PINNACLE HOLDINGS

Technology Delivered™

(Registration number 1986/000334/06)
Share code: PNC • ISIN: ZAE000022570
("Pinnacle" or "the Group" or "the Company")

UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2012

R3.1 billion	R229 million	R149 million	93.8 cents
Revenue	EBITDA	NPAT	HEPS
up 14.5%	up 16.1%	up 14.6%	up 19.8%

www.pinnacleholdings.co.za

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
Revenue	**3 126 104**	2 731 187	5 844 592
Cost of sales	**(2 638 635)**	(2 300 686)	(4 936 620)
Gross profit	**487 469**	430 501	907 972
Operating expenses	**(258 834)**	(233 566)	(488 635)
Selling expenses	**(21 245)**	(28 361)	(44 590)
Employee expenses	**(200 394)**	(177 548)	(364 397)
Administration expenses	**(42 613)**	(40 732)	(84 877)
Gain on discounting of finance lease agreements	**7**	1 209	1 535
Profit on foreign exchange	**5 411**	11 866	3 694
EBITDA *	**228 635**	196 935	419 337
Depreciation and amortisation	**(9 167)**	(7 698)	(18 662)
Net (reversal of impairment)/ impairment of intangible assets	**–**	(191)	315
Operating profit before interest	**219 468**	189 046	400 990
Net finance costs	**(10 112)**	(3 872)	(20 386)
Investment income	**22 454**	8 964	22 633
Interest paid	**(32 566)**	(12 836)	(43 019)
Profit before taxation	**209 356**	185 174	380 604
Taxation	**(60 460)**	(55 213)	(98 253)
Net profit for the period	**148 896**	129 961	282 351
Other comprehensive income			
Items that can be reclassified into profit or loss:			
Exchange differences from translating foreign operations	**236**	500	286
Total comprehensive income for the period	**149 132**	130 461	282 637
Attributable to:			
Owners of the Company	**148 426**	130 455	280 514
Non-controlling interests	**706**	6	2 123

RECONCILIATION OF HEADLINE EARNINGS

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
Net profit for the period	**148 896**	129 961	282 351
Less: Attributable to non-controlling interests	**(706)**	(6)	(2 123)
Impairment of goodwill	**–**	–	69
Reversal of prior impairment after taxation	**–**	–	(276)
Reversal of prior impairment	**–**	–	(384)
Less: Taxation thereon	**–**	–	108
Profit on sale of property, plant and equipment net of taxation	**(91)**	(333)	(339)
Headline earnings	**148 099**	129 622	279 682
Weighted average number of shares in issue ('000)	**157 890**	165 568	159 721

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

FINANCIAL REVIEW

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
Performance per share (cents)			
Earnings (normal and fully diluted)	**93.9**	78.5	175.4
Headline earnings (normal and fully diluted)	**93.8**	78.3	175.1
Returns (%)			
Gross profit	**15.6**	15.8	15.5
Operating expenses	**8.3**	8.6	8.4
EBITDA *	**7.3**	7.2	7.2
Effective tax rate	**28.9**	29.8	25.8
Net profit	**4.8**	4.8	4.8

