Poynting
Holdings Limited

UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Group Commentary

Headlines

- DS REVENUE INCREASED BY 13% TO R42 MILLION
- CASH ON HAND OF R75.8M
- AUCOM MANAGEMENT IS OPTIMISTIC THAT THEY WILL ACHIEVE THEIR PROFIT WARRANTY FOR THE FULL YEAR
- DISPOSAL OF THE LOSS MAKING BUSINESSES HAS SIMPLIFIED THE GROUP AND POSITIONED IT FOR GROWTH
- THE HALF YEAR RESULTS ARE IMPACTED BY THE R25.2 MILLION FAIR VALUE ADJUSTMENT OF THE DEFERRED CONSIDERATION SHARES ISSUED TO THE VENDORS OF AUCOM. THIS COMMENTARY SHOULD BE READ WITH CARE AS TO UNDERSTAND THE UNDERLYING COMPANY PERFORMANCE.
- HEADLINE EARNINGS PER SHARE POSITIVE, HOWEVER THE ADJUSTED HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS DECREASED FROM 10.77 TO 5.26 CENTS PER SHARE

Introduction & Company Overview

As announced on 22 December 2014, and as further detailed in the Circular distributed to shareholders on 20 February 2015, the loss making segments comprising of Commercial cellular end user antennas ("Commercial"), Cellular Coverage Solutions ("CCS") and New Business ("SkunkWorks"), collectively referred to as "Compart", were disposed of to the former CEO Dr André Fourie.

The board believes that the sale of the Compart businesses was the best way forward for the Group. Doubt existed around the feasibility of the Compart businesses and more importantly, the investment that would be required in order for these businesses to switch over from loss-leaders to that of significant profit contributors to the group.

The sale results in a much more profitable and focused Group. It is important to note that the remaining businesses have the DNA and innovation which Poynting is known for and in which we have built a track record of innovating profitably. The group is now positioned around what we are good at.

The simplified Group consists of:

<u>Defence and Specialised ("DS")</u>

DS designs and manufactures specialised broadband antennas as well as other related radio frequency products. DS' products sell in the electronic warfare, frequency spectrum monitoring, communication, test and measurement, and other specialised markets. Our clients are located across the globe, mostly outside of South Africa (Americas, Europe and Asia) and operate mainly in the homeland security market space as well as system integrators and frequency spectrum regulators.

<u>Digital TV ("Aucom")</u>

Aucom provides end to end solutions for radio and TV broadcasters. It designs, sells and implements integrated broadcasting systems and has specific expertise in digital television distribution, multiscreen as well as over-the-top (OTT) systems. Aucom is well positioned to assist broadcasters with the migration to digital television and radio services across Africa. A large increase is also expected in private content providers, private TV companies and private broadcasters.

Results Overview

Total comprehensive income for the six months for the group was R27.7 million, compared to R3.8 million in the comparative period, however, the financial results for the half year include items which are not representative of the performance of the underlying operations:

1. The single largest distortion of the results is the complex accounting treatment of the African Union Communications Proprietary Limited ("Aucom") deferred purchase consideration shares, which for this period generated a R25.2 million profit due to the decline of the Poynting share price from 290c to 239c.
2. The disposal of the Compart businesses resulted in a profit of R2.4 million. The Compart businesses were disposed of for a consideration of R35.8 million which is to be settled by the repurchase of 14 million shares at 256c per share. The group net assets disposed of amounted to R33.4 million.
3. The disposed Compart operations are classified as discontinued, and are disclosed separately. The discontinued operations generated a loss of R6.5 million in the half year (2013: loss of R6.1 million).

