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VISION STATEMENT

The **Square One** Solutions Group's vision is focused on providing **value** for our clients through the application of business **knowledge**, **technology skills** and world-class **capability**

MISSION STATEMENT

To provide **world-class products**, **strategies** and **solutions** to target markets, applying the principles of integrity, supplier loyalty and efficient customer **support** and **retention**

SALIENT FINANCIAL HIGHLIGHTS

- Gross Margin Contribution Increased **79%**
- Revenue Growth of **58%**
- Headline Earnings **R789 432**
- Headline Earnings per Share **3,59** cents
- Black Equity Ownership **56,4%**

SHAREHOLDERS' DIARY

Financial year-end	December
Annual general meeting	June
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Publication of reports	
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Interim, for half-year to June	September
Preliminary announcement of annual results	March
Annual financial statements	June
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The Annual Report is also available in PDF format, which may be downloaded from our website: www.sq1.co.za or www.squareonegroup.co.za

PREAMBLE

PUBLIC COMPANY

Square One Solutions Group Limited ("Square One") is an information technology company listed under the "Information Technology (IT) - Software and Computer Services" sector of the JSE Securities Exchange South Africa ("JSE").

High Level Strategy

Square One's primary service focuses on providing niche business-enabling, technology solutions, which create value for our clients through the application of business knowledge and best practices, technological skills and capability.

The Group's primary focus is the provision of value-based offerings centered around biometric authentication, power solutions, product coding and marking solutions, wireless and infrastructure, storage, back-up recovery and telecommunications and service provider solutions to its key target market of Enterprise, SME, Corporate and Government clients. Channel Services continues to play an important role in the Group and has a well-established and mature reseller channel.

Nature of Business

Square One is a 56,4% black-owned and controlled IT Solutions provider. With national representation and more than 19 years' experience focused on the South African market, Square One is uniquely positioned to be large enough to ensure quality delivery, whilst retaining a small enough culture to truly care about its customers and employees.

The Group's value-based offerings are centered around:

- Authentication and IT Security Solutions
- Integrated Mobile Solutions
- Enterprise Storage Solutions
- Infrastructure Optimisation Solutions
- Coding and Marking Solutions
- Channel Services Solutions
- Enterprise Power & Facility Solutions
- Lawful Intercept Solutions

Branches

Gauteng

Sandton Tel: (011) 321 5900
Fax: (011) 444 2462

Pretoria Tel: (012) 342 9046
Fax: (012) 342 9028

Kwa Zulu Natal

Durban Tel: (031) 268 3900
Fax: (031) 263 0882

Eastern Cape

Port Elizabeth Tel: (041) 391 9200
Fax: (041) 364 0594

Western Cape

Cape Town Tel: (021) 464 4000
Fax: (021) 448 3226

Free State

Bloemfontein Tel: (051) 448 5451
Fax: (051) 448 5456

FORWARD LOOKING STATEMENTS

Certain statements included in this report constitute forward-looking statements, be they express or implied. These statements are based upon tangible, known facts, alongside existing performance measures – and the usual risk and uncertainties involved in trend predictions. The unknown factors may cause the actual results, performances, objectives or achievements of the Square One Solutions Group to differ materially from its projected results and performances, as well as those of subsidiary and associated companies.



DIRECTORATE AND ADMINISTRATION

The directors in office at the date of this report are as follows:

Non-Executive Chairman

Garth Alan Coetser (46) B.Comm, B.Acc, CA (SA)

Non-Executive Deputy Chairman

Raisaka Ronald Masebelanga (41) B.Juris, LLB, L.L.M.

Executive Vice Chairman

Reginald Tafara Muzariri (35) BCompt, Hons BCompt (CTA), CA (SA)

Chief Executive Officer

William Trevor James (46)

Executive Directors

Craig Luton Alexander (36)

Bruce Antonio Croza (43) B.Comm, N.D. EDP, MBA(WBS)

Anton Meyer (46) B.Comm FA (SA)

Independent Non-Executive Directors

Professor Mandlenkosi Stanley Makhanya (42) BA Hons (MA) (Sociology), DPhil, DTE

Moirá Granny Seape (48) BSc (Economics)

Karl-Barth Xhanti Thomas Socikwa (36) B.Comm, LLB, MAP, IPBM

Changes to Board of Directors

Karl-Barth Xhanti Thomas Socikwa was appointed Non-executive Director on 8 June 2004.

Ms Basetsana Thokoane resigned from the Board as at 30 September 2004.

Company Secretary

Anthony Mervyn Craddock CA (SA)

Square One Business Address

Physical

1st Floor, East Block

Eastgate Park

8 Commerce Crescent West

Eastgate Ext. 13, Sandton

Postal

PO Box 1163

Gallo Manor, 2052

South Africa

Tel: (011) 321 5900

Fax: (011) 444 2462

Web Address

www.sq1.co.za or www.squareonegroup.co.za

Transfer Secretaries

Ultra Registrars (Proprietary) Limited

PO Box 4844, Johannesburg 2000

Sponsor to Square One Solutions Group Limited

Bridge Capital Services (Proprietary) Limited

PO Box 651010, Benmore, 2010

Auditors

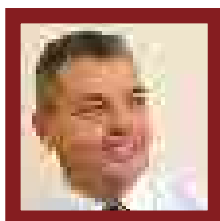
Russell Bedford South Africa (Jhb) Inc.

15 Catherine Avenue, Northcliff, 2195

PO Box 1757, Northcliff, 2115



BOARD OF DIRECTORS



Garth Coetser (46)
Non-Executive Chairman

B. Comm, B. Acc, CA(SA)

Garth Coetser achieved a B. Comm degree in 1978 and B. Acc degree in 1981 from the University of the Witwatersrand. He completed his articles with Peat Marwick Mitchell & Co and passed the Chartered Accountants Board Examination in 1981.

Garth lectured in accounting, business information systems and management accounting at Wits University prior to setting up a financial services business and is a founder member of Square One Solutions Group.



Raisaka Masebelanga (41)
Non-Executive Deputy Chairman

B. Juris, LLB and L.L.M.

Raisaka Masebelanga completed Dip Juris and LLB at the University of the North West and served his articles with Ackerman and Maree Attorneys in Mafikeng.

He won a British Council scholarship to study for his Masters in Law at the University of London, King's College and practised law in London. In 1995 he joined De Beers in London and moved permanently back to South Africa in 1998.

He is currently a director of the Diamond Development Company and a senior manager at De Beers Consolidated Mines Ltd. He has served as Chairman of both the Harry Oppenheimer Training School and the Velani Diamond Hive for the past four years.



Reginald Muzariri (35)
Executive Vice Chairman

B Compt Hons (UNISA) CA (SA)

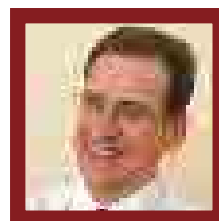
Reginald is a qualified Chartered Accountant who completed his articles at Ernst & Young and Cooper & Lybrand, and served as a director in the corporate finance division of Cooper & Lybrand.

Prior to the establishment of Utho in 1999, Reginald worked for New Africa Investments Ltd as well as Absa Corporate and Merchant Bank. Reginald is a founding director of Utho Investment Holding (Pty) Ltd.



Trevor James (46)
Chief Executive Officer

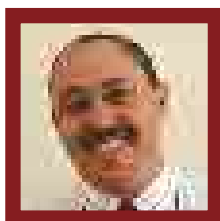
Trevor James was educated in Johannesburg, and embarked on a career in the banking sector, working for Nedbank Limited. Recognising the opportunities presenting themselves in the IT sector, Trevor accepted a position with the Computer Sciences Corporation in 1981. With the experience gained in the I.T. market, Trevor accepted the challenge at Square One Solutions Group and became a founding shareholder in 1986. Trevor James has held the position of Group Managing Director since the inception of the company.



Craig Alexander (36)
Executive Director

Craig began his career in 1992 with the CSS Group as a Technical Networking Engineer. In 1996 he joined Dimension Data and in 1999 was made Sales Director of DNS, a Dimension Data group company. In 2000, Craig headed up the Global Services Division in Dimension Data where his primary role was to manage the implementation, integration, training and positioning of the Global Services Strategy. In 2001 Craig was transferred to Dimension Data New York, in the capacity of VP for professional services where his primary responsibility was to increase the sales of professional services with the organization. He moved on to become Managing Director with overall responsibility for the New York region.

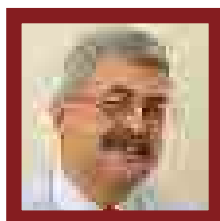
In 2003 Craig joined Square One Solutions Group where his responsibility lies in Business Development and Group Strategy. Craig was elected to the board of directors in 2003 and together with the executive team, focuses on moving the business from a product focused distribution organisation to a niche solutions provider of technology solutions.



Bruce Croza (43)
Executive Director

B.Comm (Informatics), ND EDP, MBA(WBS)

Bruce began his IT career as an Operator after completing his 3-year National Diploma in EDP. Bruce subsequently completed a B.Comm (Informatics) degree and has worked at both Portnet and the Standard Bank of South Africa. Whilst at Standard Bank Bruce became the co-founder of Vulindlela Information Technology and later became a co-founder member and Managing Director of UTHO Technologies.

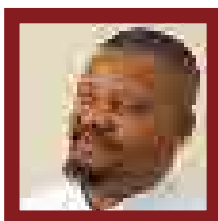


Anton Meyer (46)
Executive Director

B.Comm FA (SA)

Anton began his career working at First National Bank during which time he completed his B Comm degree. After 10 years at FNB he joined the Chemical Services Group where he held various financial positions within the organisation.

In 1994 Anton joined Square One Natal and in 2000 was appointed Group Financial Manager of the Square One Solutions Group. Anton was appointed to the board as Group Financial Director in 2004.

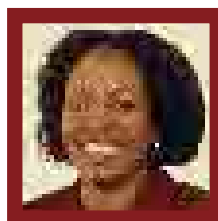


Prof Mandlenkosi Makhanya (42)
Non-Executive Director

BA Hons (MA) (Sociology) DPhil, DTE

Mandlenkosi completed his BA and BA Honours in Sociology at the University of Fort Hare. Thereafter, Mandlenkosi obtained his MA in Industrial Sociology at the University of Natal, his DPhil at the University of Pretoria and his DTE at Unisa.

Since 2000, Mandlenkosi has held the position of Dean of the Faculty of Humanities and Social Sciences. He has also held the position of Deputy Chairperson of the Dean's Committee (Unisa), as well as the Chairperson of the Culture Sector of the SA Commission for Unesco and Deputy President of the SA National Commission for Unesco.

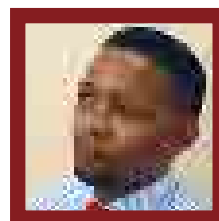


Granny Seape (48)
Non-Executive Director

B Sc (Economics)

Moirra obtained a B Sc (Eco) from the University of Zambia and a Diploma in Marketing, Public Relations and Sales from London Chamber of Commerce as well as a Diploma in Project Management from Newport University.

During her career Moirra has held managerial positions at both Absa and Nedcor and is presently Executive Director at Ahanang Communications and a Director at Ahanang Hardware and Construction.



