

INTEGRATED
ANNUAL REPORT
2016

datacentrix





Who we are

We provide comprehensive ICT systems and solutions to enterprises. In this digital age, we bring competitiveness and peace of mind to our customers.

We are passionate about the partnerships that we share with our customers and about adding value to their businesses.

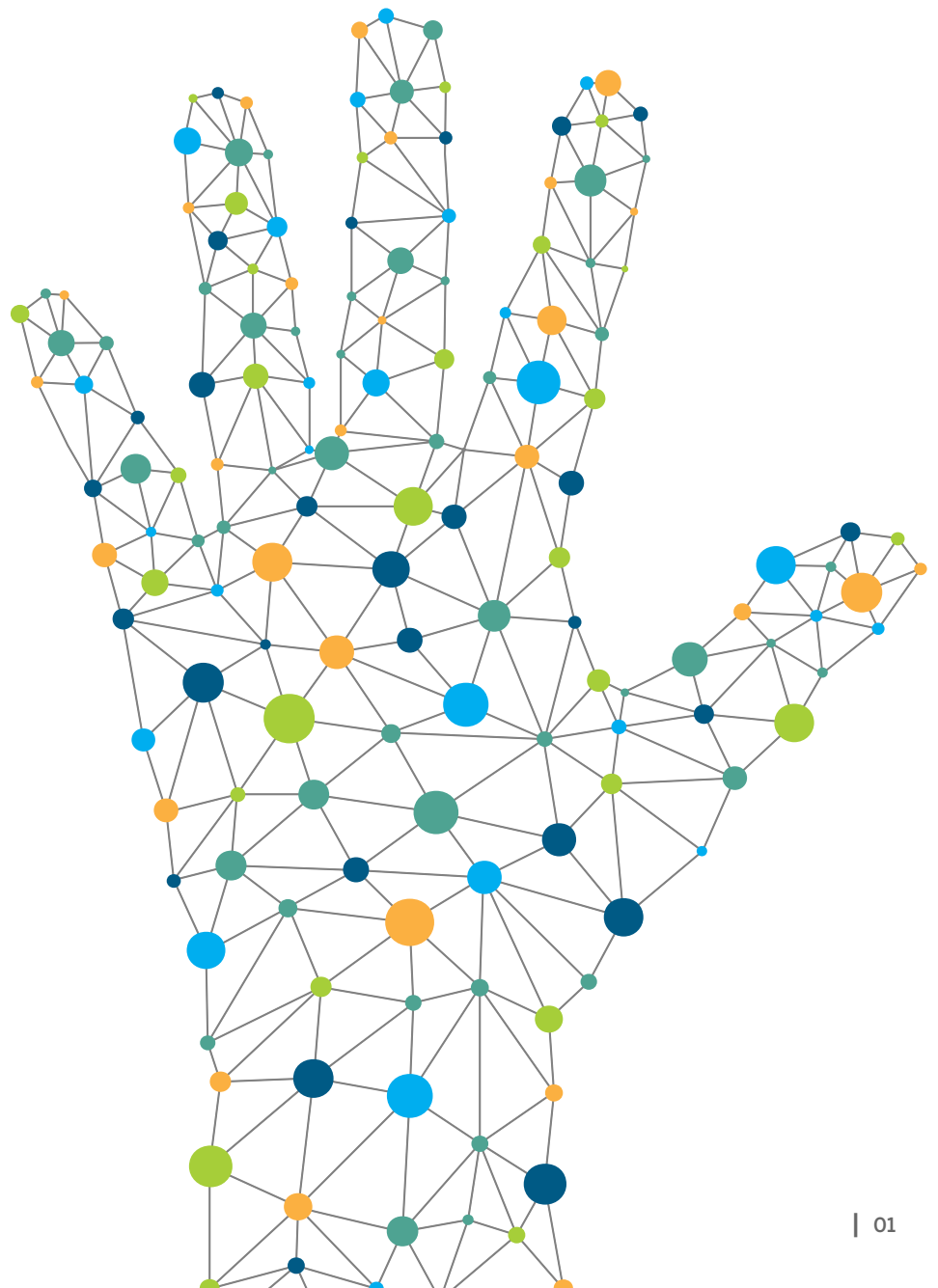
We have some of the most specialised skills in the industry and are experts in our field.

We partner with top international and local technology vendors to provide innovative solutions that meet our customers' unique computing needs, tailored for their business environment.

We have an end-to-end range of support services that ensure seamless computing.

We keep our customers' businesses relevant for the long term.

We conduct our business in a way that helps to build communities, protect the environment and make for a better tomorrow.





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Approach to reporting

This integrated annual report has been compiled for Datacentrix Holdings Limited, its subsidiaries and equity-accounted investee ("the Group").

It provides information relating to the Group's strategy, governance and performance for the financial year ended 29 February 2016, as well as future prospects.

The objective of the integrated annual report is to provide an accessible, balanced and comparable account of the Group's performance against its objectives over the year, its business model, strategic approach and its opportunities and risks, which are of interest to the Group's key stakeholders.

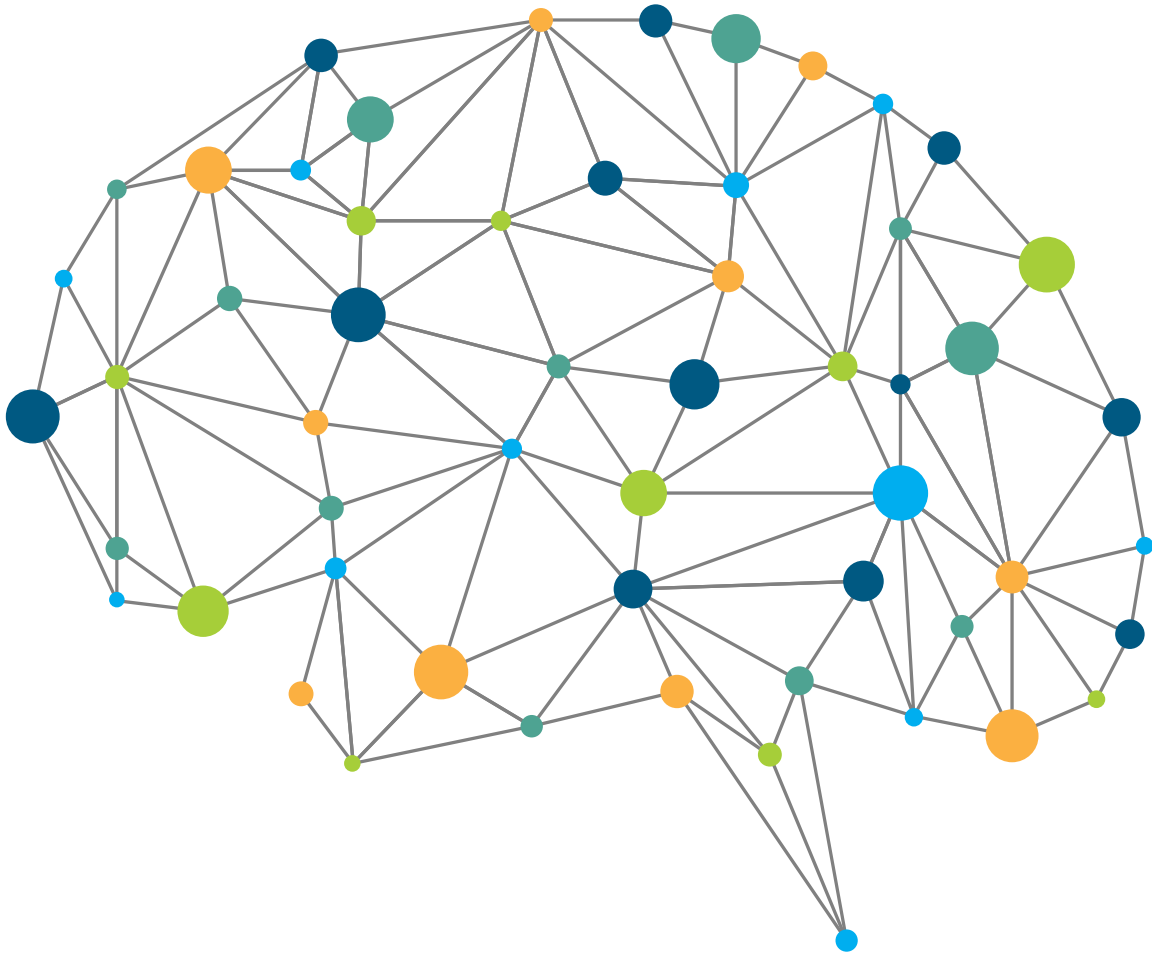
The report has been produced in line with the principles of the King Report on Corporate Governance for South Africa, 2009 ("King III").



References are included within this annual report to find out more information on a certain topic or section, either within the report itself or on the Group's website: www.datacentrix.co.za



Additional information is available in this report.