GROUP CONSOLIDATED ABRIDGED STATEMENT OF CASH FLOWS

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
EBITDA *	**228 635**	196 935	419 337
Changes in working capital	**(196 177)**	(333 461)	(226 042)
Other non-fund flow items	**(801)**	524	(745)
Cash generated by operating activities	**31 657**	(136 002)	192 550
Net finance costs	**(10 112)**	(3 872)	(20 386)
Finance income received	**22 454**	8 964	22 633
Finance expenses paid	**(32 566)**	(12 836)	(43 019)
Tax paid	**(53 338)**	(64 749)	(106 565)
	(31 793)	(204 623)	65 599
Cash flows from investing activities			
Property, plant and equipment acquired	**(63 914)**	(9 610)	(27 035)
Proceeds on disposal of property, plant and equipment	**741**	–	6 398
Acquisition of software and trademarks	**(1 718)**	(3 046)	(7 134)
Acquisition of subsidiaries	**(5 013)**	–	(8 100)
Purchase price	**(25 274)**	–	(8 100)
Less: Due in the future	**20 261**	–	–
Investment in finance lease book	**(70 750)**	(40 149)	(96 145)
Acquisition of non-controlling interests	**–**	(3 500)	(7 400)
	(140 654)	(56 305)	(139 416)
Cash flows from financing activities			
Net decrease in interest-bearing liabilities	**(7 432)**	(60 595)	(65 532)
Repurchase of Amabubesi shares	**–**	(412)	(130 596)
Treasury shares issued and sold	**–**	–	48 980
Short-term loans raised	**99 439**	–	115 384
Decrease in trust loans	**359**	–	–
Dividends paid	**(55 296)**	(38 081)	(39 685)
	37 070	(99 088)	(71 449)
Decrease in net cash/overdraft	**(135 377)**	(360 016)	(145 266)
Net cash/overdraft acquisitions	**998**	–	1 334
Opening net cash/(overdraft)	**(140 247)**	3 685	3 685
Closing net (overdraft)	**(274 626)**	(356 331)	(140 247)
Cash and cash equivalents	**31 075**	37 948	42 459
Overdrafts	**(305 701)**	(394 279)	(182 706)

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
ASSETS			
Non-current assets	**491 332**	266 704	357 144
Property, plant and equipment	**168 292**	107 058	112 189
Intangible assets	**97 782**	63 395	72 060
Long-term loans	**27 855**	–	28 214
Finance lease receivables	**161 815**	29 424	108 562
Deferred taxation	**35 588**	66 827	36 119
Current assets	**2 079 843**	1 777 969	1 862 614
Inventories on hand	**685 103**	684 171	644 431
Inventories in transit	**65 800**	86 696	150 915
Trade and other receivables	**1 243 065**	941 697	987 071
Finance lease receivables	**53 121**	21 363	35 624
Taxation receivable	**1 679**	6 094	2 114
Cash and cash equivalents	**31 075**	37 948	42 459
Total assets	**2 571 175**	2 044 673	2 219 758
EQUITY AND LIABILITIES			
Capital and reserves	**905 002**	717 866	810 813
Share capital and premium	**25 948**	112 024	25 945
Treasury shares	**(42 166)**	(75 297)	(42 166)
Non-distributable reserves	**31 636**	31 782	31 528
Accumulated profits	**884 599**	645 749	791 190
Non-controlling interests	**4 985**	3 608	4 316
Non-current liabilities	**55 785**	59 840	61 436
Interest-bearing liabilities	**36 566**	48 024	43 911
Deferred taxation	**19 219**	11 816	17 525
Current liabilities	**1 610 388**	1 266 967	1 347 509
Trade and other payables	**1 055 805**	844 784	1 021 133
Interest-bearing liabilities	**14 886**	14 331	14 973
Short-term loan	**214 823**	–	115 384
Deferred revenue	**11 423**	9 702	10 460
Taxation payable	**7 750**	3 871	2 853
Bank overdrafts	**305 701**	394 279	182 706
Total equity and liabilities	**2 571 175**	2 044 673	2 219 758
Shares in issue externally ('000)	**157 898**	165 568	157 889
Capital management			
Net asset value (cents)	**573.2**	433.6	513.5
Net tangible asset value (cents)	**511.2**	395.3	467.9
Working capital management			
Investment in working capital	**926 740**	858 078	750 824
Stock days	**52.1**	61.3	52.8
Debtors' days	**63.0**	55.3	52.1
Creditors' days	**63.1**	58.8	66.2

OPERATING SEGMENTS

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
Revenue			
ICT Distribution	**3 050 236**	2 689 454	5 700 098
IT Projects and Services	**68 027**	46 757	154 067
Financial Services	**30 195**	32 666	58 280
Less: Interest received and discounted leases within Financial Services revenue above*	**(14 021)**	(19 968)	(32 760)
Less: Intergroup revenue	**(8 333)**	(17 722)	(35 093)
	3 126 104	2 731 187	5 844 592
Net profit before taxation			
ICT Distribution	**194 555**	171 142	350 609
IT Projects and Services	**8 619**	7 485	16 284
Financial Services	**9 521**	7 493	15 123
Group Central Services	**(3 339)**	(946)	(1 412)
	209 356	185 174	380 604
Net operating assets			
ICT Distribution	**623 138**	405 292	525 934
IT Projects and Services	**22 451**	9 402	16 910
Financial Services	**25 351**	6 038	17 899
Group Central Services	**234 062**	297 134	250 070
	905 002	717 866	810 813

