



(Registration number 1986/000334/06)
Share Code: PNC
ISIN:ZAE00022570
("Pinnacle" or "The Group")
www.pinnacle.co.za

UNAUDITED INTERIM RESULTS

For the six months ended 31 December 2007

Highlights

- **Turnover increased by 33.7% to R974 million**
- **EBITDA increased by 36.1% to R74 million**
- **Earnings per share increased by 55% to 34.3 cents per share**

1) Operational overview

The South African economy experienced remarkable growth over the past five years. Business confidence achieved record highs, the Rand was relatively stable and interest rates low. From this economic base, Pinnacle acquired Workgroup (Explic Technologies), RentNet Rentals, and DataNet and in doing so, diversified its product sets, channel to market and clientele.

The recent volatility in Global markets and exchange rates, the increased cost of finance, erratic electricity supply and organized crime presents challenges unique to business in South Africa, making the results achieved by the Pinnacle Group of Companies for the six months ended 31 December 2007 that much more remarkable.

Turnover increased by 33,7%, Gross profit increased to 17.5% (31 December 2007: 15.6%) and Net profit before tax increased to 7.3% (31 December 2007: 6.7%).

DataNet, not consolidated during the comparative six month period, contributed R60,2 million to turnover, attributing 8.3% of the growth in Revenue to acquisitions in the last year.

Organic growth of 25.4% was primarily contributed by Workgroup (R101 million increase), Government Sales (R34,9 million increase) and Channel Sales (R25,4 million increase) lines of business, and strong year on year growth in CCTV (90%), RentNet (90,8%) and MIT(151,9%).

Gross margins enjoyed the benefit of improved product mix and volume buying power, and customer loyalty was hard won through improved service levels.

Stock losses suffered as result of theft and fraud since the beginning of the year amounted to R2,4 million.

Successful focus on ageing stock released R2,8 million from Non Saleable and damaged stock provisions and services revenues realized through collaboration with TriCon (R5,2 million) increased Gross profit to R170,6 million (2007: R113,8 million).

Total investment in working capital increased to R214 million (30 June 2007: R110,8 million).

Days sales outstanding increased to 61,7 days (30 June 2007: 58,0 days) as two separate but material accounts remained unpaid and concessions made to extend retail credit terms.

Days stock on hand at 46 days are on par for December as provisions are made to counter delays experienced during the Chinese new year celebrations.

Creditors days have reduced to 72.3 days (30 June 2007: 79.5 days) and terms negotiations with suppliers have been re-opened to support the growth of the Group.

2) Corporate Activity

Pinnacle has entered into an agreement to acquire 100% of the issued share capital and shareholders loans of Tri Continental Distributors (Pty) Ltd ("TriCon"). The transaction is subject to competition commission approval and the financial results of TriCon are consequently not included in the period under review.

3) Financial review

Financial overview	31-Dec-07	2007	2006	2005	2004	2003	2002
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Returns (%)							
Gross profit	17.5%	16.1%	15.8%	17.0%	16.9%	15.1%	14.2%
EBITDA	7.6%	6.7%	6.4%	5.8%	4.8%	4.7%	4.0%
Operating profit	7.3%	6.3%	5.9%	5.3%	4.5%	4.1%	4.0%
Net profit	5.3%	4.4%	4.2%	3.2%	2.5%	1.7%	1.8%
Interest cover (times)	23.0	14.0	13.5	8.4	5.1	3.4	2.6

The additional margin generated at Gross Profit level was offset slightly higher costs. Savings in interest expenditure and an effective 28% tax rate, resulted in a net increase in Net profit of 0.9%

Expenses as a percentage of turnover increased to on the consolidation of DataNet loss of R2,6 million for the six months to December 08. This loss resulted from a significant theft at its main branch, and projects material to it's operations that were deferred to q3. Management is optimistic that DataNet will contribute to the group results by the end of 2008.

Excluding the revenue and expenses of DataNet, the group expenses as percentage of turnover remained at 9.4% (31 December 2006: 9.3%)

A prior year deferred taxation adjustment, and savings in STC reduced the effective tax rate to 28% (31 December 2006: 32.5%).

