PINNACLE HOLDINGS

Technology Delivered™

UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2014

AT A GLANCE

REVENUE	Headline earnings	HEPS	Debt to equity
up 14% to	down 17% to	down 16% to	down from 77.1% to
R3.6 billion	**R125 million**	**80.4 cents**	**74.7%**

Condensed Consolidated STATEMENT OF COMPREHENSIVE INCOME

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Restated ^ Unaudited R'000	Full year 30 Jun 2014 Restated ^ Audited R'000
Revenue	**3 638 049**	3 183 409	7 152 444
Cost of sales	**(3 112 831)**	(2 645 963)	(6 082 151)
Gross profit	**525 218**	537 446	1 070 293
Operating expenses	**(317 906)**	(282 366)	(615 314)
Selling expenses	**(33 011)**	(26 179)	(61 860)
Employees expenses	**(242 546)**	(228 424)	(478 689)
Administration expenses	**(48 502)**	(38 068)	(85 266)
Gain on discounting of finance lease agreements	**1 442**	298	778
Profit on foreign exchange	**4 711**	5 661	5 377
Reclassification of fair value adjustment on derecognition of asset	**–**	4 346	4 346
EBITDA *	**207 312**	255 080	454 979
Depreciation and amortisation	**(15 253)**	(8 784)	(23 926)
Impairment of goodwill	**(3 597)**	–	(2 169)
Operating profit before interest	**188 462**	246 296	428 884
Net finance costs	**(46 362)**	(29 388)	(78 180)
Investment income	**3 602**	9 785	11 297
Interest paid	**(49 964)**	(39 173)	(89 477)
Share of equity accounted associate income	**17 157**	4 776	20 747
Profit before taxation	**159 257**	221 684	371 451
Taxation	**(37 238)**	(59 412)	(98 394)
Net profit for the period	**122 019**	162 272	273 057
Owners of the Company	**121 881**	162 146	272 580
Non-controlling interests	**138**	126	477
Other comprehensive income			
Items that will not be reclassified into profit or loss:	**(2 363)**	–	(21 510)
Loss on property revaluation	**–**	–	(28 075)
Tax relating to items that will not be reclassified	**(2 363)**	–	6 565
Items that can be reclassified into profit or loss:	**2 739**	1 019	(11 132)
Exchange differences from translating foreign operations	**681**	1 019	1 011
Cash flow hedge	**2 058**	–	(12 143)
Total comprehensive income for the period	**122 395**	163 291	240 415
Attributable to:			
Owners of the Company	**122 257**	163 165	239 938
Non-controlling interests	**138**	126	477

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

^ *Refer restatement/reclassification of prior reporting periods note.*

Reconciliation of HEADLINE EARNINGS

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Unaudited R'000	Full year 30 Jun 2014 Audited R'000
Net profit for the period attributable to ordinary shareholders	**121 881**	162 146	272 580
Impairment of goodwill	**3 597**	–	2 169
Reclassification of fair value adjustment on derecognition of asset after taxation	**–**	(3 738)	(3 738)
Reclassification of fair value adjustment on derecognition of asset	**–**	(4 346)	(4 346)
Less: Taxation thereon	**–**	608	608
Profit on sale of property, plant and equipment net of taxation	**(131)**	(7 592)	(8 533)
Profit on sale of property, plant and equipment	**(182)**	(10 545)	(11 851)
Less: Taxation thereon	**51**	2 953	3 318
Headline earnings	**125 347**	150 816	262 478
Total number of shares in issue ('000)			
– Total issued less treasury shares	**155 922**	158 034	155 922
– Weighted average	**155 922**	158 031	157 638

