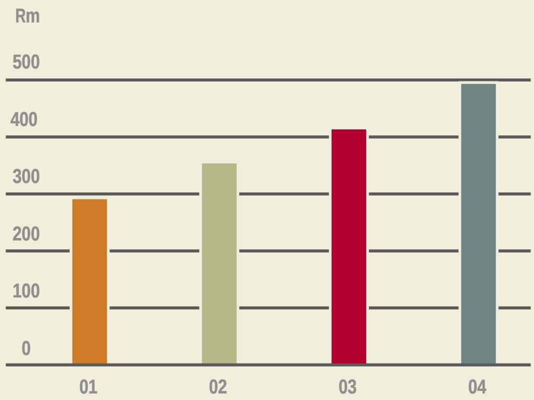
annual report

2004

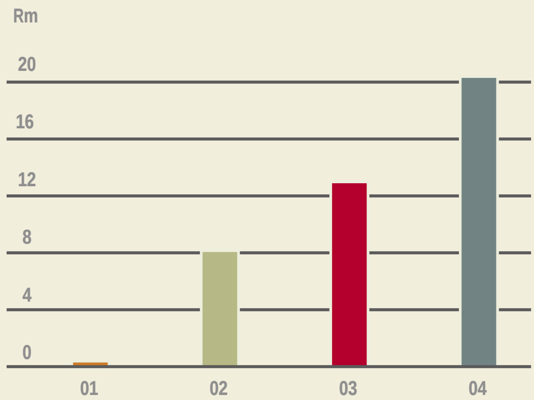
Pinnacle Technology Holdings Limited

highlights

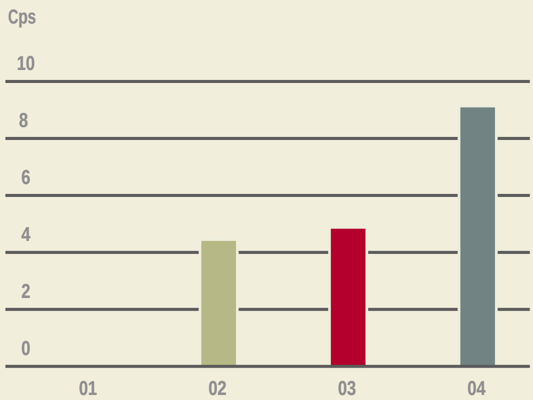
- Revenue up 19% to R497,2 million (2003: R417,8 million)
- Net Finance Costs reduced by 61% to R1,7 million (2003: R4,4 million)
- Profit before Tax increased by 61% to R20,6 million (2003: R12,8 million)
- Headline Earnings Per Share up 85% to 8,9 cents per share (2003: 4,8 cents)
- Cash flow from operating activities R32.0 million (2003: R1,9 million)
- Maiden dividend 1,5 cents per share
- Acquired the remaining 40,16% of Intelligent Systems (Pty) Limited



Revenue Growth up 19%



Net Profit before Tax up 61%



Headline Earnings per Share up 85%

contents

Corporate Information

Business Address	Pinnacle Park 269, 16th Street Randjiespark Midrand 1685
Postal Address	PO Box 483 Halfway House Midrand 1685
Secretary	Mr WR Gärtner
Transfer Secretaries	Computershare Investor Services 2004 (Proprietary) Limited PO Box 61051 Marshalltown 2107
Auditors	Grant Thornton Chartered Accountants SA South African member firm of Grant Thornton International 137 Daisy Street Cnr Grayston Drive Sandown 2196
Attorneys	Moss Morris Sandton City Office Tower 20th Floor, 5th Street Sandton 2146
Bankers	First National Bank PO Box 1250 Halfway House 1685
Sponsors	Grant Thornton Corporate Sponsors (Proprietary) Limited 137 Daisy Street Cnr Grayston Drive Sandown 2196

Johannesburg Stock Exchange South Africa
Share Code: PNC
ISIN: ZAE000022570

Managing the volatility of the Rand and implementing meaningful Black Economic Empowerment are the twin challenges confronting management in the forthcoming year – tasks I believe the Pinnacle team will handle with its customary competence and diligence.

chairman's commentary

MEETING THE TWIN CHALLENGES

Your Board of Directors is responsible for the overall control and leadership of the Company – including accountability to shareholders for creating, protecting and enhancing the wealth and resources of the Company. With this in mind, I can confidently state that the past year's results prove that leadership and vision are in abundant supply within Pinnacle. In an era where Corporate Governance and Best Practice methodologies are becoming increasingly essential, I believe Pinnacle has not only enjoyed a successful year, but has also set the foundations to ensure sustainability.

I trust that investors in the equity of the Company can now see the benefits of management initiatives driven over the past few years: every effort was made to deliver profitability and pay dividends, and we achieved this goal in the year ended June 2004.

An after-tax earnings yield of 8,5 cents on a share price average of 23 cents projects a yield of 37%. Declaring a maiden dividend of 1,5 cents gives our shareholders a return of 6,5%, with a dividend cover of 5,7.

We are well positioned for further growth and improvement, however one needs to be cognisant of the vagaries of the present economic climate – globally and locally – and the possible impact on our business.

Suffice it to say, committed management, strict corporate governance, continued aggressive marketing and focused concentration on growing the business will certainly yield ongoing positive results. Your Directors continue to seek opportunities for growth by acquisition and diversification in our core business areas, while maximising our current business model.

Pinnacle will continue to develop and innovate, adopt new methodologies and ensure customer fulfilment. We will continue to bring new products to a growing market and will hone our service ethic to ensure that Pinnacle's growing reputation for better service, sharper prices and world-class technology continues unabated.

In closing, I wish to thank our Chief Executive Officer, the Board of Directors and all management and staff for their sterling efforts over the past year. I look forward to seeing their continued progress throughout the forthcoming year.

Biddlecombe

Cyril D Biddlecombe
Chairman

CEO's commentary

REAL POWER,
REAL PEOPLE

In this, the tenth year of its democracy, South Africa has established itself as the leading economic and political influence in Africa. Our pre-eminence on the world stage continues to manifest itself through a multitude of successful sporting, cultural and social events.

While many local companies have reaped the benefits of overseas interest in our country over the past year – and Pinnacle is clearly a member of that group – there remains something of a moral conundrum which I believe needs to be addressed by our market.

Just over a year ago, Pinnacle stated that it needed to run its business with what we defined as a local conscience; by simply churning out big numbers we would be missing the point of the Government's transformation policies.

We believe that local manufacture is not about putting mediocre technology in front of a market and relying on a client's patriotism for improved sales. Rather, local manufacture has to be provably competitively world class, with staff performance at all levels being unmatched and representative of the South African demographic.

Through this philosophy and investment in our strongest resource, our people, Pinnacle realised efficiencies that enabled us to compete against foreign branded manufacturers with an inherent sense of pride and confidence; our locally manufactured Proline computers are of proven international quality.

To their undying credit, tender authors recognised that local can be world class. The result is that Pinnacle has, over the past financial year, won significant market share, contributing to the outstanding figures posted by the Company.

The year's highlight is undoubtedly our involvement in Gauteng Online – not just because Pinnacle won a significant share of this tender, but because in the implementation of this and other tenders, we have provably done more than just pay lip service to our philosophy.

We created jobs and transferred skills; we ensured that the financial benefits accrued will remain in this country, with taxes paid locally to support our communities. We have shown that local technology and skills can indeed outperform foreign technology.

What does all this mean to Pinnacle, its employees, stakeholders and indeed the country at large? A mere exercise in corporate social responsibility to satisfy empowerment documentation needs?

No. We believe that the only rational way in which South Africa can continue its growth surge - with the entire community benefiting from what promises to be a glorious road ahead - will be to recognise that empowerment without job creation is meaningless.

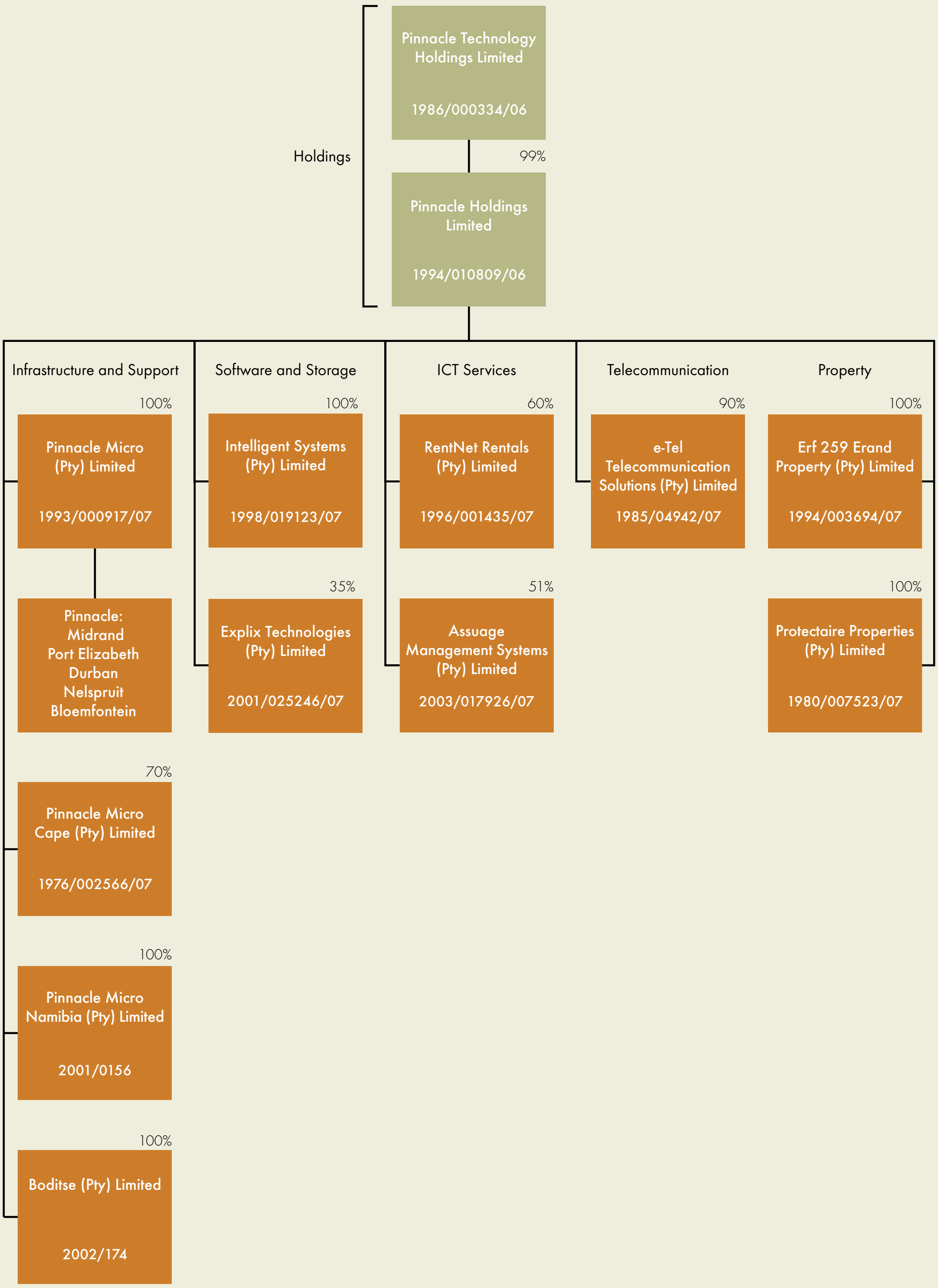
Finally, allow me to thank my fellow Directors and colleagues for their commitment and efforts. The results presented in this report reflect a team effort of which I am truly proud.

