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## MUSTEK LIMITED – Summarised unaudited financial results for the six months ended 31 December 2013

MST 201402200007A

Summarised unaudited financial results for the six months ended 31 December 2013

MUSTEK LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/070161/06)

Share code: MST

ISIN: ZAE000012373

("Mustek" or "the Group")

Summarised unaudited financial results for the six months ended 31 December 2013

– Gross profit % from continuing operations up from 13,2% to 14,1%

– Headline earnings per ordinary share up 33%

– Net asset value of 785 cents per share

Summarised consolidated statement of comprehensive income

Audited	Unaudited	Unaudited
Year end	6 months	6 months
30 Jun	31 Dec	31 Dec
2013	2013	2012
R000	R000	R000
Continuing operations		
Revenue	1 978 329	1 806 727
4 072 274		

Cost of sales (3 517 496)	(1 699 363)	(1 569 033)
Gross profit 554 778	278 966	237 694
Other income 4 489	2 469	2 037
Foreign currency profits (losses) (50 521)	1 213	(14 964)
Distribution, administrative and other operating expenses (371 497)	(191 511)	(174 291)
Profit from operations 137 249	91 137	50 476
Investment revenues 4 384	2 187	2 280
Finance costs (38 196)	(24 800)	(12 954)
Other (losses) gains 12 012	(739)	—
Share of profit of associates 4 290	1 906	2 674
Profit before tax 119 739	69 691	42 476
Income tax expense (37 847)	(20 371)	(10 738)
Profit for the period from continuing operations 81 892	49 320	31 738
Discontinued operations		
(Loss) profit for the period from discontinued operations (661)	(8 073)	1 773
Profit for the period 81 231	41 247	33 511
Other comprehensive income		
Exchange profits on translation of foreign operations 6 553	2 109	1 605
Other comprehensive income for the period, net of tax 6 553	2 109	1 605
Total comprehensive income for the period 87 784	43 356	35 116
Profit (loss) attributable to:		
Owners of the parent 85 049	44 779	34 158
Non-controlling interest (3 818)	(3 532)	(647)
81 231	41 247	33 511
Total comprehensive income attributable to:		

Owners of the parent 90 255	46 773	35 032
Non-controlling interest (2 471)	(3 417)	84
87 784	43 356	35 116
Earnings and dividend per share (cents)		
Weighted number of ordinary shares in issue 108 436 464	108 433 165	108 436 464
Ordinary shares in issue 108 433 165	108 433 165	108 433 165
Dividend per ordinary share 17,00	20,00	17,00
From continuing and discontinued operations		
Headline earnings per ordinary share 72,85	42,15	31,75
Basic earnings per ordinary share 78,43	41,30	31,50
From continuing operations		
Headline earnings per ordinary share 71,50	46,34	29,52
Basic earnings per ordinary share 77,08	45,48	29,27
From discontinued operations		
Headline (loss) earnings per ordinary share 1,35	(4,19)	2,23
Basic (loss) earnings per ordinary share 1,35	(4,19)	2,23
Reconciliation between basic and headline earnings		
Basic earnings attributable to owners of the parent 85 049	44 779	34 158
Group's share of after tax profit on sale of shares		
in joint venture (8 247)	—	—
Group's share of loss on disposal of property, plant and equipment 437	191	274
Impairment of distribution right 3 445	—	—
Non-controlling interest in impairment of distribution right (1 688)	—	—
Loss on sale of investment —	739	—
Headline earnings from continuing and discontinued operations 78 996	45 709	34 432

Less Group's share of loss (profit) for the period from discontinued operations (1 469)	4 541	(2 420)
Headline earnings from continuing operations 77 527	50 250	32 012
Basic earnings attributable to owners of the parent 85 049	44 779	34 158
Less Group's share of loss (profit) for the period from discontinued operations (1 469)	4 541	(2 420)
Basic earnings from continuing operations 83 580	49 320	31 738
Net asset value per share (cents) 762,10	785,30	712,07