FINANCIAL REVIEW

	Half year 31 Dec 2014 Unaudited	Half year 31 Dec 2013 Restated ^ Unaudited	Full year 30 Jun 2014 Restated ^ Audited
Performance per share (cents)			
Basic and diluted earnings per share	**78.2**	102.6	172.9
Headline and diluted headline earnings per share *	**80.4**	95.4	166.5
Returns (%)			
Gross profit	**14.4**	16.9	15.0
Operating expenses	**(8.7)**	(8.9)	(8.6)
EBITDA **	**5.7**	8.0	6.4
Operating profit before interest and taxation	**5.2**	7.7	6.0
Effective tax rate ***	**26.2**	27.4	28.1
Net profit	**3.4**	5.1	3.8

* *The Company has no dilutionary instruments in issue.*

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

*** *Based on profit before taxation excluding share of equity accounted associate income.*

^ *Refer restatement/reclassification of prior reporting periods note.*

Condensed SEGMENTAL ANALYSIS

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Restated ^ Unaudited R'000	Full year 30 Jun 2014 Restated ^ Audited R'000
Revenue			
ICT Distribution	**3 552 729**	3 107 330	6 984 069
IT Projects and Services	**81 849**	94 788	169 047
Financial Services	**57 344**	43 583	93 394
Group Central Services	**–**	493	–
Less: Intra-segmental revenue	**(53 873)**	(62 785)	(94 066)
	3 638 049	3 183 409	7 152 444
Net profit before taxation			
ICT Distribution	**123 999**	191 435	294 669
IT Projects and Services	**3 799**	11 807	17 181
Financial Services	**24 328**	16 528	36 020
Group Central Services	**7 131**	1 914	23 581
	159 257	221 684	371 451
Net profit after taxation			
ICT Distribution	**87 933**	141 048	213 485
IT Projects and Services	**2 735**	8 424	13 444
Financial Services	**17 516**	11 899	25 880
Group Central Services	**13 835**	901	20 248
	122 019	162 272	273 057
Net operating assets			
ICT Distribution	**1 025 150**	794 641	862 488
IT Projects and Services	**35 092**	20 089	24 521
Financial Services	**95 013**	46 423	60 202
Group Central Services	**206 781**	321 604	287 631
	1 362 036	1 182 757	1 234 842

^ *Refer restatement/reclassification of prior reporting periods note.*

Condensed ANALYSIS OF GOODWILL

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Unaudited R'000	Full year 30 Jun 2014 Audited R'000
Opening balance	**116 517**	114 940	114 940
Business combination acquisitions	**–**	2 256	3 746
Impairments	**(3 597)**	–	(2 169)
Closing balance	**112 920**	117 196	116 517
Business combination acquisitions *			
DSP	**–**	–	1 995
Pacific	**–**	2 256	1 751
	–	2 256	3 746
Impairments			
E-Secure	**(3 597)**	–	(883)
Pinnacle Micro	**–**	–	(1 286)
	(3 597)	–	(2 169)

* *There were no business combination movements in the current reporting period. For details of prior period business combinations, refer to the latest Annual Financial Statements.*