Arnold J Fourie

Chief Executive Officer

group overview

Pinnacle Technology Holdings Limited



During the year under review, the Pinnacle Group continued its evolution to a fully diversified ICT group, striving to provide world-class goods and services to its client base with unsurpassed dedication and efficiency.

This advance was achieved through the acquisition of additional agencies, the development of new products that enhanced the Group's offering, and the employment of strategic resources in under-developed focus areas.

INFRASTRUCTURE AND SUPPORT

Pinnacle Micro (Pty) Limited The traditional backbone of Pinnacle, the Infrastructure and Support Operating Group stocks a wide range of international quality hardware, software, peripherals, components and consumables, and has the ability to service client needs, be it installation, maintenance or ongoing support, on a national basis through its nine branches and established networks.

Best known for its locally manufactured, international quality Proline desktops, servers and notebook computers, this group also distributes such globally branded names as Intel, Microsoft, Logitech, Canon, Kyocera, LG, Verbatim and more.

New business units focusing on the fast growing point-of-sale and security markets have been introduced to take advantage of the synergies that exist in our existing markets.

The Proline brand enjoyed exceptional growth during the reporting period, showing a unit growth of 82% over all form factors.

As proof of Pinnacle's commitment to excellence, Pinteq, a division within this group, was ISO 9001:2000 certified. This division manufactures the Proline product on its automated, ISO-compliant production line in addition to servicing our warranty obligations in its repair centre.

Pinteq's world class facilities include a unique board level service lab that repairs motherboards, rather than sending them back to suppliers, reducing costs, stockholding and most critically offering a quicker service to our customers.

In the course of the year Pinteq's services were expanded to offer not only repairs to all makes and models of IT equipment, but also SLA driven support to enterprise clients.

A project centre was established to meet customer requirements. Prince 2 certified project managers and world best practices applied by our ITIL-certified staff ensure that large installations meet customer requirements.

group overview (continued)

SOFTWARE AND STORAGE

Intelligent Systems (Pty) Limited ("Intelligent Systems") A specialist value-added distribution company, Intelligent Systems provides storage solutions that underpin many of the diverse business applications so prevalent in the business world today.

The company holds distribution rights to a broad range of storage technologies, including hard disk-based subsystems, optical technology, tape devices, high-performance connectivity and software management products.

Intelligent Systems applies its considerable expertise to identify and build solutions that satisfy the individual storage requirements of a variety of specific business applications.

Its product range includes IBM Storage, Spectralogic Tape Libraries, TapeWare Backup Software, ZenData Archive Series Software, ICS Hard Drive Duplication Equipment, Computer Forensic Tools, Rimage Automated CD/DVD Replication solutions, Verity Systems CD/DVD Duplication, AXUS RAID Systems, Sony Data Media, MAM-E CD-DVD Media and Taiyo Yuden CD-DVD Media.

Explix Technologies (Pty) Limited The Explix structure sees the business focused in four sales and marketing business units, Workgroup (Corporate Software Division), Crew (Retail Division), Horizon (Sun Microsystems Channel Development Provider) and MIT (IT merchandising division).

Workgroup is a focused, dedicated software distributor adding value to the channel and its business partners. This philosophy has proved to be of real value in an age where software complexity – and especially software and hardware integration – becomes a daunting prospect.

Over the last two years, software complexity has increased as new features are increasingly added to available technologies.

Workgroup has a complete software offering for the network and personal computer security arena as well as a comprehensive data storage offering.

Its products comprise: Accpac, Borland, Citrix, CA, Corel, IBM, JASC, Microsoft, Network Associates, Novell, Symantec, Mail Marshall, U2, Veritas and Vivendi.

Horizon is the exclusive Channel Development Provider for Sun Microsystems in South and sub-Saharan Africa. Under this agreeement, Horizon develops the market on behalf of Sun Microsystems and distributes the full range of Sun hardware and software.

Crew specialises in providing the full product range of Explix products into the retail market.

MIT is a merchandising specialist providing merchandising services to Explix as well as third party companies.

ICT SERVICES

RentNet Rentals (Pty) Limited ("RentNet") has systematically established itself at the forefront of the technology rental industry, offering outstanding service levels, versatility and technical expertise.

In the short-term rental arena RentNet supplies a full spectrum of high-end products – an extremely attractive offering to, for example, the conferencing and exhibition market.

RentNet was the technology rental supplier of choice at the 2003 Cricket World Cup; The World Summit on Sustainable Development; The Africa Summit held in Mozambique; Cisco Networkers 2003 and more recently the IEC operations centre during the South African elections.

While the company initially focused on short-term rentals of computer equipment, it now also supplies and implements audio visual and plasma screen services, Internet services, networked computers, comprehensive IT event management, and the setting up and administration of accreditation and media centres.

Assuage Management Systems (Pty) Limited ("AMS") With the acquisition of AMS, Pinnacle brought into its stable a company with extensive expertise in work flow and document management solutions. These solutions are focused on high volume Corporate, Government and Parastatal entities and aims to improve the quantity, quality and efficiency whereby data can be accessed.

Experience gained in this industry during the past year has resulted in the Directors electing to dispose of our interest in this operation, as discussed in the post balance sheet events, note 10, page 17.

group overview (continued)

IT INFRASTRUCTURE SUPPLY

TELECOMMUNICATION

e-Tel Telecommunication Solutions (Pty) Limited ("e-Tel") Communication technology has grown significantly over the last few years. The divide between voice and data communication continues to shrink, as evidenced by the recent announcements by the Ministry of Communication, which is set to bring a new era of competition to South Africa.

The Pinnacle Group created a specialised communication solutions and services company in e-Tel to address the convergence of information and communication technologies.

e-Tel offers solutions that include the supply, installation and support of communication products ranging from PBX to wireless voice communication systems. Global market leaders such as Avaya, Ericsson, Psitek and Tellumat make up the bulk of brands on offer.

The services element offered by e-Tel includes least cost routing, international call back, telephone management services and Voice over IP, on the established and proven infrastructure of Vodacom, MTN, Cell-C, Telkom and e-Tel.

These services allow the customer to save up to 60% on international call costs.

e-Tel's service offerings will be extended to make full use of new legislation, allowing further innovative services to be rolled out for the ultimate benefit of the user.

PROPERTY

Erf 259 Erand Properties (Pty) Limited and Protectaire Properties (Pty) Limited The Group identified a requirement for facilities which would enable local manufacture, support, warehousing and administration in a single location.

The first property was acquired eight years ago in Midrand, and houses the Group head office operation, Pinnacle Micro Midrand, RentNet, e-Tel, Intelligent Systems as well as Pinteq, the group's manufacturing and support arm.

The second property – acquired two years ago – houses Pinnacle Micro Port Elizabeth as well as Explix Port Elizabeth.

the ict empowerment charter

The ICT Charter will remove a great deal of the ambiguity that exists in the industry at present. We look forward to the implementation of the final document in March 2005.

Since the announcement of an ICT industry-specific BEE charter, Pinnacle has followed the developments and evolution of this document.

Where possible, logical and in accordance with our company philosophy, Pinnacle has implemented recommendations as they developed and initiated programmes to comply with the rest.

Although the final charter has not been finalised, Pinnacle is pleased with its progress:

- **Corporate Social Investment**

  Pinnacle is proud to be associated with various educational institutions, law enforcement agencies, HIV/AIDS support groups, child welfare programmes and sporting organisations to whom we rendered financial assistance and donations of ICT hardware and peripherals.

- **BEE procurement, SME development and partnership**

  A select group of BEE companies were evaluated and contracted to assist Pinnacle with 25% (by Rand value) of local procurement and service delivery in South Africa.

  An additional benefit to the overall economy is that these companies have substantially grown their combined headcount as a result of this policy.

- **Human resources, skills development and employment equity**

  Significant efficiencies were realised through training of staff, enabling Pinnacle to compete with the best of local and foreign brands. The investment thus made, along with our continued focus on business management principles such as ISO and Prince 2, comfortably place Pinnacle within the suggested expenditure parameters.

- **Direct empowerment**

  Negotiations with prospective BEE partners are continuing. Pinnacle expects to be in a position to conclude a suitable transaction in the near future.

compliance with the king code of corporate conduct and practice

PINNACLE TECHNOLOGY HOLDINGS is committed to the principles of transparency, integrity and accountability espoused in the King Code of Corporate Practices and Conduct. Portions of the King Code have been implemented and further aspects of the Code believed to improve the Group's organisational performance will be adopted in due course.

ETHICAL STANDARDS All employees of the Group are required to maintain the highest ethical standards in their interaction with one another and with all stakeholders, to ensure that business practices are conducted in a manner which, in all circumstances, is above reproach.

Detailed policies and procedures are in place across the Group, covering the regulation and reporting of transactions in securities of group companies by directors and officers. The Directors regularly review this code to ensure it reflects Best Practice in Corporate Governance.

STAKEHOLDERS The Group has introduced structures of Corporate Governance to manage the interface with the various stakeholder groups. They are responsive systems of governance and practice which the Board and management regard as appropriate.

EMPLOYEES The Group applies various participative practices in its relationships with employees, primarily in respect of operating matters and plans. General Managers are encouraged to enhance the motivation and commitment of all employees by providing opportunities for involvement in business performance improvement. Each company within the Group designs employment policies which are appropriate to its business and markets which attract, retain and motivate the quality of staff necessary to compete.

The Group has complied with and approved the requirements of the Employment Equity Act, and as such submitted its Employment Equity Report to the Department of Labour in June 2000.

An Employment Equity committee was appointed and has approved the Group's Employment Equity Policy and compiled and approved the Employment Equity Report.

DIRECTORATE The Pinnacle Technology Holdings Board comprises two Executive and two Non-Executive Directors who meet at least quarterly.

At these meetings clearly defined agenda items are discussed and properly minuted, including the review of business plans and budgets, monitoring of performance, approving major policy decisions, assessment of risk, appointment of Board members and agreement on management structures.

The Pinnacle Technology Holdings Board is chaired by a Non-Executive Director, Mr CD Biddlecombe, and this function is separate from that of the Group Chief Executive Officer.

Non-Executive Directors are expected to contribute business acumen and other operational experience to the strategic development of the Group. All Directors are allowed and encouraged to obtain independent professional advice, when required, at the Company's expense.

AUDIT COMMITTEE The Audit Committee of the Board deals, *inter alia*, with financial and treasury policy matters to be recommended to the Board and is concerned with matters of compliance and internal control. It is regulated by specific terms of reference and is responsible for the appointment of external auditors for non-audit services.

It meets periodically with the Group's external auditors to discuss accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Audit Committee.

Members

Mr A Tugendhaft
Chairman, Non-Executive Director

Mr CD Biddlecombe
Non-Executive Director (Chairman of the Board)

Mr AJ Fourie
Chief Executive Officer

RISK MANAGEMENT The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. The key components of these controls are monthly meetings and regular management and operations meetings.

The Directors are responsible for the Group's internal control system. These controls have been assessed by the Board and are believed to be effective.

Based on the above, the Annual Financial Statements referred to in this report have been prepared by management in accordance with Generally Accepted Accounting Practices and are based on appropriate accounting policies which have been consistently applied and supported by reasonable and prudent judgment and estimates.

REMUNERATION COMMITTEE The Board maintains a Remuneration Committee comprising Non-Executive Directors, with the exception of the membership of the Group Chief Executive Officer.

It is responsible for reviewing the compensation arrangements for the Chief Executive Officer, other senior executives and Non-Executive Directors. The committee also reviews management incentive schemes, share option schemes, retirement and termination entitlements, fringe benefit policies and professional indemnity policies.

Members

Mr A Tugendhaft
Chairman, Non-Executive Director

Mr CD Biddlecombe
Non-Executive Director (Chairman of the Board)

Mr AJ Fourie
Chief Executive Officer

directors' responsibility for financial reporting

The Directors of Pinnacle Technology Holdings Limited are required by the Companies Act to maintain adequate accounting records and prepare financial statements for each financial year that fairly present the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows for the period. In preparing the accompanying Annual Financial Statements, Generally Accepted Accounting Practices have been followed, suitable accounting policies have been used, and reasonable estimates have been made. The Annual Financial Statements incorporate full and responsible disclosure in line with the philosophy on corporate governance.

The Directors have reviewed the Group's budget and cash flow forecast for the year to 30 June 2005. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the Directors have no reason to believe that Pinnacle Technology Holdings Limited will not be a going concern in the period to the next financial statements and have continued to adopt the going concern basis in preparing the financial statements.

The Group's external auditors, Grant Thornton, have audited the Annual Financial Statements and their unqualified report appears on page 13.

The Directors are responsible for the Company's system of internal control, which includes financial controls that are designed to provide reasonable, not absolute, assurance against material misstatement and loss. The Company maintains internal financial controls to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

These controls are self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of the financial information and, in particular, financial statement presentation. Further, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The financial statements for the year ended 30 June 2004, as set out in pages 14 to 43, were approved by the Board on 20 September 2004 and are signed on their behalf by:

CD Biddlecombe
Chairman

AJ Fourie
Chief Executive Officer

At Pinnacle Park
Midrand

report of the independent auditors

We have audited the annual financial statements and group annual financial statements of Pinnacle Technology Holdings Limited set out on pages 14 to 42 for the year ended 30 June 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2004 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Companies Act.

Grant Thornton

Grant Thornton
Chartered Accountants (S.A.)

Johannesburg
20 September 2004

directors' report

The Directors present their annual report which forms part of the annual financial statements of the Group for the year ended 30 June 2004.

1. Principal Activities of the Group

The principal activities of the Group remain the manufacture, distribution and support of Information Communication Technology hardware and software, while significant progress has been made in maturing telecommunications services during the year.

2. Review of Operations

Revenue

The consolidated revenue of the Group for the year is R497,2 million (2003: R417,8 million) 19% higher than the previous year primarily due to significant hardware and support contracts received from government and corporate clients in the latter half of the year. Significantly, revenue of R2,2 million (2003: R0,2 million) was generated by the telecommunication operating group in what was effectively its maiden year of operation.

A detailed segmental analysis of the Group performance is included on page 42.

Gross Profit

The gross profit percentage of the Group increased to 16,9% (2003: 16,6%).

Operating Profit before Interest

The operating profit of the Group increased to R20,1 million (2003: R17,4 million).

Taxation

Deferred tax assets to the value of R0,38 million carried in dormant subsidiaries were impaired and included in the tax charge for the year. Dividends were declared in two operating subsidiaries resulting in Secondary Tax on Companies of R0,3 million.

Assessed losses of R3,6 million were utilised during the year.

3. Dividends

The Directors are pleased to propose a maiden dividend of 1.5 cents per share.

4. Review of the Group's Financial Position

Acquisitions

- Pinnacle Holdings Limited, a subsidiary of Pinnacle Technology Holdings Limited, acquired the remaining 40,16% shareholding of Intelligent Systems Limited effective 1 July 2003 for a cash consideration of R4,016 million.
- Pinnacle Holdings Limited further acquired 51% of Assuage Management Systems ("AMS") effective 1 July 2003 by undertaking to provide financial assistance to that company.

4. Review of the Group's Financial Position (continued)

Investments

- R3,025 million was advanced as a long-term interest-bearing loan to Explix Technologies (Pty) Limited, and
- R2,134 million was earned as income from associates Explix Technologies (Pty) Limited.

Share Capital

- 449 354 shares in Pinnacle Technology Holdings Limited were issued in exchange for shares held by outside shareholders of Pinnacle Holdings Limited.
- The shares were issued at a premium of 39 cents per share.

At year-end, the shares were held by the following categories of shareholders:

	June 2004 %	June 2003 %
Non-public (Directors)	**24,9**	30,6
Public	**75,1**	69,4
	100,0	100,0

Mr L Fourie resigned as a director and his shareholding is thus not included in the 2004 Non–public (Directors) shareholding.

Outside Shareholders' Interest

Outside shareholders' interest in the Group reduced to R1,7 million (2003: R4,0 million) due to

- The declaration of dividends and repayment of share premium by these entities,
- Acquisition of outside shareholding in Pinnacle Holdings Limited and Intelligent Systems (Pty) Limited, and;
- Reclassification of loans from outside shareholders, previously included in outside shareholders to long-term liabilities.

Short-Term Loan

A short-term loan was negotiated with Hendev (Pty) Limited, a company controlled by Mr CD Biddlecombe, to assist in the working capital requirements of the Group during the servicing of the Government contracts received in the latter part of the year. Details of the loan are provided in note 13.

5. Subsidiaries

Details of the Company's subsidiaries are reflected in note 4 to the financial statements

directors' report

(continued)

6. Directors' Interests in the Share Capital of the Company

The Directors' aggregate beneficial interest in the shares of the company at 30 June 2004 is 37 044 393 (2003: 45 528 793) shares of which 100 000 (2003: 7 781 430) are held directly and 36 944 393 shares (2003: 37 747 363) are held indirectly and beneficially.

	Direct	Indirect	Total	% **2004**	% 2003
A Tugenhaft	100 000	177 000	277 000	**0,19**	0,19
CD Biddlecombe		16 134 351	16 134 351	**10,82**	10,72
AJ Fourie		20 633 042	20 633 042	**13,84**	13,75
L Fourie*					5,99
	100 000	36 944 393	37 044 393	**24,85**	30,65

*Resigned

There have been no material changes between the year end and the date of this report and no non-beneficial shareholdings.

7. Shareholder Spread

The following shareholders beneficially hold more than 5% of the issued ordinary share capital of the Company as at 30 June 2004:

	30 June 2004		30 June 2003	
Carmen Fourie Trust	**20 633 042**	**13,8%**	13 486 306	9,1%
Le Masurier James and Chin Limited	**16 243 015**	**10,9%**		
Elandre Fourie Trust	**16 184 760**	**10,9%**	21 184 760	14,3%
Biddlecombe Family Trust	**16 134 351**	**10,8%**	15 928 601	10,7%
Rossenfeld Holding Limited			23 236 410	15,6%
	69 195 168	**46,4%**	73 836 077	49,7%

8. Shareholder Distribution as at 30 June 2004

	30 June 2004				30 June 2003			
	Shareholders		**Shares in issue**		Shareholders		Shares in issue	
	Number	**%**	**Number**	**%**	Number	%	Number	%
1 – 5 000	**550**	**50,9**	**896 688**	**0,6**	550	53,3	862 446	0,6
5 001 – 10 000	**144**	**13,3**	**1 223 312**	**0,8**	148	14,4	1 247 914	0,8
10 001 – 50 000	**246**	**22,7**	**6 380 139**	**4,3**	210	20,3	5 402 107	3,6
50 001 – 100 000	**64**	**5,9**	**5 031 030**	**3,4**	63	6,1	4 978 283	3,3
100 001 – 1 000 000	**57**	**5,3**	**16 425 279**	**11,0**	44	4,3	13 454 284	9,1
Over 1 000 000	**20**	**1,9**	**119 100 203**	**79,9**	16	1,6	122 662 217	82,6
	1 081		**149 056 651**		1 031		148 607 251	

directors' report

(continued)

9. Borrowing Limitations

In terms of the articles of association of the Company, the Directors may exercise all the powers of the Company to borrow, as they consider appropriate.

10. Events Subsequent to Balance Sheet Date

Subsequent to year end, the Board has indicated that it is no longer willing to provide financial assistance to Assuage Management Services (Pty) Limited, and that the Group should divest from this operation.

The Directors are not aware of any other matter or circumstance arising since the end of the financial year, not yet otherwise dealt with in the report or the Group Annual Financial Statements that would affect the operations of the Group or the results of those operations significantly.

11. Litigation

e-Tel Telecommunications (Pty) Limited ("e-Tel") is defending legal action by an American Service Provider wherein it is alleged that e-Tel is in breach of contract. In accordance with Generally Accepted Accounting Practice provisions have been raised for the legal cost incurred to year end in defending this suit. The Directors have received favourable opinion from legal counsel regarding our ability to defend this action.

12. Resolution of Contingent Liability

In the interim financial report dated 25 March 2004, the Directors reported a contingent liability of R30,6 million, being a claim by the South African Revenue Services against two of the Group's subsidiaries. The Group has materially addressed the requirements of the Revenue Services and an outflow of material economic resources is no longer probable.

13. Change of auditors

During the year Grant Thornton, a member firm of Grant Thornton International, was appointed as auditors to Pinnacle Technology Holdings Limited. The appointment was effected to take advantage of Grant Thorntons' significant reserves and national presence.

Directorate

Board of directors

Non-Executive

CD Biddlecombe	*(Chairman)*	Appointed 3 March 2000
A Tugendhaft		Appointed 24 November 1998

Executive

AJ Fourie	*(Chief Executive Officer)*	Appointed 24 November 1998
TA Maraga-Tshivhase		Appointed 3 December 2003
L Fourie		Resigned 3 December 2003

balance sheet

as at 30 June 2004

		Company		Group	
		2004	2003	**2004**	2003
	Notes	**R**	R	**R**	R
ASSETS					
Non-current assets		**101 449 052**	101 284 957	**62 364 345**	58 404 523
Property, plant and equipment	1			**34 999 862**	34 579 924
Intangible assets	2			**3 706 905**	1 562 561
Investments	3			**11 968 943**	6 909 853
Interest in subsidiaries	4	**101 269 721**	101 089 961		
Deferred taxation	5	**179 331**	194 996	**11 688 635**	15 352 185
Current assets			560 929	**132 425 325**	106 535 718
Inventories				**47 932 172**	49 049 335
Trade and other receivables	7			**55 115 612**	46 042 370
Cash and cash equivalents	6		560 929	**29 377 541**	11 444 013
Total assets		**101 449 052**	101 845 886	**194 789 670**	164 940 241
EQUITY AND LIABILITIES					
Capital and reserves		**98 245 770**	98 076 516	**91 783 047**	79 587 863
Share capital and premium	8	**126 065 577**	125 885 817	**126 065 577**	125 885 817
Non-distributable reserves	9	**801 000**	801 000	**9 663 384**	10 310 208
Accumulated loss		**(28 620 807)**	(28 610 301)	**(43 945 914)**	(56 608 162)
Outside shareholders' interest	10			**1 669 867**	4 017 978
Non-current liabilities					
Interest bearing liabilities	11			**8 911 980**	10 992 426
Subsidiary loan	12	**3 179 482**	3 769 370		
Current liabilities		**23 800**		**92 424 776**	70 341 974
Trade and other payables		**23 800**		**76 670 917**	64 484 617
Short-term loans	13			**5 325 003**	
Current portion of interest bearing liabilities	11			**3 168 714**	2 285 696
Warranty provisions				**4 853 557**	1 446 296
Taxation				**2 406 585**	2 125 365
Total equity and liabilities		**101 449 052**	101 845 886	**194 789 670**	164 940 241

income statement

for the year ended 30 June 2004

		Company		Group	
		2004	2003	**2004**	2003
	Notes	**R**	R	**R**	R
Revenue				**497 202 551**	417 818 272
Cost of sales				**(413 289 361)**	(348 523 766)
Gross profit				**83 913 190**	69 294 506
Operating expenses		**(3 068)**	(649 988)	**(63 785 049)**	(51 930 723)
Operating (loss)/profit	14	**(3 068)**	(649 988)	**20 128 141**	17 363 783
Share of net profit/(loss) from associate	16			**2 134 090**	(229 902)
Operating (loss)/profit before interest		**(3 068)**	(649 988)	**22 262 231**	17 133 881
Interest received		**8 227**		**2 706 146**	700 795
Interest paid				**(4 407 473)**	(5 051 792)
Net profit/(loss) before taxation		**5 159**	(649 988)	**20 560 904**	12 782 884
Taxation	17	**(15 665)**	194 996	**(6 385 510)**	(4 306 545)
Net (loss)/profit after taxation for the year		**(10 506)**	(454 992)	**14 175 394**	8 476 339
Net profit attributable to outside shareholders				**(1 513 146)**	(1 509 526)
Attributable (loss)/profit from ordinary activities		**(10 506)**	(454 992)	**12 662 248**	6 966 813
Impairment of investments and loans					(4 554 306)
Net (loss)/profit for the year		**(10 506)**	(454 992)	**12 662 248**	2 412 507
Earnings per share	18			**8,5**	1,6
Headline earnings per share	19			**8,9**	4,8

statement of changes in equity

for the year ended 30 June 2004

	Share capital R	Share premium R	Non-distributable reserves R	Accumulated loss R	Total R
Company					
Balance at 1 July 2002	1 486 073	124 399 744	801 000	(28 155 309)	98 531 508
Net loss for the year				(454 992)	(454 992)
Balance at 30 June 2003	**1 486 073**	**124 399 744**	**801 000**	**(28 610 301)**	**98 076 516**
Issue of shares	**4 494**	**175 266**			**179 760**
Net loss for the year				**(10 506)**	**(10 506)**
Balance at 30 June 2004	**1 490 567**	**124 575 010**	**801 000**	**(28 620 807)**	**98 245 770**
Group					
Balance at 1 July 2002	1 486 073	124 399 744	3 589 408	(59 020 669)	70 454 556
Net profit for the year				2 412 507	2 412 507
Revaluation of fixed property			6 720 800		6 720 800
Balance at 30 June 2003	**1 486 073**	**124 399 744**	**10 310 208**	**(56 608 162)**	**79 587 863**
Issue of shares	**4 494**	**175 266**			**179 760**
Net profit for the year				**12 662 248**	**12 662 248**
Deferred capital gains tax on revalutation of fixed property			**(675 000)**		**(675 000)**
Movement in foreign currency translation reserve			**28 176**		**28 176**
Balance at 30 June 2004	**1 490 567**	**124 575 010**	**9 663 384**	**(43 945 914)**	**91 783 047**

cash flow statement

for the year ended 30 June 2004

		Company		Group	
		2004	2003	**2004**	2003
	Notes	**R**	R	**R**	R
Cash flows from operating activities					
Cash receipts from customers	27			**488 129 309**	421 010 154
Cash paid to employees and suppliers	28	**20 732**	(649 988)	**(451 338 740)**	(414 341 199)
Cash generated from/(absorbed by) operations	29	**20 732**	(649 988)	**36 790 569**	6 668 955
Interest received		**8 228**		**2 706 146**	700 795
Interest paid				**(4 407 473)**	(5 051 792)
Taxation paid	30			**(3 127 447)**	(463 931)
		28 960	(649 988)	**31 961 795**	1 854 027
Cash flows from investing activities					
Expenditure to maintain operating capacity					
Property, plant and equipment acquired				**(4 511 686)**	(3 217 252)
Proceeds of the disposal of property, plant and equipment				**672 139**	890 000
Increase in investments					3 132 056
Acquisition of outside shareholders' interest in subsidiaries		**(179 760)**		**(4 160 684)**	(30 213)
Loan advanced to associate				**(3 025 000)**	
		(179 760)		**(11 025 231)**	774 591
Cash-flows from financing activities					
Net (decrease)/increase in long-term liabilities				**(2 010 572)**	680 858
(Decrease)/increase in long-term liabilities				**(1 197 428)**	680 858
Reclassification to shareholders' loans from outside shareholders' interest				**(813 144)**	
(Decrease)/increase in subsidiary loan		**(589 889)**	1 210 917		
Share capital and premium raised		**179 760**		**179 760**	
Distribution of subsidiary dividends and share premium to outside shareholders				**(1 172 224)**	
		(410 129)	1 210 917	**(3 003 036)**	680 858
Increase/(decrease) in cash and cash equivalents		**(560 929)**	560 929	**17 933 528**	3 309 476
Cash and cash equivalents at the beginning of the year		**560 929**		**11 444 013**	8 134 537
Cash and cash equivalents at the end of the year			560 929	**29 377 541**	11 444 013

accounting policies

The financial statements are prepared on the historical cost basis, except for certain freehold land and buildings, which have been revalued. These financial statements incorporate the principal accounting policies, set out below, which are consistent with those used in the previous year. These policies comply with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared on a going concern basis.

Consolidation

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of the minority shareholders is stated at the minority's proportion of the fair value of the assets and liabilities recognised.

The Group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition. Intergroup balances, intergroup transactions and resulting profits are eliminated in full.

Subsidiaries are defined as those companies in which the Group, either directly or indirectly, exercises control over the financial and operating policies of that entity.

On consolidation, the assets and liabilities of the Group's foreign subsidiaries and operations are translated at exchange rates ruling on the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

The carrying value of subsidiaries is compared with their attributable net asset value or market value. Provision is made for any permanent diminution in value.

Associate companies

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

In the Company's financial statements, investments in associates are accounted for under the equity method, adjusted for impairment losses. Impairment losses are recognised in the results for the period.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses, except for certain freehold land and buildings, which have been revalued.

Freehold land and buildings are considered to be of an investment nature and are therefore classified as Investment properties in the individual companies. On consolidation the freehold land and buildings are owner occupied and accounted for in terms of AC123, Statement of Property, Plant and Equipment.

Subsequent expenditure relating to an item of property that has already been recognised is added to the carrying amount of the asset to the extent that it is probable the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost by equal instalments over their useful lives as follows:

Buildings	25 to 50 years
Motor vehicles	5 years
Office equipment	6 years
Computer equipment	3 to 4 years
Plant and equipment	5 years
Furniture, fittings and other equipment	6 to 10 years

Improvements to leased premises are written off over the period of the lease.

Surpluses arising from the professional valuations of properties are taken directly to the revaluation reserve. Valuation surpluses realised on the sale of assets are transferred from the revaluation reserve to the income statement. Any deficit arising from the professional valuation of properties is taken direct to the revaluation reserve to the extent that such deficit is regarded as temporary. Where a permanent diminution in the value of an individual property is identified, the deficit is eliminated against any revaluation reserve in respect of that property with any excess being charged against the income statement.

Leased assets

Leases are classified as finance leases whenever the the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant and equipment held under finance leases are capitalised. At the commencement of the leases these assets are reflected at the lower of fair value and the present value of the minimum lease payments. The related liability is recognised at the equivalent amount. Finance charges are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining liability for the period.

These capitalised lease assets are depreciated in accordance with the policies applicable to equivalent items of property, plant and equipment.

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Obligations incurred under operating leases are charged to the income statement in equal instalments over the periods of the leases.

Intangibles

Intangible assets are recognised only when the cost can be measured reliably and the future expected benefits attributable to the asset are assured.

Goodwill is the excess of the cost of an acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired at the acquisition date.

Intangible assets are carried at cost less amortisation and any accumulated impairment losses.

Amortisation is provided on all intangible assets to write down the cost on a straight line basis over their estimated economic lives.

Goodwill is amortised on the straight line basis over a period of 10 years.

Intangible assets are further written down to the extent that the un-amortised balances will in all probability not be recovered from future economic benefits.

Internally generated goodwill is not recognised as an asset.

Investments

Non-trading investments are classified as financial assets and stated at cost, except where there is a decline in value that is other than temporary, in which case they are written down to fair value.

Changes in the fair value of investments are recognised in the income statement in the period in which they arise.

Taxation

The charge for current and deferred tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

accounting policies

(continued)

In principle deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither tax nor accounting profit.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences or the unutilised portion of assessed losses.

Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories comprise computer merchandise and are valued at the lower of cost, determined on a weighted average basis, and estimated net realisable value. Cost includes transport and handling costs. Where necessary, provision is made for slow-moving and obsolete stock.

Trade and other receivables

Trade receivables originated by the enterprise are stated at the fair value of consideration received less provision for doubtful debts. Bad debts are written off in the year in which they are identified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and other financial institutions and investments in money market instruments.

Financial instruments

Financial instruments are recognised when the Group becomes party to a transaction. Initial measurement is at cost, which includes transaction costs.

Financial instruments carried on the Balance Sheet include receivables, cash and bank balances, investments, receivables, trade creditors and borrowings and are considered by the Directors to approximate their fair value. The Directors' valuation is calculated on a basis of return or net asset value as is deemed appropriate. Unrealised profits on these investments are recognised in the results of the period in which they arise.

The fair value of foreign exchange forward contracts represent the estimated amounts, using rates quoted by the Company's bankers, which the Company would receive to terminate the contracts at the reporting date, thereby taking into account the unrealised gains or losses.

Trade and other payables and provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle a legal obligation and reliable estimates of the amounts can be made.

Trade payables are stated at their nominal value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss.

Where the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying value is reduced to its recoverable amount. Impairment losses are recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue

Revenue comprises the invoiced value of sales, excluding Value Added Tax.

Revenue from the sale of goods is recognised when delivery is made. Revenue relating to services is recognised during the period in which the service is performed.

Cost of sales

Cost of sales consists of the costs of inventories sold during the period including costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

Income from investments

Interest is recognised on a time apportioned basis that takes into account the effective yield of the asset.

Dividends are recognised on the shareholder's right to receive payment.

Borrowing costs

Interest-bearing borrowings are recorded net of direct costs. Finance charges are accounted for on the accrual basis and are added to the carrying amount to the extent that they are not settled in the period in which they arise.

Warranties

Provision for the estimated liability on all products under warranty is made on the basis of claims experience.

Foreign currencies

Transactions in foreign currencies are translated to South African Rand at the rate of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Profits and losses on exchange are dealt with in the income statement.

In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts

Segmental reporting

Details of the operations and products of each of the Business Segments are given in the Group overview.

notes to the financial statements

for the year ended 30 June 2004

Group	Freehold land and buildings R	Capitalised leased motor vehicles R	Motor vehicles R
1. Property, plant and equipment			
Book value at 30 June 2002	22 462 774	994 825	399 349
Valuation/cost	22 462 774	1 092 037	773 039
Accumulated depreciation		(97 212)	(373 690)
Movement for the year 2003			
Additions	441 594	131 142	21 482
Revaluation	6 806 024		
Disposals	(888 791)	(228 620)	(34 039)
Depreciation		(175 895)	(126 203)
Book value at 30 June 2003	28 821 601	721 452	260 589
Valuation/cost	28 821 601	966 908	760 482
Accumulated depreciation		(245 456)	(499 893)
Movement for the year 2004			
Additions	**120 483**	**452 183**	**223 127**
Disposals		**(265 714)**	**16 905**
Cost		**(461 848)**	**(48 321)**
Accumulated depreciation		**196 134**	**65 226**
Depreciation	**(288 063)**	**(198 750)**	**(95 276)**
Foreign currency translation			
Cost			
Accumulated depreciation			
Book value at 30 June 2004	**28 654 021**	**709 171**	**405 345**
Valuation/Cost	**28 942 084**	**957 243**	**935 288**
Accumulated depreciation	**(288 063)**	**(248 072)**	**(529 943)**

Motor vehicle, plant and equipment and office equipment with a book value of R1 536 732 (2003: R1 373 804) are encumbered. (Refer Note 11).

notes to the financial statements

for the year ended 30 June 2004

(continued)

Office equipment R	Computer equipment R	Furniture, fittings and other equipment R	Plant and equipment R	Total R
377 272	1 471 262	2 120 356	380 101	28 205 939
1 399 749	5 454 084	3 532 382	1 710 678	36 424 743
(1 022 477)	(3 982 822)	(1 412 026)	(1 330 577)	(8 218 804)
788 708	1 018 872	122 783	692 672	3 217 253
				6 806 024
(20 000)	(268 280)	(244 662)		(1 684 392)
(313 586)	(541 907)	(341 700)	(465 609)	(1 964 900)
832 394	1 679 947	1 656 777	607 164	34 579 924
2 168 457	6 821 621	3 410 503	2 403 351	45 352 923
(1 336 063)	(5 141 674)	(1 753 726)	(1 796 187)	(10 772 999)
84 824	**3 091 229**	**137 734**	**402 106**	**4 511 686**
(56 377)	**(308 239)**	**(29 914)**		**(643 339)**
(162 099)	**(645 124)**	**(71 736)**		**(1 389 128)**
105 722	**336 885**	**41 822**		**745 789**
(248 169)	**(1 999 874)**	**(340 595)**	**(217 858)**	**(3 388 585)**
(4 164)	**(15 255)**	**(40 405)**		**(59 824)**
(5 076)	**(25 138)**	**(45 754)**		**(75 968)**
912	**9 883**	**5 349**		**16 144**
608 508	**2 447 808**	**1 383 597**	**791 412**	**34 999 862**
2 086 106	**9 242 588**	**3 430 747**	**2 805 457**	**48 399 513**
(1 477 598)	**(6 794 780)**	**(2 047 150)**	**(2 014 045)**	**(13 399 651)**

Pinnacle Technology

notes to the financial statements

for the year ended 30 June 2004 (continued)

		Group	
		2004 **R**	2003 R
1.1	**Details of land and buildings**		
	Buildings and offices, situated at Erf 394, Newton Park, Port Elizabeth		
	– Cost	**1 880 008**	1 880 008
	– Additions	**121 890**	154 155
	– Depreciation	**(26 329)**	
		1 975 569	2 034 163
	Buildings and offices, Situated at Erf 259, Erand Agricultural Holdings, Midrand		
	– Cost	**19 693 975**	19 693 975
	– Revaluation	**6 806 024**	6 806 024
	– Additions	**436 198**	287 439
	– Depreciation	**(257 745)**	
	Valuated by JC Plein (Valuer registered with the South Africa Institute of Valuers) as at 30 June 2003		
		26 678 452	26 787 438
		28 654 021	28 821 601
	Buildings (Erf 259) are secured by a mortgage bond with Investec Bank Limited, bearing interest at 18% per annum, repayable in monthly instalments of R317 414 (2003: R288 588) inclusive of capital and interest. Refer note (11). The capital outstanding on the loan was R8 414 806 (2003: R10 093 564).		
	Buildings (Erf 394) are secured by a mortgage bond with Nedbank Limited, bearing interest at prime less 1 percent per annum , repayable in monthly instalments of R21 511 (2003: R25 088) inclusive of capital and interest. Refer note (11). The capital outstanding on the loan was R1 384 895 (2003: R1 452 111).		
2.	**Intangible assets**		
	Goodwill		
	Balance at the beginning of the year	**1 562 561**	1 144 684
	Goodwill arising on acquisition of subsidiaries	**2 284 795**	560 635
	Reclassification of goodwill included in trade and other payables in the prior year	**290 666**	
	Amortisation of goodwill	**(431 117)**	(142 758)
		3 706 905	1 562 561
3.	**Investments**		
	Unsecured		
	Parcea Computing (Pty) Limited	**1 075 673**	1 075 673
	Interest free loan, no fixed terms of repayment		
	Associates		
	Quandry Investments (Pvt) Limited - Registered and Trading in Zimbabwe	**1**	1
	– 8 100 ordinary shares of Zim $1 each (45% shareholding)	**1**	1
	– Long-term loan	**2 840 483**	2 840 483
	– Impairment of long-term loan	**(2 840 483)**	(2 840 483)
	– Share of post acquisition reserves	**168 369**	168 369
	– Impairment of post acquisition reserves	**(168 369)**	(168 369)
	Explix Technologies (Pty) Limited	**10 893 269**	5 734 179
	– 350 ordinary shares of R1 each (35% shareholding)	**350**	350
	– Long-term loan	**7 240 001**	4 215 001
	– Unsecured, bearing interest at 10% per annum with no repayment terms		
	– Share of post acquisition reserves	**3 652 918**	1 518 828
	Computer Image Products		100 000
		11 968 943	6 909 853

Nature of operations of associates

Quandry Investments (Pty) Limited markets and distributes Pinnacle products in Zimbabwe.

Explix Technologies (Pty) Limited is a focused software distributor.

The long-term loan to Explix Technologies (Pty) Limited has been ceded to the bankers of Explix Technologies (Pty) Limited as security for facilities granted.

notes to the financial statements
for the year ended 30 June 2004
(continued)

4. Interest in subsidiaries

Company	Activity	Issued share capital R	Effective holding **2004 %**	2003 %	Investment value **2004 R**	2003 R
Direct Holdings						
Pinnacle Holdings Limited	Intermediate Holding Co	1 800 000	**99**	99	**101 269 721**	101 089 961
Indirect Holdings						
IT Infrastructure Group						
Pinnacle Micro (Pty) Limited	Operating Co	100	**99**	99		
Pinnacle Micro Cape (Pty) Limited	Operating Co	100	**69**	69		
Pinnacle Micro Namibia (Pty) Limited	Operating Co	100	**99**	99		
Incorporated in Namibia						
Boditse(Pty) Ltd	Operating Co	1 000	**99**	99		
Incorporated in Botswana						
AZ Computer Corporation (Pty) Limited	Operating Co	2	**99**	99		
Software and Storage						
Intelligent Systems (Pty) Limited	Operating Co	200	**99**	59		
IT Services Group						
Assuage Management Systems (Pty) Limited	Operating Co	100	**51**	0		
RentNet Rentals (Pty) Limited	Operating Co	1 000	**59**	59		
Telecommunications Group						
Etel Telecommunications (Pty) Limited formerly Infinite Technologies (Pty) Limited	Operating Co	2	**89**	89		
Property						
Erf 259 Erand Property (Pty) Limited	Property Investment Co	101	**99**	99		
Protectaire Properties (Pty) Limited	Property Investment Co	8 000	**99**	99		
Dormant						
Rivington Investments (Pty) Limited	Dormant	1	**99**	99		
A&L Fourie Beleggings (Pty) Limited	Dormant	100	**99**	99		
Pinnacle Finance (Pty) Limited	Dormant	1	**99**	99		
Pinteq (Pty) Limited	Dormant	1	**99**	99		

The aggregate profit after taxation of the subsidiaries for the year, attributable to the Company was R17 510 675 (2003: R7 651 707). The aggregate loss after taxation of the subsidiaries for the year, attributable to the Company was R4 837 922.

Pinnacle Technology

notes to the financial statements

for the year ended 30 June 2004 (continued)

	Company 2004 R	Company 2003 R	Group 2004 R	Group 2003 R
5. Deferred taxation				
Deferred tax asset as at the beginning of the year	**194 996**		**15 352 185**	16 927 168
Temporary timing differences			**(86 094)**	(147 349)
Utilisation of assessed loss	**(15 665)**	194 996	**(3 577 456)**	(1 427 634)
	179 331	194 996	**11 688 635**	15 352 185
Comprising				
Assessed losses	**179 331**	194 996	**9 714 612**	13 292 070
Temporary timing differences			**1 974 023**	2 060 115
Provision for doubtful debts			**720 784**	279 233
Property, plant and equipment			**155 490**	339 608
Provisions and accruals			**1 772 749**	1 441 274
Capital gains tax on revaluation of fixed property			**(675 000)**	
	179 331	194 996	**11 688 635**	15 352 185

6. Cash and cash equivalents

	2004 Foreign Currency	Company 2004 R	Company 2003 R	Group 2004 R	Group 2003 R
Cash on hand				**76 034**	81 441
Balances with banks			560 929	**29 301 507**	11 362 572
ZAR			560 929	**29 075 567**	11 084 873
USD	$35 920			**225 940**	271 070
EUR					6 629
			560 929	**29 377 541**	11 444 013

	Company 2004 R	Company 2003 R	Group 2004 R	Group 2003 R
7. Banking facilities				
The Group has the following facilities				
Direct facility			**10 500 000**	4 500 000
Contingent facility			**1 500 000**	1 500 000
Pre-settlement facility at 10%			**2 500 000**	2 500 000
Invoice discounting facility			**20 000 000**	6 000 000
Total facilities	-		**34 500 000**	14 500 000

The Group's bankers have issued guarantees to the value of R4 151 600 (2003: R1 500 000) on behalf of the Group.

The Company and its subsidiaries have issued unlimited letters of suretyship for banking and finance facilities provided to certain of its subsidiaries. The facilities were provided on cession of the Group's cash resources, trade debtors and domestic debtors insurance policy.

	Company		Group	
	2004 **R**	2003 R	**2004** **R**	2003 R
8. Share capital and premium				
Authorised share capital				
300 000 000 shares of 1 cent each	**3 000 000**	3 000 000	**3 000 000**	3 000 000
Issued share capital				
149 056 651 (2003: 148 607 297) shares of 1 cent each	**1 490 567**	1 486 073	**1 490 567**	1 486 073
Share premium	**124 575 010**	124 399 744	**124 575 010**	124 399 744
Total share capital and premium	**126 065 577**	125 885 817	**126 065 577**	125 885 817
The directors are authorised to issue shares for cash in terms of a resolution passed by the shareholders which is valid until the next annual general meeting, subject to the Listings Requirements of the JSE Securities Exchange of South Africa and section 221(I) of the Companies Act (61 of 1973).				
9. Non-distributable reserves				
Profit on sale of subsidiary	**801 000**	801 000	**801 000**	801 000
Revaluation reserve			**8 827 074**	9 502 074
Foreign currency translation reserve			**35 310**	7 134
	801 000	801 000	**9 663 384**	10 310 208
10. Outside shareholders' interest				
Balance at the beginning of the year			**4 017 978**	2 126 260
Outside shareholders' share of income for the year			**1 513 146**	1 509 526
Acquisition of outside shareholders' shares			**(1 875 889)**	(394 187)
Re-allocation of shareholders' loans			**(813 144)**	776 379
Dividends declared during the year			**(772 224)**	
Repayment of share premium			**(400 000)**	
			1 669 867	4 017 978

notes to the financial statements

for the year ended 30 June 2004 (continued)

	Group 2004 R	Group 2003 R
11. Interest bearing liabilities		
Unsecured		
Minority shareholders	**659 109**	
	659 109	
These loans are unsecured, bear interest at 10% per annum and no terms of repayment have been fixed.		
Secured		
Investec Bank	**8 414 806**	10 093 563
Less: Current portion of long-term liabilities included under current liabilities	**(2 490 044)**	(1 763 447)
	5 924 762	8 330 116
The above loan is secured by a mortgage bond over land and buildings that is valued at R26 678 452 (2003: R26 787 438). Interest accrues at 18% per annum, repayable in monthly instalments of R317 414 (2003: R288 558) inclusive of finance charges of R109 908 (2003: R141 604).		
Nedbank	**1 384 895**	1 452 111
Less: Current portion of long-term liabilities included under current liabilities	**(105 911)**	(74 828)
	1 278 984	1 377 283
The above loan is secured by a mortgage bond over land and buildings that is valued at R1 975 569 (2003: R2 034 163). Interest accrues at prime less 1% per annum, repayable in monthly instalments of R21 511 (2003: R25 088) inclusive of finance charges of R12 685 (2003: R18 853).		
Liabilities under instalment sale agreements	**1 009 549**	927 480
Less: Current portion of long-term liabilities included under current liabilities	**(396 288)**	(212 321)
	613 261	715 159
The above loans are secured over motor vehicles, plant and equipment with a book value of R1 189 532 (2003: R993 136). Interest accrues at rates varying between prime plus 0,242 and prime plus 0,777. The loans are repayable in monthly instalments of R40 789 (2003: R17 693) inclusive of interest of R7 764 (2003: R9 147).		
Liabilities under lease agreements	**612 335**	804 968
Less: Current portion of long-term liabilities included under current liabilities	**(176 471)**	(235 100)
	435 864	569 868
The above loans are secured over motor vehicles, plant and equipment with a book value of R340 270 (2003: R202 117). Interest accrues at rates varying between prime and prime plus 0,515. The loans are repayabel in monthly instalments of R21 598 (2003: R19 592) inclusive of interest of R5 758 (2003: R10 672).		
Total	**12 080 694**	13 278 122
Less: Current portion of long-term liabilities	**(3 168 714)**	(2 285 696)
Long-term	**8 911 980**	10 992 426

11. Interest bearing liabilities (continued)

11.1 Total minimum payments and present value

Group	**2004**		
	Total payment R	**Finance costs R**	**Present value R**
Up to one year	**4 802 117**	**(1 633 403)**	**3 168 714**
One to five years	**9 341 841**	**(1 612 219)**	**7 729 622**
Longer than five years	**1 253 528**	**(71 170)**	**1 182 358**
Total	**15 397 486**	**(3 316 792)**	**12 080 694**
		2003	
Up to one year	4 449 012	(2 163 315)	2 285 697
One to five years	13 429 534	(3 277 130)	10 152 404
Longer than five years	1 194 147	(354 125)	840 022
Total	19 072 693	(5 794 570)	13 278 123

The articles of association state that the extent of the borrowings are at the discretion of the Directors.

	Company		**Group**	
	2004 R	2003 R	**2004 R**	2003 R
12. Subsidiary loan				
Pinnacle Holdings Limited	**3 179 482**	3 769 370		
This loan is interest-free and no fixed repayment terms have been negotiated.				
13. Short-term loans				
Short-term loans			**5 325 003**	–

Hendev (Pty) Limited

Unsecured interest bearing at 10% p.a., interest payable monthly in arrears, Capital to be repaid on 30 September 2004.

FNB Corporate Finance

The above loan is generated through an invoice discounting facility and bears interest at prime per annum, together with a facility fee of R5 702 per month – monthly payable in arrears.

notes to the financial statements

for the year ended 30 June 2004 (continued)

	Group 2004 R	Group 2003 R
14. Operating (loss)/profit		
Operating (loss)/profit is stated after taking the following into account:		
Auditors' remuneration		
Audit fee	**421 018**	396 745
Other services	**4 999**	179 208
Staff costs	**45 917 027**	34 910 818
Depreciation	**3 388 585**	1 964 900
Land and buildings	**288 063**	
Leased motor vehicles	**198 750**	175 895
Motor vehicles	**95 276**	126 203
Office equipment	**248 169**	313 586
Computer equipment	**1 999 874**	541 907
Plant and equipment	**217 858**	465 609
Furniture fittings and other equipment	**340 595**	341 700
Amortisation and impairment		
Amortisation of goodwill	**431 117**	142 758
(Profit)/loss on the sale of property, plant and equipment	**(28 800)**	177 736
Foreign exchange gain	**(5 971 921)**	(4 852 898)
Unrealised	**632 262**	(1 692 385)
Realised	**(6 604 183)**	(3 160 513)
Operating lease charges		
Premises	**1 431 091**	1 822 468
Equipment	**834 670**	786 831
Impairment of investments	**100 000**	

notes to the financial statements

for the year ended 30 June 2004

(continued)

15. Directors' emoluments

	2004 Basic salary	Director's fees	Travel allowance	Medical contri-butions	Perfor-mance bonus	Total
Directors						
Executive Directors						
AJ Fourie	**762 413**		**206 400**	**26 187**	**515 314**	**1 510 314**
TA Maraga-Tshivhase*	**155 795**		**97 595**	**25 027**	**300 000**	**578 417**
L Fourie**	**207 500**		**77 500**	**21 855**		**306 855**
Non-Executive Directors						
CD Biddlecombe		**142 000**				**142 000**
A Tugendhaft		**120 000**				**120 000**
	1 125 708	**262 000**	**381 495**	**73 069**	**815 314**	**2 657 586**

	2003 Basic salary	Fees	Travel allowance	Medical contributions	Performance bonus	Total
Directors						
Executive Directors						
AJ Fourie	471 402		127 618			599 020
L Fourie**	391 225		103 996			495 221
Non-Executive Directors						
CD Biddlecombe		120 000				120 000
A Tugendhaft		120 000				120 000
D Lello**		40 000				40 000
	862 627	280 000	231 614			1 374 241

*Appointed 3 December 2003

**Resigned 3 December 2003

notes to the financial statements

for the year ended 30 June 2004 (continued)

16. Share of net profit/(loss) from associate

	Explix Technologies (Pty) Limited	
	2004	2003
Non-current assets	**3 056 608**	2 994 110
Current assets	**97 544 168**	66 541 325
Non-current liabilities	**(18 000 000)**	(18 091 631)
Current liabilities	**(72 163 885)**	(47 103 294)
Net Asset Value	**10 436 891**	4 340 510
Share capital	**1 000**	1 000
Profit/(loss) for the year	**6 715 619**	(656 862)
Retained income at the beginning of the year	**3 720 272**	4 996 372
Shareholders' equity at the end of the year	**10 436 891**	4 340 510
Equity accounted investment balance	**3 652 918**	1 518 828
Share of net income/(loss) from associates	**2 134 090**	(229 902)

Due to the prevailing economic conditions in Zimbabwe, the Directors have elected not to account for the results of operations of Quandry Investments (Pvt) Limited in the Group results.

	Company		Group	
	2004 R	2003 R	**2004 R**	2003 R
17. Taxation				
Normal taxation			**3 097 324**	2 242 092
Current year			**3 039 162**	2 242 092
Adjustments in respect of the prior year			**58 162**	
Secondary Tax on Companies		0	**311 343**	0
Deferred taxation	**15 665**	(194 996)	**2 976 843**	2 064 453
Current year	**15 665**	(194 996)	**3 675 103**	2 064 453
Adjustments in respect of the prior year			**(698 260)**	
	15 665	(194 996)	**6 385 510**	4 306 545

	Company		Group	
	2004	2003	**2004**	2003
	R	R	**R**	R
17. Taxation (continued)				
Reconciliation of tax rate				
Net profit/(loss) before taxation	**5 160**	(649 988)	**20 560 904**	12 782 884
Taxation	**(15 665)**	194 996	**(6 385 510)**	(4 306 545)
	%	%	**%**	%
Effective tax rate	**303,6**	30,0	**31,1**	33,7
S.A. normal tax rate	**30,0**	30,0	**30,0**	30,0
Secondary Tax on Companies	**0,0**	0,0	**1,5**	0,0
Foreign tax rate differential	**0,0**	0,0	**0,5**	0,0
Disallowable expenditure	**273,6**	0,0	**1,6**	0,0
Adjustments in respect of the prior year	**0,0**	0,0	**(3,1)**	0,0
Impairment of deferred tax assets	**0,0**	0,0	**1,8**	0,0
Deferred tax assets not provided	**0,0**	0,0	**1,9**	3,1
Income from associates	**0,0**	0,0	**(3,1)**	0,6
18. Earnings per share				
Earnings per share has been calculated using the following;				
Net profit for the year			**12 662 248**	2 412 507
Average weighted number of shares in issue during the year			**149 019 718**	148 607 297
Earnings per share (cents)			**8,5**	1,6
19. Headline earnings per share				
Headline earnings per share have been calculated using the following				
Net profit for the year			**12 662 248**	2 412 507
Add back:				
Impairment of investments and loans			**100 000**	4 554 306
Amortisation of goodwill			**431 117**	142 758
Headline earnings			**13 193 365**	7 109 571
Average weighted number of shares in issue during the year			**149 019 718**	148 607 297
Headline earnings per share (cents)			**8,9**	4,8

notes to the financial statements

for the year ended 30 June 2004 (continued)

20. Retirement benefits

There is currently no retirement benefit plan for employees. There are also no post retirement medical benefits.

21. Company risk

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash, short- and long-term deposits as well as trade receivables.

The Company's cash, short- and long-term deposits are placed only with major banks of the highest quality credit standing.

Trade receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed and where appropriate credit guarantee insurance is purchased.

Credit is granted on application in line with policies implemented by the Directors. At year-end, the Company did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Liquidity risk

The Company has minimised its liquidity risk by ensuring it has adequate banking facilities and reserve borrowing capacity with high quality financial institutions.

Currency risk

Financial instruments are employed to cover currency risks linked to the Company's activities. Each instrument is tied to an asset or liability or an operational or financing transaction. Management of these instruments is centralised.

The Company carries out a significant portion of its purchases in foreign currencies. Hedging instruments are used to limit this risk and are designated either to accounts receivable or accounts payable, or to anticipated future transactions.

Pinnacle Micro (Pty) Limited had foreign payables amounting to ZAR 20 747 321 (USD 3 295 097) (2003: R27 914 198 (USD 3 647 871)).

Interest rate risk

As part of the process of managing the Company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in the interest rate.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

		Group		
		2004 Foreign currency	**2004 R**	2003 R
22. Foreign currency exposure				
Included in the consolidated accounts payable:				
Uncovered and unhedged foreign liabilities				
Trade accounts payable	USD			19 789 499
Covered foreign liabilities				
Trade accounts payable	USD	**3 295 097**	**20 747 321**	7 860 422
			20 747 321	27 649 921

	Group 2004 R	Group 2003 R
23. Commitments		
Operating leases		
Future minimum lease payments on non-cancellable operating leases		
Up to one year	**866 572**	1 293 823
One to five years	**376 200**	531 193
	1 242 772	1 825 016
24. Interest of directors in contracts		
Hendev (Pty) Limited – Mr CD Biddlecombe has significant control	**5 000 000**	nil
Short-term loan advanced by Hendev (Pty) Limited to Pinnacle Micro. Interest is calculated at 10% p.a. and payble monthly in arrears.		
Moss Morris – Mr A Tugendhaft is Chairman.	**354 915**	80 193
Moss Morris provided legal services to the Group during the year.		

25. Related party transactions

Related party and nature of relationship	Type of transaction	Amount of transaction R	Amount of balance R	Pricing policy
2004				
Rolfes Colour Pigments International (Pty) Limited – Director's influence	**Sale of stock**	**104 646**	**25 508**	**Arm's length**
Explix Technologies (Pty) Limited – Associate	**Sales and purchases**	**3 065 498**	**382 024**	**Arm's length**
	Purchases	**(5 684 480)**	**(147 790)**	**Arm's length**
Digital Science (Pty) Limited – Director's influence	**Sale of stock**	**231 084**	**78 557**	**Arm's length**
Quandry Investments (Pvt) Limited – Associate	**Sale of stock**	**9 222 735**	**2 092 089**	**Arm's length**
2003				
Rolfes Colour Pigments International (Pty) Limited – Director's influence	Sale of stock	50 826		Arm's length
Explix Technologies (Pty) Limited – Associate	Sales and purchases	1 803 268	37 712	Arm's length
	Loans	(3 398 286)	4 125 001	Arm's length
Digital Science (Pty) Limited – Director's influence	Sale of stock	219 309	6 547	Arm's length
Quandry Investments (Pvt) Limited – Associate	Sale of stock	4 018 670	518 737	Arm's length

notes to the cash flow statement

for the year ended 30 June 2004 (continued)

	Company		Group	
	2004	2003	**2004**	2003
	R	R	**R**	R
26. Cash flow statement				
The following convention applies to figures other than adjustments:				
Outflows of cash are represented by figures in brackets				
Inflows of cash are represented by figures without brackets				
27. Cash receipts from customers				
Gross revenue			**497 202 551**	417 818 272
(Increase)/decrease in trade and other receivables			**(9 073 242)**	3 191 882
			488 129 309	421 010 154
28. Cash paid to employees and suppliers				
Cost of sales			**(413 289 361)**	(348 523 766)
Operating expenses	**(3 068)**	(649 988)	**(63 785 049)**	(51 930 723)
Non-cashflow items			**3 990 609**	2 285 393
Depreciation			**3 388 585**	1 964 900
Amortisation and impairment of goodwill			**431 117**	142 758
Movement in foreign currency translation reserves			**99 707**	
Impairment of investment			**100 000**	
Loss/(profit) on disposal of property, plant and equipment			**(28 800)**	(16 172 103)
Working capital changes			**21 745 061**	(16 172 103
Decrease in inventories			**1 117 163**	13 892 661
Increase/(decrease) in accounts payable	**23 800**		**12 186 300**	(6 074 525)
Reclassification of amounts to goodwill			**(290 666)**	
Increase/(decrease) in warranty provisions			**3 407 261**	(188 550)
Increase/(decrease) in short-term loan			**5 325 003**	(23 801 689)
	20 732	(649 988)	**(451 338 740)**	(414 341 199)

notes to the cash flow statement

for the year ended 30 June 2004 (continued)

	Company		Group	
	2004 R	2003 R	**2004 R**	2003 R
29. Cash generated from/(absorbed by) operations				
Net profit/(loss) before taxation	**5 159**	(649 988)	**20 560 904**	12 782 884
Adjusted for:				
Interest received	**(8 227)**		**(2 706 146)**	(700 795)
Interest paid			**4 407 473**	5 051 792
Income from associates			**(2 134 090)**	229 902
Non-cash flow items			**3 990 609**	2 285 393
Depreciation			**3 388 585**	1 964 900
Amortisation and impairment of goodwill			**431 117**	142 758
Loss/(profit) on disposal of property, plant and equipment			**(28 800)**	177 735
Movements in Foreign Currency Translation Reserve			**99 707**	
Impairment of Investment			**100 000**	
Changes in working capital			**12 671 819**	(12 980 221)
Decrease in inventories			**1 117 163**	13 892 661
(Increase)/decrease in accounts receivable			**(9 073 242)**	3 191 882
Increase/(decrease) in accounts payable	**23 800**		**12 186 300**	(6 074 525)
Reallocation of amounts to goodwill			**(290 666)**	
Increase/(Decrease) in warranty provisions			**3 407 261**	(188 550)
Increase/(decrease) in short-term loan			**5 325 003**	(23 801 689)
	20 732	(649 988)	**36 790 569**	6 668 955
30. Normal taxation paid				
Tax owing at the beginning of the year			**2 125 365**	580 658
Tax charge to the Income Statement			**3 408 667**	(2 242 092)
Tax owing at the end of the year			**(2 406 585)**	2 125 365
			3 127 447	463 931

segmental analysis

for the year ended 30 June 2004

	2004			
	Revenue R	**Net profit R**	**Assets R**	**Liabilities R**
Business Unit				
Infrastructure and support	**472 995 955**	**12 397 357**	**132 281 254**	**(141 499 105)**
Software and storage	**16 720 947**	**1 441 394**	**11 985 909**	**(8 629 256)**
ICT services	**5 240 628**	**(1 612 632)**	**2 440 816**	**(3 789 599)**
Telecommunication	**2 245 021**	**(2 291 567)**	**3 508 177**	**(6 106 554)**
Holdings and Properties		**2 727 696**	**44 573 514**	**58 687 758**
	497 202 551	**12 662 248**	**194 789 670**	**(101 336 756)**

	2003			
	Revenue R	Net profit R	Assets R	Liabilities R
Business Unit				
Infrastructure and support	390 090 661	6 022 597	113 202 669	(123 361 350)
Software and storage	22 310 841	1 320 038	8 674 552	(3 708 906)
ICT services	5 416 770	549 667	2 146 009	(588 390)
Telecommunication	0	(222 176)	399 035	(231 199)
Holdings and Properties		(5 257 619)	40 517 976	46 555 445
	417 818 272	2 412 507	164 940 241	(81 334 400)

Geographical analysis

	2004			
	Revenue R	**Net profit R**	**Assets R**	**Liabilities R**
Geographical				
South Africa	**461 783 037**	**11 865 441**	**189 057 238**	**(97 260 966)**
Botswana	**9 585 569**	**(322 293)**	**2 087 239**	**(2 501 198)**
Namibia	**25 833 945**	**1 119 100**	**3 645 193**	**(1 574 592)**
	497 202 551	**12 662 248**	**194 789 670**	**(101 336 756)**

	2003			
	Revenue R	Net profit R	Assets R	Liabilities R
Geographical				
South Africa	376 624 402	1 610 774	155 233 629	(72 455 785)
Botswana	18 859 799	(37 065)	4 349 448	(4 473 049)
Namibia	22 334 071	838 798	5 357 164	(4 405 566)
	417 818 272	2 412 507	164 940 241	(81 334 400)

value added statement

for the year ended 30 June 2004

		2004 **R**	2003 R
Revenue		**497 202 551**	417 818 272
Cost of material and services		**(427 523 513)**	(374 326 289)
Value added by operations	93,5%	**69 679 038**	43 491 983
Interest income	3,6%	**2 706 146**	700 795
Income from associate	2,9%	**2 134 090**	(229 902)
	100.0%	**74 519 274**	43 962 876
Applied as follows:			
Number of employees at 30 June		**328**	250
Employees' salaries wages and benefits	61,4%	**45 731 195**	28 225 077
Government taxation	8,6%	**6 385 510**	4 656 316
Providers of capital and interest	5,9%	**4 407 473**	5 051 792
Retained in the Group			
Retained income	17,0%	**12 662 248**	2 412 507
Outside shareholders	2,0%	**1 513 146**	1 509 526
Depreciation	4,5%	**3 388 585**	1 964 900
Amortisation	0,6%	**431 117**	142 758
	100,0%	**74 519 274**	43 962 876

notice of annual general meeting

Pinnacle Technology Holdings Limited
("the Company") or ("the Pinnacle Group") or ("the Group")
Registration number: 1986/000334/06
Share Code: PNC
ISIN Code: ZAE000022570

Notice is hereby given that the Annual General Meeting of Pinnacle Technology Holdings Limited will be held in the Boardroom of Pinnacle Technology Holdings Limited at Pinnacle Park, 269 16th Street Randjiespark, Midrand on 29 October 2004 at 10h00 to consider and, if deemed fit, to pass with or without modifications, the following resolutions:

Special Resolution Number 1

To Issue a General Authority to the Company to repurchase its own shares

"Resolved that the Company, or a subsidiary, be and hereby is authorised, by way of general authority in terms of Article 3A, to acquire shares issued by it subject to the requirements of section 85 and 89 of the Companies Act 1973, as amended and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE").

It is recorded that the Listings Requirements of the JSE require, *inter alia*, that the Company or a Subsidiary may make a general acquisition of shares issued by the Company only if

- the repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- at any point in time the Company may only appoint one agent to effect any repurchases on its behalf;
- this general authority shall only be valid until the next Annual General Meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of the general authority to repurchase shares;
- the maximum price at which the shares may be acquired will be 10% above the weighted average market value at which such ordinary shares are traded on the JSE, for such ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- any such acquisition shall not, in any one financial year, exceed 20% of the Company's issued ordinary shares as at the passing of the general authority;
- the Company or its subsidiaries may not repurchase ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- the repurchase may only be effected, if the shareholder spread requirements as set out in paragraphs 3.37 to 3.41 of the JSE Listings Requirements are still met after such repurchase;
- should derivatives be used, such authority is limited to paragraphs 5.72(c) and (d) and 5.84(a) of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% of the number of the ordinary shares in issue at the time that this general authority is granted, and for each 3% in aggregate acquired thereafter, a press announcement prepared in accordance with paragraph 11.27 of the JSE Listings Requirements, will be made. As part of such press announcement, a statement will be issued by the directors, that after considering the effect of such repurchase, for a period of at least 12 months following such repurchase, that:
  - The Company and the Pinnacle Group will be able to repay its debts in the ordinary course of business;
  - The consolidated assets of the Company and the Pinnacle Group fairly valued according to Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the Company ended 30 June 2004, exceed its consolidated liabilities;

notice of annual general meeting (continued)

- The Company and the Pinnacle Group have adequate share capital and reserves;
- The Company and the Pinnacle Group have sufficient working capital for their requirements;

– The Directors undertake not to effect a repurchase unless they are satisfied that the working capital requirements of the Company are adequate for its requirements.

The Directors of the Company do not have any specific intentions for utilising this General Authority at the date of this Annual General Meeting."

Reason for and effect of the Special Resolution

The reason for and effect of this special resolution is to obtain an authority for, and to authorise the Company and its subsidiaries, by way of a general authority to acquire the Company's issued ordinary shares. It is the intention of the Directors of the Company to use such authority should prevailing circumstances, such as market conditions, in their opinion warrant it.

Additional disclosure requirements required in terms of paragraph 11.26 of the JSE Listings Requirements

Material Changes

This notice has been distributed with the Annual Financial Statements of the Group and no changes have therefore occurred since the publication thereof.

Directors' Responsibility Statement

The Directors of Pinnacle Technology Holdings as set out in page 17 of these Financial Statements

– have considered all the statements of fact and opinion in the Annual Report to which this notice is attached;

– accept, individually and collectively, full responsibility for such statements; and

– declare that, to the best of their knowledge and belief, such statements are correct and no material facts have been omitted, the omission of which would make any such statements false or misleading and that they have made all reasonable enquiries to ascertain such facts.

Litigation Statement

Other than disclosed in note 11 on page 17 neither Pinnacle Technology Holdings nor its subsidiaries is party to any legal or arbitration proceedings (including such proceedings which are pending or threatened) which may have or have had in the previous 12 months a material effect on the Group's financial position.

Other disclosure in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures which are contained in the Annual Report.

Disclosures	References in the Annual Report
Directors	Page 17
Major shareholders	Page 16, Note 7
Directors' interests in securities	Page 16, Note 6
Share capital of the Company	Page 31, Note 8

The sponsor of the Company has forwarded a signed working capital confirmation letter to the JSE in accordance with Schedule 25 of the JSE Listings Requirements.

notice of annual general meeting

(continued)

Special number resolution no. 2

To approve the Pinnacle Share Purchase Scheme

"Resolved that the Company approve the Pinnacle Share Purchase Scheme, a draft of which was tabled at the meeting and initialled by the chairman for the purposes of identification."

Reason for and effect of the special resolution

The reason for and effect of this special resolution is to obtain an authority for, and to authorise the Company to conclude this Pinnacle Share Purchase Scheme, to enable eligible employees of the Company to be granted options, from time to time, to acquire shares in the Company, with a view to motivating and incentivising such employees.

Ordinary resolutions

(1) "To receive, consider and adopt the Annual Financial Statements for the year ended 30 June 2004 together with the reports of the Auditors and Directors."

(2) "To confirm the re-appointment of CD Biddlecombe as director of the Company.

Mr Biddlecombe is an entrepreneur of 35 years' standing."

(3) "To confirm the re-appointment of A Tugendhaft as director of the Company.

Mr. Tugendhaft (BA, LLB (Wits)), an attorney of 30 years' standing is the Chairman of Moss Morris attorneys."

(4) "To grant a general authority to Directors to allot and issue the un-issued ordinary shares of the Company upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act, 1973, as amended, and the requirements of the JSE Securities Exchange South Africa ("JSE").

The allotment and issue of shares for cash shall be subjected to the following limitations:

- that this authority shall not be extended beyond the next Annual General Meeting or 15 (fifteen) months from the date of this Annual General Meeting, whichever date is earlier;
- Issues in terms of this authority in any one financial year shall not exceed 15% (fifteen percent) in the aggregate of the number of shares in the Company's issued share capital in issue at the date of this notice of the Annual General Meeting. The 15% shall also take into account (and shall include, if applicable) any securities to be issued pursuant to a rights issue which has been announced which is irrevocable and fully underwritten, or securities issued in terms of an acquisition which has had the final terms announced;
- a press announcement giving full details of the issue including
  - the number of securities issued;
  - the average discount to the weighted average trading price of the securities over the 30 days prior to the date that the issue was determined or agreed by the Directors of the Company; and
  - the impact on Net Asset Value, Net Tangible Asset Value and on Earnings and Headline Earnings per Share, shall be published at the time of any issue representing, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue, prior to such issue.

notice of annual general meeting (continued)

- In determining the price at which shares will be issued in terms of this authority, the maximum discount permitted shall be 10% (ten percent) of the weighted average traded price of such shares, as determined over the 30-day business period prior to the date that the price of the issue is determined or agreed by the Directors of the Company. If no shares have been traded in the said 30-day business period, a ruling will be obtained from the JSE.
- any such issue will be made to public shareholders as defined in the Listings Requirements of paragraph 4.25 to 4.27 of the JSE Listings Requirements and not to related parties.

As required a majority of 75% of the votes cast by the Shareholders present or represented by proxy at this Annual General Meeting is required for this ordinary resolution to be passed.

(5) "To grant general authority to the Directors to appoint Auditors."

(6) "To approve the declaration of a Dividend of 1,5 cents per share."

VOTING AND PROXIES

Certificated shareholders and dematerialised shareholders who hold shares in "own name" registration who are unable to attend the general meeting and who wish to be represented thereat, must complete the form of proxy as attached to this annual report, in accordance with the instructions contained therein and return it to the transfer secretaries to be received by no later than 10:00 on Wednesday, 27 October 2004. Completion of the relevant form of proxy will not preclude such shareholder from attending and voting (in preference to those shareholders' proxies) at the general meeting.

The instrument appointing the proxy and the authority (if any) under which it is signed, must reach the office of the transfer secretaries at the address given below by not later than 10:00 on Wednesday, 27 October 2004.

Dematerialised shareholders other than those with "own name" registration who wish to attend the annual general meeting, must inform their CSDP or broker of their intention to attend and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the general meeting in person and vote, or, if they do not with to attend the meeting in person, but wish to be represented thereat, provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker in the manner and cut-off time stipulated therein.

By order of the Board

Mr AJ Fourie
Chief Executive Officer

20 September 2004

Registered address
Pinnacle Technology Holdings Limited
Pinnacle Park
269 16th Street
Randjiespark
Midrand

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
PO Box 61051
Marshalltown
2107

salient features of the Pinnacle share purchase scheme

The scheme will be available for inspection at the regional office of the Company from 1 October 2004 until 29 October 2004

(1) The Trust is constituted for the benefit of eligible applicants, namely an officer (executive or non-executive directors) or other employee of Pinnacle Technology Holdings Limited ("the Company") or any of its subsidiaries, as determined from time to time by the board.

(2) There shall at all times be not less than two trustees in office, who shall be appointed by the board.

(3) The trustees have all normal powers to enable them to carry out and give effect to the purpose of the Scheme.

(4) The trustee shall from time to time purchase or subscribe for such number of shares, at such prices as the board may determine, provided that the aggregate number of shares that may be utilised for the purposes of the Scheme shall not exceed 10% of the total issued share capital of the Company, which issued share capital at the date of this annual general meeting amounts to 149 056 651.

(5) No eligible applicant may acquire more than 2% of the total issued share capital of the Company.

(6) The trustees may offer eligible applicants the opportunity to acquire options in respect of shares in the Company, which shall be accepted by an eligible applicant within 30 business days of the date of the offer.

(7) A right and option accepted, must be exercised by written notice given by the eligible applicant concerned within a period ending five (5) years from the acceptance date of the right and option, failing which the right and option shall automatically lapse, and must specify the number of shares in respect of which the right and option is exercised.

(8) On the exercise of each right and option, the participant concerned is deemed to have purchased the number of shares in respect of which the right and option was exercised on the following terms:

8.1 the shares shall be acquired by the participant at the price at which same were offered;

8.2 the shares shall be delivered to the participant on the 21st day after the date of the exercise of the right and option against payment of the purchase price;

8.3 ownership and risk, including the right to dividends and voting, shall pass to the participant on the aforesaid delivery date;

8.4 the shares so issued shall rank *pari passu* with the then issued shares of the same class in the Company;

8.5 in the event of a participant failing to make payment of the purchase price, and remaining in default for a period of seven (7) days after the delivery of a written notice to the particiapant requiring payment, the Trust or the Company as the case may be, shall not be entitled to claim specific performance but its sole remedy shall be to cancel the sale, without the right to claim damages.

(9) The provisions relating to the Pinnacle Share Purchase Scheme contained in the scheme document may not be altered without the prior approval of shareholders in general meeting.

(10) Executive directors may not be appointed as trustees. Non-executive directors may be appointed as trustees, provided they do not benefit from the Pinnacle Share Purchase Scheme.

(11) Pinnacle will summarise in its annual financial statements the number of securities that may be utilised for purposes of the Pinnacle Share Purchase Scheme in the beginning of the accounting period, changes to such numbers during the accounting period and the balance of securities available for utilisation purposes of the scheme at the end of the accounting period.

(12) The purchase price of the allocation shares will be 90 (ninety) percent of the market price of the market share on the date on which the option is granted. The purchase price is payable on delivery of the shares, within 21 days of the date of exercise of the option.

(13). A right and option accepted, if not previously exercised, shall also lapse upon the holder of such right and option ceasing to be employed by the Company or any of its subsidiaries otherwise than in consequence of death or retirement.

salient dates and times

	2004
Forms of proxy for general meeting of shareholders to be received by 10h00	Wednesday, 27 October
General meeting of the shareholders held at 10h00	Friday, 29 October
Results of general meeting announcement published on SENS and dividend distribution of 1.5 cents per share confirmed	Friday, 29 October
Last day to trade cum div	Friday, 12 November
Ordinary shares trade ex div	Monday, 15 November
Record date to be recorded in the register to participate in the dividend distribution	Friday, 19 November
Payment to shareholders in respect of the dividend distribution.	Monday, 22 November
Posting of cheques or electronic bank transfers in respect of certificated shareholders. Accounts credited at CSDP or broker in respect of dematerialised shareholders.	

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form of proxy

Only to be completed by certificated and dematerialised shareholders with "own name" registration.
If you are a dematerialised shareholder, other than with "own name" registration, do not use this form.

Dematerialised shareholders other than those with "own name" registration who wish to attend the Annual General Meeting, must inform their CSDP or broker of their intention to attend and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person and vote, or, if they do not wish to attend the meeting in person, but wish to be represented thereat, provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker in the manner and cut-off time stipulated therein.

An ordinary shareholder entitled to attend and vote at the Annual General Meeting to be held in the Pinnacle Technology Holdings Limited boardroom at Pinnacle Park, 269 16th Street Randjiespark, Midrand, on Friday, 29 October 2004 at 10:00, is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the Company.

All forms of proxy must be lodged at the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Wednesday, 27 October 2004.

I/We ______________________________

Of ______________________________

Being an ordinary shareholder(s) of the Company holding ______________ Ordinary shares in the Company do hereby appoint

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the chairman of the Annual General Meeting

as my/our proxy to vote on my/our behalf at the abovementioned Annual General Meeting (and any adjournment thereof) to be held at 10:00 in the Pinnacle Technology Holdings Limited boardroom at Pinnacle Park, 269 16th Street, Randjiespark, Midrand, on Friday, 29 October 2004, for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolutions to be considered at such meeting:

	Number of votes (one per share)		
	In favour	Against	Abstain
Special Resolution 1. Approval to repurchase own shares			
2. Approval of the Pinnacle Share Purchase Scheme			
Ordinary Resolutions 1. Adopt the financial statements of the year 30 June 2004			
2. Re-appoint CD Biddlecombe as Director of the Company			
3. Re-appoint A Tugendhaft as Director of the Company			
4. General authority to issue shares for cash			
5. Authority to appoint Auditors			
6. Approval to declare dividend			

Insert an X in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each member entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in his/her stead.

Signed at ______________ on ______________ 2004

Signature ______________________________

Assisted by (where applicable) ______________________________

Please read the notes on the reverse side hereof.

notes to proxy form

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those names following.

2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes.

3. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries or by the chairman of the general meeting before the commencement of the general meeting.

4. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting, be proposed, the proxy shall be entitled to vote as he/she thinks fit.

5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretary or waived by the chairman of the general meeting.

6. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian as applicable, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.

7. Where there are joint holders of ordinary shares:
   - a ny one holder may sign the form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

8. Proxies must be lodged at or posted to the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later that 10:00 on Wednesday, 27 October 2004.

9. Any alteration or correction made to this form of proxy other than the deletion of alternatives, must be initialled by the signatory/ies.

10. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

11. The chairman of the meeting may reject or accept a proxy that is completed other that in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Contact details

Boditse (Pty) Limited
Plot 84, Unit 1
Gaborone
Botswana
Tel: 09267 393 7477

e-Tel Telecommunication Solutions
(Pty) Limited
269 16th Road
Randjiespark
Midrand
Tel: (011) 265-3000

Explix Technologies (Pty) Limited
Workgroup
Tillbury Business Park
Unit E1
16th Road
Randjiespark
Midrand
Tel: (011) 203-9100

Intelligent Systems (Pty) Limited
269 16th Road
Randjiespark
Midrand
Tel: (011) 265-3000

Pinnacle Micro (Pty) Limited
269 16th Road
Randjiespark
Midrand
1685
Tel: (011) 265-3000

Pinnacle Micro Bloemfontein
29 King Edward Road
Willows
Bloemfontein
9301
Tel: (011) 447-1000

Pinnacle Micro Cape (Pty) Limited
Units 6, 7, 8, 9, 11, 12 and 13
Frazzitta Business Park
Cnr Koeberg Road and Freedom
Way
Milnerton
7441
Tel: (021) 551-3310

Pinnacle Micro Durban
7 Kosi Place
Umgeni Business Park
Spring Field Park
Durban
Tel: (031) 263-2090

Pinnacle Micro Namibia
(Pty) Limited
15 Edison Street
Southern Industria
Windhoek
Tel: 09264 6124 9478

Pinnacle Micro Nelspruit
12 Murray Street
Nelspruit
1200
Tel: (013) 752-2846

Pinnacle Micro Port Elizabeth
59 Newton Street
Newton Park
Port Elizabeth
Tel: (041) 365-1088

Quandry Investments (PVT) Limited
5 Motherwell Road
Workington
Harare
Zimbabwe
Tel: 09263 4620667

RentNet Rentals (Pty) Limited
269 16th Road
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Tel: (011) 265-3000