If we eliminate the impact of these transactions, the group's performance is as follows

Reconciliation of Total Comprehensive Income	Unaudited six months ended 31 Dec 14 R'000	Unaudited six months ended 31 Dec 13 R'000	Audited Year ended 30 Jun 14 R'000
Profit after Tax			
Defence	8,542	10,432	16,214
Digital TV	271	-	(3,302)
Corporate and consolidation	(2,245)	(507)	(3,941)
Profit after tax for continuing operations	6,568	9,925	8,972
1. Fair value adjustments	25,245	-	(9,404)
2. Profit on sale of disontinued operations	2,395	-	-
3. Losses incurred by discontinued operations	(6,463)	(6,139)	(11,680)
Impairment of goodwill	-	-	(95,046)
Total comprehensive income	27,745	3,786	(107,158)

	Unaudited six months ended 31 Dec 14 R'000	Unaudited six months ended 31 Dec 13 R'000	Audited Year ended 30 Jun 14 R'000
Headline Earnings per Share			
Headline Earnings	25,341	3,781	(12,112)
Weighted average number of shares *	124,587,719	92,140,231	105,484,979
Headline Earnings per Share (cents)	20.34	4.10	(11.48)
Adjusted Headline Earnings per Share - Continuing Operations			
Adjusted Headline Earnings - Continuing Operations	6,558	9,920	8,972
Weighted average number of shares *	124,587,719	92,140,231	105,484,979
Adjusted Headline Earnings per Share (cents)	5.26	10.77	8.51

* before the 14 million shares to be bought back following the Compart transaction

The increase in headline earnings per share looks positive, however the adjusted headline earnings per share from continuing operations decreased from 10.77 cents to 5.26 cents due to the combination of the impact of the decline in earnings from continuing operations (discussed below) and the increase in the weighted average number of shares in issue.

Business Overview

Defence & Specialised ("DS")

The DS business continued to deliver good growth with revenue increasing by 13% to R42.4 million and maintaining gross margins. DS continued to be a leader in product innovation, adding 36 (2013: 15) new products to its portfolio in the six months to support revenue growth. By comparison, the discontinued operations added 5 (2013: 9) products in the same period.

Profit after tax was a healthy R8.5 million, this was 18% (R1.9 million) lower than that recorded in the same period last year. During the 2013 calendar year DS experienced growth which necessitated further investment in order to sustain the business. A number of initiatives were launched during 2013 in order to achieve this. Apart from the growth in headcount from 77 to 92 (increasing the salary bill by R2.5 million for the period); the business moved from its old premises in Wynberg into a far more fit for purpose set of buildings in Centurion; there was investment into a new spray booth facility, and the ERP system was upgraded. Further cost increases are not anticipated in the second half of this financial year.

Digital TV ("Aucom")

Digital TV performance in the half year was impacted by a R50.2 million imminent order (true to its lumpy nature) that was received only early in January 2015. The business was able to realise a small profit in the half year and Aucom management is optimistic that they will achieve their profit warranty for the full year. The market conditions for Digital TV infrastructure rollout in Africa remain robust.

Corporate and Consolidation

The six month period results contain a number of additional costs which were incurred at the corporate and consolidation level. This is the first period where the group carried the full burden of the amortisation of intangibles in respect of the Aucom acquisition amounting to R1.1 million. A complex year end resulted in additional audit fees of R0.7 million being incurred, as well as the enhancement of the head office team through the appointment of a chief operating officer and a new financial director. A number of initiatives are being looked at to reduce the group overhead costs, however shareholders need to take note that significant costs will be included in the second half in respect of the ARA transaction.

Discontinued Operations

The Discontinued Operations comprising of the Compart businesses were disposed of on 22 December 2014. Their results were consolidated into the Group up to 31 December 2014.

Despite a revenue growth of 58%, these operations recorded a loss of R6,5 million as a result of low margins.

Prospects

The Compart Transaction results in reduced complexity for the Group, which better equips the Group to focus on what it is good at. The focus for the next 6-12 months will be to ensure growth and improved profitability of the DS and Aucom businesses.

DS

DS has consistently grown turnover and profits since its establishment in 2005. The operational EBIT has grown with a CAGR (Cumulative Annual Growth Rate) of more than 25% over the past 8 years. Organic growth is stimulated and achieved through the continuous drive towards adding of new and innovative products into the product portfolio. Further opportunities for growth are achieved by adding new system houses, distributors and agents, diversifying territories and entering into new market segments where our core competencies find application. Management believes DS still has significant potential for organic growth. The immediate and biggest opportunity is the US market, which is facilitated through the ARA acquisition.

