



Pinnacle Technology Holdings Limited

(Registration number 1986/000334/06) • Share code: PNC
ISIN: ZAE000022570 • ("Pinnacle" or "the Group")
www.pinnacle.co.za

FINANCIAL SUMMARY

| | | |
|-----------------------|-------------------------|-----------------------------|
| Revenue | Operating profit | HEPS |
| increased by | decreased by | decreased by |
| 39% to | 7,3% to | 11,4% to |
| R1,354 billion | R66 million | 30,4 cents per share |

UNAUDITED INTERIM RESULTS for the six months ended 31 December 2008

GROUP INCOME STATEMENT

| | 6 months ended 31 Dec 2008 | 6 months ended 31 Dec 2007 | 12 months ended 30 Jun 2008 |
|---|----------------------------|----------------------------|-----------------------------|
| | Unaudited R'000 | Unaudited R'000 | Audited R'000 |
| Revenue | 1 354 053 | 974 372 | 2 496 300 |
| Cost of sales | (1 139 087) | (804 151) | (2 115 785) |
| Gross profit | 214 966 | 170 221 | 380 515 |
| Operating expenses | (144 617) | (96 447) | (222 121) |
| Selling and distribution | (5 175) | (9 799) | (21 148) |
| Employee expenses | (92 678) | (73 733) | (173 657) |
| Administration | (20 965) | (15 871) | (34 578) |
| Profit and loss on exchange | (25 799) | 2 956 | 7 262 |
| EBITDA | 70 349 | 73 774 | 158 394 |
| Depreciation | (4 095) | (2 476) | (5 317) |
| Impairment of intangible assets | (5) | (77) | (1 357) |
| Amortisation | (248) | - | (453) |
| Operating profit before interest | 66 001 | 71 221 | 151 267 |
| Investment income | 3 758 | 2 702 | 6 053 |
| Finance costs | (6 323) | (3 102) | (10 770) |
| Net profit before taxation | 63 436 | 70 821 | 146 550 |
| Taxation | (17 770) | (19 830) | (41 712) |
| Net profit for the period | 45 666 | 50 991 | 104 838 |
| Attributable to: | | | |
| Ordinary shareholders | 44 269 | 51 106 | 102 882 |
| Minority shareholders | 1 397 | (115) | 1 956 |
| Returns | % | % | % |
| Gross profit | 15,9 | 17,5 | 15,2 |
| EBITDA | 5,2 | 7,6 | 6,3 |
| Net profit | 3,4 | 5,2 | 4,2 |
| Performance per share | | | |
| Earnings per share (cents) | | | |
| - Normal | 30,4 | 34,3 | 69,3 |
| Headline earnings per share (cents) | | | |
| - Normal | 30,4 | 34,3 | 70,0 |
| - Fully diluted | 24,9 | 28,0 | 57,2 |
| Reconciliation of headline earnings | | | |
| Net profit for the period attributable to ordinary shareholders | 44 269 | 51 106 | 102 882 |
| Add back: | | | |
| - Impairment of intangible assets | 4 | 77 | 977 |
| Headline earnings - normal | 44 273 | 51 183 | 103 859 |
| Add back: | | | |
| - Deemed finance charges less taxation | 1 232 | 1 099 | 2 288 |
| Headline earnings - fully diluted | 45 505 | 52 282 | 106 147 |
| Shares in issue ('000) | | | |
| - Weighted average | 145 498 | 149 186 | 148 411 |
| - Fully diluted | 182 779 | 186 467 | 185 693 |

SEGMENTAL REPORT

| | 6 months ended 31 Dec 2008 | 6 months ended 31 Dec 2007 | 12 months ended 30 Jun 2008 |
|-------------------------|----------------------------|----------------------------|-----------------------------|
| | Unaudited R'000 | Unaudited R'000 | Audited R'000 |
| Revenue | | | |
| Pinnacle Micro | 767 326 | 538 606 | 1 464 144 |
| WorkGroup | 487 915 | 361 560 | 854 978 |
| RentNet | 15 543 | 14 008 | 20 441 |
| DataNet | 83 269 | 60 154 | 156 659 |
| Holdings and properties | - | 44 | 78 |
| Total Group | 1 354 053 | 974 372 | 2 496 300 |
| EBITDA | | | |
| Pinnacle Micro | 22 333 | 51 055 | 110 541 |
| WorkGroup | 36 313 | 16 669 | 35 671 |
| RentNet | 4 958 | 4 126 | 5 543 |
| DataNet | 5 077 | (1 087) | 4 584 |
| Holdings and properties | 1 668 | 3 011 | 2 055 |
| Total Group | 70 349 | 73 774 | 158 394 |
| Assets | | | |
| Pinnacle Micro | 502 354 | 366 573 | 445 587 |
| WorkGroup | 341 169 | 239 552 | 337 301 |
| RentNet | 16 701 | 15 835 | 13 599 |
| DataNet | 43 362 | 33 734 | 44 517 |
| Holdings and properties | 70 848 | 60 604 | 67 179 |
| Total Group | 974 434 | 716 298 | 908 183 |
| Liabilities | | | |
| Pinnacle Micro | (372 785) | (274 384) | (316 351) |
| WorkGroup | (276 369) | (205 366) | (290 044) |
| RentNet | (7 058) | (9 019) | (6 003) |
| DataNet | (40 294) | (37 684) | (44 720) |
| Holdings and properties | 27 481 | 50 740 | 30 617 |
| Total Group | (669 025) | (475 713) | (626 501) |

