Mustek LIMITED

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

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

unlocking potential

Headline earnings per share up 55%
Dividend up by 42% to 17 cents per share
Net finance costs reduced by 44% to R21,3 million

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 R 000	2010 R 000 (Restated)
Revenue	**3 506 373**	3 409 515
Cost of sales	**(2 990 485)**	(2 923 883)
Gross profit	**515 888**	485 632
Other income	**24 075**	20 626
Distribution, administrative and other operating expenses	**(384 826)**	(378 227)
Profit from operations	**155 137**	128 031
Investment revenues	**7 302**	15 269
Finance costs	**(28 627)**	(53 132)
Other losses	**(1 413)**	(2 480)
Share of profit of associates	**263**	–
Profit before tax	**132 662**	87 688
Income tax expense	**(36 624)**	(23 228)
Profit for the year	**96 038**	64 460
Other comprehensive income		
Exchange losses on translation of foreign operations	**(3 884)**	(2 322)
Other comprehensive income for the year, net of tax	**(3 884)**	(2 322)
Total comprehensive income for the year	**92 154**	62 138
Profit attributable to:		
Equity holders of the parent	**94 623**	61 439
Non-controlling interest	**1 415**	3 021
	96 038	64 460
Total comprehensive income attributable to:		
Equity holders of the parent	**90 733**	59 048
Non-controlling interest	**1 421**	3 090
	92 154	62 138
Earnings and dividend per share (cents)		
Weighted number of ordinary shares in issue	**109 547 165**	110 254 438
Ordinary shares in issue	**109 547 165**	109 547 165
Basic earnings per ordinary share	**86,38**	55,72
Diluted basic earnings per ordinary share	**86,38**	55,72
Dividend per ordinary share – paid	**12,00**	10,00
Dividend per ordinary share – proposed	**17,00**	12,00
Headline earnings per share (cents)		
Headline earnings per ordinary share	**89,39**	57,84
Diluted headline earnings per ordinary share	**89,39**	57,84
Reconciliation between basic and headline earnings		
Basic earnings attributable to equity holders of the parent	**94 623**	61 439
Group's share of loss on disposal of property, plant and equipment	**1 672**	742
Loss on disposal of subsidiary	**–**	1 595
Impairment of distribution right	**1 757**	–
Impairment of associate and other loans	**2 036**	–
Foreign exchange gains on liquidation of foreign subsidiary	**(2 167)**	–
Headline earnings	**97 921**	63 776
Net asset value per share (cents)	**633,27**	563,41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2011 R 000	2010 R 000 (Restated)	2009 R 000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	**128 333**	143 602	158 024
Intangible assets	**67 813**	72 114	64 667
Investments in associates	**8 589**	6 364	5 708
Other investments and loans	**33 588**	36 009	34 324
Deferred tax asset	**23 925**	22 025	24 376
Non-current trade and other receivables	**–**	2 619	15 652
	262 248	282 733	302 751
Current assets			
Inventories	**646 023**	574 479	652 115
Trade and other receivables	**556 134**	591 200	518 524
Foreign currency assets	**1 620**	2 057	1 604
Tax assets	**7 727**	12 884	2 890
Bank balances and cash	**195 787**	259 953	338 605
	1 407 291	1 440 573	1 513 738
TOTAL ASSETS	**1 669 539**	1 723 306	1 816 489
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	**877**	877	884
Ordinary share premium	**122 823**	122 484	123 583
Retained earnings	**576 181**	492 818	442 424
Non-distributable reserve	**2 725**	4 116	4 116
Foreign currency translation reserve	**(8 872)**	(3 096)	(705)
Equity attributable to equity holders of the parent	**693 734**	617 199	570 302
Non-controlling interest	**18 940**	24 552	18 488
Total equity	**712 674**	641 751	588 790
Non-current liabilities			
Long-term borrowings	**86 598**	132 514	305 616
Deferred tax liabilities	**5 243**	3 591	2 192
	91 841	136 105	307 808
Current liabilities			
Short-term borrowings	**58 741**	77 518	115 138
Trade and other payables	**723 604**	732 538	628 833
Provisions	**21 244**	15 056	15 448
Foreign currency liabilities	**2 185**	161	36 846
Deferred income	**22 479**	20 507	26 034
Tax liabilities	**5 066**	13 847	6 818
Bank overdrafts	**31 705**	85 823	90 774
	865 024	945 450	919 891
Total liabilities	**956 865**	1 081 555	1 227 699
TOTAL EQUITY AND LIABILITIES	**1 669 539**	1 723 306	1 816 489