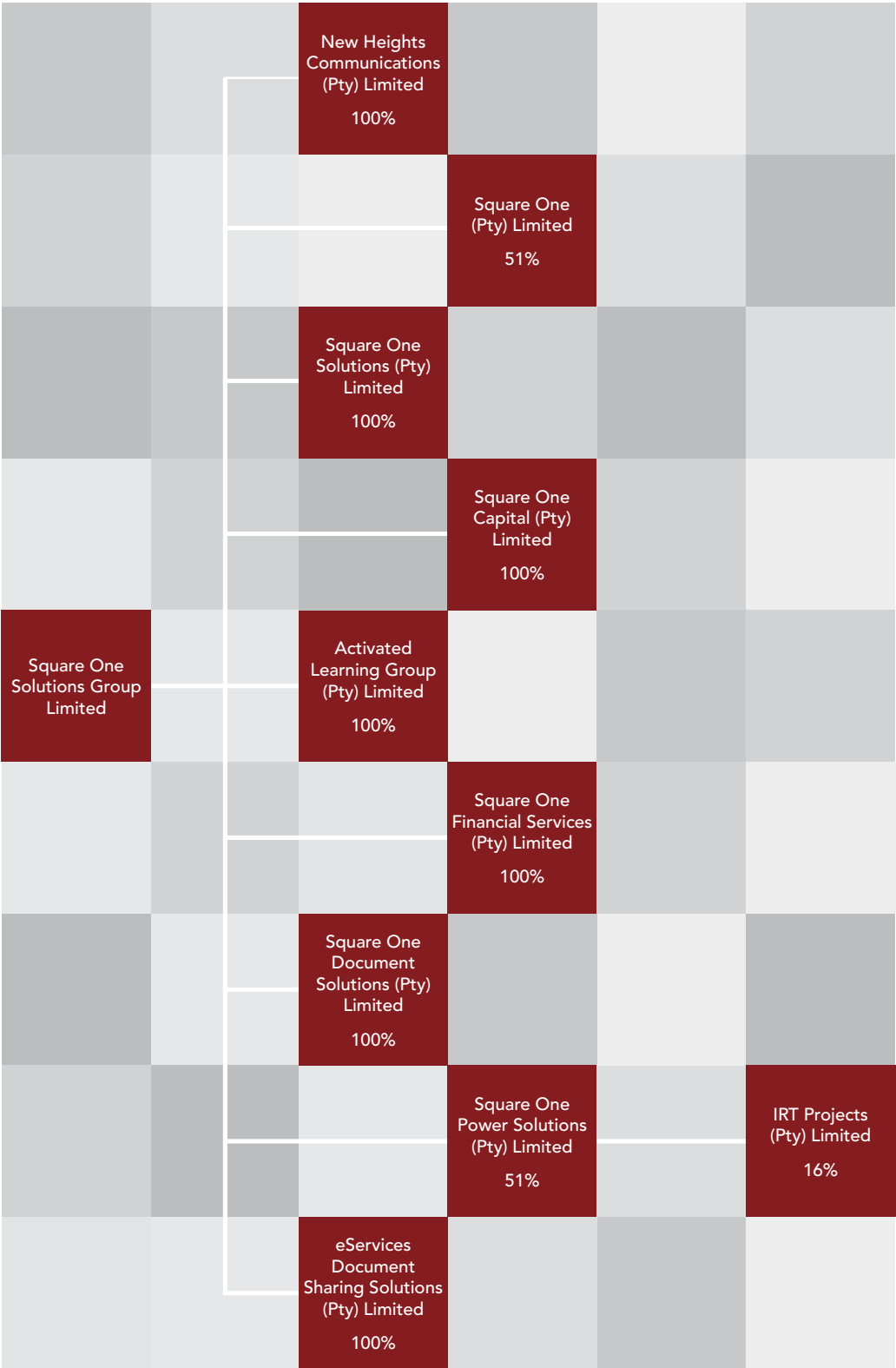
Karl Socikwa (36)
Non-Executive Director

B Comm, LLB, MAP, IPBM

Karl graduated from Rhodes University where he read for Bachelor of Commerce and Bachelor of Law degrees, thereafter practicing briefly as an attorney at Deneys Reitz.

In 1995 Karl joined Transtel to form and head the Legal and Regulatory Services department and in 1997 served as Group Company Secretary to Transnet Ltd. In 1999 he returned to Transtel and in April 2001 was appointed Chief Executive Officer of Transtel.

GROUP STRUCTURE



CHAIRMAN'S STATEMENT



Garth Coetser
Non-Executive Chairman

Square One is committed to providing "Something of Value" to our clients and fellow colleagues by applying the principles of Honesty, Integrity, Trust and Respect for one another at all times

Through a positive attitude and passionate pride in what we do, Square One takes responsibility for its actions in the quest to deliver and be recognised for outstanding service

TO OUR SHAREHOLDERS

It is with great pleasure that I can report that the 2004 fiscal year has been an important milestone in the transformation and development of the Group. A significant effort has been made by the directorate, management and staff to elevate Square One to the next level in its growth cycle.

During the year under review, we have experienced an upturn in the Information Communication Technology (ICT) sector, showing strong signs of a recovery from the downturn of the last four years and the Group is well-positioned to take advantage of this trend.

The last twelve months have seen a continued refinement and focused adoption of our long-term strategy with the establishment of a stable platform for the future of the Group.

Financial and Corporate Highlights

The Group's revenue grew by 58% over the previous year, with associated gross profit margin growth of 79%. In the year under review the Group achieved headline earnings of R789 432 and headline earnings per share of 3,59 cents.

Square One's results have reflected good growth in the top line revenue and gross profit contribution. Notwithstanding the pleasing results in income and gross profit contribution achieved; associated acquisition and integration initiatives and costs associated therewith resulted in a merely satisfactory return.

Square One made selective, strategic acquisitions to strengthen its presence in its target markets and to broaden its overall client base. In addition, several new corporate accounts were secured, which served to considerably strengthen our customer base.

The acquisitions of Utho Technology and Latitude Information Technology, whilst taking longer and costing more than expected, have shown good progress in positioning Square One for future growth, and costs associated with the acquisitions are now under control. Ongoing cost and debt management from a Group perspective remains a high priority and will continue to enjoy a high level of focus.

These conditions should provide the necessary base for improved future earnings. We foresee that the South African ICT Market will remain highly competitive and in this climate, the acquisition of new business remains a priority and opportunities will be explored in all target markets.

Empowerment – a Business Imperative

Black Economic Empowerment (BEE) initiatives are created through a sincere desire for national transformation. The bottom line is that BEE is important to South Africa, however, companies are judged on their financial results and therefore need freedom when deciding upon issues vital to their future and to all stakeholders.

Our black partnership alliance with Utho and the enhancement to our overall BEE profile has assisted both our business retention and business development drive and we look forward to cementing our partnership into the future. The black partnership deal, as announced during the 2004 year, is currently under review and may lead to some modifications.

Board of Directors

Regrettably Ms.Thokoane tendered her resignation from the board due to her business commitments. I would like to thank her for her contribution in the past and wish her well in all future endeavours.

I have pleasure in announcing the appointment of Mr. Karl Socikwa to the Board. Mr. Socikwa has extensive experience in the corporate field, is highly respected in the business community and is already adding considerable insight and counsel to the board.

Corporate Governance

I am pleased to report that we continue to make progress and commitments towards compliance with the recommendations as set out in the King II Code on Corporate Governance in South Africa.

In Summary

The Group, as a whole, achieved above market sector top line revenue and gross margin results in the year under review. In line with our five-year strategic plan to position the business for growth and to transform itself into a niche solutions provider, the under capitalisation of the Group has meant that much of any profitability has been absorbed in achieving this objective.

South Africa's market is small in comparison to world markets, and remains an emerging market offering growing opportunities for local and international brands. Competition therefore has intensified and we see this across most of our lines of business.

Our core focus is on the creation of value for all shareholders and to provide wealth creation opportunities for all stakeholders. We need to remain committed in our pursuit of business opportunities and will remain focused on the desire to generate real growth in a sustainable and controlled manner.

We remain committed to the development of a cohesive environment for our business units to grow and be successful, by applying our minds to new synergies and opportunities flowing from the BEE transformation process. It is widely accepted that further, logical consolidation is required between the lines of business to optimise customer relationship management, infrastructure utilisation and capital expenditure.

The ICT market will remain competitive across all lines of business. We expect to see the benefits of the restructuring and renewed focus as the year unfolds, creating the opportunity for improved performance and better returns for shareholders.

I wish to extend my sincere thanks and appreciation to all members of the Board, the management team and members of staff for their dedication, commitment and determination to rise to the challenges during our period of transformation. Our shareholders, suppliers and customers are key to our success and I wish to thank them for their support and ongoing relationships.



G A Coetser

Chairman of the Board



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



Trevor James
Chief Executive Officer

It gives me pleasure to report that the Group performed satisfactorily during 2004 despite difficult circumstances, and remains well positioned to meet its future challenges and opportunities

GROUP RESULTS

The directors have pleasure in submitting the financial statements of Square One Solutions Group Limited for the year ended 31 December 2004.

The annual financial statements were approved by the Board on 31 March 2005.

In line with the broader Information Technology (IT) industry beginning to show signs of growth, Square One continues to make positive strides in all business units from a top line revenue, gross margin and market share perspective. There was evidence of improving conditions in the fourth quarter of the year. Growth under these conditions is further testament to the flexibility of the company's business model and depth of the management team.

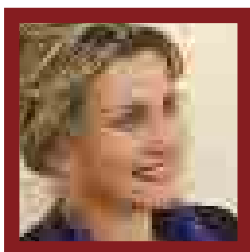
A large component of our business is still dependent on product import and therefore the impact of the strengthening of the Rand is material. Although our growth in revenue is positive, it must be seen against the need to increase unit volumes to sustain and achieve gross margin targets. Higher volume requires additional resources in the volume-based business units and this has a direct impact on operational expense targets.

New business units that were under development during 2004 are showing signs of good sustainable growth, as acceptance from customers for our core solution offerings grows from strength to strength. Good results were also achieved through all the existing founding business units of the Square One Solutions Group. The above growth and acceptance by our customers for solution offerings, which truly add quantifiable value to their businesses, is reflected in both our top line revenue and gross margin contribution lines.

Despite further strengthening of the Rand having an effect on the volume-based revenue lines, the employee restructure programme and the ongoing challenges of implementing

the Group's expansion programme, the top line revenues increased by 58% from R91 million to R144 million year-on-year, and the gross margin contribution increased 79% year-on-year. The new lines of business that the Group embarked upon in 2004 have begun to deliver sustainable contributions, resulting in lifting the gross profit as a percentage of sales by an incremental 4%.

Continued investments were made in our internal IT systems and skills development. Our IT infrastructure received priority, focusing on the upgrading of our hardware and software to align ourselves closer to our business strategy. Further investment in IT and business systems will also be addressed by management as improvements in efficiency are essential to maintain the Group's competitive edge. Our training spend increased over the previous year and we will look to increase this spend in the coming year.

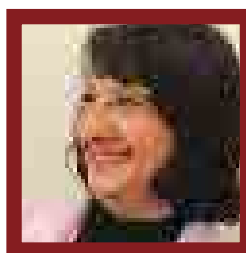


Terry Meyer
Customer Fulfilment Manager

Business Restructuring and Optimisation

To counter the impact on margins and to create a more flexible company culture required to meet our current and future business challenges, Square One initiated a significant business-restructuring programme at the end of 2004. One of the major aspects of this programme has been the streamlining and simplification of our organisational structure to ensure greater efficiency, better communication and faster decision making. Square One is moving away from a centrally managed business unit structure to an operating unit structure where each business unit remains focused on their core business and profitability whilst executive focus is on optimising integration and synergy across the lines of business.

The restructuring programme, which resulted in a number of people electing to take a voluntary severance package towards the end of 2004, is now complete. We continue to exercise discipline and diligence in focusing on our cost optimisation opportunities. Whilst the Group identified challenges and new opportunities to streamline costs in certain key operations, our overall cost performance for the year was disappointing. The restructuring initiative has made good progress to the stage where sustainable cost savings will be realised in 2005. The process of seeking greater efficiencies in the business, through structured improvement in systems and expense controls, continues to receive a high degree of attention.



Peta Kassel
Human Resources Manager

Management's main focus will be directed at its performance optimisation and customer-centred strategy as the Group's platform for growth. The successful execution of this strategy is dependent on the key elements of the Group's people, skills and knowledge management, which will receive further attention and support in 2005.

The consequences of the restructuring process and implementation of the Group's strategy is likely to result in a period of consolidation in the year ahead.

Acquisitions

In order to fulfil on our strategic intent, two key acquisitions were made during the financial year, and the cost borne by the acquisitions is reflected in the lower than desired bottom line achievement for the 2004 financial year. The Group recorded a headline profit for the year of R789 432 after net amortisation of goodwill of R234 000. The directors view this result as a resilient performance during a year of much change for the business and its employees.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

CONTINUED

Clients are entrusting us with more business in the niche, early adoption, business-enabling solutions

Results are in line with our strategic intent

Our track record speaks for itself:
Square One delivers

The above results are in line with our strategic intent to balance the contributions derived from the traditional offerings centered on the Square One Power, Coding and Marking and Channels businesses as well as a growing contribution from the new lines of business of Business Solutions and Service Provider Solutions.

OPERATIONAL REVIEW

Whilst managed independently, each business unit has access to centralised resources and strategic input and focuses on its specific niche activity whilst contributing to the broader Group. The diversified Square One go-to-market model ensures ownership by line of business heads who are accountable for all aspects of performance within their respective lines of business. Over the years we have developed an entrepreneurial culture and in some ways this implies risk. The mechanism applied by Square One is the business unit model that makes Line of Business managers accountable for performance and thus allows an independent measurement of risk management and reduction.

Management will continue to identify and manage risk at all levels of the business.

OPERATIONAL REVIEW – Lines of Business

- Business Solutions
- Coding and Marking
- Channel Services
- Service Provider

BUSINESS SOLUTIONS

Operational Highlights

The acquisition of the business of Latitude Information Technology provided the division with the necessary bolstering of skills required in order to be positioned for sustainable growth into the future. The business acquisition provides a new platform for further growth in the Enterprise and related target markets. In addition, this strategic acquisition enabled

the line of business to deliver on a new target market, namely the Service Provider market, which focuses primarily on the telecommunications and Internet Service Provider (ISP) market sectors. During the latter half of 2004, we successfully consolidated the existing Business Solutions division and the newly acquired business into a single line of business, which assisted in cutting unnecessary expenses. We believe that the benefits of the recent acquisitions are yet to be fully explored, and will materialise as these operations are absorbed and driven by a single Square One go-to-market strategy.



Angus Fisher
Line of Business Head

Operational Environment

In the Business Solutions division, people remain key to service delivery, and management and staff have demonstrated their commitment to raising the standards in an extremely competitive and difficult environment. Investment in the training and development of staff increased during the year as part of our strategy of retaining and growing the best people in this market segment.

Operational Outlook

This line of business is now well-positioned for continued growth and profitability. The opportunity pipeline continues to grow and several new customers have been secured. Several strategic opportunities will be strongly pursued in 2005.

SERVICE PROVIDER

Operational Highlights

In its first year of reporting, the Service Provider line of business did well to provide a solid contribution in the last quarter of the 2004 financial year. This line of business is

already seeing positive results from its activities and has a substantial order book already in place for the 2005 financial year.

Operational Environment

The upcoming final drafts for the Service Provider directives for Lawful Interception are finally motivating the telecommunications industry to plan, prepare and deploy solutions that comply with new legislation. Our relationship with government, consultants and selected Service Providers has strengthened, and we continue to develop new opportunities for growth in this sector of the market.

With respect to new opportunities for partnership with significant players in the telecommunications space, we are encouraged by our relationships and activity with the large telecommunications companies and Service Providers, in which we are constantly promoting our wider range of products as well as any significant solutions that may contribute to the competitive advantage that such organisations seek in promoting their business case. As an authorised elite and value-added reseller and integrator, Square One enjoys a key partnership with one of the worlds leading Internet working technology manufacturers – Juniper Networks. Juniper Networks represents an exciting opportunity for us to grow market share in this country, in partnering with Service Providers as well as developing the Enterprise market with our Business Solutions team.

Operational Outlook

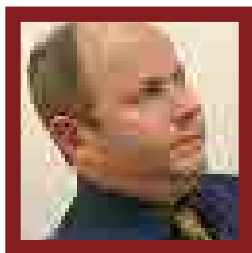
The Service Provider line of business is well positioned to continue to increase its market penetration on the back of established relationships with leading brands who dominate the telecommunications space. The introduction of a second network operator, 3G technology and the deregulation in the provision of IP-based voice services will serve as an exciting platform for growth in the telecommunications and Service Provider market segments over the next eighteen to twenty four months.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

CONTINUED

CODING AND MARKING



Ted Michel
Line of Business Head

Operational Highlights

Another good year of growth was achieved in the Coding and Marking line of business. Highlights for 2004 centered around the sales that were concluded around the Domino Laser technology. Laser technology is a new field for Domino and a great deal of focus was placed in this arena by the Square One Coding team. Business retention remained a strong focus whilst a strategic focus was placed on specific market segments to firmly establish the Coding and Marking line of business as a dominant player in these specific market segments. As a result of these focused marketing and sales initiatives, new quality accounts were acquired.

Once again, strong communication to our existing and newly acquired clients of our philosophy of providing a full range of end-to-end solution offerings contributed to another outstanding performance by the Coding and Marking team.

Operational Environment

This business unit is underpinned by strong annuity income streams in the form of fluid sales and after sales service. The Coding and Marking business offers outsourced and in-sourced solutions to clients, in effect taking on the Coding and Marking responsibilities of a client in order for the client to concentrate on their core competencies. The same team we have today helped pioneer this offering to the market four years ago, and as a result has grown, and continues to grow the installed base.

Operational Outlook

The business achieved satisfactory growth in challenging trading conditions in 2004. More importantly, the achieved growth was attained through the focus on new technologies, rather than the traditional Ink Jet business. The intention is to maintain momentum in 2005, to further expand the business, and achieve further organic growth. Opportunities for acquisitions may then present themselves.

The development of additional revenue streams remains a high priority and a significant increase in focused sales and marketing activities will result in further strengthening our market dominance in the Coding and Marking sector.

CHANNEL SERVICES



Philippa Dal Medico
Line of Business Head

Operational Highlights

Once again, the Channel Services line of business had a successful year, growing its presence in the industry whilst entrenching its position in the colour printer market in association with Bytes Document Solutions who represent the Xerox range of OPB products in South Africa. The Channel Services line of business was characterised by intense competition and the impact of the strengthening Rand on top line revenue targets. Imports were cheaper over the previous period and this resulted in a drastic lowering of prices to remain competitive. The industry continued to witness a consolidation in this market segment and margin pressure was severe.

Despite the constant quest for efficiency improvements, the line of business managed to play a strategic role in the increase of market share in a number of its represented brands.

Operational Environment

Increased margins and return on sales can largely be attributed to cost containment, increased sales activity in the reseller base and focused marketing activities in specific markets such as the graphic arts market.

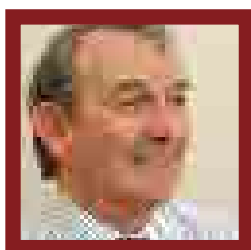
Operational Outlook

The Channel Services division has managed to address its headcount and it will be important to manage and maintain its skilled headcount by raising the bar as far as training is concerned. The competitive landscape presents a growth opportunity in a market where margin pressure is constant by being in a position to focus on its skills in promoting a portfolio of world-class brand products such as Xerox.

SUBSIDIARIES

- Square One Power Solutions (Proprietary) Limited
- Square One Capital (Proprietary) Limited

Square One Power Solutions (Proprietary) Limited



Neill Schreiber
Managing Director

Square One Power Solutions offers a range of uninterruptible power supply (UPS) and infrastructure products and solutions for the IT sector as well as specialist ranges of products for commerce and industry in general.

These products and solutions are supported through a network of national service centres located in all major regions.

Square One Power Solutions enjoyed a satisfactory year, achieving growth of 10% over 2003. During the year, APC launched its InfraStruxure range of solutions that provide the foundation for all data centres or server room applications. This leading edge technology aims to provide the IT environment with exceptionally high availability. It is possible to achieve

99,99999% uptime and the product is the first in the world to integrate UPS, power distribution, racks, air conditioning and system management into a single package.

Square One Power Solutions implemented its first APC infraStruxure installation at a large crime monitoring centre in central Pretoria. The installation, which included a diesel generator back-up system, was completed in just three days, enabling the system to go live on 17 December 2004.

Successful installations were also completed for customers in neighbouring countries such as a large supplier of electricity in Mozambique, a University in Botswana, a telecommunications company in Malawi and a commercial bank in Zambia.

The market remains buoyant, however the strong Rand led to tough trading conditions with prices under pressure throughout the year.

The range of products offered by the company has enabled it to operate in both the distribution and corporate market segments. In the latter, the expertise gained by our staff through many years of involvement in the industry has added considerable value.

Square One Power Solutions represents blue chip UPS manufacturing companies APC, Tower Electronics and Centralion. Their products and solutions are backed by the strong Square One Power technical team, ensuring customer satisfaction across the board.

The advent of the APC InfraStruxure solution positions Square One Power Solutions to tackle lucrative new markets where there is strong potential for new business development. The outlook for 2005 is promising and this subsidiary has budgeted for improved results for 2005.

Square One Capital (Proprietary) Limited

The introduction of Square One Capital, a finance, lease and rental division within the Square One Group, now provides entry into a previously unexploited and lucrative market. This specialist financing division which was established in late 2003 to assist the various operating divisions, will result in enhanced customer offerings and ultimately customer retention.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

CONTINUED

Square One Capital has now established key relationships with several local financial institutions in an effort to raise the necessary cost-effective funding to provide rental, lease and other key financial offerings. In its first six months of operation, Square One Capital concluded rental transactions in excess of R2 million and achieved break-even with regard to its direct costs.

BLACK ECONOMIC EMPOWERMENT

The transaction with Utho, which was entered into effective 1 January 2004, has begun to yield results in broadening Square One's overall customer base. In particular, the new combined team has started to achieve market share in the local government and parastatal arena.

Whilst the results of the amalgamation have not been forthcoming as quickly as originally anticipated, we have positive signs that there will be a marked contribution to revenue and profit from the expanded market base.

The shareholding with Utho has also uniquely positioned Square One to pursue other organic and acquisition growth opportunities, which will be communicated to shareholders as they mature.

In this regard, the management team has taken a decision to continuously review the Utho transaction with a view to strengthen and broaden the shareholder base to ensure that we remain a leading empowerment player in the sector. Further announcements will be made to shareholders as events unfold in this regard.

ECONOMIC EMPOWERMENT CHALLENGES

The progress of various BEE initiatives is gaining momentum in South Africa. The implementation of the ICT Charter will create positive change in integrating Historically Disadvantaged South Africans into the ICT economy. This is a welcome development and is set to contribute to the future economic prosperity of the country as long as the transformation and implementation is sustained in a responsible and balanced manner.

LOOKING AHEAD

The 2005 financial year will be challenging, however, we remain convinced that our business strategy is valid and geared for the return of better market conditions in the ICT sector. Gartner Group has forecast a 13,6% rise in world wide ICT sales for 2005 on the back of the long awaited Y2K replacement cycle and is currently being backed up by a stable Rand and strong growth in local sales in the high volume sector of the ICT market.

In the year ahead, we shall sustain our continuous improvement drive, with special emphasis on unlocking opportunities to contain costs and advance our expansion programme. With a growing desire from customers to partner and seek value-based IT services and solutions, the opportunity for niche integrators that are nimble, flexible in structure and have the ability to adjust quickly to a dynamic market place is growing in strength. The 2004 financial year sees Square One Solutions Group strengthen its position as one such niche integrator.

The Group fulfilled on its strategic and structural transformation processes and enters the 2005 financial year with a firm focus on its customers, its culture and the qualitative aspects of its core business in the interests of providing value for customers, shareholders and staff. Pro-active "Customer Satisfaction" and "Employee Satisfaction" programmes are being instituted across all functional areas within the business. People create growth and the key is to develop relationships, attract and retain motivated people with the necessary skills to compete in a competitive environment.

Square One boasts 19 years of experience and is a nationally represented business that has a solid platform from which to continue its growth into 2005 and beyond. Whilst overall levels of activity in the IT industry continue to grow, budget and spend patterns still remain lengthy and tight.

The Group enters the 2005 financial year confident in its ability to provide existing and new clients with a broad range of value-based solutions and offerings whilst at the same time



implementing the necessary systems to increase efficiencies within the organisation.

The management of Square One will continue to restructure the back and front office operations in order to support our strategic intent and overall value proposition.

As a matter of strategic priority, we will continue to evaluate and seek new opportunities to enhance our skills base and related business offerings through organic means, as well as other initiatives in order to derive maximum value for our staff, our customers, our shareholders and our partners. The Group is committed to investing in the provision of new solutions in line with our customer requirements and we will continue to acquire and invest in the development of relevant intellectual property, which is essential for our sustainability and long-term growth. Flexibility in executing our expansion strategy is therefore essential.

Appreciation

I sincerely thank my fellow Square One directors, committed management team and employees for their unrelenting efforts and dedication in positioning the Group to focus on its operational performance and its longer-term strategies. Good progress has been made in developing and implementing the plans that are needed to position the Group for the future. I would like to thank all Square One employees for their ongoing efforts, commitment and continued support. I look forward to working with you in 2005 and beyond.



W T James
Chief Executive Officer



CORPORATE SUSTAINABLE DEVELOPMENT

Equitable and Safe Working Environment

Square One continually strives to develop and retain its staff through the provision of an equitable, safe and healthy working environment.

HEALTH

The company made inroads into an aggressive and visible HIV/AIDS campaign that it believes has achieved its awareness objectives – the primary objectives being to prevent new infections. Square One is aware of the psychological and social needs of its workforce and the humanitarian aspects of providing help and support to those employees and their families that are HIV-positive.

ENVIRONMENT

Square One's Coding and Marking division's employees deal with specialist chemicals and solvents. At all times, the international guidelines and regulations governing the management of such substances, including the International Standard ISO 14001, are followed, in order to maximise both the health of employees as well as the safety of the environment. It is our primary environmental objective to work towards – and in all cases, exceed, legal requirements.

EMPLOYMENT EQUITY

The organisation commits itself to non-discrimination and employment equity. It is the policy of the organisation that discrimination in any form will not be tolerated, and is a disciplinary offence. The organisation's selection policy is aimed at addressing employment inequalities through a structured Employment Equity programme. However, the organisation maintains its commitment to quality and service excellence. To this end, tokenism is rejected and the selection of people qualified to do the job is insisted upon at all times. A position will not be deliberately de-skilled to prejudice an applicant from a previously disadvantaged group. This will ensure that applicants are not discriminated

against in terms of their salary packages or employment benefits. The organisation encourages all its employees to undergo appropriate training and development in order to enable them to give of their best and also to realise their full potential in the work situation. The organisation believes in the policy of promotion from within, in accordance with selection procedures and criteria, and such promotion is non-discriminatory and based on merit.

Square One's Board currently consists of ten directors, six of whom are black.

Affirmative Action

As part and parcel of a broader Human Resources Development Policy, affirmative action is seen as a process of maximising human resources and empowering individuals within Square One. Square One recognises that because of inequalities in the apartheid education system, and race and sex discrimination in the educational and employment opportunities available to women and black men, it needs to take positive steps to eliminate discrimination and to provide equal opportunities in its own workplace. In order to enhance the representation of under-represented categories of people in the various positions within the organisation, it has put in place an affirmative action policy. Workshops were held at which staff members' views on the Human Resource Policy, and affirmative action as a component of it, were elicited and discussed. The objectives of these ongoing workshops will be to assess progress made and to review and amend the policy, should it be necessary. Open and frank discussion is supported and encouraged.

A draft BEE Charter for the ICT Sector was circulated by the Steering Committee during April 2005 for comment from representatives from the broadcasting, electronics, IT and telecommunications, as well as organised labour, community and multinationals. The finalised charter will be submitted to government for consideration and publication as a sector Code of Good Practice in terms of Section 9 of the Broad-based Black Economic Empowerment Act, 2003.





The Steering Committee expects that the final ICT Charter published as a Code of Good Practice, will be in operation in the second half of 2005.

As a Group, we realise the importance of supporting black business and our procurement policy aligns itself to this.

Monitoring and Evaluation

Reports on Employment Equity are done in accordance with legislation.

OUTSOURCING, JOINT VENTURES AND SUBCONTRACTORS

Square One followed a strategic intent through 2004, to promote the use of outsourcing both essential and non-essential functions. It is believed that this affords an environment where entrepreneurship is encouraged, as well as continually circulating internally, the dynamics of external thinking and awareness of the marketplaces in which Square One operates. Work is outsourced in a non-discriminatory fashion. The group continually works on the development and building of meaningful joint-venture operations and partnerships with black economically empowered (BEE) companies, and small-, medium- and micro-entrepreneurial enterprises.

TRAINING AND DEVELOPMENT

The organisation's policy is to encourage the development of our employees through education and training in order to maximise their full potential and productivity. Most training is offered in-house as on-the-job training. External courses are to be considered where they can meet specific organisational needs, and in accordance with the Isett Seta. Every employee is given the opportunity to utilise the available resources and improve their skills and knowledge. The company completes a 'needs assessment' of all employees on an annual basis, and arranges training programmes around these assessments, once prioritised and in compliance with the Skills Levy Act.

Planning and implementation of the Skills Development Plan in accordance with the Skills Levy Act are completed timeously, and the company has received its reimbursements for completion thereof. The company has also undertaken to initiate a learnership programme in conjunction with the Isett Seta. This programme will provide unemployed members of the community opportunities to become skilled and mentored. The emphasis will be on providing skills development opportunities for persons from previously disadvantaged communities.



CORPORATE GOVERNANCE

Square One is committed to an open governance process, which protects the value and reputation of the company by managing the business effectively and in compliance with legal requirements and best practice in governance. The directors of Square One believe in their responsibilities, collectively and independently, to ensure that they demonstrate and sustain a high level of corporate governance – and recognise their accountability to their shareholders. The Board of Directors meets on a regular basis, and strives at all times to conduct the Group's business according to the best management principles and practice. Square One continues to review the Company's environment, risk assessment management, financial and operational control procedures to ensure that all major risks to Square One are properly managed.

Square One Solutions Group realises that its business conduct could have a profound effect on stakeholders at several levels. For this reason, we have identified the following in the relationship with stakeholders:

- Communication through regulatory channels, through the press, the annual report and the annual general meeting
- Communication facilitated through the website which has feedback facilities
- Price sensitive information is always first disclosed on SENS

Square One's management recognises that they are the trustees and not the owners of the capital and their commitment is to ensure maximum sustainable returns.

CODE OF ETHICS

The Group's value system commits all employees to maintain high ethical and moral codes of conduct in the Group's dealings with all stakeholders and society at large.

Square One AIDS/HIV Policy

This policy protects the legal right of employees who are diagnosed with an AIDS virus-related condition to work, and provides guidelines for situations where infection with the AIDS virus is suspected. Our policy is to encourage sensitivity to, and understanding for, employees affected with this condition and to ensure total confidentiality at all times. It is also company policy to educate staff members regarding the spread of AIDS and effective measures to prevent AIDS.

We are committed to maintaining a healthy work environment by protecting the physical and emotional health and well-being of all employees in the workplace. We also have a

continuing commitment to provide employment for people with physical disabilities who are able to work. This AIDS policy is a direct outgrowth of those commitments. Employees who are diagnosed with an AIDS virus-related condition may continue to work if they are deemed medically able to work and can meet acceptable performance standards.

Codes of Good Practice

The company adheres to the Codes of Good Practice as specified by the Department of Labour.

Square One is committed to:

- Embracing the principles of transparency, honesty and integrity in all its dealings
- Carrying on business through fair commercial competitive practices
- Removing discrimination and promoting employees through training and development; and
- Being proactive towards dealing with environmental and social issues

KING CODE OF CORPORATE PRACTICE AND CONDUCT

The Board of Square One is committed to maintaining the standards of integrity; accountability and openness advocated in the King Report on Corporate Governance (King I) and is working towards the attainment of the succeeding King II Report requirements.

BOARD OF DIRECTORS

The Board of Directors comprises five executive and five non-executive directors and is chaired by a non-executive director whose role is separate from that of the chief executive officer. All the non-executive directors are independent. During the current financial year one non-executive director resigned and one non-executive director was appointed.

The appointment of new directors is approved directly by the Board as a whole, subject to confirmation at the annual general meeting.

The Board is responsible for group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the Group companies under its direction. The executive directors, being actively involved in the company on a day-to-day basis, are responsible for ensuring that the decisions, strategies and views of the Board are successfully implemented. The Board meets four times a year and adheres to a formal schedule of proceedings.



BOARD COMMITTEES

The non-executive directors of the Board are expected to play an active role in the various committees established by the Board. However, it should be noted that the delegation of authority to committees does not discharge nor mitigate the Board and its directors of their responsibilities for their duties to the Group's stakeholders.

Audit Committee

The primary responsibilities of this committee include the maintenance of high standards of records and systems of internal control, the safeguarding of the company's assets and shareholders' investments, assisting the Board in monitoring the standards of corporate governance, and advising the Board of the "going concern" status of the company. The external and internal auditors have unrestricted access to the audit committee.

The audit committee enhances the credibility of the financial reports and strengthens communication amongst directors, auditors and management which contributes to reducing the risk of inadequate financial reporting.

The audit committee consists of two non-executive directors, and certain meetings are attended by invitation, by the Chief Executive Officer and appropriate members of the financial management team

Remuneration Committee

The remuneration committee consists of three non-executive directors.

This committee meets periodically to assess, authorise and implement appropriate levels of remuneration for the executive directors and senior management of the Group. The committee is chaired by a non-executive director. The Chief Executive Officer is excluded from review of his own remuneration. Non-executive directors are remunerated for their services based on the number of meetings they attend and their level of contribution and responsibility.

INTERNAL AND FINANCIAL CONTROLS

The Group's systems of internal and financial control are designed to safeguard the integrity and reliability of the financial information and to verify and maintain accountability

of revenue and assets. These controls are implemented and managed by skilled operational personnel and monitored by the directors. The Group's personal performance appraisal system contributes towards the way in which internal controls are measured, and regular management reviews conducted. Financial management is measured against industry standard internal control norms and is constantly reviewed to ensure consistency and objectivity.

Empowerment

Square One is an equal opportunity employer, committed to a working environment that is free from any racial- or gender-based discrimination. The Group continually evaluates the development of the skills and abilities of its employees.

The Group has plans in place to ensure that equity is achieved within the framework and regulations laid down in the Employment Equity Act.

Insider Trading

Dealing in Square One shares by any Square One director or employee on the basis of unpublished or confidential information, whether directly or indirectly, is strictly prohibited. Restrictions are imposed on employee trading where such information could affect the price sensitivity of the shares.

Security

In terms of the King Commission II on corporate governance, the Board of Directors acknowledges its ultimate responsibility for the risks associated with a breach of the company's networks. Square One's directors understand the value of the company's data and intellectual capital and continually address and evaluate the level of risk they deem acceptable and address accordingly. Square One remains in the fortunate position – as an IT company, of having access to the latest benchmarks in security as well as a top-level understanding thereof. The company has an effective IT infrastructure in place and continues to examine and deploy leading biometric security technology recognised as well above standard industry levels.

Dividend

With the available opportunities to grow organically, pursue potential institutional investors and to reduce interest-bearing borrowings, the directors have decided not to declare a dividend at this time.



FINANCIAL STATEMENTS CONTENTS

SQUARE ONE SOLUTIONS GROUP LIMITED Reg No. 1999/026822/06

ANNUAL GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

The reports and statements set out below comprise the annual Group financial statements presented to the members:

	Page
Report of the Independent Auditors	21
Report of the Directors	22
Balance Sheets	24
Income Statements	25
Statements of Changes in Equity	26
Cash Flow Statements	27
Notes to the Financial Statements	28

The annual financial statements and Group financial statements which appear on pages 22 to 43 were approved by the Board of Directors on 31 March 2005 and signed on their behalf.



R T Muzariri



A Meyer

REPORT OF THE INDEPENDENT AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2004

THE MEMBERS OF SQUARE ONE SOLUTIONS GROUP LIMITED

We have audited the annual financial statements and Group financial statements of Square One Solutions Group Limited set out on pages 22 to 43 for the year ended 31 December 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 31 December 2004 and the results of its operations 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 Companies Act in South Africa.

Russell Bedford South Africa (Jhb) Inc.
Chartered Accountants (SA)
Northcliff
Registered Accountants and Auditors
31 March 2005

SECRETARY'S CERTIFICATE

I hereby certify, in terms of Section 268 of the Companies Act, 1973, as amended, that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date as at 31 December 2004.

A M Craddock
Company Secretary
31 March 2005



REPORT OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report for the year ended 31 December 2004. This report forms part of the audited financial statements.

1. GENERAL REVIEW

The main business of the company and the Group is the provision of business-enabling, technology solutions, which create value for its clients through the application of business knowledge and best practices, technological skills and capability.

2. STATEMENTS OF RESPONSIBILITY

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee and various other risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the Group. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors believe that the Group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the Group's annual financial statements.

The auditors have concurred with the above statements.

3. FINANCIAL RESULTS AND DIVIDENDS

No dividends have been declared and none are recommended.

4. SHARE CAPITAL

There were no changes in the authorised or the issued share capital of the company and the Group during the year under review.

5. FIXED ASSETS

The company purchased fixed assets costing R503 126 (Group:R635 808) during the year under review. (2003:R775 360) (2003 Group:R1 101 949)

6. ACQUISITIONS, INVESTMENTS AND DISPOSALS

At the beginning of the year the company held the following :

- 100% shareholding in eServices Document Sharing Solutions (Proprietary) Limited
- 100% shareholding in Square One Document Solutions (Proprietary) Limited
- 51% shareholding in Square One Power Solutions (Proprietary) Limited
- 100% shareholding in Activated Learning Group (Proprietary) Limited

- 100% shareholding in New Heights Communications (Proprietary) Limited
- 100% shareholding in Square One Solutions (Proprietary) Limited (formerly Thursday Morning (Proprietary) Limited)

During the year under review the company invested in the following subsidiaries

- 100% shareholding in Square One Capital (Proprietary) Limited
- 51% shareholding in Square One (Proprietary) Limited, and
- 100% shareholding in Square One Financial Services (Proprietary) Limited

No investments were disposed of during the year under review.

7. SUBSEQUENT EVENTS

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

8. NUMBER OF EMPLOYEES

The number of employees at year end was 158 (2003:136).

9. DIRECTORS AND SECRETARY

The directors of the company during the accounting period and up to the date of this report were as follows

Executive Directors

W T James	Appointed 10 December 1999
A Meyer	Appointed 25 February 2004
B A Croza	Appointed 25 February 2004
R T Muzariri	Appointed 18 December 2002
C L Alexander	Appointed 25 February 2004

R T Muzariri assumed the position of Executive Vice Chairman on 25 February 2004.

Non-Executive Directors

G A Coetser	Appointed 10 December 1999
R R Masebelanga	Appointed 25 February 2004
M G Seape	Appointed 15 March 2004
M S Makhanya	Appointed 15 March 2004
K X T Socikwa	Appointed 8 June 2004
B Thokoane	Resigned 30 September 2004
B G van Rooyen	Resigned 23 February 2004

G A Coetser assumed the position of Non-Executive Chairman on 25 February 2004

Company Secretary

A M Craddock

Transfer Secretary

The transfer secretary of the company is Ultra Registrars (Proprietary) Limited, whose business and postal addresses are

11 Diagonal Street	PO Box 4844
Johannesburg	Johannesburg
2001	2000

10. AUDITORS

Russell Bedford South Africa (Jhb) Inc. will continue in office in accordance with section 270(2) of the Companies Act.



CONSOLIDATED BALANCE SHEETS

FOR THE YEAR ENDED 31 DECEMBER 2004

		Company		Group	
		2004	2003	2004	2003
	Notes	R	R	R	R
ASSETS					
Non-Current Assets		15 495 428	13 926 636	19 776 495	13 891 215
Fixed assets	2	712 360	993 888	943 858	1 326 873
Intangible assets	3	276 480	395 115	9 633 286	8 921 805
Investments in subsidiaries	4	618 311	615 451	–	–
Loans to subsidiaries	4	11 868 271	11 922 182	–	–
Investments	5	20 000	–	16 000	16 000
Deferred taxation	6	2 000 006	–	9 183 351	3 626 537
Current Assets		22 652 080	23 761 475	47 166 101	44 734 305
Inventories	7	10 015 288	10 686 495	16 782 436	15 244 795
Accounts receivable	8	11 491 286	12 056 724	28 574 916	28 620 169
Taxation		30 748	28 547	–	29 909
Bank balances	9	1 114 758	989 709	1 808 749	839 432
Total assets		38 147 508	37 688 111	66 942 596	58 625 520
EQUITY AND LIABILITIES					
Capital and Reserves		3 686 375	4 418 869	6 702 435	5 963 324
Issued capital	10	220 000	220 000	220 000	220 000
Share premium		8 799 724	8 799 724	8 799 724	8 799 724
Accumulated loss		(5 333 349)	(4 600 855)	(3 003 498)	(3 559 317)
Outside shareholders' interest	11	–	–	686 209	502 917
Non-Current Liabilities		17 268 758	17 713 423	25 355 798	21 224 355
Outside shareholders' loans	12	–	–	246 163	365 017
Non-interest-bearing liabilities	13	91 083	–	76 833	–
Interest-bearing liabilities	14	14 456 211	14 817 948	25 032 802	20 859 338
Loans from subsidiaries	4	2 721 464	2 895 475	–	–
Current Liabilities		17 192 375	15 555 819	34 884 363	31 437 841
Accounts payable		12 959 902	10 946 652	29 672 970	22 716 228
Taxation				118 869	
Current portion of interest-bearing liabilities	14	3 710 623	3 483 245	3 710 622	7 286 858
Provisions	15	520 758	337 292	1 380 811	1 296 712
Bank overdrafts	9	1 092	788 630	1 091	138 043
Total equity and liabilities		38 147 508	37 688 111	66 942 596	58 625 520

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Company		Group	
		2004 R	2003 R	2004 R	2003 R
Gross revenue	16	54 749 205	49 139 646	144 337 834	91 421 778
Cost of sales		(37 827 321)	(31 246 108)	(94 136 020)	(63 328 619)
Gross profit		16 921 884	17 893 538	50 201 814	28 093 159
Operating costs		(20 216 273)	(15 642 224)	(50 272 377)	(27 296 690)
Other income		1 566 448	540 063	1 958 613	4 815 521
Operating (loss)/profit	17	(1 727 941)	2 791 377	1 888 050	5 611 990
Interest received	18	113 930	110 385	133 792	127 260
Finance costs	19	(1 118 489)	(2 897 760)	(1 940 962)	(3 462 404)
(Loss)/profit before taxation		(2 732 500)	4 002	80 880	2 276 846
Taxation	21	2 000 006	(1 201)	657 281	(792 926)
(Loss)/profit after taxation		(732 494)	2 801	738 161	1 483 920
Attributable to:					
Equity holders of the parent		(732 494)	2 801	555 819	1 342 127
Minority interest		–	–	183 292	141 793
Earnings/(loss) attributable to shareholders		(732 494)	2 801	738 161	1 483 920
Earnings/(loss) per share (cents)	22	(12,42)	0,01	2,53	6,10
Headline earnings/(loss) per share (cents)	22	(12,42)	0,01	3,59	7,8



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004

Company

	Share Capital R	Share Premium R	(Accumulated loss)/retained income R	Total R
Balance at 1 January 2003	220 000	8 799 724	(4 603 656)	4 416 068
Net profit for the year		2 801	2 801	
Balance at 1 January 2004	220 000	8 799 724	(4 600 855)	4 418 869
Net loss for the year		(732 494)	(732 494)	
Balance at 31 December 2004	220 000	8 799 724	(5 333 349)	3 686 375

Group

	Share capital R	Share premium R	(Accumulated loss)/retained income R	Total R	Minority interest R	Total equity R
Balance at 1 January 2003	220 000	8 799 724	(4 901 444)	4 118 280	361 124	4 479 404
Net profit for the year			1 342 127	1 342 127	141 793	1 483 920
Balance at 1 January 2004	220 000	8 799 724	(3 559 317)	5 460 407	502 917	5 963 324
Net profit for the year			555 819	555 819	182 342	738 161
On acquisition			–		950	950
Balance at 31 December 2004	220 000	8 799 724	(3 003 498)	6 016 226	686 209	6 702 435

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

		Company		Group	
	Notes	2004 R	2003 R	2004 R	2003 R
Cash Flows from Operating Activities					
Cash receipts from customers		55 883 639	48 960 459	143 311 041	93 758 788
Cash paid to suppliers and employees		(53 221 503)	(34 211 547)	(133 885 434)	(82 030 648)
Cash generated by operating activities	26.1	2 662 136	14 748 912	9 425 607	11 728 140
Interest received		113 930	110 385	133 792	127 260
Interest paid		(1 118 489)	(2 897 760)	(1 940 962)	(3 462 404)
Taxation paid	26.2	(2 201)	(99)	(4 750 755)	(3 660 947)
Net cash inflow/(outflow) from operating activities		1 655 376	11 961 438	2 867 682	4 732 049
Cash Flows from Investing Activities					
Fixed assets acquired		(503 126)	(775 360)	(635 808)	(1 101 949)
Intangible assets acquired		(163 944)	(104 516)	(1 899 338)	(9 000 247)
Proceeds on disposals of fixed assets		110 516	716 319	218 525	773 706
Proceeds of disposals of intangible assets		–	(556 038)	–	(544 353)
Investment in subsidiaries		(122 960)	(13 243 514)	–	–
Increase in loans to subsidiary companies		(20 000)	–	–	–
Net cash outflow from investing activities		(699 514)	(13 963 109)	(2 316 621)	(9 872 843)
Cash Flows from Financing Activities					
Loans raised		–	16 324 343	555 207	25 592 664
Loans receivable repaid		–	750 000	–	1 049 346
Loans repaid		(43 275)	–	–	–
Net cash (used in)/generated by from financing activities		(43 275)	17 074 343	555 207	26 642 010
(Decrease)/increase in cash and cash equivalents		912 587	15 072 672	1 106 268	21 501 216
Cash and cash equivalents at beginning of the year	26.3	201 079	(14 871 593)	701 389	(20 799 827)
Cash and cash equivalents at end of the year	26.3	1 113 666	201 079	1 807 657	701 389



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING BASIS

The annual financial statements incorporate the following principal accounting policies, set out below, which are consistent with those adopted in the previous year.

1.1 Statement of Compliance

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

1.2 Basis of Preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.3 Revenue Recognition

Sales are recorded in the financial statements at the date the goods are delivered to customers or services are performed.

1.4 Basis of Consolidation

The consolidated financial statements include the assets and liabilities of the subsidiaries as well as its results for the period. Where changes of interest took place during the year the results of the subsidiary are included as from the effective date of becoming a subsidiary to the effective date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

1.5 Goodwill

The difference between the fair value of the consideration paid and the fair value of net tangible assets of subsidiaries at the date of acquisition is charged or credited to goodwill arising on consolidation. Goodwill is not amortised, instead it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the acquirer shall:

- Reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- Recognise immediately in profit or loss any excess remaining after that assessment.

1.6 Investments

Investments, other than in associates, are stated at cost and are written down only where there is a permanent impairment in value. Dividends are brought to account as at the last day of registration in respect of listed shares, and when declared in respect of unlisted shares.

1.7 Fixed Assets

Fixed assets are included at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation is calculated by a charge to income computed on a straight line basis so as to write off the cost or amount of the valuation of the assets over their expected useful lives.

The depreciation rates applicable to each category of fixed assets is as follows:

Motor vehicles	20 %
Furniture and fittings	20 %
Workshop equipment	20 %
Office equipment	20 %
Computer equipment	33,33 %

1.8 Intangible Assets

Intangible assets are included at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Amortisation is calculated by a charge to income computed on a straight line basis so as to write off the cost or amount of the valuation of the assets over their expected useful lives.

The amortisation rates applicable to each category of intangible assets is as follows:

Goodwill, patents and trademarks	10%
Computer software	50 %

1.9 Leased Assets

Finance Leases

Where assets are acquired under finance lease agreements that transfer to the company substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitment is disclosed under long-term liabilities. Lease rentals are apportioned between capital and interest elements, using the effective interest rate method.

Operating Leases

Leases where the lessor retains the risks and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventory.

1.11 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement. The effect on deferred tax of any changes in tax rates is recognised in the income statement.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.12 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.13 Employee Benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provision for employee entitlements to wages, salaries and annual leave represents the amount which the company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement Benefits

The company contributes to a defined contribution plan. Contributions to the defined contribution fund are charged against income as incurred.

1.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.15 Derivative Financial Instruments

The derivative instruments used by the Group, which are used solely for hedging purposes (i.e. to offset foreign exchange risks) are forward rate agreements and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

Forward foreign exchange contracts are valued at the closing rates of exchange. Resulting gains and losses are dealt with in the income statement.

Where the instrument ceases to meet the criteria of being a hedge transaction or the underlying exposure which it is hedging is sold, matures or is extinguished, then the instrument is valued at the appropriate market rate, after having taken account of selling costs. Any resultant gains and losses are reflected in operating income in the consolidated profit and loss account. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur.

1.16 Financial Instruments

Financial assets are recognised when the Group has the rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

Interest costs are charged against income in the year in which they are incurred. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are taken to net interest payable over the life of the instrument.

Where the fair value of an asset's carrying amount falls below the asset's carrying value, any difference is, in the case of fixed assets, provided for if it is regarded that impairment exists. In the case of current assets, provision is only made to the extent that it is considered as resulting in a lower net realisable value.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and Other Receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debts.

Cash and Cash Equivalents

Cash and cash equivalents are measured at fair value.

Financial Liabilities

Non-derivative financial liabilities are recognised at cost, comprising original debt less principal payments.

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity Risk Management

Liquidity risk is managed using cash flow forecasts and by the maintenance of adequate borrowing facilities with the holding company and the banks.

1.17 Foreign Currency Transactions

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any foreign exchange differences are dealt with in the income statement in the year in which the difference occurs.

1.18 Segment Reporting

The main business of the company and the Group is the provision of business-enabling, technology solutions, which create value for its clients through the application of business knowledge and best practices, technological skills and capability.

As well as supplying the above products, the Group is involved with a number of follow up services from which they derive income.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of Group expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments. Intersegment transfer pricing is based on cost plus an appropriate margin.

Assets, liabilities and capital expenditure per segment have not been presented as these are accounted for within the specific legal entities, that represent multiple business units which share many operating assets and liabilities.



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

2. FIXED ASSETS

Company	2004			2003		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Owned Assets						
Motor vehicles	3 468	3 466	2	3 468	3 466	2
Furniture and fittings	885 506	690 491	195 015	768 042	539 983	228 059
Workshop equipment	169 299	125 388	43 911	147 780	101 787	45 993
Computer equipment	2 333 929	1 956 855	377 074	2 074 301	1 590 933	483 368
	3 392 202	2 776 200	616 002	2 993 591	2 236 169	757 422
Capitalised Leased Assets						
Motor vehicles	783 757	687 400	96 357	783 757	549 307	234 450
Computer equipment	36 638	36 637	1	36 638	34 622	2 016
	820 395	724 037	96 358	820 395	583 929	236 466
	4 212 597	3 500 237	712 360	3 813 986	2 820 098	993 888

The carrying amounts of fixed assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Additions through business combinations	Disposals/transfers	Depreciation	Carrying value at the end of year
Owned Assets						
Motor vehicles	2	–	–	–	–	2
Furniture and fittings	228 059	117 464	–	–	(150 508)	195 015
Workshop equipment	45 993	21 519	–	–	(23 601)	43 911
Computer equipment	483 368	364 143	–	(100 516)	(369 921)	377 074
	757 422	503 126	–	(100 516)	(544 030)	616 002
Capitalised Leased Assets						
Motor vehicles	234 450	–	–	–	(138 093)	96 357
Computer equipment	2 016	–	–	–	(2 015)	1
	236 466	–	–	–	(140 108)	96 358
	993 888	503 126	–	(100 516)	(684 138)	712 360

2. FIXED ASSETS CONTINUED

Group	2004			2003		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Owned Assets						
Motor vehicles	3 468	3 466	2	3 468	3 466	2
Furniture and fittings	1 056 816	796 250	260 566	878 696	627 802	250 894
Workshop equipment	312 232	206 369	105 863	276 358	157 287	119 071
Computer equipment	2 611 254	2 168 862	442 392	2 729 249	2 183 490	545 759
	3 983 770	3 174 947	808 823	3 887 771	2 972 045	915 726
Capitalised Leased Assets						
Motor vehicles	909 857	774 823	135 034	1 089 507	680 376	409 131
Computer equipment	36 638	36 637	1	36 638	34 622	2 016
	946 495	811 460	135 035	1 126 145	714 998	411 147
	4 930 265	3 986 407	943 858	5 013 916	3 687 043	1 326 873

The carrying amounts of fixed assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Additions through business combinations	Disposals/transfers	Depreciation	Carrying value at the end of year
Owned Assets						
Motor vehicles	2	–	–	–	–	2
Furniture and fittings	250 894	178 119	1	–	(168 448)	260 566
Workshop equipment	119 071	35 874	–	–	(49 082)	105 863
Computer equipment	545 759	421 815	1	(107 740)	(417 443)	442 392
	915 726	635 808	2	(107 740)	(634 973)	808 823
Capitalised Leased Assets						
Motor vehicles	409 131	–	–	110 785	163 312	135 034
Computer equipment	2 016	–	–	–	2 015	1
	411 147	–	–	110 785	165 327	135 035
	1 326 873	635 808	2	218 525	800 300	943 858

Assets with a book value of R135 035 (2003:R411 147) are subject to capitalised lease agreements. Refer note 14



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

3. INTANGIBLE ASSETS

Company	2004			2003		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	824 499	548 019	276 480	660 555	265 440	395 115
	824 499	548 019	276 480	660 555	265 440	395 115

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers/ Others	Amortisation/ Fair value adjustment	Carrying value at end of year
Computer software	395 115	163 944	–	(282 579)	276 480
	395 115	163 944	–	(282 579)	276 480

Group	2004			2003		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Goodwill	9 335 183	–	9 335 183	8 856 979	369 041	8 487 938
Computer software	915 702	617 599	298 103	749 307	315 440	433 867
	10 250 885	617 599	9 633 286	9 606 286	684 481	8 921 805

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Amortisation/ Fair value adjustment	Carrying value at end of year
Goodwill	8 487 938	1 732 943	(885 698)	9 335 183
Computer software	433 867	166 395	(302 159)	298 103
	8 921 805	1 899 338	1 187 857	9 633 286

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
4. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less provisions and amounts written off	618 311	615 451	–	–
Square One Document Solutions (Proprietary) Limited	615 000	315 100	–	–
Square One (Proprietary) Limited	501	–	–	–
eServices Document Sharing Solutions (Proprietary) Limited	100	100	–	–
Square One Power Solutions (Proprietary) Limited	500	51	–	–
Activated Learning Group (Proprietary) Limited	1 000	100	–	–
Square One Capital (Proprietary) Limited	10	–	–	–
Thursday Morning (Proprietary) Limited	100	300 000	–	–
New Heights Communications (Proprietary) Limited	100	100	–	–
Square One Financial Services (Proprietary) Limited	1 000	–	–	–
Amounts owing by subsidiaries:	11 868 271	11 922 182	–	–
eServices Document Sharing Solutions (Proprietary) Limited	570 235	570 035	–	–
Square One Power Solutions (Proprietary) Limited	13 650	865 463	–	–
Square One (Proprietary) Limited	902 596	–	–	–
Square One Document Solutions (Proprietary) Limited	52 966	4 754 635	–	–
Square One Capital (Proprietary) Limited	718 981	–	–	–
Square One Financial Services (Proprietary) Limited	100	–	–	–
Thursday Morning (Proprietary) Limited	9 609 743	5 732 049	–	–
Less:				
Loans by subsidiaries	2 721 464	2 895 475	–	–
Activated Learning Group (Proprietary) Limited	2 495 831	2 639 732	–	–
New Heights Communications (Proprietary) Limited	225 633	255 743	–	–
	9 765 118	9 642 158	–	–

5. INVESTMENTS

The Group held investments in the following companies:

Listed Shares at Cost

Share incentive trust	20 000	–	–	–
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Unlisted Shares at Cost

IRT Projects (Proprietary) Limited	–	–	16 000	16 000
Market value of listed shares	–	–	–	–
Directors' valuation of unlisted shares	–	–	16 000	16 000
	–	–	16 000	16 000



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
6. DEFERRED TAXATION				
Balance at beginning of year	–	–	3 626 537	757 414
Movements during year attributable to:				
Timing differences	–	–	808 260	2 869 123
Acquired through business combinations	–	–	4 748 554	–
Balance at end of year	–	–	9 183 351	3 626 537
The balance comprises:	–	–	–	3 626 537
Assessed losses	–	–	–	3 626 537

7. INVENTORIES

The amounts attributable to the different categories are as follows:

Finished goods	10 015 288	10 686 495	16 782 436	15 244 795
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8. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following :

Trade debtors	10 050 567	8 742 744	25 666 373	22 124 799
Sundry deposits	124 275	68 514	136 295	76 845
Prepaid expenses	134 987	197 466	134 987	207 694
Sundry debtors	1 181 457	3 048 020	2 637 261	6 210 831
	11 491 286	12 056 744	28 574 916	28 620 169

9. BANK BALANCES

Term loan of the Group is secured by means of unlimited cross company guarantees between the company and Activated Learning Group (Proprietary) Limited, eServices Document Sharing Solutions (Proprietary) Limited and Square One Power Solutions (Proprietary) Limited. There is also a cession of debtors and a general notarial bond over inventory of Square One Solutions Group Limited in favour of Citibank NA.

10. ISSUED CAPITAL

Authorised				
200 000 000 Ordinary shares of 1c each	2 000 000	2 000 000	2 000 000	2 000 000
Issued				
22 000 000 Ordinary shares of 1c each	220 000	220 000	220 000	220 000

The directors are authorised, until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they deem fit.

11. OUTSIDE SHAREHOLDERS' INTEREST

Balance at the beginning of the year	–	–	502 917	361 124
Share of current-year profits	–	–	183 292	141 793
Balance at end of year	–	–	686 209	502 917

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
12. OUTSIDE SHAREHOLDERS' LOANS				
N Schreiber	–	–	20 322	20 322
L Mampe	–	–	–	64 619
N Burnard	–	–	92 921	92 921
E Uken	–	–	–	94 235
A van der Westhuizen	–	–	92 920	92 920
H Albertze	–	–	40 000	0
	–	–	246 163	365 017
13. NON-INTEREST-BEARING LIABILITIES				
Square One Investments (Proprietary) Limited	91 083	–	76 833	0
	91 083	–	76 833	0
These loans are unsecured, currently interest free and have no fixed terms of repayment.				
14. INTEREST-BEARING LIABILITIES				
Citibank, N.A.	15 025 952	13 625 886	15 025 952	20 000 000
The above loan is secured by a cession of debtors and a general notarial bond over inventory of Square One Solutions Group Limited. Interest charged at prime overdraft lending rate less 2% and repayable in 4 years.				
GAC Investment Holdings (Proprietary) Limited	2 516 627	1 154 411	10 281 996	1 780 983
The above loan is unsecured, bears interest at rates linked to prime overdraft lending rate and has no fixed terms of repayment.				
The John and Esme Muller Family Trust	–	–	758 357	–
The loan is unsecured, interest is charged at rates linked to prime overdraft lending rate and has no fixed terms of repayment.				
Bytes Document Solutions (Proprietary) Limited	–	–	2 052 864	6 075 930
The above loan is secured by a cession of debtors, a general notarial bond over inventory and a pledge of shares of Square One Document Solutions (Proprietary) Limited. Interest is charged at a fixed rate of 10% per annum and is repayable by 31 August 2005.				
Directors' Loans	590 000	–	590 000	–
W T James	325 000	–	325 000	–
A Meyer	150 000	–	150 000	–
R Muzariri	115 000	–	115 000	–
The above loans are unsecured, interest is charged at prime and they have no fixed terms of repayment.				
Finance Leases	34 255	3 520 896	34 255	289 283
The finance leases are secured by financial lease agreements over certain of the fixed assets mentioned in note 2. These bear interest at rates linked to the prime overdraft rate, and are repayable in monthly instalments.				
Less: Current portion of interest-bearing liabilities	(3 710 623)	(3 483 245)	(3 710 622)	(7 286 858)
	14 456 211	14 817 948	25 032 802	20 859 338



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
15. PROVISIONS				
Leave pay	319 073	265 285	606 842	287 562
Warranty	–	–	759 744	831 860
Other	201 685	72 007	14 225	177 290
	520 758	337 292	1 380 811	1 296 712

16. GROSS REVENUE

Gross revenue, which excludes value-added tax, represents the invoiced value of goods and services supplied.

17. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

Auditors' remuneration	175 466	50 541	304 369	180 530
Audit fee - current year	175 466	130 500	304 369	260 489
Prior year over-provision	–	(79 959)	–	(79 959)
Depreciation	966 717	976 761	800 300	905 836
Owned assets	544 030	571 213	634 973	671 644
Capitalised leased assets	140 108	140 108	165 327	234 192
Amortisation of intangible assets	282 579	265 440	302 159	635 890
Impairment of goodwill	–	–	885 698	–
Negative goodwill written off	–	–	(652 085)	–
Foreign exchange profits / (losses)	896 925	(393 696)	1 013 584	(389 219)
Lease rentals - premises	1 772 704	870 103	2 044 904	1 915 186
Profit on disposals of fixed assets	10 000	–	19 319	–

18. INTEREST RECEIVED

Interest income				
Bank balances	113 930	110 385	133 792	127 260

19. FINANCE COSTS

Long-term loans	313 747	–	833 536	–
Bank overdrafts	797 904	2 875 164	1 097 823	3 411 572
Finance lease	6 838	22 596	9 603	50 832
	1 118 489	2 897 760	1 940 962	3 462 404

20. DIRECTORS' REMUNERATION

Directors' emoluments	Service as directors	Basic salary	Performance bonuses	Expense allowances
2004				
Executive Directors				
W T James	–	579 600	–	–
R T Muzariri	–	525 000	–	–
A Meyer	–	418 500	–	–
B A Croza	–	470 000	–	–
C L Alexander	–	465 350	–	–
Non-Executive Directors				
G A Coetser	480 000	–	–	–
B Thokoane	10 000	–	–	–
R R Masebelanga	10 000	–	–	–
M G Seape	10 000	–	–	–
M S Makhaya	15 000	–	–	–
K X T Socikwa	10 000	–	–	–
	535 000	2 458 450	–	–
2003				
Executive Directors				
G A Coetser	–	480 000	–	–
T I Morrison	–	43 950	–	–
W T James	–	579 600	–	–
Non-Executive Directors				
B van Rooyen	5 000	–	–	–
R T Muzariri	15 000	–	–	–
	20 000	1 103 550	–	–

The directors did not receive any other benefits and do not have any share options

21. SHAREHOLDING OF DIRECTORS

The shareholding of the directors in the issued share capital of the company as at 31 December 2004 was as follows:

Director	Beneficial		Non-Beneficial		Total	2004	2003
	Direct	Indirect	Direct	Indirect		% of Issued Share Capital	% of Issued Share Capital
31 December 2004							
Executive Directors							
R T Muzariri	-	-	-	-	-	0,0	0,0
W T James	3 895	1 144 856	-	1 144 856	2 293 607	10,4	10,4
A Meyer	70 000	-	-	-	70 000	0,3	0,3
C L Alexander						0,0	0,0
B A Croza						0,0	0,0
	73 895	1 144 856	-	1 144 856	2 363 607	10,7	10,7
Non-executive Directors							
G A Coetser	-	-	-	7 087 189	7 087 189	32,2	32,3
R R Masebelanga	-	-	-	-	-	0,0	0,0
M G Seape	-	-	-	-	-	0,0	0,0
M S Makhanya	-	-	-	-	-	0,0	0,0
K X T Socikwa	-	-	-	-	-	0,0	0,0
	-	-	-	7 087 189	7 087 189	32,2	32,3



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
22. TAXATION				
South African normal tax				
Current year	–	1 201	150 979	1 201
Deferred tax				
Current year	(2 000 006)	–	(808 260)	791 725
Tax for the year	(2 000 006)	1 201	(657 281)	1 201
Reconciliation of rate of taxation	%	%	%	%
South African normal tax rate	30,0	30,0	30,0	30,0
Adjusted for timing differences				
Utilisation of computed tax losses	(30,0)	–	(30,0)	4,8
Net increase (decrease)	(30,0)	–	(30,0)	4,8
Effective rate	0	30,0	0	34,8

23. EARNINGS PER SHARE

Earnings/loss attributable to ordinary shareholders	(732 494)	(2 801)	555 819	1 342 127
Impairment of goodwill	–	–	885 698	369 041
Negative goodwill written off	–	–	(652 085)	–
Headline (loss)/earnings	(732 494)	2 801	789 432	1 711 168

Headline (loss)/earnings per share and (loss)/earnings per share are calculated on the weighted average number of ordinary shares in issue being 22 000 000 (2003:22 000 000)

24. SEGMENTAL INFORMATION

Business Segments

The following table shows the distribution of the Group's consolidated revenue by business segment

Business Solutions	4 652 532	1 656 290
Knowledge and Information Management Solutions	25 478 377	6 155 423
Coding and Marking Solutions	29 074 342	30 769 172
Power Solutions (UPS)	28 611 430	26 278 196
Service Provider	2 209 064	–
Channel Solutions	51 517 690	26 562 697
Application Solutions	2 794 399	–
	144 337 834	91 421 778

Geographical Segments

Johannesburg	91 436 144	43 262 079
Cape Town	25 779 808	22 095 024
Durban	9 586 000	8 563 894
Port Elizabeth	7 583 062	7 662 634
Pretoria	6 809 680	7 548 413
Bloemfontein	3 143 140	2 289 734
	144 337 834	91 421 778

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R

25. RELATED PARTY

25.1 Dealings with Subsidiaries of the Company

During the year under review the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with each other. These transactions occurred under terms that are no less favourable than those arranged with third parties, that being at arms length.

Service provided to subsidiaries	–	767 605	–	–
Services provided by subsidiaries	–	(1 069 473)	–	–

25.2 Dealings with Directors and Other Entities

Controlled by the Company's Directors

GAC Investment Holdings (Proprietary) Limited	2 516 627	1 154 411	8 169 907	1 780 983
W T James	325 000	–	325 000	–
A Meyer	150 000	–	150 000	–
R T Muzariri	115 000	–	115 000	–

25.3 Other

- Loans and investments relating to subsidiaries have been identified in note 4.
- The company does not have any associates or joint ventures.
- The directors are listed in the directors' report.
- Transactions that occurred with other companies in which the directors have an interest have been identified in note 14.
- Large purchases were made with favourable payment terms from SQ1 Inc (USA)

8 512 000	–	33 325 000	–
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26. SHAREHOLDERS' SPREAD

	Number of shareholders	Number of shares	% Shareholding
Directors	3	2 073 895	9,4
Persons other than directors holding more than 10%	2	12 581 617	57,2
Total "non-public" shareholders	5	14 655 512	66,6
Total "public" shareholders	187	7 344 488	33,4
	192	22 000 000	100



NOTES TO THE ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 ■ CONTINUED

	Company		Group	
	2004	2003	2004	2003
	R	R	R	R
27. NOTES TO THE CASH FLOW STATEMENT				
27.1 Cash Generated from Operations				
Net (loss)/profit before taxation	(2 732 500)	4 002	80 880	2 276 846
Adjustments for:				
Depreciation and amortisation	966 717	976 761	1 102 459	1 541 726
Interest received	(113 930)	(110 385)	(133 792)	(127 260)
Finance costs	1 118 489	2 897 760	1 940 962	3 462 404
Profit on disposals of fixed assets	(10 000)	–	–	–
Impairment of goodwill	–	–	885 698	–
Other non-cash items	–	–	948	–
	(771 224)	3 768 138	3 877 155	7 153 716
Movements in working capital				
Decrease/(increase) in inventories	671 207	4 963 463	(1 537 641)	3 853 791
Decrease/(increase) in accounts receivable	565 437	(179 186)	45 253	2 337 010
Increase/(decrease) in accounts payable and provisions	2 196 716	6 196 497	7 040 840	(1 616 377)
	2 662 136	14 748 912	9 425 607	11 728 140
27.2 Reconciliation of Taxation Paid During Year				
Charge in income statement	2 000 006	(1 201)	1 849 027	(792 926)
Deferred taxation acquired through business combination	–	–	(4 748 554)	–
Deferred taxation	(2 000 006)	–	(2 000 006)	–
Movement in taxation balance	(2 201)	1 102	148 778	(2 868 021)
Payments made	(2 201)	(99)	(4 750 755)	(3 660 947)
27.3 Cash and Cash Equivalents				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Bank balances	1 114 758	989 709	1 808 749	838 439
Bank overdrafts	(1 092)	(788 630)	(1 091)	(138 043)
	1 113 666	201 079	1 807 658	701 389

ANALYSIS OF SHAREHOLDING

28. SHARE INCENTIVE TRUST

The Square One Leveraged Share Incentive Trust holds 2 000 000 shares, all of which have been allocated.

Options in issue at 1 January 2004	2,000,000
Options issued/exercised during the year	-
Options in issue at 31 December 2004	2,000,000

29. SPECIAL RESOLUTIONS

No special resolutions as required in terms of Section 8.63 (j) of the JSE Listing Requirements have been passed during the year under review.

ANALYSIS OF SHAREHOLDING

Range of shareholding	Shareholders		Shares held	
	Number	%	Number	%
1 – 5 000	115	60	216 052	1
5 001 – 10 000	15	8	99 174	0
10 001 – 50 000	38	20	783 061	4
50 001 – 100 000	12	6	833 948	4
100 001 – 500 000	6	3	1 155 652	5
500 000 – 1 000 000	0	0	0	0
Over 1 000 000	6	3	18 912 113	86
	192	100	22 000 000	100

TOP TEN SHAREHOLDERS

	Number shares held	% of shares
GAC Investments Holdings (Proprietary) Limited	6 856 467	35
Oak Nominees Limited	5 725 150	29
Dante Trust	2 040 784	10
Square One Share Incentive Trust	2 000 000	10
The James Trust	1 144 856	6
The Jartay Trust	1 144 856	6
R D Wilk	244 825	1
The Solomon Trust	239 928	1
Fenchurch Trust Limited	200 000	1
Deon Bothma Family Trust	197 500	1
	19 794 366	100



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifth annual general meeting of Square One Solutions Group Limited (Incorporated in the Republic of South Africa) Registration number: 1999/026822/06 Share code: SQE ISIN number: ZAE 000023768, will be held at the offices of the company, First Floor, Eastgate Park, 8 Commerce Crescent West, Eastgate Extension 13, Sandton, on Friday, 24 June 2005, at 12h00 for the transaction of the following business:

1. To receive and consider the annual financial statements for the year ended 31 December 2004.
2. To elect the directors who retire by rotation in terms of the company's Articles of Association and being eligible, offer themselves for re-election. Brief CV's of the below mentioned directors appear on page 4 of the annual report
 - 2.1 G A Coetser
 - 2.2 M S Makhanya
 - 2.3 R R Masebelanga
3. To reappoint the auditors, Russel Bedford South Africa (Jhb) Inc. and to authorise the directors to decide on the remuneration of the auditors for the past year's audit.
4. To consider, and if deemed fit, to pass with or without amendment the following ordinary resolution in terms of Section 221 of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa:

That until the next annual general meeting of the company the unissued ordinary shares of the company (excluding for this purpose the shares in respect of which the directors have been granted specific authority in terms of the company share incentive scheme) be and are hereby placed under the control of the directors to allot and issue to such person or persons and on such terms and conditions and at such times as the directors in their discretion may determine.

5. To approve the amendment of the following clause of the Square One Share Trust Deed (page 15, paragraph 13.5):

"The aggregate number of shares which may be utilised for purposes of the scheme shall be 1 750 000.00 (one million seven hundred and fifty thousand) constituting 10% (ten per centum) of the issued share capital of Square One on the date of signature of this Trust Deed and may be amended from time to time".

It is proposed that this clause be amended to the following:

"The aggregate number of shares which may be utilised for purposes of the scheme shall be 20% (twenty per centum) of the issued share capital of Square One on the date of signature of this Trust Deed and may be amended from time to time."

6. To approve the amendment of the following clause of the Square One Share Trust Deed (page 18, paragraph 16.1)

"The maximum number of scheme shares in respect whereof any one participant shall be entitled to accept an offer or offers shall not exceed the smaller of 1% (one per centum) of Square One's issued share capital or 10% (ten per centum) of the scheme shares from time to time, or such other number as may be determined by the shareholders of Square One, or if the JSE's requirements so provide, in conjunction with the JSE, provided that no such maximum imposed shall be less, in respect of any participant, the number of shares in respect of which such participant has already accepted offers or been granted options prior to that date".

It is proposed that this clause be amended to the following:

"The maximum number of scheme shares in respect whereof any one participant shall be entitled to accept an offer or offers shall not exceed 5% (five per centum) of Square One's issued share capital from time to time, or such other number as may be determined by the shareholders of Square One, or if the JSE's requirements so provide, in conjunction with the JSE, provided that no such maximum imposed shall be less, in respect of any participant, than the number of shares in respect of which such participant has already accepted offers or been granted options prior to that date".

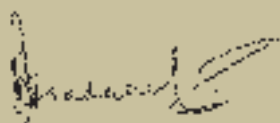
7. To transact such other business as may be dealt with at an ordinary annual general meeting.

A member entitled to attend and vote at the annual general meeting may appoint a proxy (who need not be a member of the company) to attend and speak and to vote in his/her stead. A form for the purpose of appointing a proxy is included in the annual report.

Certificated shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting but wish to be represented thereat must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the transfer secretaries by 12h00 on Thursday, 23 June 2005.

Dematerialised shareholders, other than own-name dematerialised shareholders, who wish to attend the annual general meeting must request their CSDP or broker to provide them with a Letter of Representation or must instruct their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the shareholder and their CSDP or broker.

By order of the Board.



A M Craddock
Company Secretary
30 May 2005

INSTRUCTIONS

INSTRUCTIONS ON SIGNING AND LODGING THE FORM OF PROXY

1. A shareholder may insert the name(s) of two alternative proxies (neither of whom need be a shareholder of the company) in the space provided, with or without deleting the words "chairman of the general meeting". The person whose name stands first on the form of proxy and has not been deleted and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the annual general meeting.
 2. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box/boxes provided. If a form of proxy, fully signed, is lodged without specific directions as to which way the proxy is to vote, the chairman of the annual general meeting will be deemed to have been authorised as he/she thinks fit. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy.
 3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the authorised signatory/ies.
 4. When there are joint holders of shares, all joint shareholders must sign the form of proxy.
 5. The completion and lodging of this form of proxy will not preclude the shareholder, who grants this proxy, from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
 6. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries.
 7. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form unless it has been previously registered with the company or the transfer secretaries.
 8. A minor must be assisted by his/her parent or guardian unless the relevant document establishing his/her legal capacity has been produced or registered by the transfer secretaries.
 9. Completed forms of proxy must be forwarded to the company's transfer secretaries: Ultra Registrars (Proprietary) Limited, PO Box 4844, Johannesburg 2000 or to the Group Company Secretary: A M Craddock, PO Box 1163, Gallo Manor, 2052 or per fax to: (011) 444 2462 so as to be received at least 24 hours, excluding Saturdays, Sundays and public holidays, before the annual general meeting.
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FORM OF PROXY

SQUARE ONE SOLUTIONS GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1999/026822/06
Share code: SQE ISIN number: ZAE 000023768
("Square One" or "the Company")

I/We _____
(Name in full)

of _____
(Address)

Being a member of Square One Solutions Group Limited
and the registered holder of _____ ordinary shares

do hereby appoint 1 _____

or failing him/her 2 _____

or, failing him/her, the chairman of the annual general meeting as my proxy to vote for me and on my behalf at the fifth annual general meeting of members of the company to be held on Friday, 24 June 2005 at 12h00, and at any adjournment thereof at the offices of the Company, First Floor, Eastgate Park, 8 Commerce Crescent West, Eastgate Extension 13, Sandton, as follows:

	For	Against	Abstain
To pass ordinary resolution No 1 Approval of the annual financial statements			
To pass ordinary resolution No 2 2.1 Re-election of Mr G A Coetser as a director 2.2 Re-election of Professor M S Makhanya as a director 2.3 Re-election of Mr R R Masebelanga as a director			
To pass ordinary resolution No 3 Re-appointment of the auditors and authorising the directors to decide their remuneration			
To pass ordinary resolution No 4 Placement of the unissued shares of the company under the control of the directors			
To pass ordinary resolution No 5 Increase in number of shares in the Square One Share Trust			
To pass ordinary resolution No 6 Increase in maximum number of shares to which any Square One Share Trust participant shall be entitled.			

Signature _____ Date _____

A member entitled to attend and vote at the above-mentioned annual general meeting is entitled to appoint one or more proxies (who need not be members of the company) to attend and vote in his/her stead.

The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person thereat instead of the proxy, should the ordinary shareholder so wish.

Unless otherwise indicated in the appropriate spaces above, the proxy holder may vote or abstain at his/her discretion.

This form must be completed, signed and returned to the company's transfer secretaries: Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg 2001 or to the Group Company Secretary: A M Craddock, PO Box 1163, Gallo Manor, 2052 or per fax to: (011) 444 2462, to be received at least 24 hours before the meeting (excluding Saturdays, Sundays and Public Holidays).

BRANCH OFFICES

HEAD OFFICE

Square One Solutions Group Limited
Sandton, Johannesburg Branch

1st Floor, East Block
Eastgate Park
8 Commerce Crescent West
Eastgate Ext 13, Sandton
Tel: (011) 321 5900
Fax: (011) 444 2462

BRANCHES

Bloemfontein Branch

Suite 5, Oxford Building
154 Zastron Street
Bloemfontein
Tel: (051) 448 5451
Fax: (051) 448 5456

Cape Town Branch

Unit 2C Black River Park North
Fir Road, Observatory
Cape Town
Tel: (021) 464 4000
Fax: (021) 448 3226

Durban Branch

36 Intersite Avenue
Umgeni Business Park
Umgeni, Durban
Tel: (031) 268 3900
Fax: (031) 263 0882

Port Elizabeth Branch

28 Pickering Street
Newton Park
Port Elizabeth
Tel: (041) 391 9200
Fax: (041) 364 0594

Pretoria Branch

1021 Pretorius Street
Hatfield, Pretoria
Tel: (012) 342 9046
Fax: (012) 342 9028