## Summarised consolidated statement of financial position

	Unaudited 6 months 31 Dec 2013 R000	Unaudited 6 months 31 Dec 2012 R000	Audited Year end 30 Jun 2013 R000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	130 018	119 702	120 462
Intangible assets	58 203	60 656	57 489
Investments in associates	12 850	6 262	7 795
Other investments and loans	24 415	31 770	31 455
Deferred tax asset	16 141	14 333	17 487
	241 627	232 723	234 688
<b>Current assets</b>			
Inventories	818 387	761 057	688 851
Inventories in transit	84 486	82 806	101 681
Trade and other receivables	774 525	709 823	679 114
Foreign currency assets	4 311	—	8 825
Tax assets	12 727	11 018	—
Bank balances and cash	238 506	95 847	455 572
	1 932 942	1 660 551	1 934 043
Assets classified as held for sale	68 277	307 719	64 588

TOTAL ASSETS	2 242 846	2 200 993	2 233 319
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	117 916	868	117 916
Ordinary share premium	—	117 048	—
Retained earnings	729 310	655 379	706 140
Non-distributable reserve	809	809	809
Foreign currency translation reserve	3 494	(1 983)	1 500
Equity attributable to owners of the parent	851 529	772 121	826 365
Non-controlling interest	9 129	18 510	12 546
Total equity	860 658	790 631	838 911
Non-current liabilities			
Long-term borrowings	7 736	6 670	6 837
Deferred tax liabilities	4 095	2 320	2 324
	11 831	8 990	9 161
Current liabilities			
Short-term borrowings	12	287 047	181
Trade and other payables	939 166	783 208	1 095 091
Foreign currency liabilities	6	8 206	3 223
Deferred income	31 748	29 116	34 616
Tax liabilities	14 045	4 446	8 653
Bank overdrafts	351 324	58 995	216 589
	1 336 301	1 171 018	1 358 353
Liabilities directly associated with assets classified as			
held for sale	34 056	230 354	26 894
Total liabilities	1 382 188	1 410 362	1 394 408
TOTAL EQUITY AND LIABILITIES	2 242 846	2 200 993	2 233 319

## Summarised consolidated cash flow statement

	Unaudited	Unaudited	Audited
	6 months	6 months	Year end
	31 Dec	31 Dec	30 Jun
	2013	2012	2013
	R000	R000	R000
Operating activities			

Cash receipts from customers	1 914 439	2 025 874	4 642 832
Cash paid to suppliers and employees	(2 174 074)	(2 300 666)	(4 405 388)
Net cash (used in) from operations	(259 635)	(274 792)	237 444
Investment revenues received	2 308	2 921	5 529
Finance costs paid	(25 780)	(16 667)	(46 072)
Dividends paid	(21 610)	(18 434)	(18 434)
Income taxes paid	(24 610)	(19 555)	(32 954)
Net cash (used in) from operating activities	(329 327)	(326 527)	145 513
Net cash (used in) from investing activities	(21 043)	(2 360)	895
Net cash from financing activities	135 653	199 119	51 795
Net (decrease) increase in cash and cash equivalents	(214 717)	(129 768)	198 203
Cash and cash equivalents at beginning of the period	466 600	268 397	268 397
Cash and cash equivalents at the end of the period	251 883	138 629	466 600

