net increase (decrease) in cash and cash equivalents	256 669	(263 437)
Cash and cash equivalents at the beginning of the year	203 163	466 600
Cash and cash equivalents at the end of the year	459 832	203 163

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 provisional summarised consolidated financial information for the year ended 30 June 2015 has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information at a minimum 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 financial statements and this set of provisional financial information, which are based on reasonable judgements and estimates, have been prepared using accounting policies that comply with IFRS. These are consistent with those applied in the financial statements for the year ended 30 June 2014.

Auditors' opinion

Mustek's independent auditors, Deloitte & Touche, have issued their unmodified opinion on the consolidated annual financial statements and this set of summarised consolidated financial statements for the year ended 30 June 2015. 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 Group financial statements and is consistent in all material aspects with the Group financial statements. Their unmodified audit reports for this set of summarised consolidated financial statements and the Group annual financial statements are available for inspection at the company's registered office. The auditor's report does not necessarily report on 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.

Operating results

The Group is pleased to report revenue growth of 11.5% to R5.31 billion (2014: R4.76 billion). The revenue growth was predominantly generated from the Huawei enterprise solutions division, our Microsoft volume licensing offering, sustainable energy division and Rectron Australia.

The gross profit percentage reduced from 13.8%, to 12.9% as a result of a higher percentage of lower gross profit products in the mix, namely Huawei enterprise solutions and Microsoft volume licensing. Although the gross profit percentages achieved by these new lines of business are lower, their contributions to profit are expected to continue growing.

The gross profit percentage was further impacted as a result of a robbery of inventory at Mustek which resulted in a net loss of R14.0 million. Management has subsequently upgraded the security controls on the premises and is reviewing the quantum of the insured amounts.

Included in other income is a net amount of R26.8 million arising from certain disputes that were settled between Mustek and various parties. The settlement amount remains outstanding at year-end, as the parties agreed to pay the settlement amount to Mustek on or before 1 June 2016. The outstanding amount attracts interest at a rate of 9% per annum.

Distribution, administrative and other operating expenses increased by 6.3%, in line with expectations.

The Group's more conservative forex hedging policy is considered effective, considering the sharp depreciation of the Rand from 30 June 2014 to 30 June 2015. Forex losses reduced from R23.2 million in 2014 to R0.5 million in the current year.

The Group applies hedge accounting where the requirements of IAS 39 have been met to separate the interest and spot elements from the forward contracts, and R9.6 million (2014: R7.2 million) was classified as finance costs, as opposed to forex losses.

The contribution from our associates increased mainly as a result of the additional earnings arising from equity accounting Mustek's effective 26% stake in Sizwe Africa IT Group Proprietary Limited for 12 months as opposed to four months in the previous financial year.

There has been a significant improvement in Rectron Australia's revenues and performance. Although the company incurred a loss before tax of R4.0 million for the year under review, it is a significant improvement on the R16.3 million loss incurred during the comparative period. Revenue grew to R269.7 million (2014: R141.7 million) and a further improvement for the 2016 financial year is expected.

As a result, Mustek's headline earnings is 24.2% higher at 125.05 cents per share (2014: 100.72 cents per share) and basic earnings is 24.8% higher at 124.94 cents per share (2014: 100.07 cents per share).

Cash flow

R374.0 million was generated from operations as opposed to R83.8 million used in operations during the previous financial year. The increase of 8.9% in inventory on hand is lower than the increase in revenue of 11.5%. Management continues to focus on optimal working capital management as it remains a driver of profitability in our industry. The increase of 48.5% in trade and other receivables compares well with the increase of 43.6% in trade and other payables and is testament to the increased levels of activity during the latter period of the financial year. Trade and other receivables include both the insurance claim and the settlement amount detailed under operating results above.

Transformation

Following an audit by an accredited verification agency, Mustek retained its level 2 B-BBEE rating, using the 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, such that an acceptable balance between the operatives and commercial benefits of such a process can be achieved, thereby ensuring the sustainability and prosperity of the Group in a competitive market sector.

Board of directors

No changes were made to the Board during the year under review. Total remuneration paid to directors for the year under review amounted to R10.5 million (2014: R14.8 million) and share-based payments of R6.4 million (2014: R6.8 million) were expensed, relating to directors' incentives.

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.

Environmental, 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 reviewing our corporate governance practices and are enhancing our internal information gathering systems to provide the quality and type of information required for authentically integrated annual reports.

