Revenue from continuing operations up 21%

Dividend unchanged at 17 cents per share

Net cash from operations of R119,9 million

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 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012 R 000	2011 R 000 (Restated)
Continuing operations		
Revenue	3 502 543	2 896 924
Cost of sales	(3 002 190)	(2 464 136)
Gross profit	500 353	432 788
Other income	17 980	4 908
Foreign currency (losses) profits	(47 813)	12 025
Distribution, administrative and other operating expenses	(333 591)	(314 145)
Profit from operations	136 929	135 576
Investment revenues	4 668	6 274
Finance costs	(25 337)	(19 804)
Other losses	(5 613)	(1 413)
Share of profit of associates	1 686	263
Profit before tax	112 333	120 896
Income tax expense	(32 515)	(34 366)
Profit for the year from continuing operations	79 818	86 530
Discontinued operations		
(Loss) profit for the year from discontinued operations	(2 019)	9 508
Profit for the year	77 799	96 038
Other comprehensive income		
Exchange profits (losses) on translation of foreign operations	7 883	(3 884)
Other comprehensive income for the year, net of tax	7 883	(3 884)
Total comprehensive income for the year	85 682	92 154
Profit attributable to:		
Owners of the parent	80 181	94 623
Non-controlling interest	(2 382)	1 415
	77 799	96 038
Total comprehensive income attributable to:		
Owners of the parent	86 196	90 733
Non-controlling interest	(514)	1 421
	85 682	92 154
Earnings and dividend per share (cents)		
Weighted number of ordinary shares in issue	108 831 677	109 547 165
Ordinary shares in issue	108 469 165	109 547 165
Dividend per ordinary share – paid	17,00	12,00
Dividend per ordinary share – proposed	17,00	17,00
From continuing and discontinued operations		
Headline earnings per ordinary share	70,15	89,39
Basic earnings per ordinary share	73,67	86,38
From continuing operations		
Headline earnings per ordinary share	71,37	83,98
Basic earnings per ordinary share	74,89	80,97
From discontinuing operations		
Headline earnings per ordinary share	(1,22)	5,40
Basic earnings per ordinary share	(1,22)	5,40
Reconciliation between basic and headline earnings		
Basic earnings attributable to owners of the parent	80 191	94 623
Group's share of (profit) loss on disposal of property, plant and equipment	(7 762)	1 672
Impairment of distribution right	3 445	3 445
Non-controlling interest in impairment of distribution right	(1 688)	(1 688)
Impairment of associate and other loans	2 168	2 036
Foreign exchange gains on liquidation of foreign subsidiary	–	(2 167)
Headline earnings from continuing and discontinued operations	76 344	97 921
Less Group's share of loss (profit) for the year from discontinued operations	1 325	(5 918)
Headline earnings from continuing operations	77 669	92 003
Basic earnings attributable to owners of the parent	80 181	94 623
Less Group's share of loss (profit) for the year from discontinued operations	1 325	(5 918)
Basic earnings from continuing operations	81 506	88 705
Net asset value per share (cents)	696,73	633,27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2012 R 000	2011 R 000
ASSETS		
Non-current assets		
Property, plant and equipment	122 625	128 333
Intangible assets	60 240	67 813
Investments in associates	8 737	8 589
Other investments and loans	31 733	33 588
Deferred tax asset	15 666	23 925
	239 001	262 248
Current assets		
Inventories	773 619	646 023
Trade and other receivables	596 447	556 134
Foreign currency assets	14 389	1 620
Tax assets	666	7 727
Bank balances and cash	224 413	195 787
	1 609 534	1 407 291
Assets classified as held for sale	268 664	–
TOTAL ASSETS	2 117 199	1 669 539
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	868	877
Ordinary share premium	117 257	122 823
Retained earnings	639 655	576 181
Non-distributable reserve	809	2 725
Foreign currency translation reserve	(2 857)	(8 872)
Equity attributable to owners of the parent	755 732	693 734
Non-controlling interest	18 426	18 940
Total equity	774 158	712 674
Non-current liabilities		
Long-term borrowings	4 712	86 598
Deferred tax liabilities	2 409	5 243
	7 121	91 841
Current liabilities		
Short-term borrowings	143 160	58 741
Trade and other payables	930 255	723 604
Provisions	13 593	21 244
Foreign currency liabilities	2 585	2 185
Deferred income	28 078	22 479
Tax liabilities	3 963	5 066
Bank overdrafts	20 055	31 705
	1 141 689	865 024
Liabilities directly associated with assets classified as held for sale	194 231	–
Total liabilities	1 343 041	956 865
TOTAL EQUITY AND LIABILITIES	2 117 199	1 669 539

