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

MST 201502250003A

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

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 2014

- Revenue up 25%
- Headline earnings per ordinary share up 26%
- Net asset value of 884 cents per share

Summarised consolidated statement of comprehensive income

	Unaudited	Unaudited	
Audited	Unaudited	6 months	
Year-end	6 months	31 Dec	
30 Jun	31 Dec	2013	
2014	2014	R000	
R000	R000	(Re-presented)	
REVENUE	2 502 606	2 009 256	4
764 123			

Cost of sales 109 007)	(2 167 212)	(1 730 318)	(4
GROSS PROFIT 655 116	335 394	278 938	
Other income 10 006	4 559	2 469	
Foreign currency (losses) profits (23 162)	(13 242)	806	
Distribution, administrative and other operating expenses (460 501)	(232 764)	(201 318)	
PROFIT FROM OPERATIONS 181 459	93 947	80 895	
Investment revenues 6 388	7 540	2 308	
Finance costs (50 513)	(31 371)	(25 780)	
Other losses (739)	—	(739)	
Share of profit of associates 6 988	5 923	1 906	
PROFIT BEFORE TAX 143 583	76 039	58 590	
Income tax expense (39 400)	(19 082)	(17 343)	
PROFIT FOR THE PERIOD 104 183	56 957	41 247	
OTHER COMPREHENSIVE INCOME			
Exchange (losses) profits on translation of foreign operations 3 228	(1 186)	2 109	
Other comprehensive (losses) income for the period, net of tax 3 228	(1 186)	2 109	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD 107 411	55 771	43 356	
PROFIT ATTRIBUTABLE TO:			
Owners of the parent 107 334	56 698	44 779	
Non-controlling interest (3 151)	259	(3 532)	
104 183	56 957	41 247	
TOTAL COMPREHENSIVEN INCOME ATTRIBUTABLE TO:			
Owners of the parent 109 663	55 925	46 773	
Non-controlling interest (2 252)	(154)	(3 417)	
	55 771	43 356	

107 411

## EARNINGS AND DIVIDENDS PER SHARE (CENTS)

Weighted number of ordinary shares in issue 255 590	106 875 829	108 433 165	107
Ordinary shares in issue 682 760	106 623 471	108 433 165	106
Dividend per ordinary share 20.00	28.00	20.00	
Headline earnings per ordinary share 100.72	53.26	42.15	
Basic earnings per ordinary share 100.07	53.05	41.30	
RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS (R000)			
BASIC EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT 107 334	56 698	44 779	
Group's share of loss (profit) on disposal of property, plant and equipment (41)	219	191	
Group's share of loss from disposal of investment 739	—	739	
Headline earnings 108 032	56 917	45 709	
Net asset value per share (cents) 858.67	883.99	785.30	

## Summarised consolidated statement of financial position

	Unaudited	Unaudited	Audi
ted	6 months	6 months	Year-
end	31 Dec	31 Dec	30
Jun	2014	2013	2
014	R000	R000	R
000			

## ASSETS

## NON-CURRENT ASSETS

Property, plant and equipment 029	167 972	130 018	160
Intangible assets 032	61 726	58 203	60
Investments in associates 589	57 192	12 850	51

Other investments and loans 894	87 636	24 415	70
Deferred tax asset 164	23 931	16 141	29
708	398 457	241 627	371
CURRENT ASSETS			
Inventories 984	1 021 930	818 387	1 036
Inventories in transit 895	243 655	84 486	232
Trade and other receivables 036	1 027 044	774 525	839
Foreign currency assets 839	11 252	4 311	
Tax assets 555	21 979	12 727	16
Bank balances and cash 163	341 997	238 506	203
472	2 667 857	1 932 942	2 329
ASSETS CLASSIFIED AS HELD-FOR-SALE —	—	68 277	
TOTAL ASSETS 180	3 066 314	2 242 846	2 701
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Ordinary stated capital 627	120 067	117 916	119
Retained earnings 787	818 614	729 309	791
Non-distributable reserve 809	809	809	
Foreign currency translation reserve 829	3 056	3 494	3
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT 052	942 546	851 528	916
NON-CONTROLLING INTEREST 461	18 307	9 129	18
TOTAL EQUITY 513	960 853	860 657	934
NON-CURRENT LIABILITIES			
Long-term borrowings 788	34 587	7 736	34
Deferred tax liabilities —	3 688	4 095	

Deferred income 725	12 297	13 700	14
513	50 572	25 531	49
CURRENT LIABILITIES			
Short-term borrowings 474	1 571	12	1
Trade and other payables 445	1 460 517	939 167	1 400
Foreign currency liabilities 452	366	6	2
Deferred income 470	25 396	18 048	35
Tax liabilities 7	1 083	14 045	
Bank overdrafts 306	565 956	351 324	277
154	2 054 889	1 322 602	1 717
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS			
HELD-FOR-SALE —	—	34 056	
TOTAL LIABILITIES 667	2 105 461	1 382 189	1 766
TOTAL EQUITY AND LIABILITIES 180	3 066 314	2 242 846	2 701