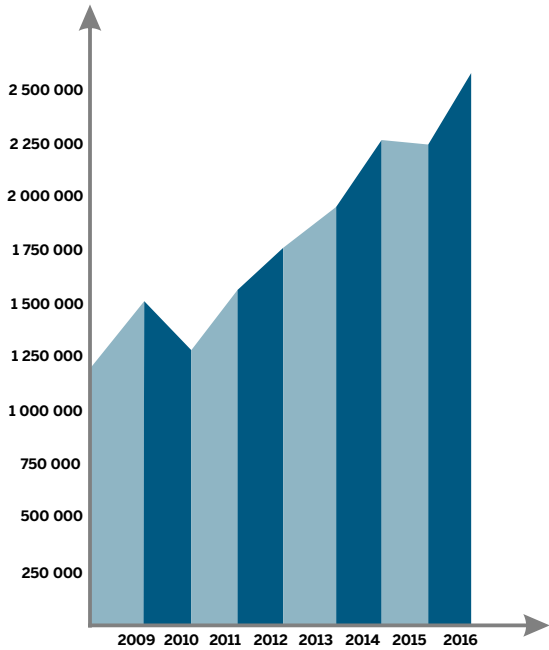


Business overview

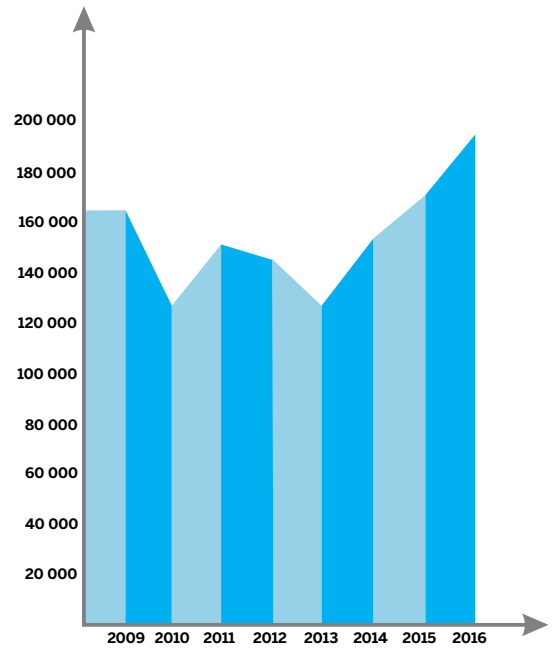
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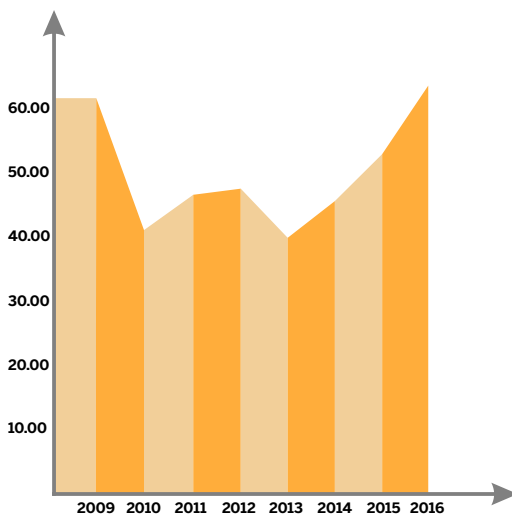
Financial highlights



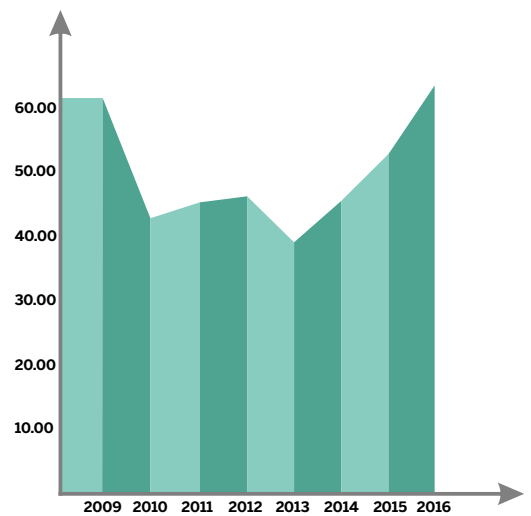
Revenue
R2.6 billion
Increased by 16%



EBITDA
R196 million
Increased by 15%



HEPS
62.8 cents
Increased by 19%



EPS
62.9 cents
Increased by 19%

Ten-year review

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue (R'000)	2 609 256	2 249 661	2 279 512	1 919 487	1 757 762	1 575 739	1 290 781	1 513 322	1 346 971	1 201 904
EBITDA (R'000)	196 237	170 438	152 398	126 341	145 226	150 091	126 619	165 534	157 096	124 564
Total assets (R'000)	1 185 035	980 918	962 299	898 031	757 333	662 441	590 254	610 333	548 529	457 345
Cash holdings (R'000)	120 477	291 492	202 537	273 761	313 377	321 170	284 836	232 841	221 896	173 841
HEPS (cents)	62.8	53.0	45.6	39.6	46.9	46.3	41.0	61.5	52.0	40.4
EPS (cents)	62.9	52.9	45.4	39.5	46.4	46.1	41.1	61.5	52.0	40.0
NAV per share (cents)	352.7	312.8	274.7	251.1	240.6	214.5	195.7	184.2	150.4	127.0
Tangible net asset value per share (cents)	274.6	262.4	223.1	216.8	229.0	205.4	186.9	175.4	141.3	118.6
Actual number of shares in issue ('000)	195 848	195 798	195 798	195 798	195 798	195 798	195 798	195 785	195 785	195 655
Number of employees	1 176	1 030	1 146	1 060	1 025	980	876	820	707	670
Group EE: % Black staff	60%	59%	60%	59%	56%	54%	55%	53%	51%	51%
Group EE: % Designated staff	70%	68%	70%	69%	67%	67%	68%	66%	66%	66%

EBITDA: Earnings before interest, taxation, depreciation and amortisation HEPS: Headline earnings per share NAV: Net asset value per share
EE: Employment equity EPS: Earnings per share

Value-added statement

	2016		2015		2014		2013		2012		2011	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Value generated	775 768		682 050		678 277		608 849		590 828		525 020	
Revenue	2 609 256		2 249 661		2 279 512		1 919 487		1 757 762		1 575 739	
Cost of operations	(1 844 184)		(1 572 868)		(1 606 419)		(1 320 880)		(1 181 043)		(1 063 558)	
Value generated from operations	765 072		676 793		673 093		598 607		576 719		512 181	
Investment income	10 696		5 257		5 184		10 242		14 109		12 839	
Utilisation of value generated	(775 768)	100	(682 050)	100	(678 277)	100	(608 849)	100	(590 828)	100	(525 020)	100
Returned to employees and directors	(568 835)	73	(507 322)	75	(520 472)	77	(472 652)	78	(431 567)	73	(362 090)	69
Returned to government in form of taxes	(50 309)	7	(42 980)	6	(37 539)	6	(35 199)	6	(44 567)	8	(47 034)	9
Returned to providers of capital (finance costs)	(1 516)	-	(2 602)	-	(4 010)	1	(3 886)	1	(2 145)	-	(45)	-
Utilised in business infrastructure (depreciation/amortisation)	(31 937)	4	(25 669)	4	(27 331)	4	(19 792)	3	(21 705)	4	(25 653)	5
Retained in the business	(123 171)	16	(103 477)	15	(88 925)	13	(77 320)	13	(90 844)	15	(90 198)	17
Returned to shareholders	(36 594)	30	(31 838)	31	(47 658)	54	(60 268)	78	(44 215)	49	(59 715)	66

Chairman's report

The board of directors of Datacentrix (the “Board”) has executed its responsibility of ensuring that the Group aligns its policies and operations with its strategy to create growing value for its shareholders and other stakeholders.

It has done so by effectively monitoring the Group's performance, assessing and managing risk, complying with legislative and moral standards, and giving direction to and supporting management in achieving operational excellence and growth. These requirements have necessitated the correct leadership and skills, which have contributed to the success of the Group during the period in review.

Governance

In pursuit of greater shareholder value, the Board maintains the highest standards of governance, ensuring compliance with all applicable laws, regulations and codes. The Board's corporate governance framework

supports the business of Datacentrix, the delivery of the Group's strategy and it safeguards the Group's resources.

The Board's oversight role ensures accountability and effective decision making, and that appropriate control mechanisms are in place to safely implement the Group's strategy and plans.

Execution capability

Datacentrix' vision continues to be one of enhancing stakeholder value by optimising and enriching the performance of its existing business portfolio and expanding into those capabilities that add value to its customers and that offer the greatest potential for sustainable growth.

Datacentrix has built an enviable reputation in the market and is recognised for its capabilities as a systems integrator and ICT solutions provider. The organisation is cognisant of the fact that the quality and expertise of its teams differentiates it from its competitors. It therefore continues to focus on upskilling and ensuring that it attracts and retains the right resources.

The Group's execution capacity is acknowledged by the new-term, renewed and extended customer contracts, as well as the recognition received from its technology partners in the form of top awards and certifications, citing the organisation's foresight, industry expertise, value-driven offering and strong performance.

Datacentrix remains committed to working more collaboratively with its customers to truly understand their core challenges in order to deliver greater value. The strategy of placing the customer at the core of the business and understanding that as a technologist, Datacentrix' purpose is to add value to its customers' businesses instead of purely selling or implementing technology. This is a key differentiator and has placed Datacentrix in a unique position, which has led to the Group securing new business during the period in a very constrained market.

Through this orchestrated strategy, the Group diversified its earnings mix with the Business Applications and Managed Services businesses contributing in excess of 50% of earnings. In addition, the Technology Solutions business is well positioned, providing not only product to customers, but also critical consultative capability that assists customers in making the right technology investments in support of their businesses imperatives.

Intellectual property

Intellectual property (“IP”) is at the core of Datacentrix. The Group's solution consultants set it apart as a strong contender for complex solutions and

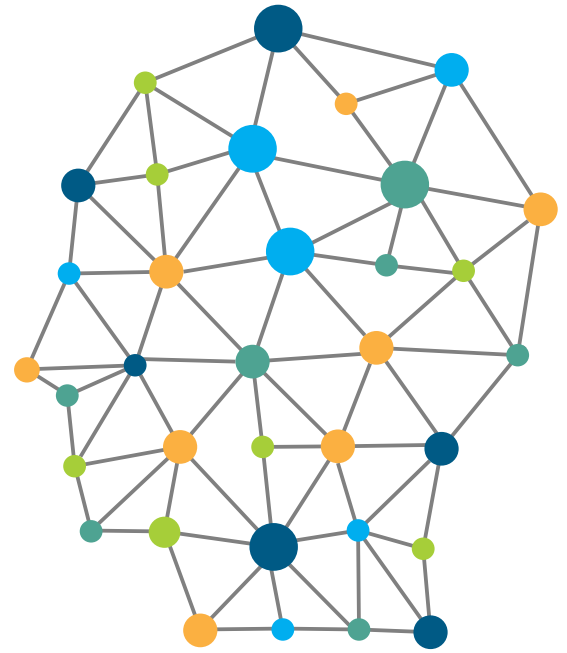


Arnold Fourie
Non-executive
Chairman



Chairman's report continued

“Datacentrix’ vision continues to be one of enhancing stakeholder value by optimising and enriching the performance of its existing business portfolio and expanding into those capabilities that add value to its customers and that offer the greatest potential for sustainable growth.”



system integrations. Datacentrix' vast pool of experts from diverse technical fields, work together as one team with a single objective – to deliver superior business value through technology. Datacentrix is reaping returns from its investment in skills development in the shape of IP that it is taking to customers. This IP is growing the Group's value proposition to shareholders, resulting in a good balance between transactional and strategic business.