DS has invested in its capacity for growth. This should be reflected in future results, with a large confirmed order book and a pipeline which extends into the next financial year.

Aucom

Aucom secured a big order during January 2015. This together with its pipeline should enable it to meet its warranted minimum net profit after tax of R12.5 million for this financial year. The Africa pipeline continues to offer significant potential, but due to the long sales cycles it is probable that these will not be realised in the next half year. Digital TV migration remains slow due to long approval processes at state broadcasters but provides good opportunity for the next 3-5 years. There are also numerous new private operators in Africa which together with the installation of more complex equipment with more frequent upgrades allows for more 'maintenance' revenue.

The Group

The Group's performance is dependent on a significant portion of revenue associated with long sales cycles coupled with that of three to six month delivery cycles. In order to mitigate this, the group continues to expand its regional and product diversity.

Assuming successful conclusion of the ARA acquisition, the group will have reached a long time goal to secure a USA footprint to support the DS product range and distribution potential. The current focus is to bed down the acquisition whilst ensuring the profitable organic growth of our DS and Aucom businesses. Although not an immediate priority, we will remain on the lookout to secure a footprint into Europe and further identify companies which fit our market profile and provide synergies to the Group.

Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013 Restated#	Restated# Year ended 30 June 2014
Continuing Operations			
Revenue	75 437	37 566	95 862
Cost of sales	(33 983)	(9 122)	(47 378)
Gross profit	41 454	28 444	48 484
Operating expenses	(32 850)	(15 161)	(37 993)
Trading Operating profit ##	8 604	13 283	10 491
Investment income	1 605	124	797
Fair value adjustments	25 245	-	(9 404)
Impairment of goodwill	-	-	(95 046)
Finance costs	(1 565)	(22)	(66)
Profit /(loss) before taxation	33 889	13 385	(93 228)
Taxation	(2 077)	(3 460)	(2 250)
Profit /(loss) from continuing operations	31 812	9 925	(95 478)
Discontinued Operations ###			
Revenue	25 189	15 889	36 264
Cost of sales	(15 477)	(6 678)	(14 611)
Gross profit	9 712	9 211	21 653
Operating expenses	(15 875)	(18 292)	(39 079)
Trading Operating (loss) / profit	(6 163)	((9 105)	(17 426)
Investment income	38	32	217
Profit on disposal of discontinued operations	2 395	-	-
Finance costs	(1 279)	(57)	(96)
(Loss) / profit before taxation	(5 009)	(9 106)	(17 305)
Taxation	942	2 967	5 625
(Loss) / profit from discontinued operations	(4 067)	(6 139)	(11 680)
Other comprehensive income	-	-	-
Total comprehensive income	27 745	3 786	(107 158)
Weighted average number of ordinary shares in issue	124 587 719	92 140 231	105 484 979
Weighted average number of diluted ordinary shares in issue	197 004 274	94 824 085	113 742 087
Basic earnings per ordinary share (cents)	22,27	4,11	(101,59)
Diluted basic earnings per ordinary share (cents)	1,27	3,99	(85,94)
Headline earnings per ordinary share (cents)	20,34	4,10	(11,48)
Diluted headline earnings per ordinary share (cents)	0,05	3,99	(2,38)

Refer note 4.1

Trading operating profit/(loss) comprises sale of goods, rendering of services and directly attributable costs, but excludes investment income, fair value adjustments, impairment of goodwill and finance costs.