4) Prospects

The recent adjustment in the South African and international economies must be viewed against the extraordinary and prolonged growth experienced over the past five years. Similar correction cycles were experienced in 1989, 1994, 1998 and 2001 where after our economies had again flourished.

2008 will no doubt be a challenging year. Innovation and entrepreneurial spirit will be required to thrive but these same qualities will enable companies to enjoy full benefit of the recovery, when it comes to pass.

Access to the world wide web is driving a global revolution that has been compared to the invention of the wheel. The volume of data and number users continue to increase unabated, and technology has become an integral part of business and every day life.

The Pinnacle Group is ideally suited to support the continued rollout of infrastructure with hardware and software that ranges from best in class Sun and IBM servers to fibre optic cables and connectors that may fulfil the technical requirements from modest to well established customers.

The benefits of virtualisation technologies continue to drive the rollout of VMware and as supporting server and storage infrastructure in corporate and government markets. Workgroup should capitalise on this as it has secured the sole distribution rights for the X64 servers in South Africa.

Channel marketing and loyalty initiatives continue to attract dealers, augmented with the launch of exciting new products such as Lenovo notebooks and MIO portable GPS systems.

Government continues to invest in the education of our citizens and infrastructure. Value added solutions to address Government initiatives in education, law enforcement and home affairs require ongoing commitment and support that Pinnacle is ready to provide on a national basis.

The rollout of Microsoft Dynamics AX presents a significant challenge to the Group. A detailed planning and extensive design phase will culminate in a measured and cautious roll-out, scheduled to commence in July 2008.

5) Accounting policies

In terms of the listings requirements of the JSE limited, the Interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS34 – Interim Financial Reporting, the Listing Requirements of the JSE Securities Exchange South Africa ("JSE") and the South African Companies Act.

6) Broad Based Black Economic Empowerment

Pinnacle is a level 4 contributor as measured in accordance with the Broad Based Black Economic Codes of Good Practice.

7) Corporate governance

The Group recognises the need to conduct its business with integrity, transparency and equal opportunity and subscribes to the spirit of good corporate governance as set out in the King Report

8) Subsequent events

No events material to the understanding of the report have occurred in the period between the period end date and the date of the report.

9) Dividends

No interim dividend is proposed for the period under review.

For and on behalf of the Board

CD Biddlecombe

Chairman
Midrand
19 February 2008

AJ Fourie

Chief Executive Officer

Registered office:

Pinnacle Park
269 16th Road
Randjiespark
Midrand

Transfer Secretaries

Computershare Investor
Services 2004 (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001

Executive Directors

AJ Fourie (Chief Executive Officer)
TAM-Tshivhase
H Coetzee (Chief Financial Officer)