The power of the greater Group

As a Pinnacle Holdings Group company, Datacentrix has access to an extended solution set, positioning it uniquely amongst its peers by eliminating the need to source alternative vendors or solutions in non-core areas. Data centre infrastructure; green technology; photovoltaic solar power; and distribution have become part of the Group's offering, harnessing the power of the greater Pinnacle Holdings Group. This move to becoming a more holistic technology provider makes Datacentrix more cohesive, more reliable and a stronger IT partner.

Robust company

Datacentrix continues to run a profitable business with a strong balance sheet and positive cash flows. The Group has upheld its solid reputation for execution capabilities and service excellence.

Datacentrix is a tough contender for complex contracts in both public and private enterprise. The Group has maintained its empowerment rating during the year.

Datacentrix continues to invest in key skills to drive organic growth. The Group intends to complement its organic growth strategy with suitable acquisitions to achieve scale in areas of interest and will use available cash resources to do so.

Technology is the backbone of the digital, data-driven enterprise. The pace of the changes in technology will not slow down. As a recognised technical expert and systems integrator of complicated technology systems, Datacentrix is well positioned to leverage the digitisation of traditional business as it supports its customers in harnessing the efficiencies of the always-connected workplace.

Datacentrix is of the view that industry consolidation will continue.

Shareholding

Pinnacle Holdings Group acquired a further 19,791,464 Datacentrix shares in January 2016, resulting in Pinnacle's shareholding in Datacentrix increasing to 108,311,512 Datacentrix shares. The shareholding represents 55.30% of

Datacentrix' total voting shares in issue. Changes have been made to the composition of the Board as a result of the change in control.

Board

The Board's efforts continue to focus on ensuring that the profile, skill sets, diversity and individual qualities of our executives and non-executives can serve the current and future needs of the business and the ever-changing environment in which we operate. Datacentrix has a diverse Board and the changes to the executive and non-executive teams will continue supporting the Group's efforts in building a stronger business and maintaining a keen eye on risk management while encouraging a high level of innovation to drive business growth.

We would like to thank the Board for their wise counsel and the management team for successfully steering the organisation into new areas of business.

Arnold Fourie
Non-executive Chairman

Chief Executive Officer's report

Datacentrix continues to run a profitable business, with the fundamental principles of business in place: retention of quality skills; leading vendor partnerships, sound and prudent financial management, resilient operations; strong technical and execution capability; the upliftment of communities in which it operates and a commitment to broad-based black economic empowerment (“B-BBEE”) imperatives. A Level 2 B-BBEE Contributor status was reissued to the Group in terms of the DTI Codes for empowerment.

The business of Datacentrix

Datacentrix is an ICT solutions provider that uses leading solutions to deliver sustainable value to corporate and public sector organisations. The Group has maintained its approach to strategically partner with its customers, equipping them with valuable insight and helping them to align their technology undertakings with their business strategy.

Datacentrix has the expertise to assist customers in navigating the ever-changing IT landscape. It offers a holistic value proposition by delivering complex integrations between technologies that help safeguard customer relevance and competitiveness into the future. The Group's comprehensive portfolio, proven execution capability and value-driven strategy underpin its position as one of the leading local ICT players.

The Group's revenue is derived from three operating divisions:

- Managed Services, incorporating systems integration, outsourcing, cloud services, Internet Service Provider (“ISP”), Network Service Provider (“NSP”) and communications, security services and human capital supplementation;

- Business Applications, including Enterprise Information Management (“EIM”), Enterprise Resource Planning (“ERP”), enterprise application services and professional services; and
- Technology Solutions, encompassing ICT hardware and software, end-user computing, data centre solutions, networking and infrastructure software.

The integrated nature of the technology landscape means that these three divisions are inextricably connected. The breadth of the portfolio encompasses all the significant enterprise hardware and software vendors.

Overview

Datacentrix is positioned as a value adding technology partner that enables customers to leverage the Group's extensive IT capability to derive strategic value. The broad expertise of the organisation is fully integrated and structured in a manner that delivers this capability to customers optimally.

Ease of partnering with the organisation is of paramount importance, irrespective of customer requirements for point solutions or a more strategic consultative engagement.

This means that customers are able to access any of the organisation's extensive solutions and/or expertise through a singular interface.



Ahmed Mahomed
Chief Executive Officer

Chief Executive Officer's report continued

Commentary

The Board is pleased to announce the results for the financial year ended 29 February 2016. Group revenue increased by 16.0% to 2.61 billion from R2.25 billion. Profit after tax ("PAT") increased by 19.0% to R123.2 million from R103.5 million. Basic earnings per share ("EPS") grew by 18.9% to 62.9 cents from 52.9 cents and headline earnings per share ("HEPS") increased by 18.5% to 62.8 cents from 53.0 cents.

Notwithstanding a competitive landscape and margin remaining under pressure, the Group achieved an operating margin of 6.3%. The Group continued to optimise its skills investment. With the Group's investments in capability reaching optimisation, operating margins are being maintained despite competitive pressures resulting in lower gross margins.

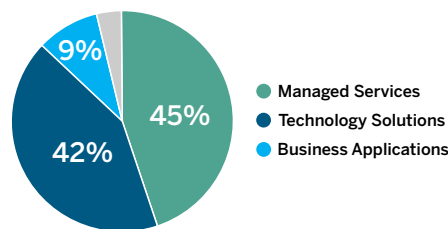
The Group's cash requirements increased due to the implementation of larger complex project-based solutions in the latter part of the reporting period resulting in a closing cash balance of R120.5 million. Cash was utilised during the period for settling the consideration of current period acquisitions net of cash balances acquired (R80 million), returned to shareholders (R36.6 million), taxation obligations (R47.9 million) and capital expenditure in relation to plant and

“The Group has maintained its approach to strategically partner with its customers, equipping them with valuable insight and helping them to align their technology undertakings with their business strategy.”

equipment (R9.5 million). Furthermore, the Group settled obligations related to prior period acquisitions (R6 million).

Datacentrix noted at the last financial year end that it had secured multi-year contracts. These term contracts have contributed to the results in the reporting period and will continue to do so in the new financial year. In addition, the Group has secured further new-term contracts, which are envisaged to start contributing to revenue in the year ahead.

Operational review



The Managed Services and Business Applications divisions contributed 45.2% and 9.1% respectively to the Group's PAT, with the Technology Solutions division accounting for 42.1%.

Managed Services division

The Managed Services division accounted for 45.2% of Group PAT, with PAT increasing 22.2% to R55.7 million from R45.6 million for the year. The division achieved an operating margin of 12.6%.

The divisions' performance was characterised by a generally constrained and competitive market, particularly in the resource sector, leading to inhibited IT spending. Notwithstanding this, there are still opportunities for professional, centrally managed ICT services that address customer requirements.

Datacentrix has gained excellent ground in the ISP, NSP, communications and WAN sectors, which have developed into

respectable competency areas for Datacentrix. eNetworks continues to perform well.

The division's Managed Talent Solutions ("MTS") business showed good growth. In the face of legislative changes, MTS increased its market share, specifically with new client acquisitions, while permanent placements contributed to a healthy revenue stream. MTS' credibility has grown from strength to strength as its engagement approach, transparency and defined processes help to ensure repeatable success. The MTS business unit delivers valuable business efficiencies, on-going cost savings and improved time-to-value for customers. As a recruitment specialist, the business unit satisfies flexible staffing requirements in the ICT, engineering and financial sectors.

The Outsource business continues to grow and secured a number of new-term selective outsource opportunities in the latter part of the year. For an increasing number of customers, Datacentrix has moved beyond simply being a technology partner to becoming a trusted advisor that is seen as an extension of their IT function.

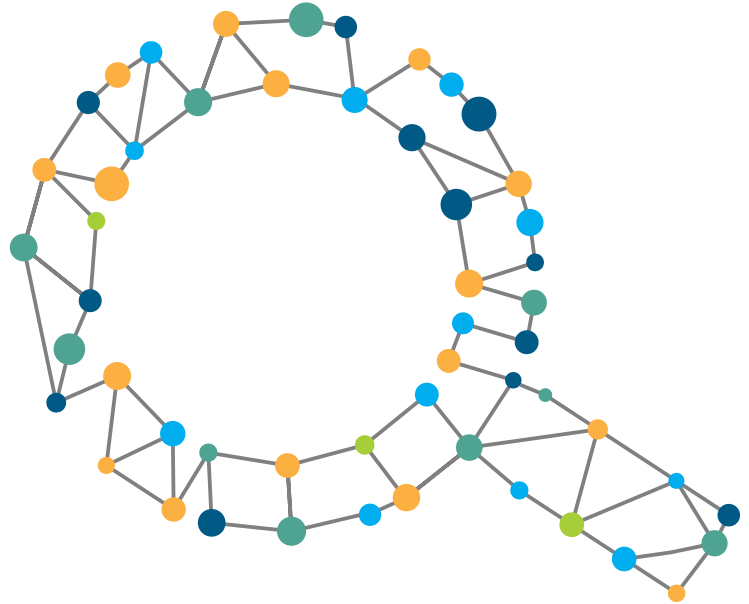
The Group's emphasis is on developing long-term, strategic partnerships with its customers, helping to develop an intrinsic understanding of their business, strategy and objectives. This engagement model results in a best-fit alignment of the technology solutions and services provided. Outsourcing services deliver service management across operational integration, enterprise services and services relating to a customer's sites, networks, servers and storage facilities.