## Summarised consolidated cash flow statement

	Unaudited	Unaudited	Audi
ted	6 months	6 months	Year-
end	31 Dec	31 Dec	30
Jun	2014	2013	2
014	R000	R000	R
000			
OPERATING ACTIVITIES			
Cash receipts from customers 623	2 314 598	1 914 439	4 616
Cash paid to suppliers and employees 776)	(2 357 604)	(2 174 074)	(4 690
NET CASH USED IN OPERATIONS 153)	(43 006)	(259 635)	(74

Investment revenues received 388	7 540	2 308	6
Finance costs paid 042)	(31 371)	(25 780)	(62
Dividends paid 687)	(29 871)	(21 610)	(21
Income taxes paid 229)	(14 768)	(24 610)	(76
NET CASH USED IN OPERATING ACTIVITIES 723)	(111 476)	(329 327)	(227
NET CASH USED IN INVESTING ACTIVITIES 621)	(36 248)	(21 043)	(104
NET CASH FROM FINANCING ACTIVITIES 907	286 558	135 653	68
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 437)	138 834	(214 717)	(263
Cash and cash equivalents at beginning of the period 600	203 163	466 600	466
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 163	341 997	251 883	203

## Summarised consolidated statement of changes in equity

Non- controlling interest	Total	Ordinary		Non- distributable reserve	Foreign	Attributable to owners of the parent
		stated capital R000	Retained earnings R000		currency translation reserve R000	
	R000	R000	R000	R000	R000	R000
BALANCE AT 30 JUNE 2013 12 546	838 911	117 916	706 140	809	1 500	826 365
Net profit for the period (3 532)	41 247	—	44 779	—	—	44 779
Other comprehensive income 115	2 109	—	—	—	1 994	1 994
Dividends paid )	(21 610)	—	(21 610)	—	—	(21 610)
BALANCE AT 31 DECEMBER 2013 9 129	860 657	117 916	729 309	809	3 494	851 528
Net profit for the period 381	62 859	—	62 478	—	—	62 478
Other comprehensive income 784	1 119	—	—	—	335	335

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

BUSINESS SEGMENTS	Group	Total	Eliminations	Mustek	Retro
n					
		Unaudited			
Unaudited		Unaudited	6 months	Unaudited	Unaudited
6 months	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
31 Dec	6 months	6 months	31 Dec	6 months	6 months
2013	31 Dec	31 Dec	2013	31 Dec	31 Dec
R000	2014	2014	R000	2014	2014
		R000	(Re-presented)	R000	R000
e-presented)	R000	R000	R000	R000	R000 (R
REVENUE		2 502 606	2 009 256	1 458 046	1 303 953
908 834	—	—	(140 438)	(203 531)	1 184 998
EBITDA*		102 886	90 642	81 087	74 095
23 268	(7 361)	(6 721)	—	—	29 160
Depreciation and amortisation		(8 939)	(9 747)	(8 172)	(6 327)
(3 420)	—	—	—	—	(767)
PROFIT (LOSS) FROM OPERATIONS		93 947	80 895	72 915	67 768
19 848	(7 361)	(6 721)	—	—	28 393
Investment revenues		7 540	2 308	5 142	4 015
855	1 259	319	(3 127)	(2 881)	4 266

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.

GEOGRAPHICAL SEGMENTS			Total	South Africa		Mustek East	
Africa	Rectron	Australia					
			Unaudited				
audited	Unaudited	Unaudited	6 months	Unaudited	Unaudited	Unaudited	Un
months	6 months	6 months	31 Dec	6 months	6 months	6 months	6
31 Dec	31 Dec	31 Dec	2013	31 Dec	31 Dec	31 Dec	
2013	2014	2014	R000	2014	2013	2014	
R000	R000	R000	(Re-presented)	R000	R000	R000	
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)				

#### Commentary

#### 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.

#### Basis of preparation

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.

#### 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 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.

#### Operating results

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 offering and Rectron Australia.

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 improvement to June 2015.

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

compared to June 2014.

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).

#### Cash flow

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.

#### Transformation

Following an audit by an accredited verification agency, Mustek was awarded a 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 of the Group in a competitive market sector.

#### Board of directors

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

#### 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 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 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 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.

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

non-compliance 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 fifth-generation processors over the next year, which serve a wide range of devices and needs including tablets,

notebooks, ultrabooks, desktops and smartphones.

#### Company outlook

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 tablets.

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 – addin

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

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.

#### Share repurchase programme

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.

#### 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 the 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 CA(SA)

25 February 2015

Chief Executive Officer

Financial Director

(preparer of summarised Group results)

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