GROUP BALANCE SHEET

| | 31 Dec 2008 | 31 Dec 2007 | 30 Jun 2008 |
|--|-----------------|-----------------|---------------|
| | Unaudited R'000 | Unaudited R'000 | Audited R'000 |
| ASSETS | | | |
| Non-current assets | 127 900 | 112 688 | 126 046 |
| Property, plant and equipment | 58 702 | 49 351 | 56 602 |
| Intangible assets | 54 396 | 46 659 | 52 971 |
| Trust loans | 11 050 | 11 733 | 12 261 |
| Deferred taxation | 3 752 | 4 945 | 4 212 |
| Current assets | 846 534 | 603 610 | 782 137 |
| Inventories | 298 123 | 211 595 | 260 440 |
| Trade and other receivables | 548 882 | 369 283 | 444 498 |
| Cash and cash equivalents | (471) | 22 732 | 77 199 |
| Total assets | 974 434 | 716 298 | 908 183 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | 305 409 | 240 585 | 281 682 |
| Share capital and premium | 167 629 | 167 614 | 167 629 |
| Treasury shares | (18 948) | (3 971) | (18 447) |
| Non-distributable reserves | 7 563 | 5 274 | 7 029 |
| Accumulated (loss)/profit | 151 085 | 76 938 | 128 715 |
| Minority shareholders' interest | (1 920) | (5 270) | (3 244) |
| Non-current liabilities | 50 016 | 45 272 | 48 587 |
| Interest-bearing liabilities | 50 016 | 45 272 | 48 587 |
| Current liabilities | 619 009 | 430 441 | 577 914 |
| Trade and other payables | 596 553 | 367 736 | 544 260 |
| Current portion of interest-bearing liabilities | 10 902 | 10 848 | 10 769 |
| Warranty provisions | 9 421 | 9 361 | 9 498 |
| Taxation | 2 133 | 42 496 | 13 387 |
| Total equity and liabilities | 974 434 | 716 298 | 908 183 |
| Valuation per fully diluted share | | | |
| Net asset value per share (cents) | 168,2 | 132,0 | 155,8 |
| Net tangible asset value per share (cents) | 138,4 | 107,0 | 126,8 |
| Fully diluted number of ordinary shares in issue at the end of the period ('000) | 182 705 | 186 200 | 182 905 |
| Working capital management | | | |
| Inventory days | 47,9 | 47,4 | 38,2 |
| Debtors days | 65,1 | 59,8 | 55,5 |
| Creditors days | 84,1 | 72,2 | 82,4 |
| Liquidity and solvency | | | |
| Debt ratio (%) | 19,5 | 15,8 | 18,7 |
| Current asset ratio | 1,37 | 1,40 | 1,35 |
| Acid test ratio | 0,89 | 0,91 | 0,90 |

SUMMARISED GROUP CASH FLOW STATEMENT

| | 6 months ended 31 Dec 2008 | 6 months ended 31 Dec 2007 | 12 months ended 30 Jun 2008 |
|--|----------------------------|----------------------------|-----------------------------|
| | Unaudited R'000 | Unaudited R'000 | Audited R'000 |
| Cash and cash equivalents at the beginning of the period | 77 199 | 88 192 | 88 192 |
| Cash from operations | 67 666 | 74 801 | 151 765 |
| Cash utilised in working capital | (89 774) | (101 730) | (14 084) |
| Taxation paid | (28 600) | (7 238) | (59 466) |
| Distribution to shareholders | (21 972) | (18 891) | (18 891) |
| Cash utilised in investing activities | (7 866) | (9 145) | (49 147) |
| Increase in third party liabilities | 2 876 | 714 | 1 542 |
| Treasury shares acquired | - | (3 971) | (22 712) |
| Cash and cash equivalents at the end of the period | (471) | 22 732 | 77 199 |

GROUP STATEMENT OF CHANGES IN EQUITY

| | 6 months ended 31 Dec 2008 | 6 months ended 31 Dec 2007 | 12 months ended 30 Jun 2008 |
|--|----------------------------|----------------------------|-----------------------------|
| | Unaudited R'000 | Unaudited R'000 | Audited R'000 |
| Opening balance | 281 682 | 212 408 | 212 408 |
| Issue of shares | - | 75 | 89 |
| Net profit for the period | 44 269 | 51 106 | 102 882 |
| Treasury shares bought | (501) | (3 971) | (22 823) |
| Treasury shares issued | - | - | 4 376 |
| Dividends received/(declared) | (21 899) | 86 | 90 |
| Share premium reduction | - | (18 707) | (18 707) |
| Revaluation of property | - | - | 2 599 |
| Deferred tax on revaluation | - | - | (364) |
| Movement in foreign currency translation reserve | 534 | 92 | (390) |
| Movement in minority shareholders' interest | 1 324 | (504) | 1 522 |
| Total | 305 409 | 240 585 | 281 682 |

COMMENTS

INTRODUCTION

Pinnacle is a diversified Information and Communications Technology distribution group, active in all areas of ICT hardware, software and services. We offer a world-class selection of international branded products including Microsoft, VMWare, Sony, Apacer, Hewlett-Packard, Intel, Dell and IBM, along with our own Proline range of ICT equipment.