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2011 R 000	2010 R 000
Operating activities		
Cash receipts from customers	**3 531 452**	3 353 070
Cash paid to suppliers and employees	**(3 405 981)**	(3 122 539)
Net cash from operations	**125 471**	230 531
Investment revenues received	**7 302**	14 553
Finance costs paid	**(28 627)**	(53 132)
Dividends received	**–**	716
Dividends paid	**(13 146)**	(11 045)
Income taxes paid	**(40 507)**	(22 229)
Net cash from operating activities	**50 493**	159 394
Net cash used in investing activities	**(12 749)**	(23 062)
Net cash used in financing activities	**(101 910)**	(214 984)
Net decrease in cash and cash equivalents	**(64 166)**	(78 652)
Cash and cash equivalents at beginning of the year	**259 953**	338 605
Cash and cash equivalents at the end of the year	**195 787**	259 953

Commentary

1. Statement of compliance

These abridged financial statements for the year ended 30 June 2011 are a summary of the Group's unmodified audited annual financial statements and 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 the audited financial statements and these abridged audited 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 2010, except for a change in the accounting policy adopted for the measurement of property, plant and equipment from the revaluation model to the cost model as allowed in IAS 16 – *Property, Plant and Equipment*, for the year ended 30 June 2011.

The change in accounting policy has resulted in the restatement of the following statement of financial position balances as at 30 June 2009 and 30 June 2010 respectively:

R 000 Dr (Cr)	Property, plant and equipment	Deferred tax asset	Deferred tax liability	Property revaluation reserve	Non-distributable reserve	Retained earnings	Foreign currency translation reserve
30 June 2009 – balance as previously reported	171 616	24 044	(3 550)	(12 048)	–	(447 294)	1 605
Cumulative restatement impact	(13 592)	332	1 358	12 048	(4 116)	4 870	(900)
30 June 2009 – restated balance	158 024	24 376	(2 192)	–	(4 116)	(442 424)	705
30 June 2010 – 2010 balance as previously reported	182 499	21 545	(8 373)	(34 159)	–	(497 623)	4 309
Cumulative restatement impact	(38 897)	480	4 782	34 159	(4 116)	4 805	(1 213)
30 June 2010 – restated balance	143 602	22 025	(3 591)	–	(4 116)	(492 818)	3 096

There was no effect on net cash flow resulting from the restatement.

3. Audit report

The consolidated financial statements for the year ended 30 June 2011 have been audited by Deloitte & Touche and their accompanying unmodified audit report as well as their unmodified audit report for this set of abridged financial information, is available for inspection at the company's registered address.

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 year under review. Total remuneration paid to directors for the year under review amounted to R8,4 million (2010: R6,1 million) and share-based payments of R0,4 million (2010: R0,9 million) were expensed relating to directors.

7. Cash flow

Cash generated from operating activities of R50,5 million (2010: R159,4 million) was mainly used to reduce bank overdrafts and pay down short-term debt and long-term debt. This resulted in a reduction in net finance costs of 43,7%. Cash generated from the continued drive to improve working capital management will be used to reduce short-term borrowings further.

8. Corporate activities

The Group acquired a further 25% of Digital Surveillance Systems (Proprietary) Limited on 1 December 2010 for R1,9 million and acquired a 40% stake in Continuous Power Systems (Proprietary) Limited on 14 December 2010 for a nominal amount after advancing a loan of R1,3 million.

On 1 January 2011, the Group disposed of its 60% stake in Corex IT Distribution Dynamics (Proprietary) Limited for a total cash consideration of R9,8 million.

9. Operating results

Headline earnings per share attributable to ordinary shareholders increased by 54,5% to 89,39 cents (2010: 57,84 cents).