Condensed Consolidated STATEMENT OF FINANCIAL POSITION

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Unaudited R'000	Full year 30 Jun 2014 Audited R'000
ASSETS			
Non-current assets	**969 472**	912 063	913 787
Property plant and equipment	**186 902**	209 205	176 028
Intangible assets and goodwill	**129 793**	131 107	135 406
Investment in associate	**295 757**	273 450	284 144
Long-term loans	**29 843**	27 953	28 795
Finance lease receivables	**292 143**	228 029	257 957
Deferred taxation	**35 034**	42 319	31 457
Current assets	**2 334 701**	2 260 376	2 432 892
Inventories on hand	**836 118**	882 414	894 866
Inventories in transit	**75 344**	106 950	76 870
Trade and other receivables	**1 257 190**	1 160 463	1 328 964
Finance lease receivables	**127 515**	86 415	105 758
Taxation receivable	**11 842**	918	1 171
Cash and cash equivalents	**26 692**	23 216	25 263
Total assets	**3 304 173**	3 172 439	3 346 679
EQUITY AND LIABILITIES			
Capital and reserves	**1 362 036**	1 182 757	1 234 842
Share capital and premium	**1 680**	25 996	1 680
Treasury shares	**(41 766)**	(41 766)	(41 766)
Non-distributable reserves	**6 907**	33 607	8 589
Cash flow hedge reserve	**(10 085)**	–	(12 143)
Accumulated profits	**1 401 501**	1 161 610	1 274 822
Non-controlling interests	**3 799**	3 310	3 660
Non-current liabilities	**481 667**	529 152	519 138
Interest-bearing liabilities	**445 987**	504 584	487 455
Derivative financial liability	**19 996**	–	18 083
Deferred taxation	**15 684**	24 568	13 600
Current liabilities	**1 460 470**	1 460 530	1 592 699
Trade and other payables	**895 164**	963 276	1 129 699
Interest-bearing liabilities	**51 419**	17 467	17 944
Short-term loans	**149 999**	114 999	151 048
Deferred revenue	**9 650**	14 398	12 412
Taxation payable	**3 870**	11 401	4 357
Bank overdrafts	**350 368**	338 989	277 239
Total equity and liabilities	**3 304 173**	3 172 439	3 346 679
Capital management			
Net asset value per share (cents)	**871.1**	746.3	789.6
Net tangible asset value per share (cents)	**787.9**	663.4	702.8
Working capital management			
Investment in working capital (R'000)	**1 263 838**	1 172 153	1 158 589
Days inventory outstanding (excluding in transit)	**49.5**	60.0	44.0
Days sales outstanding	**58.8**	60.0	53.0
Days purchases outstanding	**46.6**	55.0	50.0
Liquidity and solvency			
Debt to equity (%)	**74.7**	82.5	77.1
– Attributable to Distribution and Holdings	**27.8**	35.7	29.9
– Attributable to Datacentrix	**21.8**	23.2	23.1
– Attributable to Finance Assets (Centrafin)	**25.2**	23.6	24.1
Current ratio (excluding stock in transit)	**1.63**	1.59	1.55
Acid test (excluding stock in transit)	**1.03**	0.94	0.96

Condensed Consolidated STATEMENT OF CASH FLOWS

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Restated ^ Unaudited R'000	Full year 30 Jun 2014 Restated ^ Audited R'000
EBITDA *	**207 312**	255 080	454 979
Changes in working capital	**(105 249)**	(108 365)	(74 021)
Non-cash flow items	**14 813**	(10 737)	2 616
Cash generated by operating activities	**116 876**	135 978	383 574
Net finance costs	**(46 362)**	(29 388)	(78 180)
Finance income received	**3 602**	9 785	11 297
Finance expenses paid	**(49 964)**	(39 173)	(89 477)
Taxation paid	**(52 252)**	(64 275)	(104 247)
	18 262	42 315	201 147
Cash flows from investing activities			
Property, plant and equipment acquired	**(26 621)**	(60 787)	(58 725)
Proceeds on disposals of property, plant and equipment	**4 431**	42 164	34 559
Acquisition of intangible assets	**(1 740)**	(4 175)	(8 675)
Net investment in finance leases receivable	**(55 943)**	(43 247)	(113 584)
Acquisition of subsidiaries	**–**	–	(2 580)
Acquisition of shares in Datacentrix (including deposit)	**–**	(1 223)	(321)
Acquisition of non-controlling interests	**–**	(1 465)	(2 939)
	(79 873)	(68 733)	(152 265)
Cash flows from financing activities			
Interest-bearing liabilities raised	**308**	32 936	68 707
Interest-bearing liabilities repaid	**(9 349)**	(10 707)	(28 087)
Non-interest-bearing liabilities raised	**–**	14	14
Repurchase of shares	**–**	–	(29 059)
(Increase)/decrease in trust loans	**(1 048)**	736	(106)
Dividends paid	**–**	(64 794)	(64 787)
	(10 089)	(41 815)	(53 318)
Decrease in net cash, cash equivalents and overdrafts	**(71 700)**	(68 233)	(4 436)
Net overdraft acquired from business combinations	**–**	(994)	(994)
Net overdraft at beginning of period	**(251 976)**	(246 546)	(246 546)
Net overdraft at end of period	**(323 676)**	(315 773)	(251 976)