Initiatives include the 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 rooftop solar panels and LED lights. These installations will pay for themselves in a relatively short time and will not only significantly reduce our overall electricity demand and usage, but also demonstrate the viability of renewable energy for powering corporate infrastructure.

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 that also provides antiretroviral drugs to infected HIV-positive staff.

Mustek has successfully maintained its ISO 14001 certification since 2004 and has not been sanctioned or fined for non-compliance with environmental laws and regulations.

Industry outlook

The transition to cloud-based services has led to the Group diversifying away from just being a distributor of traditional IT hardware. With our appointment as a Microsoft volume licence distributor, we now have the ability to market and distribute a full range of cloud services to our resellers. The Group's efforts were recognised and rewarded by Microsoft this year at its Worldwide Partner Conference receiving the "Distributor of the Year" for its achievements in Office 365 sales. This new division is driven both by Mustek and Rectron sales teams and has achieved 16% market share and 650% growth year-on-year in reseller numbers. With strong indications of cloud computing growth in the South African market we are confident of being able to provide the market with profitable and innovative products.

Mobility is a key differentiator in today's computing reality. Traditional computing in highly climate-controlled environments evolved to desktop computers and then to notebooks/laptops that allowed computers to be used almost anywhere. Mobility happened the moment those laptops were provided with affordable connections to the internet. The cost of mobile data keeps dropping and this is promising for a whole new category of mobility. Wearables and Internet of Things devices will bring new ways to make sense of our world. The Group is well positioned to become an enabler to our resellers in this category.

On 29 July 2015, Microsoft released Windows 10 to the world via the internet. Devices that met the upgrade criteria could get the free upgrade. This was called Release To Web (RTW) and went to existing devices and users of Windows. Large-scale Windows device manufacturers, however, all gear themselves for the traditional USA back-to-school period and the impact of Windows 10 will be felt on the market then. Windows 10 brings back the familiar Windows desktop for traditional keyboard and mouse users but also keeps the touch-friendly interface for users on tablets and two-in-one devices. With early adoption numbers showing 14 million devices upgraded on the first day, it appears that Windows 10 will be well received. Microsoft's strong emphasis on security should see fast adoption in the business space. Innovative logon technologies like facial recognition will create demand for new hardware to realise the full benefit of Windows 10.

Company outlook

Looking ahead, Mustek will continue to refine its broad-based ICT distributor status, where we expect to see growing contributions to both revenue and profit going forward in our Microsoft volume licensing offering, Huawei enterprise solutions division, sustainable energy division, CCTV surveillance division and cabling products and services.

Our suite of products provides Mustek with the flexibility to switch focus to more profitable market segments. Recognising that desktop unit sales are in decline, we can push our strong variety of entry-level, mid-level and aspirational tablets.

Big Data will be a focus area for Mustek going forward. We have seen significant growth and experienced great success in this sector with our NEC Server, NEC Storage and Fujitsu Scanner ranges.

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 over the next three to five years. The amount of interest shown by various provinces during the last few months is encouraging.

Lenovo launched ThinkServer in South Africa during May 2015 and Mustek was appointed as a distributor. Before, Mustek had not been a significant participant in this market and we have started ramping up operations to take advantage of the opportunity presented in the local market.

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

Share repurchase programme

Mustek acquired 4 999 289 ordinary shares of its issued share capital on the open market for a purchase consideration in aggregate of R42 490 958. 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 (JSE) Listings Requirements until 27 May 2015.

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 2016. 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 de-listed. 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 will be adjusted to levels considered appropriate at the time of declaration.

Mustek's continued commitment to optimal cash utilisation will mean that cash generated by the operations will be used to fund growth and reduce debt. To this end, the final gross dividend declared by the Board of directors for the financial year ended 30 June 2015 has been increased to 35 cents (2014: 28 cents) per share.

Notice is hereby given that a final gross dividend of 35 cents per ordinary share for the year ended 30 June 2015 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 103 623 471 ordinary shares in issue and ranking for dividend at the date of this declaration. The South African dividend tax rate is 15% resulting in a net dividend of 29.75 cents per share to shareholders who are not tax exempt.

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

Last day of trade cum dividend	Friday, 25 September 2015
First day to trade ex dividend	Monday, 28 September 2015
Record date	Friday, 2 October 2015
Payment date	Monday, 5 October 2015

No share certificates may be dematerialised or rematerialised between Monday, 28 September 2015 and Friday, 2 October 2015, 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.