Volumes increased by approximately 10%, but a significantly stronger average exchange rate of R7,01 to the US dollar compared to R7,59 in the previous financial year, negatively affected revenue and restricted revenue growth to 2,8%.

Despite the stronger rand, which normally leads to downward pressure on gross profit margins, the Group managed to increase its gross profit margin from 14,2% to 14,7%.

Distribution, administrative and other operating expenses (excluding foreign exchange profits and losses) were well controlled and increased by only 1,7%.

The Mustek segment contributed R75,8 million (2010: R38,6 million) to the Group's net profit despite tough trading conditions with technology becoming more commoditised and consumers spending less. Sound financial management, inventory optimisation and a renewed focus on customers contributed to the continued success.

10. 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.

11. Industry outlook

Windows 7 has recently seen its first service pack and in the coming months Microsoft will be lifting the wraps on Windows 8. Traditionally, this has been the point in the operating system lifecycle where all of those companies that have not yet made the switch to the latest platforms begin their rollouts in earnest. As things stand, these companies represent the largest portion of the local market and Mustek believes the market can expect there to be a veritable surge in activity.

It is not just about the software though. In order for them to account for the more demanding nature of the software, companies will have to embark on substantial upgrade projects, either increasing the RAM and storage space available within their current PC fleets, or replacing older hardware with new models. It is Mustek's belief that the latter will be the more likely route, considering that the average selling prices of new notebooks and desktops haven't been more attractive for customers than what they are at present.

While on the topic of client computing, it has become obvious over the past year to 18 months that the netbook is on its way out and the ultra-portable platform will be the domain of the tablet computer. This is great news for the market, because netbooks and notebooks were challenging to divide into separate categories. Tablets are clearly different from notebooks, so there is no confusion about what they are ideal for. Tablets are predominantly media consumption devices, whereas notebooks are for content creation. This means the two categories complement each other well and it is plausible that users will in time own one of each.

This trend will be further reinforced by the fact that wireless data connectivity has finally become a viable alternative to terrestrial connectivity for the masses. Cellular data connections are today far more cost effective than ADSL in certain brackets, for example with users with average usage between the 5GB and 10GB levels and no more than R300 per month to spend on connectivity. Mustek is pleased to note this kind of activity in the market, since it makes the Internet more accessible to the average South African buyer and this in itself, lowers the total cost of ownership (and increases the attractiveness) associated with notebooks, desktops and the like. Interestingly enough, operators' device bundling deals are not as attractive as they were in previous years, leading Mustek to believe that customers will for the foreseeable future procure their connectivity and hardware through separate channels.

Rounding the market trends out, it seems as if the cloud era is finally reaching South African shores. Due to trust issues associated with South African corporate culture, Mustek sees large corporates and enterprise customers experimenting by co-locating their infrastructure in their ISP's datacentre, but not yet fully taking the plunge by renting their infrastructure like a utility. The SMB market is a different story however. Here it is proving to be more cost-effective for a customer to rent an e-mail account, and licences for collaboration software, ERP and CRM packages from a single party each month than to install and maintain those solutions, along with the underlying hardware on their own. For this reason, Mustek is exploring ways to unlock this kind of functionality for its channel and expects to have some exciting announcements in the next two quarters.

12. 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 over the past six 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's finally in a position to offer customers increased choice. For customers that have relatively generic technology requirements, but aren't prepared to compromise on quality there's 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 the hardware platforms, Mustek can build configurations to exacting customer requirements through the Mecer brand. The company believes this strategy will serve it extremely 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.

13. 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 dividend declared by the board of directors for the financial year ended 30 June 2011 has been increased to 17 cents (2010: 12 cents) per share.

Notice is hereby given that a final dividend of 17 cents per ordinary share for the year ended 30 June 2011 is declared, payable to shareholders recorded in the books of the company at the close of business on the record date appearing below. The salient dates applicable to the final dividend are as follows:

Last day of trade cum dividend	Friday, 23 September 2011
First day to trade ex dividend	Monday, 26 September 2011
Record date	Friday, 30 September 2011
Payment date	Monday, 3 October 2011

No share certificates may be dematerialised or rematerialised between Monday, 26 September 2011 and Friday, 30 September 2011, 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.