* *Interest earned and profit on discounted leases within Financial Services segment is treated as revenue within that segment, but not in the group consolidated statement of comprehensive income.*

The prior year intra-divisional revenue sales were included in inter-group revenue. It is considered appropriate to reverse sales between entities within one segment from that segment's revenue rather than leaving such revenue in the revenue line and showing it as intergroup revenue. In the current statements, intergroup revenue comprises only sales between segments within the Group. Prior year figures have been restated accordingly.

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Half year 31 Dec 2012 Unaudited R'000	Half year 31 Dec 2011 Unaudited R'000	Full year 30 Jun 2012 Audited R'000
Opening balance	**810 813**	629 374	629 374
Shares issued less acquired and cancelled	**(33)**	16	(86 394)
Comprehensive income for the period	**149 132**	130 461	282 637
Treasury shares issued/(acquired)	**–**	(412)	32 719
On acquisition of shareholding	**–**	(3 492)	(7 838)
Share-based payment reserve	**386**	–	–
Dividends paid	**(55 296)**	(38 081)	(39 685)
Closing balance	**905 002**	717 866	810 813
Attributable to:			
Owners of the Company	**899 594**	714 258	806 497
Non-controlling interests	**4 985**	3 608	4 316

BUSINESS COMBINATIONS

	31 Dec 2012	30 June 2012		
	Devtrade * R'000	**Merqu ** R'000**	**e-Secure *** R'000**	**Total R'000**
Assets				
Property, plant and equipment	**273**	1 811	–	1 811
Intangible assets	–	–	–	–
Deferred taxation	–	64	–	64
Inventories	**782**	387	739	1 126
Trade and other receivables	**3 612**	5 971	–	5 971
Cash and cash equivalents	**998**	1 730	–	1 730
	5 665	9 963	739	10 702
Liabilities				
Interest-bearing liabilities	**(134)**	(1 466)	–	(1 466)
Shareholders' loans	**–**	(2 286)	–	(2 286)
Deferred taxation	**–**	–	–	–
Trade and other payables	**(5 617)**	(4 525)	(119)	(4 644)
Taxation payable	**–**	(817)	–	(817)
Overdrafts	**–**	(396)	–	(396)
	(5 751)	(9 490)	(119)	(9 609)
Net assets acquired	**(86)**	473	620	1 093
Less: Non-controlling interests	**–**	(232)	–	(232)
Goodwill on acquisition	**25 360**	2 759	4 480	7 239
Purchase amount	**25 274**	3 000	5 100	8 100
Turnover since acquisition	**11 302**	24 997	15 898	40 895
Profit before tax since acquisition	**3 188**	1 312	1 341	2 653
Group turnover #	**3 133 817**			5 890 417
Group profit before tax #	**206 125**			384 332

There were no business combinations in the first six months of the previous financial year.

All receivables and inventories acquired in these business combinations were assessed at acquisition and written down to expected net realisable value immediately prior to acquisition so that the values shown herein are net of any additional write-downs deemed necessary.

If Business Combinations had been acquired at the beginning of the year.

* *Devfam Fire Prevention Equipment (Pty) Ltd, trading as Devtrade.*

** *Merqu Communications (Pty) Ltd.*

*** *e-Secure Distribution.*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim financial statements for the six-month period ended 31 December 2012 have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (and in particular, the requirements of International Accounting Standard 34 on Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited, and the South African Companies Act, No 71 of 2008 as amended.

The accounting policies used in the preparation of these unaudited interim financial statements are consistent with those applied in the Company's published audited annual financial statements for the year ended 30 June 2012, except for those amendments to standards that came into effect during the six months under review. These include the amendment to IAS 12 on Deferred Tax: Recovery of Underlying Assets, and the amendment to IAS 1 on the presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, which have been applied in these financial statements for the first time. Neither of these amended policies had any material impact on the Company's accounting policies, nor on the financial statements contained herein.