Annual general meeting

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

Post-balance sheet events

There have been no significant events subsequent to year-end up until the date of this report that require adjustment to or disclosure in these summarised financial statements.

On behalf of the Board of directors

David Kan *Chief Executive Officer*

Neels Coetzee *Financial Director (preparer of provisional Group results)*

31 August 2015
Midrand

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

	Ordinary stated capital R000	Retained earnings R000	Non-distributable reserve R000	Foreign currency translation reserve R000	Attributable to owners of the parent R000	Non-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 year	–	107 334	–	–	107 334	(3 151)	104 183
Other comprehensive income	–	–	–	2 329	2 329	899	3 228
Dividends paid	–	(21 687)	–	–	(21 687)	–	(21 687)
Acquisition of 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 year	–	132 720	–	–	132 720	1 387	134 107
Other comprehensive income	–	–	–	1 120	1 120	(580)	540
Dividends paid	–	(29 871)	–	–	(29 871)	–	(29 871)
Buy-back of shares	(42 491)	–	–	–	(42 491)	–	(42 491)
Share capital issued	16 218	–	–	–	16 218	–	16 218
Balance at 30 June 2015	93 354	894 636	809	4 949	993 748	19 268	1 013 016

SUMMARISED SEGMENT ANALYSIS (AUDITED)

	Total		Mustek		Rectron		Group		Eliminations	
Business segments	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
Revenue	5 310 102	4 764 123	3 246 918	3 091 404	2 400 359	2 101 192	–	–	(337 175)	(428 473)
EBITDA*	255 646	201 718	181 055	178 372	67 865	51 403	6 726	(28 057)	–	–
Depreciation and amortisation	(22 145)	(20 259)	(17 607)	(13 286)	(4 538)	(6 973)	–	–	–	–
Profit (loss) from operations	233 501	181 459	163 448	165 086	63 327	44 430	6 726	(28 057)	–	–
Investment revenues	17 364	6 388	8 742	8 364	8 673	2 300	6 160	1 579	(6 211)	(5 855)
Finance costs	(77 416)	(50 513)	(45 022)	(29 687)	(32 394)	(20 826)	(6 211)	(5 855)	6 211	5 855
Other losses	–	(739)	–	–	–	–	–	(739)	–	–
Share of profit of associates	10 813	6 988	–	–	–	–	10 813	6 988	–	–
Profit (loss) before tax	184 262	143 583	127 168	143 763	39 606	25 904	17 488	(26 084)	–	–
Income tax (expense) benefit	(50 155)	(39 400)	(33 895)	(41 719)	(12 652)	(6 734)	(3 608)	9 053	–	–
Profit (loss) for the year	134 107	104 183	93 273	102 044	26 954	19 170	13 880	(17 031)	–	–
Attributable to:										
Owners of the parent	132 720	107 334	93 273	102 044	28 954	23 132	10 493	(17 842)	–	–
Non-controlling interest	1 387	(3 151)	–	–	(2 000)	(3 962)	3 387	811	–	–
	134 107	104 183	93 273	102 044	26 954	19 170	13 880	(17 031)	–	–

Earnings before interest, taxation, depreciation and amortisation.

	Total		South Africa		Mustek East Africa		Rectron Australia	
Geographical segments	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000	2015 R000	2014 R000
Revenue	5 310 102	4 764 123	4 991 925	4 561 582	49 481	60 881	268 696	141 660
Profit (loss) before tax	184 262	143 583	189 930	158 576	(1 668)	1 289	(4 000)	(16 282)
Income tax (expense) benefit	(50 155)	(39 400)	(50 895)	(43 869)	740	(605)	–	5 074
Profit (loss) for the year	134 107	104 183	139 035	114 707	(928)	684	(4 000)	(11 208)
Attributable to:								
Owners of the parent	132 720	107 334	135 648	113 896	(928)	684	(2 000)	(7 246)
Non-controlling interest	1 387	(3 151)	3 387	811	–	–	(2 000)	(3 962)
	134 107	104 183	139 035	114 707	(928)	684	(4 000)	(11 208)

CORPORATE INFORMATION: **Company Secretary:** Sirkien van Schalkwyk. **Transfer secretaries:** Computershare Investor Services Proprietary Limited. 70 Marshall Street, Johannesburg, 2001. Postal address: PO Box 61051, Marshalltown, 2107, South Africa. 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: ltd@mustek.co.za. **Sponsor:** Deloitte & Touche Sponsor Services Proprietary Limited.

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