The Group's Cloud offering (Microsoft Exchange, Infrastructure as a Service ("IaaS"), Platform as a Service ("PaaS") and application hosting) offers long-term growth opportunities.



Chief Executive Officer's report continued

“Datacentrix has moved beyond simply being a technology partner to becoming a trusted advisor that is seen as an extension of their IT function. The Group's emphasis is on developing long-term, strategic partnerships with its customers, helping to develop an intrinsic understanding of their business, strategy and objectives.”



The Cloud Services business is in an investment phase and is being integrated into the greater Group's solution set. Datacentrix' cloud services offer customers fit-for-purpose solutions, from server on demand, storage on demand, virtualisation and back-up services to optional off-site storage, with an adaptable, per user costing structure.

The acquisition of Infracol has further bolstered Datacentrix' existing network, communications, datacentre and outsourcing businesses. The effective integration of Infracol into the Group since July 2015 has resulted in synergies, as well as in the Group securing a number of combined wins. Infracol now performs all of Datacentrix' ICT works, which was historically outsourced. The business enjoys quality technology partnerships, access to leading, innovative solutions and top skills levels in the business.

Infracol specialises in the supply of total IT infrastructure and maintenance services to enterprises. The company focuses on

four key pillars that are underpinned by quality management systems, sound corporate governance, and focused health and safety. These include: ICT infrastructure facilities services; network and communications solutions; complex data centre solutions; and managed service delivery. The truly end-to-end service offering differentiates the company from other providers and is underlined by the team's deep technical expertise, and leading monitoring and support systems that cover all the amenities and physical components of technology infrastructure. Infracol is highly regarded for its industry accreditations and ISO certifications, particularly in the areas of quality management, health and safety, and environmental management.

The increased level of collaboration in the Managed Services division across its areas of technical expertise, subject matter experts and technology partners has further improved service delivery and efficiencies, enhancing the division's

ability to address customer needs more effectively.

Technology Solutions division

The Technology Solutions division grew revenue and PAT by 16.0% and 13.8% respectively, with PAT increasing to R51.8 million from R45.5 million. The division contributed 42.1% to total Group earnings for the year.

Strategic consulting with customers has had a positive impact on performance of this business, with good growth being achieved, particularly within the data centre, storage, security, and networking areas. Strategic consulting across multi-faceted technology integrations is resulting in meaningful term engagements that will contribute to future revenues.

The division's multi-faceted, multi-brand approach confirms that its strength lies in its diverse, customisable offerings. The business, with its execution capability, specialised skills, internal and partner



Chief Executive Officer's report continued

collaboration and technology expertise, offers its customers a comprehensive value offering.

Datacentrix is supported by top-level vendor accreditations with best of breed vendors and skills in the market. The Technology Solutions division garnered a number of vendor accolades during the year.

The organisation is a significant HP player locally and in HP's Europe, Middle East and Africa region. Datacentrix re-secured its Platinum Partner status with HP for 2016 and also achieved EMC Gold Partner status on the back of some large storage and data management deals in the broadcasting, insurance, financial services and public enterprise industries.

The division's capability was realigned to optimise its response to changing market conditions, leverage opportunities in the market and to drive efficiencies.

Business Applications division

PAT in the Business Applications division increased to R11.2 million from R10.8 million. The division contributed 9.1% to total earnings for the year. Good growth was achieved in the EIM business with new customers acquired across various industries.

The division was impacted by the slow performance in the ERP and the Business Intelligence and Analytics business units. The application offering has been redefined and reorganised; the Group continues to look for suitable acquisitions in this area.

A "Smart Healthcare" solution has been developed and is being implemented at a local, private hospital with the potential of rolling out to other healthcare providers.

The Business Showcase 2016

Datacentrix teamed up with 28 local and international partners to present its



comprehensive, value-added offering to the local marketplace, in a one-day Business Showcase that took place at Montecasino in Johannesburg in March 2016.

The key message centred on the modernisation of the world, and how today's digital and technological disruptions will affect the relevance and competitiveness of public and private

sector organisations moving forward to 2020 and beyond. The objective was to inform customers about the strategies and technologies available to safeguard businesses into the digital age in the face of continuous change. The event took delegates on a journey of discovery, with more than 25 technology breakaway sessions and plenary sessions with keynote speakers.



Chief Executive Officer's report continued

It also featured an interactive exhibition area and partner conversation booths for one-on-one meetings, helping local companies ascertain whether they are on a positive trajectory for 2020, and if not, how to get onto the right track.

Customer feedback from the event was incredibly positive. They commented that the representation of technology partners gave a holistic technology view, instead of a single-vendor view format that many ICT events use. The success of the event talks to the strength of Datacentrix' partnerships and the credibility the organisation has built over the years. The collaborative event was made possible by the participation and dedication of our technology partners. Their partnership is a fundamental part of the Datacentrix value offering to customers and the event provided a formal opportunity to showcase the Group's level of partnership and our joint response to the on-going advancement in the technology and business domains.

Corporate Social Investment

Datacentrix is cognisant of the role that businesses need to play in the upliftment and the wellbeing of the societies in which they operate. To this affect, Datacentrix continues to invest in education in South Africa. The impact of this strategy is far reaching, touching both the individual beneficiaries and the larger community in which they function. Additional social and community engagement initiatives address specific needs in the area of health, poverty alleviation and the aged.

Prospects

The Group performed well in a tough economic climate and will continue to capitalise on opportunities that the market offers. The Group achieved double digit growth in a market that is growing in lower single digits, signifying an increase in its market share. Long-term contracts secured during the year will provide impetus for the year ahead.

“The Group has the capability to help customers to plan their journey into the digital age by harnessing the power of the connected world. Datacentrix' role is no longer only concerned with merely upgrading technology, but about transforming customers to become agile, mobile, intelligent, data-driven organisations.”

During the year in review, the Group started securing deals in Africa largely by following customers into the region. The organisation is cognisant of the challenges in trading in Africa and its strategy therefore predominantly centres on following existing customers into the continent.

Financial pressures within the business domain are shrinking IT budgets. Customers are looking for competitively priced, fit-for-purpose solutions that are scalable as their business requirements flex and change with their operating environment. They are looking for solutions that provide more capability for less. Datacentrix is uniquely positioned to structure service offerings that are competitive and highly agile due to the maturity of its services, customer understanding, technology partnerships and technical expertise.

Modernising traditional businesses to compete in the digital era involves transforming technology infrastructure to an IT on demand model where infrastructure becomes a commodity

that grows with the business. The Group has the capability to help customers to plan their journey into the digital age by harnessing the power of the connected world. Datacentrix' role is no longer only concerned with merely upgrading technology, but about transforming customers to become agile, mobile, intelligent, data-driven organisations.

The Group will continue with a strategy to expand organically and through acquisitions. Datacentrix will seek out suitable acquisitions to broaden its reach and to bring new solutions to market.

Datacentrix believes that its single-minded, customer-centric approach has built credibility and positioned the Group favourably within the market.

Directorate

The following changes to the Board have been made, effective 3 March 2016, as a result of the change in control and in compliance with the Listings Requirements of JSE Limited, following the finalisation of the mandatory offer to



Chief Executive Officer's report continued

“Datacentrix is uniquely positioned to structure service offerings that are competitive and highly agile due to the maturity of its services, customer understanding, technology partnerships and technical expertise.”



shareholders by Pinnacle Holdings Limited:

- ▶ Arnold Fourie, CEO of Pinnacle Holdings Group, has assumed the role of non-executive Chairman;
- ▶ Nolitha Fakude has stepped down from her role as Chairman to assume the role of Deputy Chairman and Lead Independent Director;
- ▶ Henry Ferreira has been appointed as a non-executive director; and
- ▶ Richard Lyon has stepped down from his role as a non-executive director to assume the role of alternate director to Arnold Fourie.

The Board remains in a strong position to deal with any company affairs that may arise and continues to support the current strategy.

Black economic empowerment

Datacentrix holds a Level 2 (AAA) B-BBEE Contributor status, with 125% procurement recognition.

Dividend

The Board declared an interim gross cash dividend of 9.23 cents per share. The Group previously indicated that as it expands and secures the provisioning of complex turnkey solutions, working capital requirements will increase. As a result, investment is required not only to support this organic growth strategy, but also potential acquisitions. Consequently the Board has decided not to declare an additional final dividend payment for the second half of the 2016 financial year. Datacentrix intends to remain a dividend paying company and the Board will review this at each reporting date.

Notice of Annual General Meeting

The 2016 integrated annual report is expected to be dispatched to shareholders no later than 27 May 2016. Notice is hereby given that the Annual General Meeting of shareholders of the Company will be held at the registered office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria

Road, Midrand, 1685 at 10:00 on Friday, 1 July 2016.

The Board has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 24 June 2016. Accordingly, the last day to trade Datacentrix shares in order to be recorded in the Register to be entitled to vote will be Friday, 17 June.