14. Annual general meeting

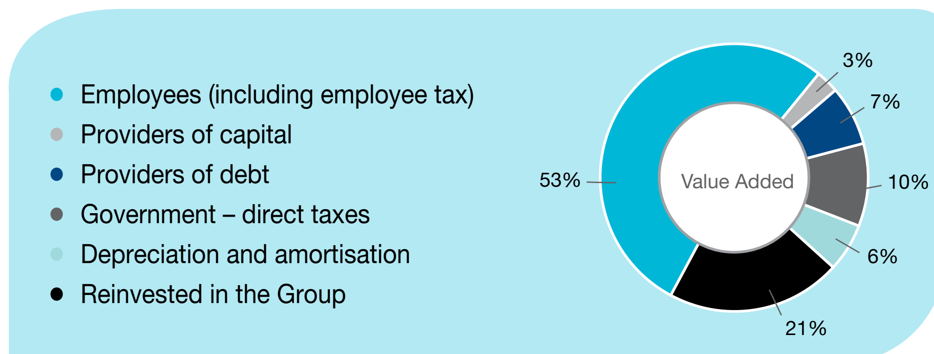
The notice of the annual general meeting will be included in the annual report that will be posted to shareholders in due course.

15. Post balance sheet events

There have been no significant events subsequent to year-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) — 26 August 2011



CONDENSED SEGMENT ANALYSIS

Business segments	Total 2011 R 000	Total 2010 R 000 (Restated)	Mustek 2011 R 000	Mustek 2010 R 000 (Restated)	Rectron 2011 R 000	Rectron 2010 R 000	Comztek 2011 R 000	Comztek 2010 R 000	Group 2011 R 000	Group 2010 R 000	Eliminations 2011 R 000	Eliminations 2010 R 000
Revenue	**3 506 373**	3 409 515	**1 630 697**	1 586 923	**1 461 322**	1 482 928	**494 468**	394 981	**–**	–	**(80 114)**	(55 317)
EBITDA*	**178 804**	154 513	**114 551**	84 979	**59 055**	68 846	**17 725**	10 593	**(12 527)**	(9 905)	**–**	–
Depreciation and amortisation	**(23 667)**	(26 482)	**(13 142)**	(15 401)	**(8 021)**	(9 381)	**(2 504)**	(1 700)	**–**	–	**–**	–
Profit (loss) from operations	**155 137**	128 031	**101 409**	69 578	**51 034**	59 465	**15 221**	8 893	**(12 527)**	(9 905)	**–**	–
Investment revenues	**7 302**	15 269	**10 437**	18 459	**5 157**	5 374	**603**	1 265	**276**	563	**(9 171)**	(10 392)
Finance costs	**(28 627)**	(53 132)	**(8 058)**	(32 246)	**(12 544)**	(13 484)	**(7 585)**	(6 103)	**(9 611)**	(11 691)	**9 171**	10 392
Other losses	**(1 413)**	(2 480)	**(1 278)**	–	**–**	–	**–**	–	**(135)**	(2 480)	**–**	–
Share of profit of associates	**263**	–	**–**	–	**–**	–	**–**	–	**263**	–	**–**	–
Profit (loss) before tax	**132 662**	87 688	**102 510**	55 791	**43 647**	51 355	**8 239**	4 055	**(21 734)**	(23 513)	**–**	–
Income tax (expense) benefit	**(36 624)**	(23 228)	**(28 906)**	(17 110)	**(12 220)**	(12 729)	**(1 584)**	28	**6 086**	6 583	**–**	
Profit (loss) for the year	**96 038**	64 460	**73 604**	38 681	**31 427**	38 626	**6 655**	4 083	**(15 648)**	(16 930)	**–**	–
Attributable to:												
Equity holders of the parent	**94 623**	61 439	**75 780**	38 612	**28 615**	35 440	**5 876**	4 317	**(15 648)**	(16 930)	**–**	–
Non-controlling interest	**1 415**	3 021	**(2 176)**	69	**2 812**	3 186	**779**	(234)	**–**	–	**–**	–
	96 038	64 460	**73 604**	38 681	**31 427**	38 626	**6 655**	4 083	**(15 648)**	(16 930)	**–**	–