COMMENTARY

OVERVIEW

The Company is pleased to report a growth in HEPS of 19.8% for the half year. The Board considers this to be a satisfactory result in a period in which there was minimal growth from acquisitive activity and in which trading conditions remained tough due to the economic situation in South Africa and globally. Growth in profits occurred in all Group operations, which highlights the resilience of the entire Group.

FINANCIAL RESULTS

Group turnover increased by 14.5% to R3.1 billion, with all sectors contributing well. Margins were largely the same as last year in overall terms, with the growth in the higher margin Projects and Services division in the mix being offset by significant growth in the lower margin Axiz business and weakness in retail over the pre-December festive period.

Further synergistic benefits were achieved from the merger of Axiz and Workgroup, and the incorporation of the Sharp and Datanet back offices into Pinnacle Africa, which kept overhead growth to only 10.8%, and reduced the overhead to turnover ratio from 8.6% in the first six months of last year to 8.3% in the current period. EBITDA increased accordingly by 16.1% but some of this increase was lost to the cost of higher borrowings in the current period arising out of the repurchase of 17.28 million shares from Amabubesi Technology Holdings (Pty) Ltd ("Amabubesi") at a cost of R130 million, as discussed in prior reports. Although headline earnings only increased by 14.3%, the positive impact of the repurchase of the Amabubesi shares was that the weighted average number of shares in issue was reduced by 4.6% which leveraged the growth in HEPS up to 19.8% versus the corresponding six months in the previous year. HEPS ended on 93.8 cents per share (six months to Dec 2011 – 78.3 cents, and the financial year to June 2012 – 175.1 cents).

DIVISIONAL PERFORMANCE

Distribution grew turnover by 13.4%, and profit before tax by 13.7% year-on-year with a number of large deals being concluded in the last few months of the year. Core ITC spending is holding up well due to new product releases such as Windows 8, and the Group's entry into the mobile computing arena with our offering of tablets and smart phones. Promising growth was experienced in value added areas including security, cabling, racking and automation, which supported margin improvement, but this was somewhat offset by conditions in the retail sector which were tough with both margins and volumes under pressure this year during a disappointing December holiday season. The integration of Axiz and Workgroup is now largely completed, and the combined entity is set for promising future growth.

Projects and Services increased turnover by 45.5% and profit before tax by 15.2%. The difference between this increase and the 29% EBITDA increase was due to depreciation on assets taken on to the segment's books and leased out. Continued investment into this exciting part of the Group continues to show the desired outcome. Additional long-term contracts with annuity income were concluded during this period.

Financial Services increased profit before tax by 27.1%. Centrafin continues to grow its book strongly (now at R215 million from R51 million a year ago and R144 million at the beginning of the last six months). In addition it has built its rental asset pool to R18 million (from R5 million at the beginning of the period). External funding for the book was increased from R50 million to R115 million during the period, but Pinnacle still remains the main provider of capital at R118 million. The intention is for the Financial Services book to be self-funding as far as possible and we are currently investigating various options in this regard, including corporate bond issues and securitisation. Despite the increase in market penetration, Centrafin's margins remain strong and customer defaults are at an all-time low.

FINANCIAL POSITION AND CASH FLOW

Investors will recall that the Group made a strategic decision to commit to a higher investment than usual in inventories in December 2011 to guard against anticipated shortages of hardware at the time. This resulted in an increase in stock days to 61.3 days as at the end of December 2011. The Board is happy to report that the excess stocks have been cleared and stock days at the end of the current period had been reduced to 52.1 days.

Debtors' days have increased from 55.3 days at December 2011 to 63.0 days in December 2012, mainly due to the conclusion of a number of large deals towards the end of the financial period under review. This resulted in a disproportionately higher turnover in the final months of the period and a corresponding temporary increase in the value of trade receivables. The increase in debtors' days does not indicate any deterioration in the aging and collectability of the Group's trade receivables and the situation will rectify in the months immediately following the period-end.

There was a similar impact in creditors' days from 58.8 days to 63.1 days arising out of the same large deals.