## Summarised consolidated statement of changes in equity

Attributable to owners of the parent	Non-controlling interest	Ordinary	Ordinary	Retained earnings	Non-distributable reserve	Foreign	A
		share capital Total	share premium			currency translation reserve	
R000	R000	R000 R000	R000	R000	R000	R000	
Balance at 30 June 2012		868	117 257	639 655	809	(2 857)	
755 732	18 426	774 158					
Net profit for the period		—	—	34 158	—	—	
34 158	(647)	33 511					
Other comprehensive income		—	—	—	—	874	
874	731	1 605					
Dividends paid		—	—	(18 434)	—	—	
(18 434)	—	(18 434)					
Buy back of shares		—	(209)	—	—	—	
(209)	—	(209)					
Balance at 31 December 2012		868	117 048	655 379	809	(1 983)	
772 121	18 510	790 631					
Net profit for the period		—	—	50 891	—	—	
50 891	(3 171)	47 720					
Other comprehensive income		—	—	—	—	4 332	
4 332	616	4 948					
Disposal of joint venture		—	—	(130)	—	(849)	

	(979)	(3 409)	(4 388)				
Transfer to no par value							
share capital			117 048	(117 048)	—	—	—
	—	—	—	—	—	—	—
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				

## Summarised segment analysis

Rectron		Total		Mustek		
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
6 months	6 months	6 months	6 months	6 months	6 months	6 months
31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
2013	2012	2013	2012	2013	2012	2012
R000	R000	R000	R000	R000	R000	R000
Revenue	1 978 329	1 806 727	1 303 952	1 095 439	877	
908 827 645						
EBITDA*	100 612	59 213	74 097	39 339	33	
236 27 457						
Depreciation and amortisation	(9 475)	(8 737)	(6 328)	(5 548)	(3	
147) (3 189)						
Profit (loss) from operations	91 137	50 476	67 769	33 791	30	
089 24 268						
Investment revenues	2 187	2 280	4 014	3 224		
735 1 530						
Finance costs	(24 800)	(12 954)	(16 438)	(7 516)	(8	
362) (5 438)						
Other losses	(739)	—	—	—	—	
—						
Share of profit of associates	1 906	2 674	—	—		
—						
Profit (loss) before tax	69 691	42 476	55 345	29 499	22	
462 20 360						

Income tax (expense) benefit 971) (5 693)	(20 371)	(10 738)	(16 228)	(7 861)	(5
Profit (loss) for the period					
from continuing operations 491 14 667	49 320	31 738	39 117	21 638	16
Discontinued operations					
(Loss) profit for the period					
from discontinued operations 073) (413)	(8 073)	1 773	—	—	(8
Profit (loss) for the period 418 14 254	41 247	33 511	39 117	21 638	8
Attributable to:					
Owners of the parent 950 14 460	44 779	34 158	39 117	21 638	11
Non-controlling interest 532) (206)	(3 532)	(647)	—	—	(3
418 14 254	41 247	33 511	39 117	21 638	8

\*Earnings before interest, taxation, depreciation and amortisation.

Summarised segment analysis (continued)

ons	Comztek		Group		Eliminati
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
6 months	6 months	6 months	6 months	6 months	6 months
31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
2012	2013	2012	2013	2012	2013
Business segments R000	R000	R000	R000	R000	R000
Revenue (116 357)	—	—	—	—	(203 531)
EBITDA* —	—	—	(6 721)	(7 583)	—
Depreciation and amortisation —	—	—	—	—	—
Profit (loss) from operations —	—	—	(6 721)	(7 583)	—
Investment revenues (2 901)	—	—	319	427	(2 881)



Finance costs	—	—	(2 881)	(2 901)	2 881
2 901					
Other losses	—		(739)		—
Share of profit of associates	—	—	1 906	2 674	—
—					
Profit (loss) before tax	—	—	(8 116)	(7 383)	—
—					
Income tax (expense) benefit	—	—	1 828	2 816	—
—					
Profit (loss) for the period					
from continuing operations	—	—	(6 288)	(4 567)	—
—					
Discontinued operations					
(Loss) profit for the period					
from discontinued operations	—	2 186	—	—	—
—					
Profit (loss) for the period	—	2 186	(6 288)	(4 567)	—
—					
Attributable to:					
Owners of the parent	—	2 627	(6 288)	(4 567)	—
—					
Non-controlling interest	—	(441)	—	—	—
—					
—	—	2 186	(6 288)	(4 567)	—
—					

\*Earnings before interest, taxation, depreciation and amortisation.

