

Revenue up
25%

Headline earnings
per ordinary share up
26%

Net asset value
of **884 cents**
per share

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

Summarised consolidated statement of comprehensive income

	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000 (Re-presented)	Audited Year-end 30 Jun 2014 R000
REVENUE	2 502 606	2 009 256	4 764 123
Cost of sales	(2 167 212)	(1 730 318)	(4 109 007)
GROSS PROFIT	335 394	278 938	655 116
Other income	4 559	2 469	10 006
Foreign currency (losses) profits	(13 242)	806	(23 162)
Distribution, administrative and other operating expenses	(232 764)	(201 318)	(460 501)
PROFIT FROM OPERATIONS	93 947	80 895	181 459
Investment revenues	7 540	2 308	6 388
Finance costs	(31 371)	(25 780)	(50 513)
Other losses	—	(739)	(739)
Share of profit of associates	5 923	1 906	6 988
PROFIT BEFORE TAX	76 039	58 590	143 583
Income tax expense	(19 082)	(17 343)	(39 400)
PROFIT FOR THE PERIOD	56 957	41 247	104 183
OTHER COMPREHENSIVE INCOME			
Exchange (losses) profits on translation of foreign operations	(1 186)	2 109	3 228
Other comprehensive (losses) income for the period, net of tax	(1 186)	2 109	3 228
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	55 771	43 356	107 411
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	56 698	44 779	107 334
Non-controlling interest	259	(3 532)	(3 151)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	56 957	41 247	104 183
Owners of the parent	55 925	46 773	109 663
Non-controlling interest	(154)	(3 417)	(2 252)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	55 771	43 356	107 411
EARNINGS AND DIVIDEND PER SHARE (CENTS)			
Weighted number of ordinary shares in issue	106 875 829	108 433 165	107 255 590
Ordinary shares in issue	106 623 471	108 433 165	106 682 760
Dividend per ordinary share	28.00	20.00	20.00
Headline earnings per ordinary share	53.26	42.15	100.72
Basic earnings per ordinary share	53.05	41.30	100.07
RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS (R000)			
BASIC EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT	56 698	44 779	107 334
Group's share of loss (profit) on disposal of property, plant and equipment	219	191	(41)
Group's share of loss from disposal of investment	—	739	739
Headline earnings	56 917	45 709	108 032
Net asset value per share (cents)	883.99	785.30	858.67

Summarised consolidated statement of financial position

	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Audited Year-end 30 Jun 2014 R000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	167 972	130 018	160 029
Intangible assets	61 726	58 203	60 032
Investments in associates	57 192	12 850	51 589
Other investments and loans	87 636	24 415	70 894
Deferred tax asset	23 931	16 141	29 164
	398 457	241 627	371 708
CURRENT ASSETS			
Inventories	1 021 930	818 387	1 036 984
Inventories in transit	243 655	84 486	232 895
Trade and other receivables	1 027 044	774 525	839 036
Foreign currency assets	11 252	4 311	839
Tax assets	21 979	12 727	16 555
Bank balances and cash	341 997	238 506	203 163
	2 667 857	1 932 942	2 329 472
ASSETS CLASSIFIED AS HELD-FOR-SALE	—	68 277	—
TOTAL ASSETS	3 066 314	2 242 846	2 701 180
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Ordinary stated capital	120 067	117 916	119 627
Retained earnings	818 614	729 309	791 787
Non-distributable reserve	809	809	809
Foreign currency translation reserve	3 056	3 494	3 829
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	942 546	851 528	916 052
NON-CONTROLLING INTEREST	18 307	9 129	18 461
TOTAL EQUITY	960 853	860 657	934 513
NON-CURRENT LIABILITIES			
Long-term borrowings	34 587	7 736	34 788
Deferred tax liabilities	3 688	4 095	—
Deferred income	12 297	13 700	14 725
	50 572	25 531	49 513
CURRENT LIABILITIES			
Short-term borrowings	1 571	12	1 474
Trade and other payables	1 460 517	939 167	1 400 445
Foreign currency liabilities	366	6	2 452
Deferred income	25 396	18 048	35 470
Tax liabilities	1 083	14 045	7
Bank overdrafts	565 956	351 324	277 306
	2 054 889	1 322 602	1 717 154
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE	—	34 056	—
TOTAL LIABILITIES	2 105 461	1 382 189	1 766 667
TOTAL EQUITY AND LIABILITIES	3 066 314	2 242 846	2 701 180

Summarised consolidated cash flow statement

	Unaudited 6 months 31 Dec 2014 R000	Unaudited 6 months 31 Dec 2013 R000	Audited Year-end 30 Jun 2014 R000
OPERATING ACTIVITIES			
Cash receipts from customers	2 314 598	1 914 439	4 616 623
Cash paid to suppliers and employees	(2 357 604)	(2 174 074)	(4 690 776)
NET CASH USED IN OPERATIONS	(43 006)	(259 635)	(74 153)
Investment revenues received	7 540	2 308	6 388
Finance costs paid	(31 371)	(25 780)	(62 042)
Dividends paid	(29 871)	(21 610)	(21 687)
Income taxes paid	(14 768)	(24 610)	(76 229)
NET CASH USED IN OPERATING ACTIVITIES	(111 476)	(329 327)	(227 723)
NET CASH USED IN INVESTING ACTIVITIES	(36 248)	(21 043)	(104 621)
NET CASH FROM FINANCING ACTIVITIES	286 558	135 653	68 907
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138 834	(214 717)	(263 437)
Cash and cash equivalents at beginning of the period	203 163	466 600	466 600
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	341 997	251 883	203 163

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 Accountants (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 judgments 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.

Summarised consolidated statement of changes in equity

	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 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
Net profit for the period	—	62 478	—	—	62 478	381	62 859
Other comprehensive income	—	—	—	335	335	784	1 119
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

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