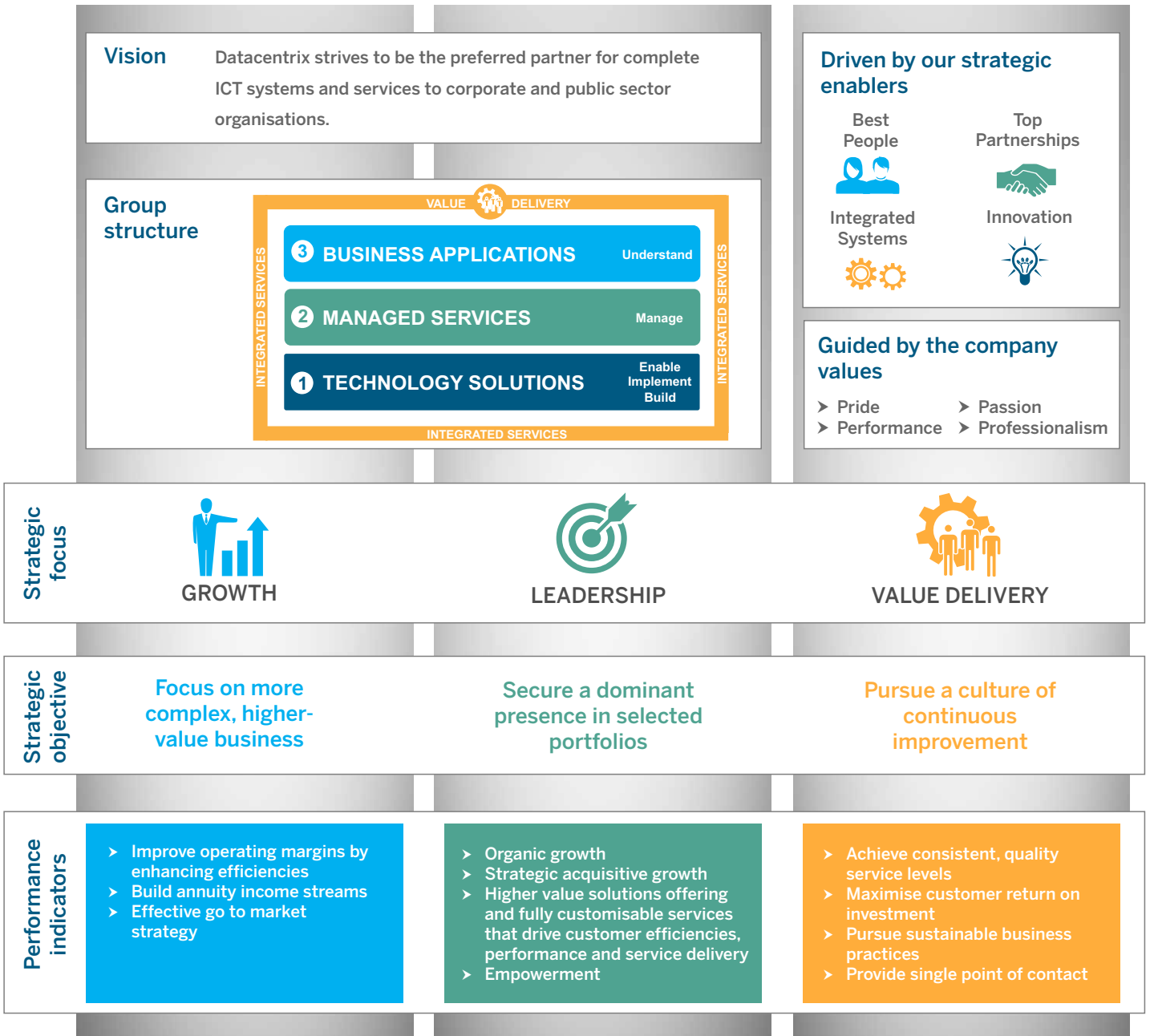
I would like to acknowledge and thank the directors, executives, management, staff and Datacentrix' partners who contributed to delivering the results that have been achieved.

Ahmed Mahomed
Chief Executive Officer

Integrated strategy

Datacentrix is pleased to present its 2016 integrated annual report. It provides the Group's stakeholders with better insight into the way that the business is managed and promotes transparency and accountability. The primary objective of the report is to demonstrate Datacentrix' ability to create and sustain value and to reinforce its role as a responsible corporate citizen. The Audit and Risk Committee plays a central role in reviewing the integrated annual report and the nature of any associated external assurance processes. Where assurance was obtained in relation to financial or non-financial data, it is clearly stated. The Board acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have reviewed the content of the integrated annual report and believe it addresses the material issues and is a fair presentation of the integrated performance of the Group.

Corporate strategy





Integrated strategy continued

Strategic enablers

Datacentrix' people, collective innovation, all-inclusive technology systems and its top certifications with leading technology partners, equip the Group to achieve its strategic objectives.

The people at Datacentrix

Datacentrix' employees are the bedrock of the Group and its most valuable asset. It is due to their expertise, loyalty and commitment that the Group is able to achieve its objectives, implement sustainable business practices and reach its full potential. The Group strives to attract, retain and develop quality skills to deliver complete experience excellence to customers.

Collective innovation

Collective innovation is the path to enhanced performance and stimulates a new way of thinking that empowers the delivery of excellence. Innovation challenges existing processes, assesses gaps, identifies and mitigates risks, supports continuous improvement and enhances performance.

Datacentrix, under the guidelines of best practice, offers customers more complex, higher value solution offerings that respond to their business challenges and needs. The Group offers the best in forward-thinking technology solutions and fully customisable services to drive customer efficiencies, performance and service delivery.

Collective innovation enables:

- business process re-engineering;
- information technology improvements;
- ICT strategy development;
- cloud and utility computing; and
- "on-demand" services.

It is the combination of collective innovation, integrated technical expertise and the building blocks of managed

Datacentrix' customer-centric approach can be described as a firm interest in achieving the best outcome for every customer in every situation. This customer commitment requires teamwork from cross-functional staff, open, quality communication, proven internal processes, as well as an investment in time and resources to deliver consistent, quality services and value to customers.

services that promote Datacentrix as a strategic business partner.

Integrated systems

Datacentrix demonstrates accurate insight into the complexities of technology, business and best practice to offer genuinely inclusive ICT solutions that impact business. This offers customers the convenience of having one provider for all their information requirements.

Customer-specific solutions are engineered once an in-depth consultative process has taken place. This formal customer engagement methodology results in a true understanding of the customer's status quo, challenges, pain points and strategic direction.

Datacentrix' all-inclusive technology offerings are supported by the Group's high-quality operations, established, efficient processes and consistent service delivery. Customers benefit from technically sound technology platforms and always-available support services.

Partnerships

Relationships with customers, stakeholders and technology partners

are at the heart of the Group. Datacentrix fosters its value delivery through its relationships.

- Customer relationships: Datacentrix' customer-centric approach can be described as a firm interest in achieving the best outcome for every customer in every situation. This customer commitment requires teamwork from cross-functional staff, open, quality communication, proven internal processes, as well as an investment in time and resources to deliver consistent, quality services and value to customers.
- Stakeholder relationships: Datacentrix acts in the best interest of the Group, considering its stakeholders' expectations and interests at all times.
- Technology partnerships: Datacentrix focuses on core technical skills and competencies to ensure that the Company remains at the forefront of technology. The Group's investment in partner relationships has resulted in the highest possible certifications and accreditations by its technology partners.

Business profile

Recognised for its agility, in-depth industry knowledge, proven capability and strong overall performance, Datacentrix provides the ICT integration services and solutions needed to take organisations into the digital age. The Group offers a deeply specialised skills component and is endorsed by the world's foremost technology partners.

Datacentrix' delivery and execution capability ensures an excellent total customer experience supported by:

- ▶ the best teams with specialised expertise and experience;
- ▶ leading technology;
- ▶ top certifications from international and local technology partners;
- ▶ consistent, high-level service delivery; and
- ▶ insight into the complexities of an ever-changing business and technology domain.

Points of presence

Datacentrix' operations are managed from its registered head office in Midrand. The Company has regional offices in Cape Town, Durban, Port Elizabeth and East London, a Logistics Centre situated in Samrand, and service centres in George, Bloemfontein and Polokwane. National points of presence support the Group's service delivery model.

African aggregation footprint

Datacentrix' partnerships with the world's leading technology providers and reputation for delivery excellence have supported the Group being awarded several contracts with existing customers into Africa. During the year, Datacentrix unpacked a number of multi-African country deals. The rise in strategic contracts illustrates the strength of Datacentrix' offering. Included in these contracts are prominent companies

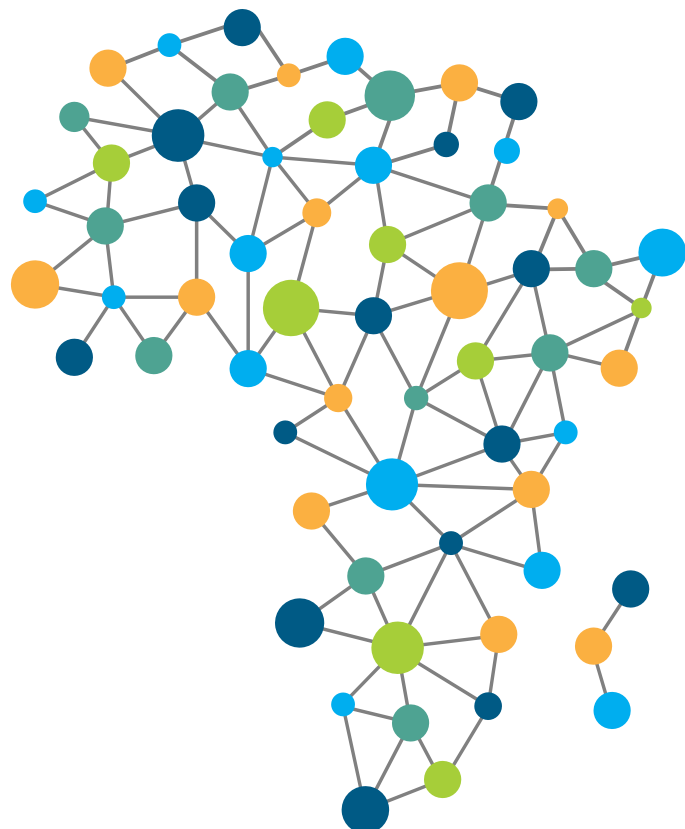
within the financial and mining industries, involving the implementation of innovative hardware and software as well as hybrid IT architecture optimisation and software licencing. These contracts will not only ensure better technology performance and high availability for its customers, but will also support meaningful business decisions and secure the highest return on customer investment for the long term.