Non-Executive Directors

CD Biddlecombe (Chairman)
A Tugendhaft
PM Moyo
HG Motau

Sponsor

Deloitte & Touche Sponsor Services (Pty) Ltd

Auditors

BDO Simama Inc
13 Wellington Road
Parktown
2193

GROUP INCOME STATEMENT

	6 months ended 31 Dec 2007 Unaudited R '000	6 months ended 31 Dec 2006 Unaudited R '000	12 months ended 30 Jun 2007 Audited R '000
Revenue	974 372	728 867	1 715 844
Cost of sales	(804 151)	(615 082)	(1 440 292)
Gross profit	170 221	113 785	275 552
Operating expenses	(96 447)	(59 592)	(161 145)
Recovery of bad debt			
BEE transaction charges			
EBITDA	73 774	54 193	114 407
Depreciation	(2 476)	(2 381)	(5 336)
Impairment of intangible assets	(77)	(519)	(563)
Operating (loss) / profit before interest	71 221	51 293	108 508
Investment income	2 702	2 513	4 794
Finance costs	(3 102)	(4 883)	(7 729)
Net profit before taxation	70 821	48 923	105 573
Taxation	(19 830)	(15 902)	(30 246)
Net profit for the period	50 991	33 021	75 327
Attributable to			
Ordinary shareholders	51 106	32 825	74 754
Minority shareholders	(115)	196	573
Performance per share			
Earnings per share (cents)			
- Normal	34.3	22.1	51.2
Headline earnings per share (cents)			
- Normal	34.3	22.5	51.6
- Fully diluted	28.0	18.5	42.2
Reconciliation of headline earnings			
Net profit for the period attributable to Ordinary shareholders	51 106	32 825	74 754
Add back			
- BEE transaction costs			
- Impairment of intangibles	77	519	563
Headline earnings - Normal	51 183	33 344	75 317
Add back			
- Deemed finance charges less taxation	1 099	1 022	2 042
Headline earnings - Fully Diluted	52 282	34 366	77 359
Shares in issue			
- Weighted average	149 186	148 425	146 079
- Fully diluted	186 467	185 707	183 361
Returns			
- Gross profit	17.5%	15.6%	16.1%
- EBITDA	7.6%	7.4%	6.7%
- Net profit	5.2%	4.5%	4.4%

SEGMENTAL REPORT

Group	6 months	6 months	12 months
	ended	ended	ended
	31 Dec 2007	31 Dec 2006	30 Jun 2007
	Unaudited	Unaudited	Audited
	R '000	R '000	R '000
Revenue			
Pinnacle Micro	538 606	482 119	1 027 495
WorkGroup	361 560	239 362	586 385
RentNet	14 008	7 386	26 560
DataNet	60 154		75 382
Holdings and properties	44		22
Total Group	974 372	728 867	1 715 844
EBITDA			
Pinnacle Micro	51 055	39 142	79 340
WorkGroup	16 669	13 581	23 469
RentNet	4 126	2 215	6 234
DataNet	(1 087)		4 918
Holdings and properties	3 011	(745)	446
Total Group	73 774	54 193	114 407
Assets			
Pinnacle Micro	366 573	318 426	318 148
WorkGroup	239 552	168 317	239 927
RentNet	15 835	12 212	12 471
DataNet	33 734		48 513
Holdings and properties	60 604	48 050	43 092
Total Group	716 298	547 005	662 151
Liabilities			
Pinnacle Micro	(274 384)	(260 978)	(233 548)
WorkGroup	(205 366)	(150 299)	(216 342)
RentNet	(9 019)	(9 727)	(7 497)
DataNet	(37 684)		(51 754)
Holdings and properties	50 740	50 851	59 398
Total Group	(475 713)	(370 153)	(449 743)

GROUP BALANCE SHEET

	6 months ended 31 Dec 2007 Unaudited R '000	6 months ended 31 Dec 2006 Unaudited R '000	12 months ended 30 Jun 2007 Audited R '000
ASSETS			
Non-current assets	112 688	101 647	105 719
Property, plant and equipment	49 351	44 213	48 742
Intangible assets	46 659	39 931	41 146
Interest in subsidiaries		4 478	
Trust loans	11 733	12 120	12 633
Deferred taxation	4 945	905	3 198
Current Assets	603 610	445 358	556 432
Inventories	211 595	177 446	152 988
Trade and other receivables	369 283	220 937	315 252
Cash and cash equivalents	22 732	46 975	88 192
Total assets	716 298	547 005	662 151
EQUITY AND LIABILITIES			
Capital and reserves	245 855	175 319	217 174
Share capital and premium	165 704	184 318	184 337
Treasury shares	(3 971)		
Non-distributable reserves	5 274	5 208	5 102
Put option	1 910	1 910	1 910
Accumulated (loss) / profit	76 938	(16 117)	25 825
Minority shareholders' interest	(5 270)	1 533	(4 766)
Non-current liabilities			
Interest-bearing liabilities	45 272	39 126	51 030
Current liabilities	430 441	331 027	398 713
Trade and other payables	367 736	284 958	357 477
Short-term loans			
Current portion of interest-bearing liabilities	10 848	10 670	4 375
Warranty provisions	9 361	8 302	8 713
Taxation	42 496	27 097	28 148
Total equity and liabilities	716 298	547 005	662 151
Valuation per fully diluted share			
- Net asset value per share (cents)	128.8	94.7	113.7
- Net tangible asset value per share (cents)	103.8	73.3	91.6
- Fully diluted number of shares in issue at the end of the period	186 834	186 834	186 882
Working capital management			
- Inventory days	47.4	52.8	38.8
- Debtors days	59.8	48.7	58.0
- Creditors days	72.2	73.2	78.4
Liquidity and solvency			
- Debt ratio	15.8	14.0	13.0
- Current asset ratio	1.40	1.35	1.40
- Acid test ratio	0.91	0.81	1.01

SUMMARISED GROUP CASHFLOW STATEMENT

Abridged cashflow statement	6 months ended 31 Dec 2007 Unaudited R '000	6 months ended 31 Dec 2006 Unaudited R '000	12 months ended 30 Jun 2007 Audited R '000
Cash and Cash equivalents at the beginning of the period	88 192	166 190	166 190
Cash from operations	74 801	51 650	113 280
Cash utilised in working capital	(101 730)	(118 577)	(113 385)
Taxation paid	(7 238)	(5 320)	(21 438)
Distribution to shareholders	(18 891)	(13 034)	(12 362)
Cash utilised in investing activities	(9 145)	(6 983)	(16 240)
Increase in third party liabilities	714	(33 551)	(14 938)
Treasury shares acquired	(3 971)	6 600	(12 915)
	<u>22 732</u>	<u>46 975</u>	<u>88 192</u>

STATEMENT OF CHANGES IN EQUITY

Group	Share capital R '000	Share premium R '000	Treasury shares R '000	Non-distributable reserves R '000	Put option R '000	Accumulated (loss) / profit R '000	Ordinary shareholders total R '000	Minority interest R '000	Total equity R '000
Balance at 30 June 2006 - Audited	1 868	182 455	(6 572)	8 987	1 910	(35 883)	152 765	1 492	154 257
Issue of shares	1	28					29	(58)	(29)
Share issue expenses		(34)					(34)		(34)
Net profit for the year						32 825	32 825	196	33 021
Treasury shares bought			9 387				9 387		9 387
Treasury shares issued			(2 815)				(2 815)		(2 815)
Deferred tax on deemed interest				(3 799)			(3 799)		(3 799)
Profit on sale of subsidiary									
Acquisition of minority shareholders portion of non distributable reserves									
Dividends declared						(13 059)	(13 059)	(97)	(13 156)
Reallocation of shareholders loan									
Movement in foreign currency translation reserve				20			20		20
Balance at 31 Dec 2006 - Unaudited	1 869	182 449		5 208	1 910	(16 117)	175 319	1 533	176 852
Issue of shares		19					19	(49)	(30)
Amabubesi Investments (Pty) Ltd									
Financial Liability									
Net profit for the year as previously reported						41 929	41 929	377	42 306
BEE transaction Charges									
Treasury shares bought									
Treasury shares issued									
Profit on sale of subsidiary									
Treasury shares bought									
Dividends declared						1	1		1
Reallocation of shareholders loan									
On acquisition of DataNet Infrastructure Group (Pty) Ltd								(6 627)	(6 627)
Movement in foreign currency translation reserve				(106)		12	(94)		(94)
Balance at 30 June 2007 - Audited	1 869	182 468		5 102	1 910	25 825	217 174	(4 766)	212 408
Issue of shares	2	73					75	(205)	(130)
Share issue expenses									
Net profit for the year						51 106	51 106	(115)	50 991
Treasury shares bought			(3 971)				(3 971)		(3 971)
Treasury shares issued									
Dividends received						87	87		87
Dividends declared								(184)	(184)
Share premium reduced		(18 708)					(18 708)		(18 708)
Reallocation of shareholders loan									
Movement in foreign currency translation reserve				172		(80)	92		92
Balance at 31 December 2006 - Unaudited	1 871	163 833	(3 971)	5 274	1 910	76 938	245 855	(5 270)	240 585