

Poynting Holdings Limited

POYNTING HOLDINGS LIMITED
(Formerly Poynting Innovations (Proprietary) 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")

REVIEWED INTERIM RESULTS for the six months ended 31 December 2008

BALANCE SHEET as at 31 December 2008

	Reviewed 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Assets			
Property, plant and equipment	4 674	3 066	3 511
Intangible assets	14 464	7 898	10 920
Investments	161	-	-
Current assets	34 794	17 861	23 127
Total assets	54 093	28 825	37 558
Equity and liabilities			
Capital and reserves	34 103	7 461	14 014
Non-current liabilities	4 524	7 100	4 709
Current liabilities	15 466	14 264	18 835
Total equity and liabilities	54 093	28 825	37 558
Number of ordinary shares in issue	88 554 274	4 945 368	67 300 000
Net asset value per ordinary share (cents)	38.51	150.87	20.82
Net tangible asset value per ordinary share (cents)	22.18	(8.84)	4.60

INCOME STATEMENT for the six months ended 31 December 2008

	Reviewed six months ended 31 December 2008 R'000	Unaudited six months ended 31 December 2007 R'000	Audited 12 months ended 30 June 2008 R'000
Revenue	29 255	29 607	56 034
Cost of sales	(13 347)	(12 025)	(25 346)
Gross profit	15 908	17 582	30 688
Other income	230	346	1 807
Operating costs	(18 248)	(11 967)	(25 117)
Operating (loss)/profit	(2 110)	5 961	7 378
Interest received	321	37	514
Finance costs	(238)	(399)	(1 106)
(Loss)/Profit before taxation	(2 027)	5 599	6 786
Taxation	1 153	(1 990)	(971)
(Loss)/Profit after taxation	(874)	3 609	5 815
Adjustment for headline earnings:			
- Profit on the sale of assets	(82)	-	(9)
- Impairment of intangibles assets	59	-	221
Headline (losses)/earnings attributable to ordinary shareholders	(897)	3 609	6 027
Attributable to:			
Equity holders of parent	(877)	3 610	5 827
Minority interest	3	(1)	(12)
Weighted average number of ordinary shares in issue	86 450 885	4 945 368	27 262 138
(Losses)/Earnings per ordinary share (cents) per ordinary share (cents)	(1.01)	72.98	21.38
Headline (losses)/earnings per ordinary share (cents)	(1.04)	72.98	22.15

STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Minority interest R'000	Total R'000
Balance at 1 July 2007	*	1 389	2 872	4 261	50	4 311
Changes in equity	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	3 610	3 610	(1)	3 609
Total changes	-	-	3 610	3 610	(1)	3 609
Balance at 31 December 2007	*	1 389	6 481	7 870	50	7 920
Changes in equity - issue of shares	3	3 884	-	3 887	-	3 887
Net profit/(loss) for the period	-	-	2 219	2 219	(12)	2 207
Total changes	3	3 884	2 219	6 106	(12)	6 094
Balance at 30 June 2008	3	5 273	8 700	13 976	37	14 014
Changes in equity - issue of shares	2	20 756	(601)	20 157	-	20 157
Share based payment - options	*	202	601	803	-	803
Net (loss)/profit for the period	-	-	(877)	(877)	3	(874)
Total changes	2	20 958	(877)	20 086	3	20 089
Balance at 31 December 2008	5	26 231	7 826	34 062	41	34 103

* Less than R1 000

CASH FLOW STATEMENT for the period ended 31 December 2008

	Reviewed six months ended 31 December 2008 R'000	Unaudited six months ended 31 December 2007 R'000	Audited 12 months ended 30 June 2008 R'000
Cash flow from operating activities	(9 213)	5 240	3 494
Cash flow from investing activities	(7 140)	(4 379)	(9 666)
Cash flow from financing activities	21 928	(2 103)	(101)
Increase/(decrease) in cash and cash equivalents	5 575	(1 242)	(6 273)
Cash and cash equivalents at beginning of the period	(4 365)	1 907	1 908
Cash and cash equivalents at end of the period	1 210	665	(4 365)

COMMENTARY

GROUP PROFILE

Poynting's vision is to "Make Wireless Happen". Poynting designs, manufactures and supplies antennas and telecommunication products to the cellular, wireless data and defence markets, both within South Africa and internationally through its subsidiaries and partner companies. Exports currently constitute more than 50% of sales, with the largest export region being Europe while a significant percentage is destined for the Middle East and Asian markets.