#### Geographical segments

East Africa	Total		South Africa		Mustek
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudite
d	6 months	6 months	6 months	6 months	6 month
s	31 Dec	31 Dec	31 Dec	31 Dec	31 De
c	2013	2012	2013	2012	201
3	R000	R000	R000	R000	R00
0					
Revenue	1 978 329	1 806 727	1 945 354	1 784 133	32 97
5	22 594				
Profit (loss) before tax	69 691	42 476	69 447	42 763	24

4	(287)					
Income tax (expense) benefit		(20 371)	(10 738)	(20 010)	(10 958)	(36
1) 220						
Profit (loss) for the period						
from continuing operations		49 320	31 738	49 437	31 805	(11
7) (67)						
Discontinued operations						
(Loss) profit for the period						
from discontinued operations		(8 073)	1 773	—	(194)	
— —						
Profit (loss) for the period		41 247	33 511	49 437	31 611	(11
7) (67)						
Attributable to:						
Owners of the parent		44 779	34 158	49 437	31 955	(11
7) (67)						
Non-controlling interest		(3 532)	(647)	—	(344)	
— —						
		41 247	33 511	49 437	31 611	(11
7) (67)						

## Geographical segments (continued)

	Rectron Australia		Comztek Africa	
	Unaudited	Unaudited	Unaudited	Unaudited
	6 months	6 months	6 months	6 months
	31 Dec	31 Dec	31 Dec	31 Dec
	2013	2012	2013	2012
	R000	R000	R000	R000
Revenue	—	—	—	—
Profit (loss) before tax	—	—	—	—
Income tax (expense) benefit	—	—	—	—
Profit (loss) for the period				
from continuing operations	—	—	—	—
Discontinued operations				
(Loss) profit for the period				
from discontinued operations	(8 073)	(413)	—	2 380
Profit (loss) for the period	(8 073)	(413)	—	2 380
Attributable to:				
Owners of the parent	(4 541)	(207)	—	2 477
Non-controlling interest	(3 532)	(206)	—	(97)

(8 073) (413) – 2 380

#### Commentary

##### Corporate information

Mustek is a limited liability 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 ICT (Information Communication

Technology) products and services.

##### Basis of preparation

The summarised unaudited financial results for the period ended 31 December 2013 have 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 Counsel, the information as 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

summarised financial results, 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 annual financial statements for the

year ended 30 June 2013.

##### Audit report

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.

##### Discontinued operations

Rectron Australia BV is still classified as a discontinued operation after it was classified as a discontinued

operation in the comparative period together with Comztek Holdings Proprietary Limited and vacant land in KwaZulu-Natal.

The (loss) profit for the period from discontinued operations is as follows:

	31 Dec 2013	31 Dec 2012
Revenue	30 926	373 343
Cost of sales	(30 955)	(327 334)
Gross (loss) profit	(29)	46 009
Foreign currency (losses) profits	(407)	2 350
Distribution, administrative and other operating expenses	(9 805)	(40 011)
(Loss) profit from operations	(10 241)	8 348
Investment revenue	120	641
Finance cost	(980)	(3 713)
(Loss) profit before tax	(11 101)	5 276
Income tax expense	3 028	(3 503)
(Loss) profit for the period	(8 073)	1 773
Plus loss attributable to outside shareholders	3 532	647
Group's share of (loss) profit for the period from discontinued operations	(4 541)	2 420

#### Operating results

The Group is pleased to announce that the gross profit percentage from continuing operations increased from 13,2% to

14,1% after a declining trend in recent years. Revenue from continuing operations improved by 9,5% to R 1,978 billion (31

December 2012: R1,807 billion). The revenue growth was supported mainly by the growth in the Acer, Lenovo and Asus

product ranges.