Refer notes 3 and 4.1

Condensed Consolidated Statement Of Financial Position

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013 Restated#	Audited Year ended 30 June 2014
Assets			
Non-Current Assets			
Plant and equipment	5 463	5 116	6 778
Goodwill	55 457	2 207	55 457
Intangible assets	13 900	10 918	24 707
Investment in joint venture	-	-	2 964
Deferred tax assets	-	1 120	280
	74 820	19 361	90 186
Current Assets			
Inventories	12 056	17 682	23 641
Other financial assets	3 500	-	5 630
Current tax receivable	3 236	-	3 191
Trade and other receivables	85 843	20 864	30 994
Cash and cash equivalents	75 843	36 892	85 871
	180 478	75 438	149 327
Total Assets	255 298	94 799	239 513
Equity and Liabilities			
Equity			
Equity attributable to owners of the Company			
Share capital & share premium	231 159	52 299	231 159
Preference share equity	889	-	889
Share-based payment reserve	123	123	123
Acquisition reserve-contingent consideration	(134 145)	-	(134 145)
(Accumulated loss) / Retained earnings	(57 938)	25 261	(85 683)
Total equity	40 088	77 683	12 343
Liabilities			
Non-Current Liabilities			
Loans and borrowings	157	426	114
Preference share liability	50 111	-	50 111
Liability for contingent consideration	118 305	-	143 550
Other financial liabilities	-	4 000	-
Deferred tax liabilities	3 852	682	1 957
	172 425	5 108	195 732
Current Liabilities			
Bank overdraft	-	-	50
Loans and borrowings	-	-	1 908
Trade and other payables	40 953	8 745	27 168
Current tax payable	-	1 217	9
Provisions	1 832	2 046	2 303
	42 785	12 008	31 438
Total Liabilities	215 210	17 116	227 170
Total Equity and Liabilities	255 298	94 799	239 513
Number of ordinary shares legally in issue, less treasury shares	174 087 719	107 921 053	174 087 719
Net asset value per ordinary share (cents)	100,08	71,98	84,15
Net tangible asset value per ordinary share (cents)	60,24	59,82	38,10

Net asset value is calculated by dividing equity less acquisition reserves, by the number of ordinary shares in issue, being number of shares in issue less treasury shares.

Net tangible asset value is calculated by dividing equity less acquisition reserve less goodwill & intangible assets, by the number of ordinary shares in issue.

Refer note 4.2

Condensed Consolidated Statement Of Cash Flows

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013 Restated#	Restated# Year ended 30 June 2014
Continuing Operations			
Cash flows from operating activities	20 573	3 634	19 870
Cash flows used in investing activities	(20 649)	1 713	(3 585)
Cash flows from financing activities	(7 365)	17 015	49 844
Total cash and cash equivalents movement for the period	(7 441)	22 362	66 129
Discontinued Operations ##			
Cash flows from operating activities	(8 179)	(6 613)	(11 948)
Cash flows used in investing activities	(3 069)	(1 713)	(12 769)
Cash flows from financing activities	5 500	8 106	25 960
Total cash and cash equivalents movement for the period	(5 748)	(220)	1 243
Cash (disposed) / acquired as part of business combination	2 332	-	6 626
Cash and cash equivalents at the beginning of the period	85 821	13 585	13 585
Effect of exchange rate movement on cash balances	879	1 165	(1 762)
Total cash and cash equivalents at end of the year	75 843	36 892	85 821

Refer note 4.1

Refer notes 3 and 4.1

NOTE 1 - Reconciliation of Profit / (Loss) to Headline Earnings

	2014	2013	June 2014
(Loss) / profit from total operations for the period	27 745	3 786	(107 158)
Impairment of goodwill	-	-	95 046
Profit on disposal of discontinued operations	(2 395)	-	-
Disposal of plant and equipment	(9)	(4)	-
Tax	-	-	-
Headline earnings / (loss) attributable to ordinary shareholders	25 341	3 782	(12 112)