Datacentrix partners with leading ICT services providers in Central, East and West Africa (CEWA), extending its local operations to 28 countries across sub-Saharan Africa. The partner companies provide end-to-end IT solutions to business partners and customers in the region. These relationships offer multinational customers reduced complexity in securing integrated technology systems, providing seamless access to leading skills, technologies and global outsourcing services into Africa.

Mission

Datacentrix strives to maximise stakeholder wealth by providing leading, integrated solutions across the full spectrum of ICT systems, managed services, cloud computing and business solutions to enterprises.

To achieve this, Datacentrix invests in its people through training and education, embracing black economic empowerment, while actively partnering with its customers and premier technology partners – representing them with distinction – to deliver maximum business value.

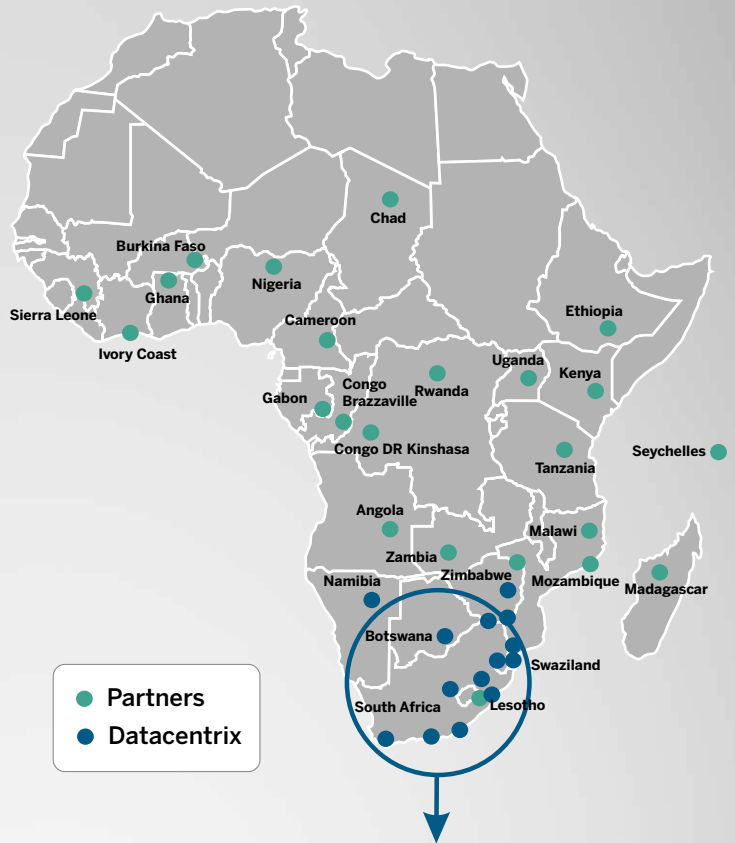




Business profile continued

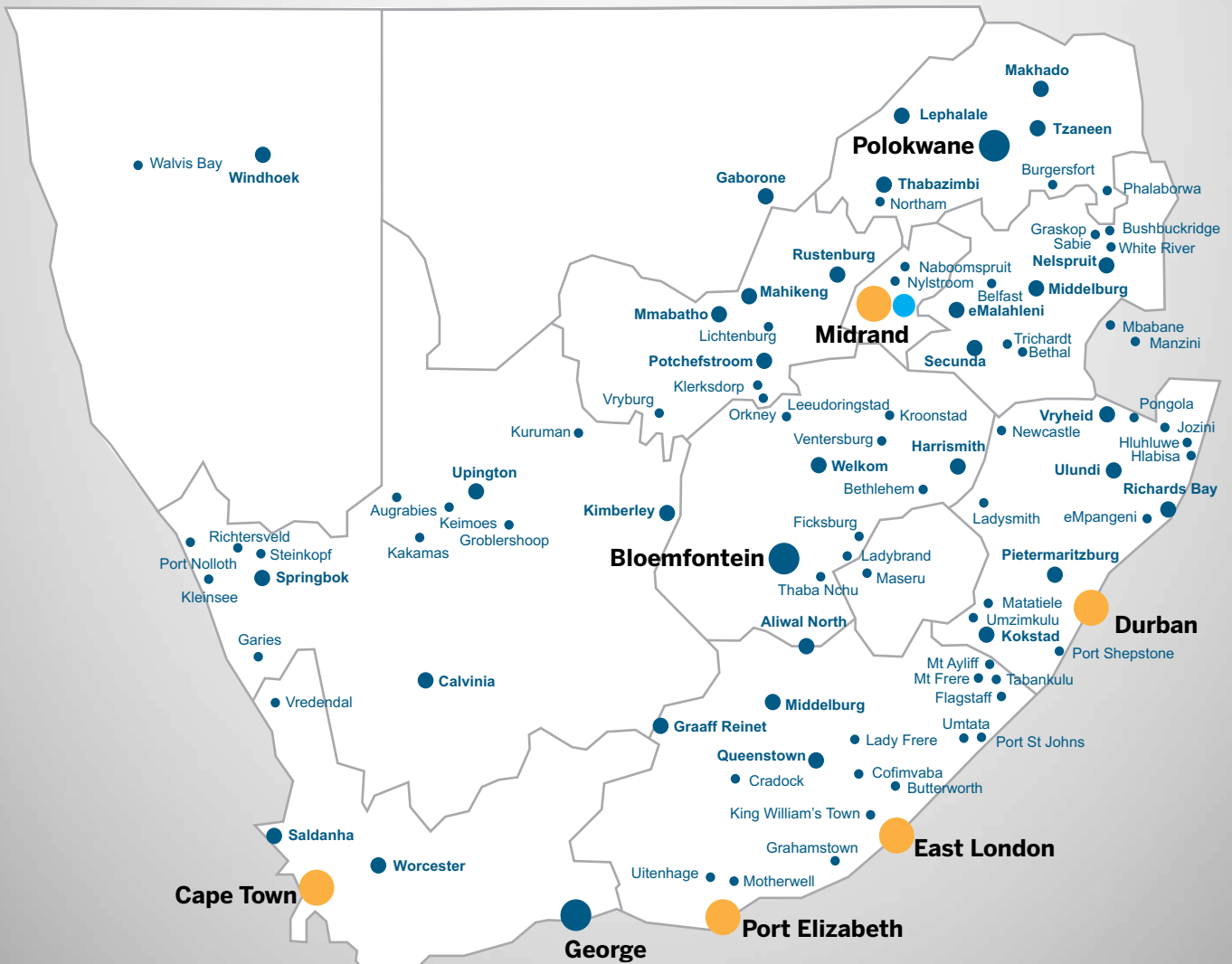
Points of presence (continued)

Datacentrix' strategy for trading in Africa predominantly centres on following existing customers into the continent. The extension of our services into Africa provides a strong ecosystem for growth.



- Datacentrix offices
- Service presence
- Logistics centre

- Partners
- Datacentrix





Business profile continued

Technology partnerships

Datacentrix remains one of South Africa's most highly skilled and certified business partners for leading international and local technology vendors.





Business profile continued

Technology partnerships (continued)

Selected partner highlights

Datacentrix is a significant HP player locally and in HP's Europe, Middle East and Africa region. Datacentrix re-secured its Platinum Partner status with HP for 2016. (photo top right)

The growth in the banking retail sector has also forged a new technology partnership with Pfortner, a secure, redundant connectivity provider. Their solution increases up time and availability of remote services, increasing the service quality in this sector.

Datacentrix achieved EMC Gold Partner status on the back of some large storage and data management deals in the broadcasting, insurance, financial services and public enterprise industries. (photo middle right)

Datacentrix has won the Riverbed Technology Technical Person of the Year, Technical Partner of the Year and overall Partner of the Year 2015 Award for South Africa. Datacentrix is currently the largest Riverbed reseller in Africa and the first Diamond Partner. The Group's continuous investment in skills and training and its technical expertise has earned Datacentrix the distinction of being Riverbed South Africa's foremost technical partner. (photo bottom right)



Full partner information is available from the Group's website.

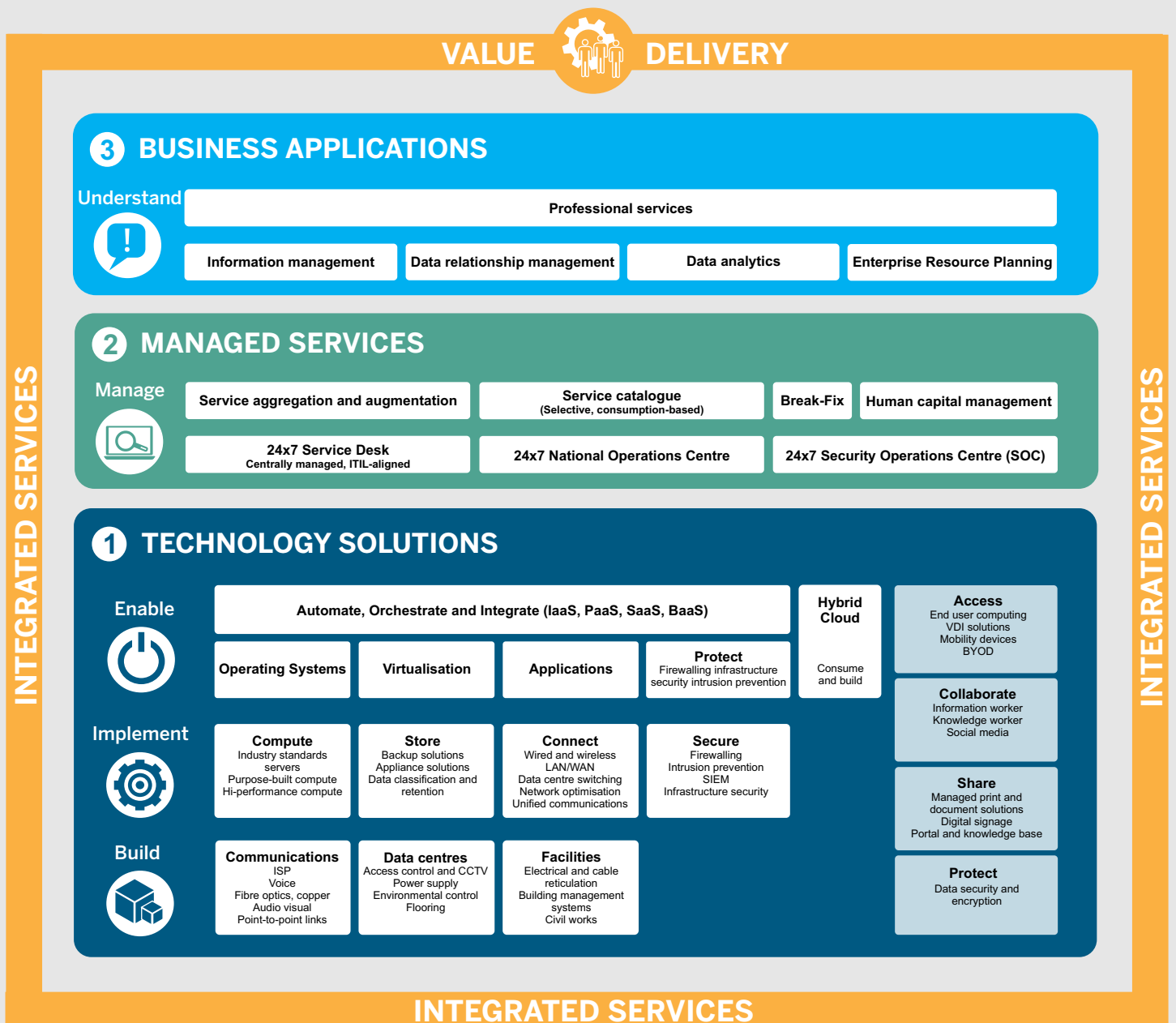
Operations review

Datacentrix combines collective innovation and experience with the building blocks of managed services in a way that equips customers to achieve their business objectives off a sound technology platform. An effective ICT environment requires leading IT

infrastructure and technology solutions with the lowest total cost of ownership, an aligned service delivery model that flexes and changes with the demands of the business, and application solutions that support meaningful insight, enabling effective business decision making.

The Group's mature solution offering is structured into three, interconnected divisions encompassing:

- Managed Services;
- Technology Solutions; and
- Business Applications.



INTEGRATED SERVICES

INTEGRATED SERVICES

INTEGRATED SERVICES

CUSTOMER NEEDS



Operations review continued

Managed Services division

The Group's Managed Services division delivers end-to-end solutions encompassing always-available support and outsourcing solutions; hosting; network and broadband connectivity; innovative cloud solutions; and managed talent solutions. The Group's Cloud Services offering consists of Microsoft Exchange, IaaS, PaaS and application hosting.

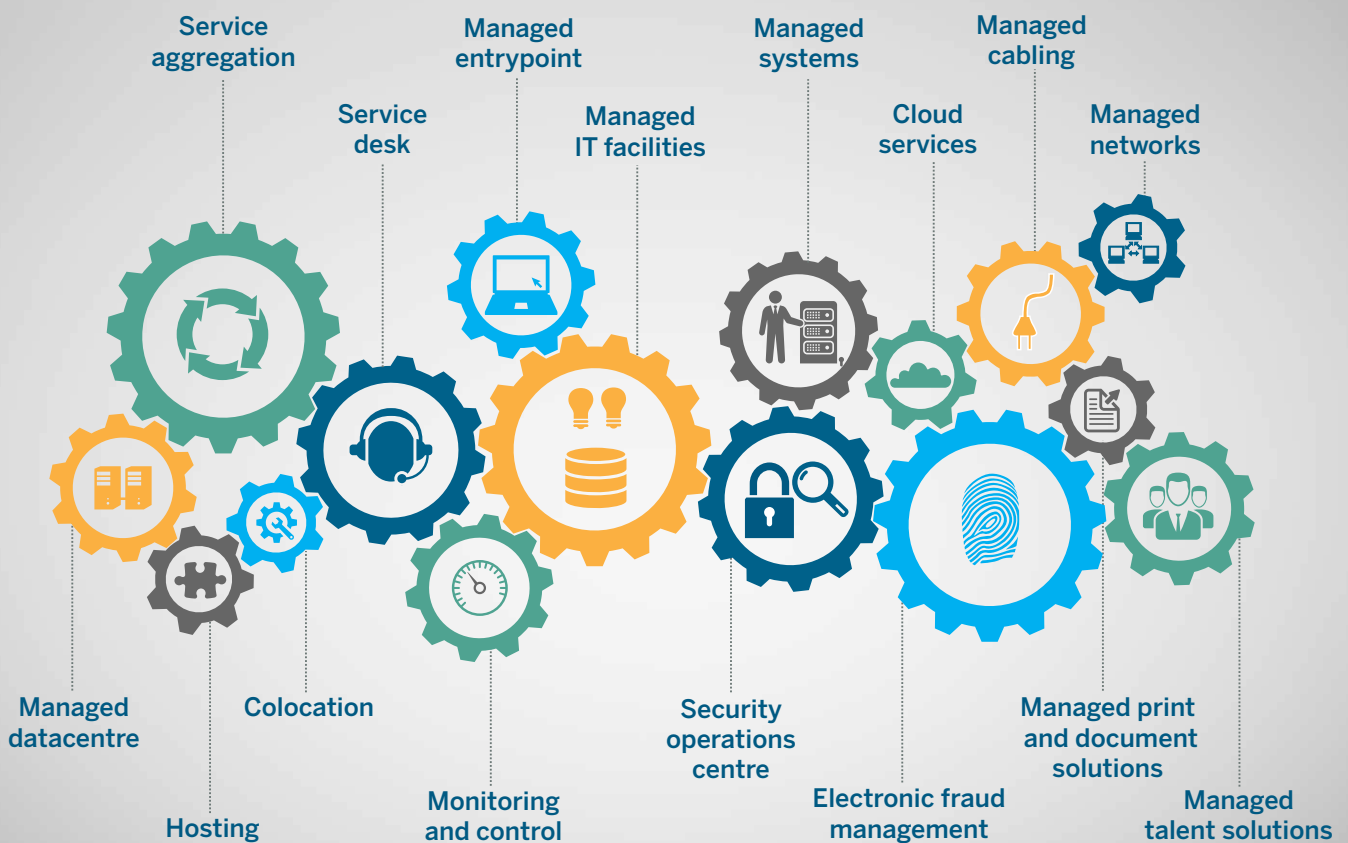
Datacentrix matches its centrally managed service delivery with its customers' current and changing business demands. The core objective of

the division is to continually improve the quality of its service delivery to customers, supported by the right skills, processes and toolsets.

Datacentrix' customer-centric approach is based on partnership, trust and accountability and is backed by a track record of delivery excellence. The Group's delivery and support model is easily adaptable to the changing business environment; it can be leveraged for long-term sustainability; and accommodates growth, while continually supporting customer

business objectives. Datacentrix' managed services offering applies best practices that are industry aligned, accelerate time-to-value for our customers and deliver:

- improved service delivery;
- governance in accordance with standard ICT practices;
- business efficiencies;
- continually evolving solutions and services; and
- third party service aggregation.





Operations review continued



Managed Services division (continued)

Service management

Datacentrix' service management is heightened due to the consistent application of defined processes and technical skills. IT service management ("ITSM") can be defined as a strategic approach to designing, delivering, managing and improving the way that IT is consumed within a company. The goal of service management is to ensure that the appropriate technologies, processes and people are enabled to assist the organisation accelerate time to value in realising its business goals.

The correct technology building blocks must be in place, but it is only in combination with the right processes and the right people that ITSM can be successful. ITSM needs to be supported by a structured way of working, with the main objective being accelerated service delivery, satisfied customers, and an affordable price point.

Datacentrix has implemented ITSM based on the principles defined by ITIL, ensuring that all repetitive tasks are automated into the service desk system, leaving only those tasks where human intervention is required.

Service desk

Datacentrix provides a world class, centrally managed service desk with guaranteed service levels and is a market leader in this space. The service desk is aligned to the ITIL framework and is based on a flexible delivery and support model that is easily adaptable to changing business needs, allowing fast take on/off of services.

The service desk provides assistance, technical incident support, event management and a reliable, single point of contact and central point of accountability where service requests can be logged and

managed, giving employees or customers a pleasing and rewarding service desk experience. Stringent service level agreements ("SLAs") provide real-time service management against incidents that are logged.

The service desk delivers agile support services and service management that enables customers to meet their objectives of providing effective, fast IT services to their staff and customers. This, and other benefits, are realised by customers due to the function's leading, custom-specific solution design, service delivery and service management.

Managed Talent Solutions

Managed Talent Solutions, the Group's specialist recruitment function, is fully committed to labour legislation compliance and meets all the Labour Relations Act requirements. The business unit is developing processes to mitigate the risks that the Protection of Personal Information ("POPI") Act will bring to the recruitment domain. The business unit will continue focusing on growing the engineering and financial recruitment areas of the business, securing additional vendor on premise opportunities, finding efficient candidate sourcing methods and increasing the business unit's visibility in the market.

Cloud services

Datacentrix' cloud services are delivered from in-house, secure, highly available Gauteng-based data centres, and are supported by the organisation's always-on service desk. A self-service policy aids the management of service requests with automated provisioning in minutes. Traditional support services using service desk agents and technicians are integral to the offering. Datacentrix' IaaS offering provides on-demand computing infrastructure, all the way to the level of operating system.

“The high level of collaboration across our areas of technical expertise, subject matter experts and technology partners, has further improved service delivery and efficiencies, which is enhancing our ability to address customer needs more effectively.”