The Group is also starting to see some success in its Huawei Enterprise Solutions, Security and Green Energy products

and expects growing contributions to both revenue and profit going forward.

During the year, the Group applied hedge accounting and separated the interest and spot elements of the ir forward

contracts, resulting in R7,0 million being classified as finance costs as opposed to forex losses.

Other (losses) gains of R0,7 million (31 December 2012: Rnil) consists of a loss on the sale of 10% of its investment

in Zinox Technologies Limited, a company incorporated in Nigeria.

The contribution from our associates decreased slightly after an unexpected once-off write-off in excess of R3,0

million in one of the associated companies.

Focus on optimal working capital management continues. Inventory build-up in anticipation of an improved order book in

the next quarter, as well as higher exchange rates, boosted the value of inventory holdings.

Mustek's headline earnings from continuing and discontinued operations is 32,8% higher at 42,15 cents per share (31

December 2012: 31,75 cents per share) and basic earnings is 31,1% higher at 41,30 cents per share (31 December 2012: 31,50

cents per share).

#### Cash flow

Inventory and receivables increased in line with historic trends while revenue growth and the weaker Rand also

contributed to the R259,6 million cash used in operations (31 December 2011: R274,8 million). This was funded by bank overdraft

facilities and is expected to reverse in the period through to June 2014, in line with historic trends.

#### 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.

#### Board of directors

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

#### Corporate activities

On 13 December 2013, Mustek announced that it has signed agreements to acquire a 26% stake in Sizwe Africa IT Group

Proprietary Limited ("Sizwe"), a provider of ICT products, network products and solutions and information technology

maintenance and support services for a total cash consideration of R15 166 666,45, subject to the necessary regulatory

approvals. Mustek will also advance a loan of R6 666 667 to Zaloserve Proprietary Limited, the ultimate holding company

of Sizwe and a loan of R7 966 666,55 to Omni Capital Proprietary Limited on the effective date.

All the necessary applications have been lodged and shareholders will be kept up to date with the progress made.

On 9 July 2013, the Group disposed of a portion of its investment in Zinox Technologies Limited for a cash

consideration of USD850 000. The Group will retain a 20% investment in Zinox.

#### 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 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 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 that was not

energy-efficient with energy-efficient units and by installing hundreds of rooftop solar panels. This installation will pay for

itself in a few years and will not only significantly reduce our overall electricity footprint, it will 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 our 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 HIV-positive staff.

Mustek has further maintained its ISO 14001 certification since 2004 and has received no fines or sanctions for

non-compliance with environmental laws and regulations.

Industry outlook

There is ongoing industry debate around the future of the "desktop". Our view, premised on our ongoing interactions

with our customers and this rapidly changing industry, is that the desktop will continue to transition into different

formats based on evolving market trends and customer requirements. A manifestation of this is the "All-

in-One" format,

proving popular in the banking and public sector markets due to its lower Total Cost of Ownership and security benefits for

the large percentage of desk-bound employees in these environments.

We are also continuing with our research and development into new product offerings that has both potential markets

and growth into the foreseeable future.

#### Company outlook

The company is focusing on increasing volumes as it remains a driver of performance across our operations.

Considering vertical sector potential in 2014, significant growth opportunities lie in the education, health and

security industries, as well as the solar energy space.

For some time, sceptics have argued that the PC will be replaced with newer devices such as the tablet. Mustek was

initially excluded from this growth opportunity, but as some of the brands distributed by the Group started catching up,

Mustek is becoming a key player in the local tablet market. Over the next few years, this is likely to be a positive

revenue driver.

We have also experienced another year of strengthening our strategic partner network within the industry.

#### 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.

#### Post balance sheet events

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

or disclosure.

On behalf of the board of directors

David Kan

Neels Coetzee

20 February 2014

Chief Executive Officer

Financial Director

(preparer of summarised Group results)

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