NOTE 2 - Reconciliation of Adjusted Headline Earnings for Continuing Operations

	2014	2013	June 2014
Profit/(loss) from Continuing Operations for the period	31 812	9 925	(95 046)
Impairment of goodwill	-	-	95 046
Fair value adjustment of contingent consideration shares	(25 245)	-	9 404
Disposal of plant and equipment after tax	(9)	(4)	-
Adjusted Headline earnings for Continuing Operations	6 558	9 921	8 972
Earnings per share from continuing Operations			
Basic earnings per ordinary share (cents)	25,53	10,77	(90,51)
Diluted basic earnings per ordinary share (cents)	3.33	10,47	(75,67)
Headline earnings per ordinary share (cents)	25,53	10,77	(0,41)
Diluted headline earnings per ordinary share (cents)	3.33	10,46	7,89
Adjusted Headline earnings per ordinary share (cents) - Continuing Operations	5,26	10,77	8,51

Adjusted Headline earnings is calculated by adjusting profit for the fair value adjustment of the contingent consideration

Adjusted Headline Earnings per share is calculated by dividing adjusted headline earnings by the weighted average number of ordinary shares in issue.

Condensed Consolidated Statement Of Changes In Equity

R'000	Share capital	Share premium	Share based payment reserve	Acquisition reserve	(Accumulated loss) / Retained earnings	Preference shares	Total
Six months ended 31 December 2014							
Balance at 01 July 2014	9	231 150	123	(134 145)	(85 683)	889	12 343
Profit for the period					27 745		27 745
Balance at 31 December 2014	**9**	**231 150**	**123**	**(134 145)**	**(57 938)**	**889**	**40 088**
Year ended 30 June 2014							
Balance at 01 July 2013 - restated #	5	27 014	123	-	21 475	-	48 617
Profit for the year					(107 158)		(107 158)
Issue of shares for cash	1	25 279	-	-	-	-	25 280
Issue of shares - business combination	3	178 857	-	(134 145)	-	-	44 715
Issue of preference shares *	-	-	-	-	-	889	889
Balance at 30 June 2014 - audited	9	231 150	123	(134 145)	(85 683)	889	12 343
Six months ended 31 December 2013							
Balance at 01 July 2013 - restated #	5	27 014	123	-	21 475	-	48 617
Profit for the period					3 786		3 786
Issue of shares for cash	1	25 279	-	-	-	-	25 280
Balance at 31 December 2013	6	52 293	123	-	25 261	-	77 683

* Issue of 20.4m preference shares at R51 million, of which R0.9 million is classified as equity. The shares have the option to convert at R2.50 in June 2017

Refer note 4.2

Segmental Analysis For The Period Ending

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013 Restated #	Restated # Year ended 30 June 2014
Continuing Operations			
Segmental Revenue ##			
Defence	42 380	37 566	76 653
Digital TV *	33 057	-	19 209
Group	75 437	37 566	95 862
Operating Earnings before Interest, Tax, Depreciation and Amortisation**			
Defence	12 298	15 618	23 624
Digital TV*	784	-	(4 997)
Corporate & consolidation	(2 432)	(508)	(3 439)
Group	10 650	15 110	15 188
Profit / (Loss) for the period			
Defence	8 542	10 432	16 214
Digital TV*	271	-	(3 302)
Corporate & consolidation ***	22 999	(508)	(108 392)
Group	31 812	9 924	(95 480)
Discontinued Operations #			
Segmental Revenue ##			
Commercial	19 835	13 822	32 426
CCS	847	2 025	3 796
New Business	4 507	42	42
Total Compart	25 189	15 889	36 264
Operating Earnings before Interest, Tax, Depreciation and Amortisation **			
Commercial	527	(484)	(2 732)
CCS	(1 479)	(4 290)	(5 270)
New Business	(3 328)	(1 545)	(3 633)
Total Compart	(4 280)	(6 319)	(11 635)
Profit / (Loss) for the period			
Commercial	428	(2 068)	(4 595)
CCS	(1 984)	(3 027)	(4 034)
New Business	(2 511)	(1 044)	(3 051)
Total Compart	(4 067)	(6 139)	(11 680)