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2012 R 000	2011 R 000
Operating activities		
Cash receipts from customers	3 983 731	3 531 452
Cash paid to suppliers and employees	(3 863 800)	(3 405 981)
Net cash from operations	119 931	125 471
Investment revenues received	5 591	6 711
Finance costs paid	(34 241)	(28 627)
Dividends received	788	591
Dividends paid	(18 623)	(13 146)
Income taxes paid	(28 844)	(40 507)
Net cash from operating activities	44 602	50 493
Net cash used in investing activities	(37 188)	(12 749)
Net cash from (used in) financing activities	65 196	(101 910)
Net increase (decrease) in cash and cash equivalents	72 610	(64 166)
Cash and cash equivalents at beginning of the year	195 787	259 953
Cash and cash equivalents at end of the year	268 397	195 787

COMMENTARY

1. 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.

2. Basis of preparation

The abridged financial information for the year ended 30 June 2012 has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the AC 500 standards as issued by the Accounting Practices Board, 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 audited financial statements and this set of abridged 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 2011.

3. Auditor's opinion

The independent auditors, Deloitte & Touche, have issued their opinion on the Group's financial statements and this set of abridged financial information for the year ended 30 June 2012. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion for the Group's financial statements and this set of abridged financial information. This set of abridged financial information has been derived from the group financial statements and are consistent in all material respects, with the Group financial statements. Their 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 office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

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 R7,5 million (2011: R8,4 million) and share-based payments of R1,7 million (2011: R0,4 million) were expensed relating to directors.

7. Cash flow

Cash generated from operating activities of R44,6 million (2011: R50,5 million) was lower due to the revenue growth and the resultant increase in working capital requirements. Cash generated from the drive to improve working capital management will be used to reduce short-term borrowings.

8. Corporate activities

Mustek Lesotho (Proprietary) Limited was incorporated in Lesotho on 8 July 2011 and the Group acquired a 99% stake in the company for a nominal amount.

9. Discontinued operations

The comparative figures have been restated to show the results of the discontinued operations separately. Management is of the intention to dispose of land in KwaZulu-Natal and the Group's share in Comztek Holdings (Proprietary) Limited and Rectron Australia BV within the next 12 months. The aforementioned asset and companies were treated as discontinued operations and their assets and liabilities classified as available for sale as management is committed to a plan to sell the companies and an active programme to locate buyers and complete the plan have been initiated.

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

	2012	2011
Revenue	640 479	609 449
Cost of sales	(559 916)	(526 349)
Gross profit	80 563	83 100
Other income	1 023	8 660
Distribution, administrative and other operating expenses	(77 442)	(72 199)
Profit from operations	4 144	19 561
Investment revenues	1 711	1 028
Finance costs	(8 905)	(8 823)
(Loss) profit before tax	(3 050)	11 766
Income tax benefit (expense)	1 031	(2 258)
(Loss) profit for the year	(2 019)	9 508
Less loss (profit) attributable to outside shareholders	694	(3 590)
Group's share of (loss) profit for the year from discontinued operations	(1 325)	5 918

10. Operating results

Revenue from continuing operations increased by 20,9% to R3,503 billion (2011: R2,897 billion) and the gross profit percentage from continuing operations decreased to 14,3% (2011: 14,9%). The addition of Acer and Lenovo to our product range over the past 12 months assisted the revenue growth but negatively impacted margins as these products are typically sold at lower margins. Included in profit from operations from continuing operations is R47,8 million relating to realised and unrealised foreign exchange losses (2011: R12,0 million foreign exchange profits).

Mustek uses the Rand/USD spot rate at the beginning of each month to determine its selling prices with adjustments made during the month should the exchange rate change substantially. Inventory is accounted for at the exchange rate at the time when risks and rewards transfer to the company and accounting standards do not allow the fair valuation of inventory, but require the corresponding foreign accounts payable to be stated at the closing spot rate. As long as this is the case and the Rand remains as volatile as it currently is, reported earnings will be in line with the volatilities of the Rand.

As a result, Mustek's headline earnings from continuing operations is 71,37 cents per share (2011: 82,60 cents per share) and basic earnings from continuing operations is 74,89 cents per share (2011: 79,59 cents per share).

Financing costs are higher for the year, arising from the increased working capital needs.

Mustek grew its revenue by 42,5% after adding new products and a renewed focus on its customers ensured growth in all sectors. Rectron grew its full year revenue by 5,7% after it reported a decline of 6,5% for the six months to December 2011. The transition in the CEO leadership at Rectron with the appointment of Lindi Shortt has gone smoothly.

Distribution, administrative and other operating expenses were well controlled and increased by 6,2%.

11. 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.

12. Integrated reporting

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.

This exercise has also given impetus to in-house programmes to mitigate our environmental impacts. For example, Mustek has commenced an ambitious project to reduce our head office and assembly line power consumption to virtually zero by installing hundreds of rooftop solar panels. This installation will pay for itself in a few short years and will not only significantly reduce our overall electricity footprint, it will also demonstrate the viability of renewable energy for powering corporate infrastructure.

13. Industry outlook

We are positive that the PC industry will see growth in the coming years, especially in Africa. Users who own a PC for three years typically spend 30% on hardware and 70% on internet connectivity. We have no doubt that the connectivity costs will continue to become more affordable, enabling users to spend more on hardware. We believe that this change in cost of Internet/Broadband, as well as improvements to infrastructure and computer literacy skills over the next 10 years, will result in significant growth of personal computing on the African continent.

The channel is forever changing. Looking ahead Mustek will continue to support and invest in desktop computing, notebooks and ultrabooks, where we are currently seeing many opportunities. The soon to be launched Windows 8 Operating System will create possibilities for sleek and exciting technology innovations.

14. 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.

With the addition of Acer and Lenovo to Toshiba and Mecer over the past 18 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 is finally in a position to offer customers increased choice. For customers that have relatively generic technology requirements, but are not prepared to compromise on quality there is 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.

Our product offerings also cater for international vendors and distributers, which ensures competitiveness in the marketplace. We look forward to increasing our market share and the average spend per customer, by building on our established and trusted after sales service and support programme for our valued customers.

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 reduce our debt.

15. 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 2012 has been maintained at 17 cents (2011: 17 cents) per share.

Notice is hereby given that a final dividend of 17 cents per ordinary share for the year ended 30 June 2012 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. There are 108 469 165 ordinary shares in issue and ranking for dividend at the date of this declaration. The South African dividend tax rate is 15% and the company has utilised Secondary Tax on Companies credits to the value of 9,03479 cents per share to partially offset the 15% withholding tax, resulting in a net dividend of 15,80522 cents per share to shareholders who are not exempt.

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

Last day of trade *cum* dividend	Friday, 28 September 2012
First day to trade *ex* dividend	Monday, 1 October 2012
Record date	Friday, 5 October 2012
Payment date	Monday, 8 October 2012

No share certificates may be dematerialised or rematerialised between Monday, 1 October 2012 and Friday, 5 October 2012, 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.

Mustek Limited's tax reference number is 9550081716.

16. Annual general meeting

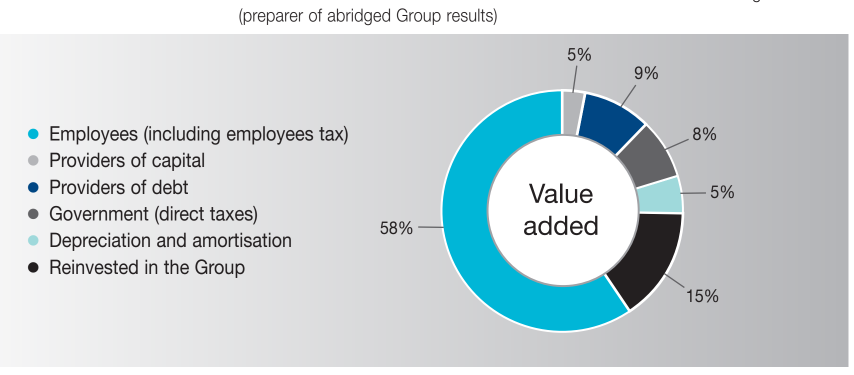
The notice of the annual general meeting will be included in the annual report that will be posted to shareholders in due course.

17. 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) 28 August 2012



CONDENSED SEGMENT ANALYSIS

Business segments	Total 2012 R 000	Total 2011 R 000 (Restated)	Mustek 2012 R 000	Mustek 2011 R 000 (Restated)	Rectron 2012 R 000	Rectron 2011 R 000 (Restated)	Comztek 2012 R 000	Comztek 2011 R 000 (Restated)	Group 2012 R 000	Group 2011 R 000	Eliminations 2012 R 000	Eliminations 2011 R 000 (Restated)
Continuing operations												
Revenue	3 502 543	2 896 924	2 317 393	1 636 460	1 401 274	1 315 620	–	–	–	–	(216 124)	(55 156)
EBITDA*	155 830	156 184	128 734	114 551	40 440	54 160	–	–	(13 344)	(12 527)	–	–
Depreciation and amortisation	(18 901)	(20 608)	(11 335)	(13 142)	(7 566)	(7 466)	–	–	–	–	–	–
Profit (loss) from operations	136 929	135 576	117 399	101 409	32 874	46 694	–	–	(13 344)	(12 527)	–	–
Investment revenues	4 668	6 274	8 899	10 547	1 706	4 733	–	–	835	276	(6 772)	(9 282)
Finance costs	(25 337)	(19 804)	(13 205)	(8 168)	(12 132)	(11 196)	–	–	(6 772)	(9 611)	6 772	9 171
Other losses	(5 613)	(1 413)	(3 445)	(1 278)	–	–	–	–	(2 168)	(135)	–	–
Share of profit of associates	1 686	263	–	–	–	–	–	–	1 686	263	–	–
Profit (loss) before tax	112 333	120 896	109 648	102 510	22 448	40 231	–	–	(19 763)	(21 734)	–	(111)
Income tax (expense) benefit	(32 515)	(34 366)	(33 665)	(28 906)	(4 249)	(11 546)	–	–	5 399	6 086	–	–
Profit (loss) for the year from continuing operations	79 818	86 530	75 983	73 604	18 199	28 685	–	–	(14 364)	(15 648)	–	(111)
Discontinued operations												
(Loss) profit for the year from discontinued operations	(2 019)	9 508	–	–	(1 392)	2 742	(627)	6 655	–	–	–	111
Profit (loss) for the year	77 799	96 038	75 983	73 604	16 8 07	31 427	(627)	6 655	(14 364)	(15 648)	–	–
Attributable to:												
Owners of the parent	80 181	94 623	77 671	75 780	17 590	28 615	(716)	5 876	(14 364)	(15 648)	–	–
Non-controlling interest	(2 382)	1 415	(1 688)	(2 176)	(783)	2 812	89	779	–	–	–	–
	77 799	96 038	75 983	73 604	16 807	31 427	(627)	6 655	(14 364)	(15 648)	–	–

*Earnings before interest, taxation, depreciation and amortisation.

Geographical segments	Total 2012 R 000	Total 2011 R 000 (Restated)	South Africa 2012 R 000	South Africa 2011 R 000 (Restated)	Mustek East Africa 2012 R 000	Mustek East Africa 2011 R 000	Rectron Australia 2012 R 000	Rectron Australia 2011 R 000 (Restated)	Comztek Africa 2012 R 000	Comztek Africa 2011 R 000 (Restated)
Continuing operations										
Revenue	3 502 543	2 896 924	3 458 745	2 872 272	43 798	24 652	–	–	–	–
Profit (loss) before tax	112 333	120 896	110 193	121 303	2 140	(407)	–	–	–	–
Income tax expense	(32 515)	(34 366)	(31 833)	(34 366)	(682)	–	–	–	–	–
Profit (loss) for the year from continuing operations	79 818	86 530	78 360	86 937	1 458	(407)	–	–	–	–
Discontinued operations										
(Loss) profit for the year from discontinued operations	(2 019)	9 508	(2 651)	5 358	–	–	(1 392)	3 416	2 024	734
Profit (loss) for the year	77 799	96 038	75 709	92 295	1 458	(407)	(1 392)	3 416	2 024	734
Attributable to:										
Owners of the parent	80 181	94 623	77 469	93 713	1 458	(407)	(609)	604	1 863	713
Non-controlling interest	(2 382)	1 415	(1 760)	(1 418)	–	–	(783)	2 812	161	21
	77 799	96 038	75 709	92 295	1 458	(407)	(1 392)	3 416	2 024	734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R 000	Ordinary share premium R 000	Retained earnings R 000	Non-distributable reserve R 000	Foreign currency translation reserve R 000	Attributable to owners of the parent R 000	Non-controlling interest R 000	Total R 000
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	–	–	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
Net profit for the year	–	–	80 181	–	–	80 181	(2 382)	77 799
Other comprehensive income	–	–	–	–	6 015	6 015	1 868	7 883
Realisation of non-distributable reserve on disposal of fixed assets	–	–	–	1 916	(1 916)	–	–	–
Recognition of share-based payments	–	53	–	–	–	53	–	53
Dividends paid	–	–	(18 623)	–	–	(18 623)	–	(18 623)
Buy back of shares	(9)	(5 619)	–	–	–	(5 628)	–	(5 628)
Balance at 30 June 2012	868	117 257	637 739	4 641	(4 773)	755 732	18 426	774 158

Corporate information: Company secretary: Neels Coetzee. **Transfer secretaries:** Computershare Investor Services (Proprietary) Limited. 70 Marshall Street, Johannesburg, 2001. 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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BASTION GRAPHICS