^ *Refer restatement/reclassification of prior reporting periods note.*

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

Condensed Consolidated STATEMENT OF CHANGES IN EQUITY

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Unaudited R'000	Full year 30 Jun 2014 Audited R'000
Opening balance	**1 234 842**	1 088 059	1 088 059
Shares issued	**–**	14	14
Shares acquired and cancelled	**–**	–	(29 059)
Comprehensive income for the period	**122 019**	163 291	273 057
Other comprehensive income	**(1 682)**	–	(20 499)
Cash flow hedge reserve	**2 058**	–	(12 143)
Acquisition of non-controlling interest	**–**	(9 398)	(9 398)
Equity-based compensation reserve	**4 799**	5 585	9 598
Dividends paid	**–**	(64 794)	(64 787)
Closing balance	**1 362 036**	1 182 757	1 234 842
Attributable to:			
Owners of the Company	**1 358 237**	1 179 447	1 231 182
Non-controlling interests	**3 799**	3 310	3 660

RESTATEMENT/RECLASSIFICATION OF PRIOR REPORTING PERIODS

CENTRAFIN REVENUE RESTATEMENT

The restatement in the financial records of the Group relates to the accounting classification of the interest income earned in terms of the finance lease assets of Centrafin Proprietary Limited ("Centrafin"). Centrafin is mainly involved in the supply of financing in various forms to customers in relation to the purchase of ICT equipment. The interest received in terms of the finance lease assets has been disclosed under the "interest received" line item below the EBITDA line in the previous reporting periods. This line item has been reclassified and is included under the "revenue" line item above the EBITDA line.

This resulted in the restatement of the comparative figures presented in terms of the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Segmental Analysis and Financial Review as indicated below.

The justification for the reclassification can be summarised as follow:

IAS 18 par 7 defines "revenue" as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. From this, it is clear that revenue arises from the ordinary business activities of the entity which, in the instance of Centrafin, is its financing and related activities. Revenue earned from the ordinary activities of the entity should be faithfully represented according to the nature of the transactions under the "revenue" line item.

Accordingly, interest earned on finance lease assets, should be faithfully represented according to the nature of these transactions as "interest received" as a subsection under the "revenue" line item as it depicts the main operating activities of the entity.

Effect on the financial statements of the restatement

The effect of the restatement is set out below for all related periods:

	Half year 31 Dec 2014 Unaudited R'000	Half year 31 Dec 2013 Unaudited R'000	Full year 30 Jun 2014 Audited R'000
CENTRAFIN REVENUE RESTATEMENT			
Consolidated Statement of Comprehensive Income			
Increase in revenue	–	22 537	49 416
Decrease in interest received	–	(22 537)	(49 416)
Consolidated Statement of Cash Flows			
Increase in cash generated by operating activities	–	22 537	49 416
Decrease in finance income received	–	(22 537)	(49 416)
Condensed Segmental Analysis			
Revenue			
Increase in revenue from Financial Services	–	22 537	49 416
Increase in interest received and discounted leases within Financial Services revenue	–	(22 537)	(49 416)
Financial review			
Returns (%)			
Increase in gross profit	–	0.6	0.6
Increase in EBITDA *	–	0.7	0.7
Increase in operating profit before Interest and taxation	–	0.7	0.7

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

As the restatement is a pure reclassification between line items in the Consolidated Statement of Comprehensive Income, it has no taxation implication and did not result in a restatement of the opening retained income of the current and prior financial periods.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated unaudited interim financial results for the period ended 31 December 2014 have been prepared in accordance with the framework concepts, 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 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 of South Africa (Act 71 of 2008), as amended.

The condensed consolidated unaudited interim financial results of the Group are prepared on a historical basis except for certain financial instruments, which are stated at fair value as applicable.