Earnings before interest, taxation, depreciation and amortisation

Geographical segments	Total 2011 R 000	Total 2010 R 000 (Restated)	South Africa 2011 R 000	South Africa 2010 R 000	Mustek East Africa 2011 R 000	Mustek East Africa 2010 R 000 (Restated)	Rectron Australia 2011 R 000	Rectron Australia 2010 R 000	Comztek Africa 2011 R 000	Comztek Africa 2010 R 000
Revenue	**3 506 373**	3 409 515	**3 256 012**	3 181 285	**24 652**	27 200	**124 455**	121 937	**101 254**	79 093
Profit (loss) before tax	**132 662**	87 688	**127 462**	86 900	**(407)**	(142)	**4 091**	2 860	**1 516**	(1 930)
Income tax (expense) benefit	**(36 624)**	(23 228)	**(35 167)**	(22 944)		269	**(675)**	(29)	**(782)**	(524)
Profit (loss) for the year	**96 038**	64 460	**92 295**	63 956	**(407)**	127	**3 416**	2 831	**734**	(2 454)
Attributable to:										
Equity holders of the parent	**94 623**	61 439	**92 609**	62 343	**(407)**	127	**1 708**	1 415	**713**	(2 446)
Non-controlling interest	**1 415**	3 021	**(314)**	1 613	**–**	–	**1 708**	1 416	**21**	(8)
	96 038	64 460	**92 295**	63 956	**(407)**	127	**3 416**	2 831	**734**	(2 454)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R 000	Ordinary share premium R 000	Retained earnings R 000	Property revaluation reserve R 000	Non-distributable reserve R 000	Foreign currency translation reserve R 000	Attributable to equity holders of the parent R 000	Non-controlling interest R 000	Total R 000
Balance at 30 June 2009 – As previously reported	884	123 583	447 294	12 048	–	(1 605)	582 204	18 488	600 692
Reversal of revaluation and deferred tax	–	–	–	(12 048)	146	–	(11 902)	–	(11 902)
Reclassification of at acquisition revaluations net of deferred tax	–	–	(4 870)	–	3 970	900	–	–	–
Balance at 30 June 2009 – Restated	884	123 583	442 424	–	4 116	(705)	570 302	18 488	588 790
Net profit for the year	–	–	61 439	–	–	–	61 439	3 021	64 460
Other comprehensive income	–	–	–	–	–	(2 391)	(2 391)	69	(2 322)
Recognition of share-based payments	–	1 421	–	–	–	–	1 421	–	1 421
Dividends paid	–	–	(11 045)	–	–	–	(11 045)	–	(11 045)
Investment in subsidiary	–	–	–	–	–	–	–	2 974	2 974
Buy back of ordinary shares	(7)	(2 520)	–	–	–	–	(2 527)	–	(2 527)
Balance at 30 June 2010	**877**	**122 484**	**492 818**	**–**	**4 116**	**(3 096)**	**617 199**	**24 552**	**641 751**
Net profit for the year	**–**	**–**	**94 623**	**–**	**–**	**0**	**94 623**	**1 415**	**96 038**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3 890)**	**(3 890)**	**6**	**(3 884)**
Premium on acquisition of additional shareholding in a controlled entity	**–**	**–**	**–**	**–**	**(1 391)**	**–**	**(1 391)**	**–**	**(1 391)**
Recognition of share-based payments	**–**	**339**	**–**	**–**	**–**	**–**	**339**	**–**	**339**
Dividends paid	**–**	**–**	**(13 146)**	**–**	**–**	**–**	**(13 146)**	**–**	**(13 146)**
Investment in subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(506)**	**(506)**
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**

Corporate information: **Company secretary:** Neels Coetzee. **Transfer secretaries:** Computershare Investor Services (Pty) Ltd. 70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107, South Africa. Telephone: (011) 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 **Sponsor:** Deloitte & Touche Sponsor Services (Pty) Ltd

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