* consolidated from March 2014

** Operating EBITDA is EBITDA excluding fair value gains and losses

*** includes fair value adjustment of deferred purchase consideration

\# Refer note 4.1

\#\# Intersegment revenue is not disclosed as it is not material

	Unaudited as at 31 December 2014	Restated as at 30 June 2014
Segment Assets		
Defence	76,149	54,879
Digital TV	39,756	39,775
Discontinued operations	-	40,876
Corporate & consolidation	139,393	103,981
Group	255,298	239,511
Segment Liabilities		
Defence	(26,064)	(14,285)
Digital TV	(17,778)	(18,068)
Discontinued operations	-	(12,075)
Corporate & consolidation	(171,368)	(182,742)
Group	(215,210)	(227,170)

3. DISPOSAL OF LOSS MAKING SUBSIDIARIES (DISCONTINUED OPERATONS)

As announced on SENS on 22 December 2014 the Company has entered into an implementation agreement ("Implementation Agreement") with, inter alia, its former Chief Executive Officer, Dr Andries Petrus Cronje Fourie ("Dr Fourie") and the trustees for the time being of the Andries Petrus Cronje Fourie Trust ("the Trust"), whereby the Company disposed of its interests in Poynting Antennas Proprietary Limited ("Poynting Antennas") (excluding the profitable Poynting DS and Poynting SS divisions) as well as Poynting Direct Proprietary Limited ("Poynting Direct"), Poynting Hong Kong Limited ("Poynting HK") and a minority interest in CrunchYard Holdings Proprietary Limited ("CrunchYard") ("the Composite Sale") to an entity controlled by Dr Fourie ("NewCo")(the "Composite Transaction").

In terms of the Implementation Agreement, the Composite Sale purchase consideration will be settled through the specific repurchase of 14 000 000 Poynting Holdings shares ("the Specific Repurchase").

In terms of the Composite Sale, NewCo acquired all the shares in and loan claims in Poynting Antennas, Poynting Direct, Poynting HK and CrunchYard from the Company for a purchase consideration of R35 840 000 (which is equal to the 30 day volume weighted average trading price per share of the Company, on 1 December 2014, being R2.56, multiplied by 14 000 000) ("Purchase Consideration") which Purchase Consideration will remain outstanding on loan account ("NewCo Loan").

NewCo has pledged to the Company 14 000 000 ordinary shares which it holds in the Company, as security for NewCo's obligations pursuant to the NewCo Loan.

Subject to the receipt of applicable regulatory and shareholder approval, the Purchase Consideration will be settled through the Specific Repurchase by the Company, on loan account, of 14 000 000 shares held by NewCo in the Company ("Poynting Holdings Loan"), whereafter such shares shall be cancelled; and the NewCo Loan and the Poynting Holdings Loan will then be set-off.

Identifiable net assets and liabilities disposed	31 December 2014 R'000
Plant and equipment	2 472
Intangible Assets	8 640
Investments	3 459
Inventories	11 981
Trade and other receivables	7 946
Cash and cash equivalents	(2 332)
Deferred tax assets	943
Current tax assets	1 509
Other financial liabilities	(37)
Trade and other payables	(1 136)
Total identifiable net assets disposed	33 445
Profit on disposal	2 395
Total Consideration	35 840

4. RESTATEMENT OF COMPARATIVES

4.1 Due to the disposal of the loss making operations and classification of these as discontinued, the statement of profit or loss, statement of cash flows and segmental analysis comparative figures have been restated

4. RESTATEMENT OF COMPARATIVES (CONTINUED)

4.2 During 2013, Poynting Antennas Pty Ltd received R4 million from African Union Communications Pty Ltd ("Aucom") relating to the development of a new product. In return, Aucom secured the rights to commissions for each product sold. The R4 million was incorrectly recognised as revenue for the year ended 30 June 2013. The fair value (plus any directly attributable transaction costs) should have been recognised as a financial liability, as there is a contractual obligation to Aucom which is dependent on the occurrence of future sales of the product. The transaction is eliminated as a pre-existing relationship on consolidation of Aucom in the current financial period.

5. CONTINGENT CONSIDERATION IN RESPECT OF AUCOM ACQUISITION

Contingent Consideration

Of the 66 million shares issued, 49.5 million shares were held as guarantee, to be released to the sellers as profit warranties are met for the years ending 30 June 2014, 30 June 2015 and 30 June 2016, or clawed back if warranties are not met. The fair value of this portion of the contingent consideration, which is represented by shares already in issue, amounted to R143.5 million at 30 June 2014, and is presented by an acquisition reserve in equity.The shares were revalued at 31 December 2014, and the contingent consideration decreased by R25.2 million as consequence of the decrease in the Poynting share price from 290 cents per share to 239 cents per share.

Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using a valuation technique.

Valuation techniques applied by the group would result in financial instruments being classified as level 2 or level 3 in terms of the fair value hierarchy. The determination of whether a financial instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the financial instrument.

The valuation technique applied to specific financial instruments depend on the nature of the financial instrument and the most appropriate valuation technique is determined on that basis.

The carrying values of other financial assets & liabilities, trade & other receivables & payables and loans & borrowings approximate their fair value.

Fair value hierarchy

Fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation of the liability for acquisition to be settled by shares already in issue

In terms of IFRS 13.24, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The market in Poynting shares does not have sufficient frequency and volume to provide pricing information on an ongoing basis in respect of the 49.5 million deferred purchase consideration shares already in issue that are deemed under IFRS3 Business Combinations to be deferred consideration.

Uncertainty exists whether Poynting could have entered into a transaction to place shares at a price of 240 cents per share at close of business in the market on 31 December 2014, and management therefore have determined that under IFRS 13.78 this could not be a level 1 input.

Management have therefore considered a number of other indicators to determine the fair value of the deferred consideration shares. This included the 30 day Volume Weighted Average Price up to 31 December 2014 of 238 cents per share, and the price within the bid-ask spread that is most representative of fair value, which is to be used to measure fair value regardless of where the input is categorised within the fair value hierarchy.

Management also considered the bid price available on 31 December 2014 by reference to the opening share price on 2 January 2015 (being 240 cents per share) and the average traded price on 5 January 2015 (being 233 cents per share) and has valued the liability in respect of the deferred consideration shares already in issue at 239 cents per share.

R'000	31 December 2014	31 December 2013	30 June 2014
Deferred Purchase Consideration (being a Level 3 fair value adjustment)			
Balance at the beginning of the year	(143 549)	-	-
Liability for contingent consideration	-	-	(134 145)
Revaluation in profit and loss	25 245	-	(9 404)
Balance at the end of the year	(118 304)	-	(143 549)

A change of 10% in the fair value of investment and liability at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on profit/(loss) and equity	31 December 2014	31 December 2013	30 June 2014
10% increase in share price	2 524	-	(14 355)
10% decrease in share price	(2 524)	-	14 355

6. STATEMENT OF COMPLIANCE

Poynting Holdings Limited ("Poynting" or the "Company") is a South African registered company. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. These condensed interim financial statements have not been reviewed or audited by the Group's auditors.

7. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been presented on the historical cost basis, except for the liability for contingent consideration, which is fair valued. These results are presented in Rands, rounded to the nearest thousand, which is the functional currency of Poynting and the Group's presentation currency. These condensed consolidated interim financial statements incorporate the financial statements of the Company, its subsidiaries and companies that, in substance, are controlled by the Group and the Group's interest in joint ventures. Results of subsidiaries and joint ventures are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between Group enterprises are eliminated on consolidation.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the standards and amendments to standards that became effective for the first time in the financial year commencing 1 July 2014 disclosed below:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement;
- IAS 19 (2011) – Employee Benefits;
- IAS 28 (2011) – Investments in Associates and Joint Ventures;
- Amendments to IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 32 – Financial Instruments Presentation: Tax effect of distribution to holders of equity instruments; and
- IAS 34 – Interim Financial Reporting: Segment information for segment assets.

The impact of adopting the above standards has had no material effect on the condensed consolidated interim financial statements. The remaining standards, amendments and interpretations, which became effective in the interim period ended 31 December 2014 were assessed for applicability to the Group and management concluded that they were not applicable to the business of the Group and consequently will have no impact.

8. SUBSEQUENT EVENTS

Shareholders are referred to the SENS announcement dated 19 February 2015 regarding the proposed acquisition of 100% of the issued share capital of Antenna Research Associates Inc. ("the Acquisition"). The total purchase consideration is comprised of USD 5 million in cash, payable upon closing of the Acquisition and 75 577 634 Poynting shares to be issued at the closing price on the date of closing of the Acquisition.

The Acquisition is classified as a Category 1 transaction in terms of the JSE Listings Requirements and requires shareholder approval. Accordingly, a circular containing full details of the Acquisition and a notice to convene a general meeting of Poynting shareholders in order to consider and if deemed fit, to pass with or without modification, the resolutions necessary to approve and implement, inter alia, the Acquisition, will be posted to Poynting shareholders in due course.

Furthermore, shareholders are referred to the Circular distributed to shareholders as announced on SENS on 20 February 2015 which includes a notice of general meeting of shareholders to be held on Monday 23 March 2015 to consider and, if deemed fit, passing with or without modification, resolutions in respect of the Specific Repurchase, adoption of the Share Incentive Scheme, and the proposed change of name.

9. PREPARATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were prepared by of the Group Financial Director, John von Gottberg BScEng(Aero) BCom(Acc) PGDA CA(SA).

10. DIRECTORATE

During the period under review, up to and including the date of this report, the following changes to the Board took place.

. Mr Johan Ebersohn resigned as Financial Director on 10 September 2014.

. Mr John von Gottberg was appointed as Financial Director on 10 September 2014.

. Mr Andries Mellet resigned on 24 October 2014.

. Mr Nico de Waal was appointed as Non-Executive Director on 24 October 2014.

. Dr André Fourie resigned as Chief Executive Office and Director on 19 December 2014.

. Mr Richard Willis was appointed as Independent Non-Executive Director on 1 February 2015.

By order of the board

Juergen Dresel
Chief Executive Officer

John von Gottberg
Financial Director

5 March 2015
Johannesburg

POYNTING HOLDINGS LIMITED
(incorporated in the Republic of South Africa)
Registration Number 1997/011142/06
Share Code: POY ISIN: ZAE000121299
("Poynting" or "the Company" or "the Group")
www.poynting.co.za

Directors
Coen Bester*^ (Chairman), Nico de Waal^, Jürgen Dresel # (CEO), Villiers Joubert, Zuko Kubukeli*^, John von Gottberg (Financial Director), Richard Willis*^

*Independent ^Non-executives #German

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1 Travertine Avenue, N1 Business Park, Old Johannesburg Road, Centurion, 0157
(Private Bag X4, The Reeds, Pretoria, 0166)

Designated Adviser
Merchantec Proprietary Limited
Registration Number 2008/027362/07
2nd Floor, North Block, Hyde Park Office Tower, Corner 6th Rd and Jan Smuts Ave, Hyde Park, 2196
(PO Box 41480, Craighall, 2024)

Company Secretary
Merchantec Proprietary Limited

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Registration Number 2004/003647/07
Ground Floor, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Auditors
KPMG Inc.

Bankers
ABSA Bank
Standard Bank

PRINCIPAL SUBSIDIARIES

Alaris Antennas Proprietary Limited (formerly Poynting Inventions Proprietary Limited)
Registration Number 2013/048197/07

Defence & Specialised Antennas Division
Managing Director: Jürgen Dresel
1 Travertine Avenue, N1 Business Park, Old Johannesburg Road, Centurion, 0157
Tel +27 (0)10 007 2020

African Union Communications Proprietary Limited
Registration Number 1999/000409/07

Digital TV Division
Managing Director: Villiers Joubert
394 Cliff Avenue, Waterkloof Ridge X2, Pretoria
Tel +27 (0)12 001 8670

Poynting