Poynting operates on a divisional basis; its three divisions comprising a Commercial Division, a Defence Division and a newly acquired Base Station Equipment Division.

The **Commercial Division** designs and manufactures antennas for Wireless Data and Cellular applications. These antennas typically form part of a customer's premises equipment rather than base station equipment. Distribution to network operators and equipment manufacturers is carried out internationally by our partner company in Europe, Poynting Europe GmbH, and locally by our subsidiary, Poynting Direct (Proprietary) Limited.

The **Defence Division** designs and manufactures antennas mainly for use in the area of Electronic Warfare. These antennas, which are used for Direction Finding, Monitoring and Jamming systems, are often custom designed for customers' system integrators on a project basis. Engineering costs are usually paid by customers during the design phase.

The **Base Station Equipment Division** is a newly established division, which came about as a result of the acquisition of SAAB Grintek (Proprietary) Limited's ("SAAB Grintek") Commercial Antenna Division in October 2008. This division mainly manufactures Diplexers and Amplifiers used in Cellular Base Stations.

PERFORMANCE OVERVIEW

Performance in the Defence and Base Station Equipment Divisions has been in line with expectations despite current market conditions. Sales in the Commercial Division have been impacted by very weak demand in Europe, as well as low local sales volumes. This has resulted in losses in the Commercial Division, where sales revenues have been inadequate in covering the overhead structure of the division.

The inventory balances reflected in the interim financial information do not agree to the detailed inventory listings. The company implemented a new ERP system that needs to be adjusted to account for all forms of stock. The systems specialists are currently attending to the valuation reports that differ by approximately 10% of the stated ledger values. These differences have been taken into account in the stock obsolescence provisions.

Considering cash flow:

The company has also suffered from cash flow constraints as a result of high accounts receivable and high stock levels. Working capital programmes have been implemented to improve debtor collections and to reduce stock levels. The results of these programmes have seen an improvement in cash flows to date. Also the company has recently secured an R8 million order finance facility from the Industrial Development Corporation, which will improve the company's liquidity position.

Considering profitability:

Both the Defence and Base Station Divisions are currently profitable. Since December management has implemented cost reduction programmes which will reduce Commercial Division overheads by 40% which will ensure profitability of this Division under more adverse market conditions than those experienced.

An investment committee consisting of non-executive directors was formed to monitor the implementation of the cash flow and profitability programmes mentioned above on a monthly basis.

The directors confirm, in view of the above, that the going concern basis applied in this set of results is appropriate based on the actions outlined above. The R8 million order finance facility, together with other measures and trading is sufficient to ensure cash flow sufficiency for the next 12 months.

The company's overall performance is significantly below forecast and steps have been taken to reduce overheads in order to achieve profitability going forward. Furthermore, we anticipate that the company's overall performance will be well below sales forecasts as set out in the company's June 2008 Prospectus and that it is unlikely that profit growth will be achieved on the previous financial year.

SEGMENT REPORTING

	Commercial R'000	Defence R'000	Base Station Equipment R'000	Total R'000
Segment revenue	21 838	6 364	1 053	29 255
Segment cost of sales	(11 295)	(1 579)	(473)	(13 347)
Gross profit/segment result	10 543	4 785	580	15 908
Other income/(expenses)	44	218	(32)	230
Operating expenses	(13 760)	(3 914)	(574)	(18 248)
Finance income	158	162	1	321
Finance costs	(127)	(110)	(1)	(238)
(Loss)/Profit before tax	(3 142)	1 141	(26)	(2 027)
Tax	825	327	-	1 153
(Loss)/Profit for the period	(2 317)	1 468	(26)	(874)

BUSINESS COMBINATIONS

During the interim period, Poynting acquired the Commercial Antenna division of SAAB Grintek, as announced on SENS on 18 December 2008. This division has been successfully integrated into the group which has seen modest gross profits from the division from December 2008.

SUBSEQUENT EVENTS

The board of directors is not aware of any material matters or circumstances arising since the end of the interim period and up to the date of this report.

PROSPECTS

We have been successful in reducing overheads in the Commercial Division by 40% compared to our prospectus forecasts. This was done by way of a reduction in staff numbers and other cost reduction measures. This reduced overheads structure will likely improve profitability in this division in the second half of the financial year. Despite this, current market conditions will require further cost saving exercises.

We are experiencing significant growth in sales in Poynting Direct, which is encouraging. Corporate and export sales are however our main areas of concern. Export sales have been impacted by the global crisis and our local corporate sales are down largely due to new developments in the telecommunications industry creating "technological uncertainty". These include the new Electronic Communication Network Service licences, the technologies offered by new entrant Neotel and the introduction of WiMAX services by several current operators.

Although all of these developments show significant potential for the future of Poynting Commercial products, the current technology flux is delaying orders by various large customers.

BASIS OF PREPARATION

The accounting policies applied in the preparation of these condensed financial statements, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2008. These condensed financial statements as set out in this report have been prepared in terms of IAS 34 - *Interim Financial Reporting*, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited.

The results for the six months ended 31 December 2008 have been reviewed by Poynting's auditors, KPMG Inc., and their review report is available at the company's registered office for inspection.

The following is an extract from the auditor's review report:

"Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As indicated in the commentary, in the paragraph headed performance overview, the inventory balances included in current assets in the interim financial information amounting to R13 637 985, do not agree to the detailed inventory listings and inventory valuation sheets.

Qualified conclusion

Based on our review, except for the possible effect of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards, which include IAS 34, Interim Financial Reporting, and in the manner required by the Companies Act of South Africa.

Report on other legal and regulatory requirements

We previously reported in accordance with our responsibilities in terms of Auditing Profession Act Sections 44(2) and 44(3), a matter identified which constituted a reportable irregularity in accordance with this Act in relation to late payment of certain taxes by two subsidiaries. Although management have provided for such liabilities at 31 December 2008, the matter has not been resolved at the date of this report."

DIRECTORATE

The following changes have been made to the board during the interim period:

Director	Detail	Date
Sayed Omar Mullah	Resigned as Financial Director	7 October 2008
Anthony Selikow	Resigned	3 November 2008
Thomas David Abbott	Resigned	3 November 2008
Ancell Claire Nitch	Resigned	3 November 2008
Mark Pierre Haarhoff	Resigned	3 November 2008
Derek Collin Nitch	Resigned	3 November 2008
Pieter Andries Johannes Ebersohn	Appointed as Financial Director	3 November 2008
Clive Harvey Douglas	Appointed	3 November 2008

As a result of these changes to the board, the current board composition is:

Coen Bester[^] (Chairman), Andre Fourie (Chief Executive Officer), Johan Ebersohn (Financial Director), Mike Hill[^], Zuko Kubukei[^], Juergen Dresel (German), Clive Douglas[^] [^]Independent [^]Non-executives

Andre Fourie

Chief Executive Office

31 March 2009

Johan Ebersohn

Financial Director

REGISTERED OFFICE

33 Thora Crescent, Wynberg 2090
(PO Box 76579, Wendywood 2144)

COMPANY SECRETARY

Merchantec (Proprietary) Limited

DESIGNATED ADVISOR

AUDITOR