Product and services sales are handled through individual focused business units, each with its own area of expertise.

RESULTS OF OPERATIONS

During the six months ended 31 December 2008, Group revenue increased by 39% to R1,354 billion compared to the corresponding six-month period to 31 December 2007.

Pinnacle Micro

Revenue increased by 42% to R767,3 million, as all lines of business achieved revenue and gross profit targets, apart from the Government unit, which was refocused to recapture service delivery in H2 2009.

In line with expectations, the addition of tier-one brands into the Pinnacle portfolio had a dilutionary impact on gross profit margins. Reduced technical support cost on these product sets and improved efficiencies have however contributed to realise an adjusted EBITDA (adjusted for the exceptional foreign exchange loss below) of 7,1% (31 December 2007: 9,5%).

The extraordinary devaluation of the South African Rand in October 2008 gave rise to a material foreign exchange loss of R33 million in this business unit. The policy utilised and successfully applied prior to this event has been assessed by the Pinnacle Board and revised to consider maximum exposure parameters, whereby exposure to currency fluctuations is limited.

WorkGroup

WorkGroup's impressive EBITDA earnings of R36,3 million for the half year ended 31 December 2008 (31 December 2007: R16,6 million) originate from the successful roll-out of virtualisation technologies, the conclusion of several large projects and the devaluation of the South African Rand. Sole distribution rights were acquired for certain international software brands, recurring revenue streams were doubled from a relatively modest base and logistical, rental and other administrative costs were contained to realise a material improvement in EBITDA margins of 89,7% from 3,9% (31 December 2007) to 7,4%.

RentNet

A refocused RentNet posted good gains to recover to pre-H2 2008 revenue levels, recapturing market share in the technology rentals and conferencing support markets. Interpretation and translation equipment was added to the rental fleet, which was utilised to good effect in the African and Sixth African Ministers conferences.

DataNet

DataNet again contributed solid results, concentrating on consolidating its market share, improving internal efficiencies, stock management and margin protection during the six months to 31 December 2008, realising gross profit growth of 71% against H1 2008.

CASH FLOW

The Group investment in working capital increased by R89,8 million to R250,4 million, as collective days sales outstanding increased to 65 days over the traditionally tough December collection period. Collections were and continue to be compounded by a marked tightening of cash flow in the market and settlement extensions requested by certain retail and government clientele over the December period.

In addition to the attention afforded to manage stock and collect debt, the Pinnacle Board will continue to review facilities available to the Group to ensure these remain adequate for the operational needs of the Group.

PROSPECTS

Our expectations for the remainder of the year are moderated by the volatility of the Rand and the effects of the global markets on South Africa. Whilst operations are manageable at current exchange levels, further deterioration of the South African Rand, should it occur, is expected to impact ICT spending in the SME and retail segments.

Global market conditions have effectively limited and, in certain cases, cancelled bank facilities previously available to our customers. The lack of cash in the market is thus expected to impact negatively on collection terms and may lead to an increase in collection charges over the remainder of the year.

Significant potential, however, remains. Attention will be afforded to develop annuity-based revenues and to market, distribute and support technologies that drive down overall cost of ICT ownership, targeted at our government and corporate customer base. New, small form factor notebooks, known as Netbooks, have introduced affordable, portable ICT solutions to value market segments, and tier-one servers introduces another product set with which to target the corporate market segment. Government continues to invest in the education of citizens through investment in IT infrastructure. Value-added solutions to address government initiatives in education, law enforcement and home affairs require ongoing commitment and support, which Pinnacle is ready to provide on a national basis.

CORPORATE ACTIVITY

The acquisition of Tri-Continental Distribution (Pty) Limited was finalised during the period under review.

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 Listings Requirements of the JSE Limited and the South African Companies Act. These accounting policies are consistent with the policies employed in the preparation of the audited financial results for the year ended 30 June 2008.

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 II Report.

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.

DIVIDENDS

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

For and on behalf of the Board

CD Biddlecombe **AJ Fourie** Midrand
Chairman Chief Executive Officer 23 February 2009

Directors: CD Biddlecombe* (Chairman), AJ Fourie (Chief Executive Officer), H Coetzee (Chief Financial Officer), HG Motau*, PM Moyo*, TAM Tshivase, A Tugendhaft* (Non-executive)

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

Transfer Secretaries: Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001

Auditors: BDO Simama Inc., 13 Wellington Road, Parktown, 2193

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited

PEOPLE | PRODUCT | PASSION