The main cash outflows amounted to R267 million, comprising:

- Net interest paid of R10 million,
- Taxation paid of R53 million,
- The annual dividend to shareholders of R55 million,
- An investment in land of R41 million, which will be developed into our new head office over the next two years,
- Other operational capital expenditure of R11 million,
- Further funding of R84 million supplied to Centrafin by the Group and its bankers as it continues to build its financial lease book (R71 million) and its leased asset base (R13 million),
- Initial payments on acquisitions (R5 million), and
- Further repayments on the Axiz acquisition long-term loan (R8 million).

This was funded by operational cash flow of R32 million, funding advanced by Investec to Centrafin of R65 million for its finance book growth, and increases in short-term bank loans and overdrafts of R170 million. Borrowings now comprise R115 million in short-term loans raised for Centrafin's finance lease book and rental asset pool (which now total R233 million), a short-term loan of R90 million pending the Nedbank Preference Share issue, (which is expected take place shortly, thus converting this loan to long-term funding), and overdrafts of R306 million against general banking facilities of R575 million. The Board is satisfied that the Company remains well funded for the next 12 months, particularly as the Company expects to reduce overdrafts as usual during the first quarter as we collect the large deals closed near the period-end and as a consequence of our usual peak sales period in the first calendar quarter of 2013.

CORPORATE ACTIVITY

Pinnacle acquired 100% of the issued share capital of Devfam Fire Prevention Equipment (Pty) Ltd (trading as Devtrade) at a price that will vary between R5 million and R25.3 million depending on the earnings achieved in the two years after acquisition. A payment of R5 million was paid on acquisition and the balance of the purchase price will be paid in two equal annual tranches.

Devtrade is a security business that distributes high-end electronic security products including fire detection and suppression equipment, public address, CCTV and access control infrastructure. It is one of the two appointed Bosch distributors in the country. The acquisition of Devtrade gives critical mass and impetus to our strategic decision to enter the security market.

CHANGES TO THE BOARD OF DIRECTORS

Chris Smyth stepped down from the Board on 1 January 2013 to head up the newly created corporate finance function which has the specific objective of generating acquisitive growth. He has also taken up the post of Company Secretary which required him to resign as a director so that he would be independent of the Board.

Richard D Lyon replaced Mr Smyth as Chief Financial Officer and was appointed to the Board in Mr Smyth's stead.

SUBSEQUENT EVENTS

Pinnacle acquired a 90% share in JAG Engineering (SA) (Pty) Ltd ("JAG") during December 2012 which became effective on 1 January 2013. JAG designs and manufactures server racking which will reduce the reliance on imports and uncertain local supply that Datanet currently faces with this product range. Details of this business combination will be disclosed in the Company's integrated report for the financial year ending 30 June 2013.

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

DIVIDENDS

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

PROSPECTS

Although trading conditions are likely to remain tough, we are reasonably confident that the growth momentum seen in the first half of this year will continue in our existing businesses for the remainder of the financial year. Some of the investments in the value added segments are showing positive signs, which should contribute towards overall Group growth.

The creation of a full time executive post in the corporate finance area of the business illustrates our strategic commitment to growth by acquisition. Acquisitive activity will be targeted at new but allied product ranges and markets that own a higher proportion of the supply chain and therefore generate higher margins. We will also look for new geographies that fit our experience and provide sufficient potential. Acquisitions will only be made on an income accretionary basis to reduce the probability of any short-term penalty to the Company's share price.

Investors are advised the Company's auditors have not reviewed nor reported on any forward-looking statements in this announcement.

For and on behalf of the Board

D Mashile-Nkosi	**AJ Fourie**	Midrand
Chairman	*Chief Executive Officer*	6 March 2013

PINNACLE TECHNOLOGY HOLDINGS LIMITED

Directors:

D Mashile-Nkosi ^ (Chairperson), A Tugendhaft * (Deputy Chairperson), AJ Fourie (Chief Executive), SH Chaba ^, RD Lyon (Chief Financial Officer), TAM Tshivhase, E van der Merwe ^

** (Non-executive)* *^ (Independent non-executive)*

Preparer of results:

RD Lyon CA

Company Secretary:

FC Smyth CA(SA)

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Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd