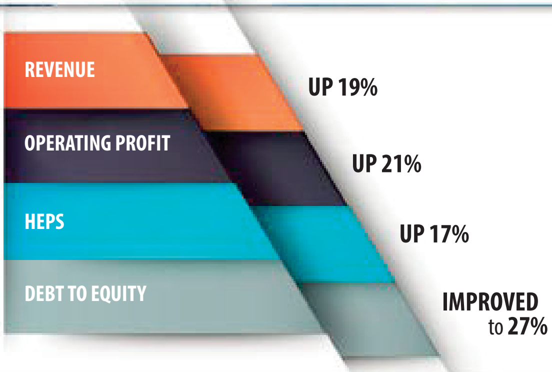
PINNACLE HOLDINGS

Technology Delivered™

UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2015

At a glance



Registration number 1986/000334/06 | Share code: PNC | ISIN: ZAE000184149
("Pinnacle" or "the Group" or "the Company")

www.pinnacleholdings.co.za

Condensed Consolidated STATEMENT OF COMPREHENSIVE INCOME

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Revenue	**4 330 869**	3 638 049	7 987 636
Cost of sales	**(3 773 894)**	(3 112 831)	(6 870 002)
Gross profit	**556 975**	525 218	1 117 634
Operating expenses	**(313 849)**	(317 906)	(653 666)
Selling expenses	**(30 383)**	(33 011)	(71 705)
Employees expenses	**(238 244)**	(242 546)	(491 520)
Administration expenses	**(50 607)**	(48 502)	(97 214)
Gain on discounting of finance lease agreements	**692**	1 442	2 069
Profit on foreign exchange	**4 693**	4 711	4 704
EBITDA *	**243 126**	207 312	463 968
Depreciation and amortisation	**(15 319)**	(15 253)	(31 509)
Impairment of goodwill	**–**	(3 597)	(5 592)
Operating profit before interest	**227 807**	188 462	426 867
Net finance costs	**(48 187)**	(46 362)	(91 445)
Investment income	**6 147**	3 602	7 767
Interest paid	**(54 334)**	(49 964)	(99 212)
Share of equity accounted associate income	**22 039**	17 157	37 915
Profit before taxation	**201 659**	159 257	373 337
Taxation	**(51 155)**	(37 238)	(93 233)
Net profit for the period	**150 504**	122 019	280 104
Owners of the Company	**150 383**	121 881	279 849
Non-controlling interests	**121**	138	255
Other comprehensive income			
Items that will not be reclassified into profit or loss:	**–**	(2 363)	17 181
Loss on property revaluation	**–**	–	22 542
Tax relating to items that will not be reclassified	**–**	(2 363)	(5 361)
Items that can be reclassified into profit or loss:	**4 826**	2 739	6 936
Exchange differences from translating foreign operations	**248**	681	946
Profit on acquisition of non-controlling interest	**–**	–	1 254
Cash flow hedge	**4 578**	2 058	4 736
Total comprehensive income for the period	**155 330**	122 395	304 221
Attributable to:			
Owners of the Company	**155 209**	122 257	303 966
Non-controlling interests	**121**	138	477

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

Reconciliation of HEADLINE EARNINGS

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Net profit for the period attributable to ordinary shareholders	**150 383**	121 881	279 849
Impairment of goodwill	**–**	3 597	5 592
Profit on sale of property, plant and equipment net of taxation	**(579)**	(131)	(270)
Profit on sale of property, plant and equipment	**(804)**	(182)	(375)
Less: Taxation thereon	**225**	51	105
Headline earnings	**149 804**	125 347	285 171
– Total issued less treasury shares	**164 240**	155 922	155 922
– Weighted average	**159 244**	155 922	155 922

FINANCIAL REVIEW

	Half year 31 Dec 2015 Unaudited	Half year 31 Dec 2014 Unaudited	Full year 30 Jun 2015 Audited
Performance per share (cents)			
Basic and diluted earnings per share	**94.4**	78.2	179.5
Headline and diluted headline earnings per share *	**94.1**	80.4	182.9
Dividends	**–**	–	–
Dividend cover	**–**	–	–
Returns (%)			
Gross profit	**12.9**	14.4	14.0
Operating expenses	**(7.2)**	(8.7)	(8.2)
EBITDA **	**5.6**	5.7	5.8
Operating profit before interest and taxation	**5.3**	5.2	5.3
Effective tax rate ***	**28.5**	26.2	27.8
Net profit	**3.5**	3.4	3.5
Return on equity	**17.8**	18.8	20.2

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

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

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

Condensed SEGMENTAL ANALYSIS

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Revenue			
ICT Distribution	**4 262 307**	3 552 729	7 769 806
IT Projects and Services	**–**	81 849	184 491
Financial Services	**71 378**	57 344	120 157
Group Central Services	**–**	–	–
Less: Intra-segmental revenue	**(2 816)**	(53 873)	(86 818)
	4 330 869	3 638 049	7 987 636
Net profit before taxation			
ICT Distribution	**147 312**	123 999	285 768
IT Projects and Services	**–**	3 799	9 740
Financial Services	**27 576**	24 328	47 862
Group Central Services	**26 771**	7 131	29 967
	201 659	159 257	373 337
Net profit after taxation			
ICT Distribution	**106 051**	87 933	203 158
IT Projects and Services	**–**	2 735	6 115
Financial Services	**19 855**	17 516	34 461
Group Central Services	**24 598**	13 835	36 370
	150 504	122 019	280 104
Net operating assets			
ICT Distribution	**1 005 570**	1 025 150	1 091 575
IT Projects and Services	**–**	35 092	39 533
Financial Services	**131 812**	95 013	111 958
Group Central Services	**701 482**	206 781	302 055
	1 838 864	1 362 036	1 545 121

Condensed ANALYSIS OF GOODWILL

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Opening balance	**108 166**	**116 517**	**116 517**
Goodwill re-allocated to assets held-for-sale	**–**	–	(2 759)
Impairments	**–**	**(3 597)**	**(5 592)**
Closing balance	**108 166**	**112 920**	**108 166**
Impairments			
E-Secure	**–**	(3 597)	(3 597)
DSP	**–**	–	(1 995)
	–	**(3 597)**	**(5 592)**

Condensed Consolidated STATEMENT OF FINANCIAL POSITION

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
ASSETS			
Non-current assets	**1 033 319**	969 472	850 660
Property plant and equipment	**62 840**	186 902	67 315
Intangible assets and goodwill	**126 056**	129 793	129 824
Investment in associate	**442 569**	295 757	314 678
Long-term loans	**–**	29 843	–
Finance lease receivables	**369 373**	292 143	311 108
Deferred taxation	**32 481**	35 034	27 735
Current assets	**2 680 863**	2 334 701	2 716 198
Inventories on hand	**942 679**	836 118	781 900
Inventories in transit	**65 495**	75 344	144 455
Assets classified as held-for-sale	**–**	–	208 613
Trade and other receivables	**1 469 469**	1 257 190	1 375 275
Finance lease receivables	**169 132**	127 515	146 452
Taxation receivable	**43**	11 842	2 161
Short-term loans	**2 429**	–	21 217
Cash and cash equivalents	**31 616**	26 692	36 125
Total assets	**3 714 182**	3 304 173	3 566 858
EQUITY AND LIABILITIES			
Capital and reserves	**1 838 864**	1 362 036	1 545 121
Share capital and premium	**112 528**	1 680	1 680
Treasury shares	**(72 856)**	(41 766)	(72 856)
Non-distributable reserves	**61 794**	6 907	57 806
Cash flow hedge reserve	**(2 829)**	(10 085)	(7 407)
Accumulated profits	**1 739 731**	1 401 501	1 565 523
Non-controlling interests	**496**	3 799	375
Non-current liabilities	**35 806**	481 667	20 831
Interest-bearing liabilities	**374**	445 987	437
Non interest-bearing liabilities	**437**	–	–
Derivative financial liability	**–**	19 996	–
Deferred taxation	**34 995**	15 684	20 394
Current liabilities	**1 839 512**	1 460 470	2 000 906
Trade and other payables	**1 302 719**	895 164	1 193 012
Interest-bearing liabilities	**315 177**	51 419	486 388
Derivative financial liability	**19 914**	–	21 958
Short-term loans	**28 501**	149 999	151 078
Deferred revenue	**12 662**	9 650	5 261
Taxation payable	**13 436**	3 870	7 736
Liabilities associated with assets classified as held-for-sale	**–**	–	26 083
Bank overdrafts	**147 103**	350 368	109 390
Total equity and liabilities	**3 714 182**	3 304 173	3 566 858
Capital management			
Net asset value per share (cents)	**1 119.3**	871.1	990.7
Net tangible asset value per share (cents)	**1 042.6**	787.9	907.5
Working capital management			
Investment in working capital (R'000)	**1 162 262**	1 263 838	1 103 357
Days inventory outstanding (excluding in transit)	**44.5**	49.5	31.1
Days sales outstanding	**53.2**	58.8	50.7
Days purchases outstanding	**53.3**	46.6	46.9
Liquidity and solvency			
Debt to equity (%)	**26.71**	74.72	49.80
Current ratio (excluding stock in transit)	**1.47**	1.63	1.39
Acid test (excluding stock in transit)	**0.94**	1.03	0.96

Condensed Consolidated STATEMENT OF CASH FLOWS

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
EBITDA *	**243 126**	207 312	463 968
Changes in working capital	**(58 905)**	(105 249)	28 280
Non-cash flow items	**(1 081)**	14 813	16 492
Cash generated by operating activities	**183 140**	116 876	508 740
Net finance costs	**(48 187)**	(46 362)	(91 445)
Finance income received	**6 147**	3 602	7 767
Finance expenses paid	**(54 334)**	(49 964)	(99 212)
Taxation paid	**(49 744)**	(52 252)	(88 822)
Dividends received from equity accounted investment	**8 170**	–	12 026
	93 379	18 262	340 499
Cash flows from investing activities			
Property, plant and equipment acquired	**(7 334)**	(26 621)	(44 871)
Assets classified as held-for-sale acquired	**(617)**	–	–
Proceeds on disposals of property, plant and equipment	**1 921**	4 431	6 787
Proceeds on disposals of assets classified as held-for-sale	**226 115**	–	–
Acquisition of intangible assets	**–**	(1 740)	(10 529)
Net Investment in finance leases receivable	**(80 945)**	(55 943)	(93 455)
Additional costs incurred on equity accounted investment	**(115)**	–	(4 645)
	139 025	(79 873)	(146 713)
Cash flows from financing activities			
Interest-bearing liabilities raised	**–**	308	444
Interest-bearing liabilities repaid	**(171 274)**	(9 349)	(17 995)
Non-interest bearing liabilities raised	**437**	–	–
Short-term loans repaid	**(103 789)**	(1 048)	7 578
	(274 626)	(10 089)	(9 973)
Decrease in net cash, cash equivalents and overdrafts	**(42 222)**	(71 700)	183 813
Net cash movements related to assets classified as held-for-sale	–	–	(5 102)
Net overdraft at beginning of period	**(73 265)**	(251 976)	(251 976)
Net overdraft at end of period	**(115 487)**	(323 676)	(73 265)

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

Condensed Consolidated STATEMENT OF CHANGES IN EQUITY

	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Opening balance	**1 545 121**	1 234 842	1 234 842
Shares issued	**110 848**	–	–
Profit on disposal of subsidiary	**27 565**	–	–
Comprehensive income for the period	**150 504**	122 019	280 104
Other comprehensive income	**248**	(1 682)	18 127
Cash flow hedge reserve	**4 578**	2 058	4 736
Acquisition of non-controlling interest	**–**	–	(2 286)
Equity-based compensation reserve	**–**	4 799	9 598
Closing balance	**1 838 864**	1 362 036	1 545 121
Attributable to:			
Owners of the Company	**1 838 368**	1 358 237	1 544 746
Non-controlling interests	**496**	3 799	375

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated unaudited interim financial results for the six months ended 31 December 2015 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 includes reasonable judgements and assessments. These accounting policies are consistent with those applied in respect of the audited consolidated annual financial statements for the year ended 30 June 2015. 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 2015, 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.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurements of financial assets and liabilities are analysed as follows:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly.

Level 3 – fair value is determined through the unobservable inputs for the asset or liability.

	Level	Half year 31 Dec 2015 Unaudited R'000	Half year 31 Dec 2014 Unaudited R'000	Full year 30 Jun 2015 Audited R'000
Financial assets				
Trade and other receivables	2	**1 457 596**	1 210 765	1 334 044
Share purchase scheme loans	2	**2 429**	29 843	21 217
Finance lease receivables	2	**538 505**	419 658	457 560
Cash and cash equivalents	1	**31 616**	26 692	36 125
Financial liabilities				
Interest-bearing liabilities	2	**315 551**	497 406	486 825
Derivative financial liability	2	**19 914**	19 996	21 958
Trade and other payables	2	**1 281 187**	895 164	1 107 795

COMMENTARY

INTRODUCTION

The Group presents its condensed consolidated unaudited interim financial results for the six months ended 31 December 2015.

FINANCIAL RESULTS

The Group had a strong first half with revenue growing 19% to R4.3 billion with pleasing growth emanating from our infrastructural products and new technologies divisions. Operating profit margins improved to 5.3% from 5.2% previously, and headline earnings improved by 20% to R150 million. Headline earnings per share were up 17% to 94.1 cents per share ("cps") (H1 2015 : 80.4 cps).

Working capital management was further improved and reduced by 17 days to 44 days from the comparative period's 61 days. Cash flow from operations increased to R183 million (H1 2015: R117 million), and this, together with the sale of properties and sale of Infrasol Proprietary Limited ("Infrasol") and Merqu Communications Proprietary Limited ("Merqu") to Datacentrix Holdings Limited ("Datacentrix"), resulted in the Group's debt to equity ratio reducing to 27% from the comparative period of 75%.

Group profit margin reduced to 12.9% (2014: 14.4%). The reduction in gross margin percentages was brought about through the product mix as the group continues its progress into large technology projects, which typically carry lower margins, and due to the disposal of the services business. Infrasol and Merqu were sold to Datacentrix with effect July 2015 and the removal of their contribution has reduced group margins by 0.5 percentage points. However, operating expenses decreased by 1.3% to compensate for the drop in gross margins referred to above.

Pinnacle announced on SENS on 15 October 2015 that it had acquired a further 20 000 000 shares in Datacentrix for the issue of 7 691 486 Pinnacle shares. This acquisition precipitated a mandatory offer to all Datacentrix shareholders and, by the end of December 2015, a further 1 611 149 Datacentrix shares were acquired for the issue of 619 673 Pinnacle shares, bringing the shareholding in Datacentrix to 46%. Thus, to the end of December 2015, the investment has been accounted for on an equity accounted basis. The additional shares, together with the improvement in Datacentrix earnings, has increased the contribution of the equity accounted income from R17 million for the six months to December 2014 to R22 million for the six months to December 2015. This contribution has helped to increase headline earnings by 20% to R150 million whilst headline earnings per share increased to 94.1 cps (2014: 80.4 cps), an increase of 17.0%, due to the slightly dilutionary nature of the share swap.

DIVISIONAL PERFORMANCE

The Distribution division increased revenue by 20% and net profit after tax by 21%. The division has traded well in a difficult market although gross margins have reduced by one percentage point, due to the focus to gain market share in the infrastructure and enterprise divisions. Cost management was excellent, with increased efficiencies resulting in operating expenses, as a percentage of revenue, decreasing by approximately one percentage point when measured against the prior period, thereby making up for the margin reduction. Markets outside South Africa have been a challenge in this period with a decrease of revenue into Africa of 24% although the sector still represents a significant 12% of Distribution revenue (2014: 16%).

Centrafin increased its revenue by 24% and achieved net profit after tax growth of 13%. Additional planned expenditure was incurred to build further capacity into the business to ensure future growth. The book continues to grow strongly and is now at R564 million from R445 million a year ago. The margins have been maintained and customer defaults continue to be well controlled.

FINANCIAL POSITION AND CASH FLOW

Continued focus on the working capital management paid off. Inventory days reduced to 45 from 50 days at the end of December 2014.

Trade Receivables are by and large well controlled. Daily Sales Outstanding ("DSOs") were at 53 days compared to 59 days at the end of December 2014.

Daily Purchases Outstanding ("DPOs") increased to 53 days (47 days in December 2014) as a result of improved terms negotiated with some of our suppliers and a general focus to improve procurement terms.

The main cash outflows for the six months comprised:

- An increase in Working Capital of R59 million;
- Taxation paid of R50 million;
- Further investment of R81 million into Centrafin's finance book; and
- The repayment of:
  - the R130 million preference share funding;
  - the Samrand land funding of R32 million; and
  - the majority of the short-term loan from Investec of R122 million.

This was made possible through the generation of cash from EBITDA* of R243 million, the sale of the land and properties for approximately R147 million and the proceeds on the sale of Infrasol of R82.5 million.

Borrowings now comprise the domestic medium-term note ("DMTN") programme of R315 million, R28 million in short-term loans, and overdrafts of R147 million. The DMTN bond of R315 million is due to be redeemed on 30 April 2016 and this redemption should be facilitated through funds raised on the securitisation of the Centrafin book. The structure, once finalised, will allow Centrafin to continue to grow their lease book with adequate funding in place for the foreseeable future.

RELATED PARTY TRANSACTIONS

There have not been any reportable related party transactions in the period except for those that are mentioned elsewhere in this report.

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

COMMENTARY continued

SUBSEQUENT EVENTS

On 11 January 2016, the Company announced on SENS that it had acquired a further 19 791 464 Datacentrix shares resulting in Pinnacle's shareholding in Datacentrix increasing to 108 311 512 Datacentrix shares, which represents 55.30% of Datacentrix's total voting shares in issue. With effect from January 2016, the results of Datacentrix will be consolidated.

On 7 December 2015, Pinnacle announced on SENS its intention to acquire 51% of SolarEff (Pty) Ltd ("SolarEff"). All conditions precedent were met on 27 January 2016 and the effective date of the acquisition was 1 February 2016.

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

As previously announced on SENS on 13 November 2015, Pierre Spies was appointed as joint Chief Executive Officer ("CEO") with effect 1 January 2016. Key changes have been made to the Distribution 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 outlook for the year to 30 June 2016 is positive with earnings expected to be above those of June 2015 due to on-going 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. Centrafin will continue to maintain a steady growth with the backing of its securitisation structure and funding. Datacentrix and SolarEff will comprise our services segment and we are excited about their prospects. As part of our ongoing strategy to both diversify and balance our overall business, our investment into new technologies and value-added services businesses will be accelerated. The recent acquisition of SolarEff will further expand our footprint in the rapidly growing renewable energy market and we will be able to drive many synergies across the Group. We will continue to expand this segment of our overall business, both organically and acquisitively over the coming months and years.

STATEMENT OF COMPLIANCE

These condensed consolidated unaudited interim financial results for the 6 months ended 31 December 2015 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
Chairman

AJ Fourie
Chief Executive Officer

Midrand
29 February 2016

PINNACLE HOLDINGS LIMITED

Directors:

A Tugendhaft * (Chairman), AJ Fourie (Joint Chief Executive Officer), P Spies (Joint Chief Executive Officer), RD Lyon CA (Chief Financial Officer), SH Chaba*^, N Medupe *^, B Sibiya *^, E van der Merwe*

** Non-executive ^ Independent non-executive*

Registered Office: The Summit, 269, 16th Road, Randjespark, Midrand, 1685

Preparer of results: RD Lyon CA

Company Secretary: JV Parkin (BCompt(Hons), CTA)

Transfer Secretaries:

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Auditors:

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Sponsor:

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