The condensed consolidated unaudited interim financial results have been prepared using accounting policies that comply with IFRS and include reasonable judgements and assessments. These accounting policies are consistent with those applied in the consolidated annual financial statements for the year ended 30 June 2014. All new interpretations and standards, which became effective during the 6-month period under review, have been assessed and adopted with no material impact.

Neither the condensed consolidated unaudited interim financial results for the six months ended 31 December 2014, nor this set of summarised financial information and disclosure, have been reviewed or audited by the Group's auditors, Sizwe Ntsaluba Gobodo Inc. 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 Group's auditors.

COMMENTARY

INTRODUCTION

The Group presents its condensed consolidated unaudited interim financial results for the six months ended 31 December 2014.

FINANCIAL RESULTS

Revenue grew by a satisfactory 14.1% to R3.6 billion with pleasing growth into markets outside South Africa being recorded. Gross profit decreased by 2.3% though on margins of 14.4% (2013: 16.9%). Operating expenses increased by 12.6% to leave operating income ("EBITDA") down by 18.7%. Included in operating expenses in the 2013 period was a profit on sale of assets of R10.5 million and a reclassification adjustment of R4.3 million. Excluding these once-off items, operating expenses increased by 7.0%. The increase in interest paid of 27.5% is largely due to the acquisition of the 34.99% share in Datacentrix Holdings Limited for the full six months (2013: 2 months), with the concomitant increase in the share of equity accounted income. There was a saving on the tax rate due to the release of minor over provisions in previous years, to bring total comprehensive income to R121.5 million. Following the share repurchase in April 2014, the weighted average number of shares in issue declined to 155 922 000 (2013: 158 031 000). This brings the earnings per share to 78.2 cents (2013: 102.6 cents) and headline earnings per share to 80.4 cents (2013: 95.4 cents).

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

DIVISIONAL PERFORMANCE

The Distribution division increased revenue by 14%, but net profit after tax decreased by 38%. In July 2014, this division was prevented from trading effectively in its Pinnacle Africa Gauteng premises due to the month long NUMSA strike. Since then, the division has traded well in a difficult market although gross margins have reduced by 2.4 percentage points, brought about by competitive pressures and the product mix as the Group continues its progress into large technology projects which typically carry lower margins. Management has addressed the declining gross margins by focusing specifically on the procurement process and all aspects of margins are a top priority for the division. Cost management was acceptable, with increased efficiencies resulting in operating expenses, as a percentage of revenue, decreasing by approximately 0.3 percentage points when measured against the prior period. This is after adjusting for the once-off profit on sale of assets of R10.5 million recorded in the prior period. The continued focus into growing other markets outside South Africa is being rewarded with an increase of revenue into Africa of 24% and it now represents 16% of Distribution revenue (2013: 13%).

Pinnacle Business Solutions, the Managed Print Services division, has constantly disappointed in its ability to penetrate the market sufficiently to be able to operate at an acceptable level of return and we will now look to substantially reduce our investment herein.

Infrasol, the IT Projects and Services division, was unable to sustain the project revenue recorded in the first half of the prior year and with increased expenses, recorded a decrease in net profit after tax to R2.7 million (2013: R8.4 million). Management has developed a good pipeline, but has been unable to finalise the larger projects in the current period.

Centrafin increased its revenue by 32% and achieved net profit after tax growth of 47%. The book continues to grow strongly (now at R445 million from R333 million a year ago). The margins have been maintained and customer defaults continue to be well controlled.

FINANCIAL POSITION AND CASH FLOW

Inventories decreased by R60 million from June 2014 and have been well controlled throughout the period. Inventory days reduced to 50 days from 59 days at the end of December 2013.

Trade receivables are by and large well controlled. Daily Sales Outstanding ("DSOs") were at 58 days compared to 60 days at the end of December 2013.

Daily Purchases Outstanding ("DPOs") reduced to 47 days (55 days in December 2013) and, together with the decrease in activity in December compared to June, has resulted in trade and other payables being R235 million less than that reported in June 2014.

The main cash outflows comprised:

- increase in working capital of R105 million;
- taxation paid of R52 million;
- net increase in fixed assets of R22 million, the major part of which was an increase in leased assets in Centrafin of R10 million. Other property improvements, vehicles, office equipment and software acquisitions (less disposals) make up the balance of R12 million;
- further investment of R56 million into Centrafin's customer base as it continues to build its financial lease book (R420 million) and its leased asset base (R25 million after depreciation); and
- further repayments on the Axiz acquisition loan (R9 million).

This was funded by EBITDA of R207 million and increases in overdrafts of R72 million. Borrowings now comprise R150 million in short-term loans raised for Centrafin's finance lease book and rental asset pool, subsidiary preference shares issued to Nedbank (treated as interest-bearing liabilities at Group level) of R130 million, the Nedbank loan to fund the purchase of Axiz amounting to R16 million, the medium-term domestic note ("DMTN") programme of R315 million, the Samrand land funding of R32 million and overdrafts of R350 million.

It must be borne in mind that the borrowings profile is considerably skewed by two assets that should be ring-fenced due to their non-operational nature insofar as they relate to mainstream ICT distribution. These assets are the investment in Datacentrix Holdings Limited of R296 million and the investment into Centrafin's financial assets totalling R445 million. Without these the Group's borrowings would be in the order of R400 million and its debt to equity ratio would be under 28% (2013: 30%).

SUBSEQUENT EVENTS

No other events material to the understanding of the report occurred in the period between the period-end date and the publication date of this report.

DIVIDENDS

In line with previous years, no interim dividend is proposed for the period under review.

PROSPECTS AND STRATEGIC INITIATIVES

Following the withdrawal by the State of the bribery allegations at the end of August 2014, management has returned its focus onto the business and all the opportunities that exist in each cluster. Key changes have been made to the management structure and new appointments have been made to enhance the leadership capabilities of the team. We are confident that this new energy will deliver the expected results into the future.

The gearing of the Group remains a key priority and to that end the Board has approved the following:

- the disposal of the Group's property portfolio, including the land in Samrand that was earmarked for the Group's future premises, largely through sale and lease back arrangements. It is anticipated that this will reduce gearing by approximately R125 million. Offers have already been received in this regard and are currently being evaluated;
- the winding down of the investment in the Managed Print Services business. This may take some time and might incur further losses, but will result in a reduction of approximately R50 million in funding;
- other actions and initiatives, which together with the items noted above, will reduce the overall gearing by approximately R250 million; and
- the suspension of annual dividend payments to remain in place until the gearing of the Company improves to approximately 50% of shareholders' funds.

It should be noted that the preference share funding of R130 million and the DMTN funding of R315 million are both due for repayment in the early part of 2016. Negotiations on the restructuring of these loans have already commenced and it is anticipated that they should be concluded to our satisfaction by the end of this year.

In addition, the Board has approved the strategy of the Group as follows:

- Distribution will remain one of the core competencies of the Group. The focus will be on improving the margins through product mix and improved procurement, reduction of overheads and driving growth through our ongoing expansion into Africa;
- We will continue responsibly to grow the Finance book at acceptable returns within maintained credit procedures; and
- Services will be a core competency of the Group and initiatives to explore the synergies between the two services organisations within the Group will be pursued. To that end, it is confirmed that the investment in Datacentrix will be of a long-term nature.

The outlook for the year to June 2015 is positive with earnings expected to be above those of June 2014 due to ongoing improvements in all business segments. The Distribution division is well managed and well positioned to take advantage of the opportunities in both the local market and those beyond our borders. Our Services division is confident that the prospect pipeline that they have been working on for some time will be brought to fruition and Centrafin will continue to maintain their steady growth.

JSE

Shareholders are advised that the JSE, after careful consideration of all the facts, has determined that the Company did not contravene the Listings Requirements with regard to the bribery allegations.

CHANGES TO THE BOARD OF DIRECTORS

Shareholders are advised that Mr Ashley ("Oshy") Tugendhaft BA (Wits); LLB (Wits) (66), who was acting as Chairman, has been appointed as Non-Executive Chairman effective 10 March 2015. Oshy is the senior partner of attorneys Tugendhaft, Wapnick Banchetti and Partners ("TWB"). He is an accomplished practitioner in commercial and corporate law, has more than 40 years' experience in practice and also serves as a Non-Executive Director and Deputy Chairman of Imperial Holdings Limited.

In accordance with King III Requirements, when the Chairman is considered to be not independent, a Lead Independent Director is required to be appointed. Shareholders are therefore advised that Mr Bheki Sibiya ("Bheki") has been appointed as Lead Independent Director with effect 10 March 2015.

Bheki holds an MBA from Western Michigan University after having obtained a B Admin degree at the University of Zululand. He has had extensive leadership experience in both the private and public sector. Among the companies and organisations he has headed are the Wits Business School and Business Unity South Africa ("BUSA"). He has also held senior management positions in Transnet Limited, Tongaat-Hulett Sugar South Africa Limited, the Black Management Forum ("BMF") and South African Breweries Limited.

In 2004 he was the founding Chief Executive Officer of BUSA, where he regularly engaged with ministers and key stakeholders in the economic cluster. Also, as a past president of the BMF, he lobbied the then President of South Africa on BBBEE. Whilst at BUSA and the BMF, Bheki contributed to King I, II, and III. Furthermore, his involvement in BUSA, the BMF and National Economic Development and Labour Council (Nedlac) enabled him to develop significant networks across government, business and labour.

Bheki is the current Chief Executive of the Chamber of Mines, which is the foremost organisation that represents mining companies that produce in excess of 90% of all the minerals in South Africa both by volume and value.

He is the Chairman of PPC Limited, Uhuru Energy, Matador Refrigeration (Pty) Ltd, Leadership Matters Institute and Deputy Chairman of Tiger Brands Limited and a Non-Executive Director of Famous Brands Limited.

In order to improve the efficiency and effectiveness of the Board, it has been decided to reduce the size of the Board to comprise only two Executive Directors, being the CEO and the CFO, in addition to the Non-Executive Directors. Accordingly, Mr TAM Tshivhase and Mr RN Nkuna will step down from the Board effective 10 March 2015, but continue to serve on the Executive Committee. Mr TAM Tshivhase will step down as a member of the Social and Ethics Committee. Mr RN Nkuna, the Group's Head of HR, will continue to serve as a member of the Social and Ethics Committee as a Prescribed Officer.

After the above changes the composition of the Board will be as follows:

Director	Position	Classification
Mr A Tugendhaft	Chairman	Non-Executive Chairman
Mr B Sibiya	Lead Independent Director	Independent Non-Executive
Ms N Medupe	Board member	Independent Non-Executive
Ms SH Chaba	Board member	Independent Non-Executive
Mr E van der Merwe	Board member	Independent Non-Executive
Mr AJ Fourie	Chief Executive Officer	Executive Director
Mr RD Lyon	Chief Financial Officer	Executive Director

The composition of the Board Committees, effective 10 March 2015, is as follows:

Audit and Risk Committee

Director	Position	Classification
Ms N Medupe	Chairperson	Independent Non-Executive
Mr B Sibiya*	Member	Lead Independent Non-Executive
Ms SH Chaba	Member	Independent Non-Executive
Mr E van der Merwe	Member	Independent Non-Executive

**Mr Sibiya is appointed to the Audit and Risk Committee effective 10 March 2015.*

Remuneration Committee

Director	Position	Classification
Ms N Medupe	Chairperson	Independent Non-Executive
Ms SH Chaba	Member	Independent Non-Executive
Mr A Tugendhaft	Member	Non-Executive Chairman

Social and Ethics Committee

Director	Position	Classification
Ms SH Chaba	Chairperson	Independent Non-Executive
Mr B Sibiya**	Member	Lead Independent Non-Executive
Mr RN Nkuna	Member	Prescribed Officer – Head of HR

** *Mr B Sibiya replaces Mr TAM Tshivhase who steps down from the Committee, effective 10 March 2015.*

CHIEF EXECUTIVE OFFICER ("CEO") SUCCESSION

Having carefully considered the need for a proper succession process, the Board is pleased to announce the appointment of Mr Pierre Spies ("Pierre") (50) as Deputy Chief Executive Officer with effect 1 July 2015. Pierre will work closely with the current CEO, Mr Arnold Fourie ("Arnold"), with a view to assuming the CEO position on Arnold's eventual retirement. Arnold is determined to see Pinnacle through to a renewed position of strength and as such has not put a firm date on this handover. Pierre is currently the Chief Executive Officer of AxizWorkgroup, a major subsidiary of the Pinnacle Group.

Pinnacle's Chairman, Oshy Tugendhaft commented: "The directors are delighted to be able to appoint a successor of Pierre's calibre to the helm of Pinnacle. The Board is particularly pleased to have been able to appoint an internal candidate with such extensive ICT distribution, services and financial expertise. Pierre has worked closely with Arnold since he joined the Group in 2014 and has made considerable contributions to both AxizWorkgroup and the wider Pinnacle Group. By announcing the successor now, we will have the benefit of a smooth succession in the Chief Executive's role. My fellow Board members join me in wishing Pierre every success during this succession phase."

The selection process for the recruitment of a new Chief Executive Officer of AxizWorkgroup will commence shortly.

Background information on Pierre Spies

Pierre is a commerce graduate from University of Johannesburg and completed his articles with PricewaterhouseCoopers in 1992. He joined what was to become the JSE-listed MB Technologies Group ("MB Tech") where he served as Chief Financial Officer and Chief Executive Officer of Tarsus, its major subsidiary. Pierre played an instrumental role over twenty years in growing Tarsus from a R60 million turnover business into an ICT distribution group generating revenues in excess of R5 billion per annum.

Pierre oversaw the national expansion of various Group companies, various mergers and acquisitions, the establishment of a channel finance business and MB Tech's expansion into Africa. With over 20 years' experience Pierre is a stalwart of the ICT Industry, and is well respected by the Group's customers, vendors and staff.

Arnold Fourie commented as follows: "Having recognised Pierre's talent over many years through competing in the market and more recently having worked with him as Chief Executive Officer of AxizWorkgroup, I am confident that he is the right candidate to drive Pinnacle forward, unlock the full potential of the Group and deliver value to all stakeholders."

STATEMENT OF COMPLIANCE

These condensed consolidated unaudited interim financial results for the 6 months ended 31 December 2014 have been prepared in accordance with the Group's accounting policies under the supervision of the Chief Financial Officer, RD Lyon CA.

For and on behalf of the Board

A Tugendhaft	**AJ Fourie**	Midrand
Chairman	Chief Executive Officer	11 March 2015

PINNACLE HOLDINGS LIMITED

(Registration number 1986/000334/06

Share code: PNC • ISIN: ZAE000184149

("Pinnacle" or "the Group" or "the Company")

Directors:

A Tugendhaft * (Chairman), AJ Fourie (Chief Executive Officer), SH Chaba*^, RD Lyon (Chief Financial Officer),

N Medupe *^, B Sibiya *^, E van der Merwe*^

** Non-executive* ^ *Independent non-executive*

Preparer of results:

RD Lyon CA

Company Secretary:

JV Parkin (BCompt(Hons), CTA)

Registered Office:

The Summit, 269, 16th Road, Randjespark, Midrand, 1685

Transfer Secretaries:

Computershare Investor Services (Pty) Ltd, Ground Floor,

70 Marshall Street, Johannesburg, 2001

Auditors:

Sizwe Ntsaluba Gobodo Inc., Registered Auditors, Summit Place Office Park, Building 4, Garstfontein Road 221, Menlyn, 0081

Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd, Building 8, Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, 2196