Ahmed Mahomed, Chief Executive Officer

Operations review continued



Managed Services: Strategy in motion

Symplexity sees silver lining with Datacentrix Infrastructure as a Service cloud offering

Symplexity, a comprehensive human resources and payroll system provider, signed up for Infrastructure as a Service ("IaaS") with Datacentrix in a three-year contract.

Symplexity MD, Louis Nortje explains that the Symplexity was sub-contracted to deliver a payroll solution to monitor around 15,000 staff on a monthly basis. The project also required a secure, cloud-based technology environment with a backup strategy and fail-over plans in place as non-negotiable.

Symplexity looked at a number of cloud platform options within the marketplace and opted for Datacentrix' highly agile, next generation IaaS cloud services offering.

The outsource project required the hosting of 40 servers within the cloud, with secure, reliable backup and storage options as a necessity; essentially a wall-to-wall hosted cloud infrastructure solution.

End-to-end ICT provision and services for a national entertainment organisation

During the year, Infracol supplied a national entertainment organisation with a total ICT solution.

The project – delivered in four weeks from the time of ordering to implementation – is one of Infracol's highpoints for the year and included the provision of:

- ▶ Leading edge servers for enhanced reliability, scalability and security;
- ▶ Data storage with an increased level of control and simplified data management;
- ▶ A secure network with high availability to keep the business connected to their staff, suppliers and customers all of the time;
- ▶ Software implementation involving virtualisation for increased agility and responsiveness; high-speed recovery and data loss avoidance for the highest levels of data centre availability; as well as the provision of security risk management on their assets; and
- ▶ The cabling requirements for nine sites in various provinces, involving all civil work, to ensure the delivery of advanced communications.

Professional project management and on-going team collaboration ensured the delivery of the contract in the shortest possible time across the customer's data recovery site in Nelspruit, headquarters in Gauteng and nine sites nationwide.

“Managed Services in its simplest form is about managing different types of technologies, for multiple customers, on a one to many basis. The division's success during the year can be attributed to its technical expertise, fully understanding the customer's needs, and applying our expertise to align our offerings with their requirements. This is supported by a customer-centric culture and our corporate values, providing customers the opportunity to focus on their core business while we take care of their managed services' needs.”

Michael McGee, Managing Director:
Gauteng Managed Services



Operations review continued

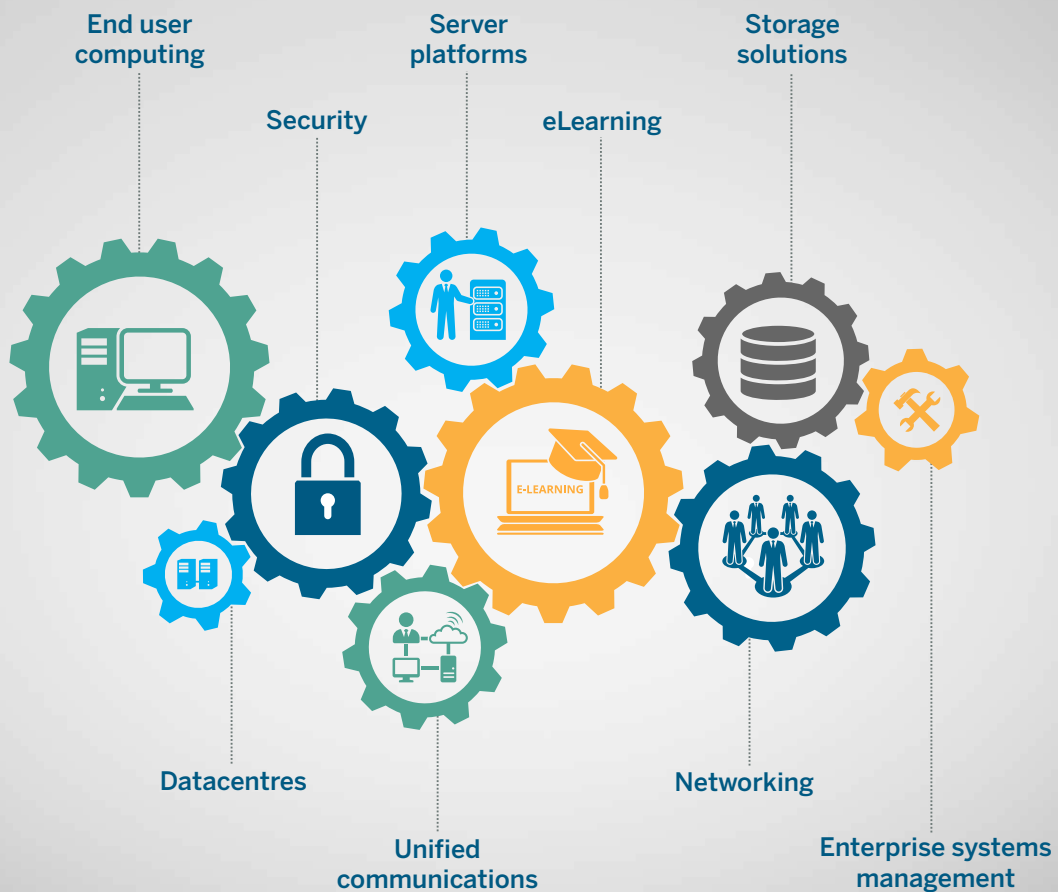
Technology Solutions division

Datacentrix is one of South Africa's leading providers of integrated technology solutions and professionally managed infrastructure cycles.

The Technology Solutions division offers large-scale ICT infrastructure hardware and software solutions that support technology optimisation and

modernisation, ensuring the on-going availability, security and accessibility to company information. It helps customers drive their business strategies forward through the provision of integrated technology systems that simplify complex infrastructure solutions such as data centre optimisation and transformation.

The division encompasses a mature portfolio of world class technology and has the best skills to respond to customer-specific information requirements from design, through implementation to maintenance.





Operations review continued



Technology Solutions division (continued)

Server platforms: The procurement, installation, management and maintenance of customer server environments using leading server platform technology, specialist virtualisation and consolidation solutions.

Enterprise systems management: Includes the configuration, management, monitoring and control of large, distributed enterprise systems, as well as the standardisation of the procedures and processes applied to optimise system and investment efficiencies.

Data centres: Ensures the continuous processing, storage, protection and management of customer data by designing, building, managing and maintaining leading-edge data centres. This includes on-premise or hosted IaaS, 24x7x365 support services.

Storage solutions: Offers access to the best tiered and virtual enterprise storage technology, complete implementation, management and monitoring services, ensuring the on-going availability, security and controlled accessibility to company data.

Security: Delivers complete information confidentiality, integrity and availability using security technologies for monitoring, assessing and defending company information.

Networking and unified communications: Datacentrix implements leading networking and unified communications solutions, enhancing customer communication both inside and outside of their organisations. These competencies extend from the core of a company's network into the data centre. Datacentrix

delivers best-fit voice, data and communication services, optimising customer corporate communication and adding to their professionalism.

End user computing: Customised, automated procurement, product rollout, asset and mobile device management, support and maintenance solutions, including product mapping, financing solutions, as well as network security access management and application virtualisation.

The Internet of things

Datacentrix is helping organisations extract the benefits of the always, one-connected world by gaining deeper insight with analytics, using the Internet of Things ("IoT"). Datacentrix' services ensure that customers speed up their digital transformation, helping to put them in control by:

- Always being connected;
- Enhancing their awareness and time to respond to operational events;
- Efficiently managing increasing data volumes;
- Securing and automating business processes;
- Integrating their communications; and
- Delivering higher levels of collaboration.

eLearning

Datacentrix offers customers, as well as local and international enterprises, the opportunity to be involved in the upskilling of South Africa's youth. The Group's comprehensive eLearning solution spans IT infrastructure and software requirements, including storage, hosting and networking, support services, teacher training and classroom equipment.

“Over the years, Datacentrix has organically built significant competence across the business. The real value is in our expert ability to integrate all these pockets of excellence into a single value proposition for our customers. We are at a point where our competencies grow every year, offering more value to our customers.”

Johann Coetzee, Managing Director, Commercial and Technology Solutions

Operations review continued



Technology Solutions: Strategy in motion

Tradebridge enhances storage and virtualisation efficiencies with Datacentrix

Tradebridge, the leading South African value added transaction switch company, successfully completed another effective technology implementation with Datacentrix. The most recent of a string of projects involves a storage replacement and virtualisation solution upgrade to help the organisation improve efficiency, availability and agility.

Tradebridge provides solutions that enable immediate, secure and reliable messaging between organisations that support financial transactions, currently operating through three member companies:

- ▶ Healthbridge, which handles electronic claims switching between medical aids and medical practices;
- ▶ SureSwipe, which is the fastest growing provider of debit and credit card swipe machines in South Africa; and
- ▶ the DCM Group, which provides debt counselling and restructuring services.

As a group, Tradebridge handles a large volume of financial data, as well as real-time transactions, so the selection of a strong, security-conscious ICT partner was a top concern.

“Tradebridge has worked with Datacentrix for more than a decade in a partnership that has encompassed networking, servers, storage, software implementation and support. Over this time, we have found that we can come to Datacentrix with a challenge and the company will bring the right minds together to find a speedy, cost effective solution. Datacentrix has been able to provide the best technical expertise and support, as an HP Platinum Partner, while also delivering the personal 'human touch'.” Carel van Heerden, group IT manager for Tradebridge.

“Datacentrix has always been focused on becoming a partner of choice for our public and private customers. Over the years our business value proposition has evolved to align with the aspirations and objectives of our customers, in our quest for service delivery excellence. We are in the business of helping our customers to use our solutions in making better and well informed business decisions.”

**Kenny Nkosi, Managing Director,
Government**



Operations review continued

Business Applications division

The Datacentrix Business Applications division delivers leading solutions, effective risk management, business efficiencies and improved processes across organisations to optimise their information and operate more effectively.

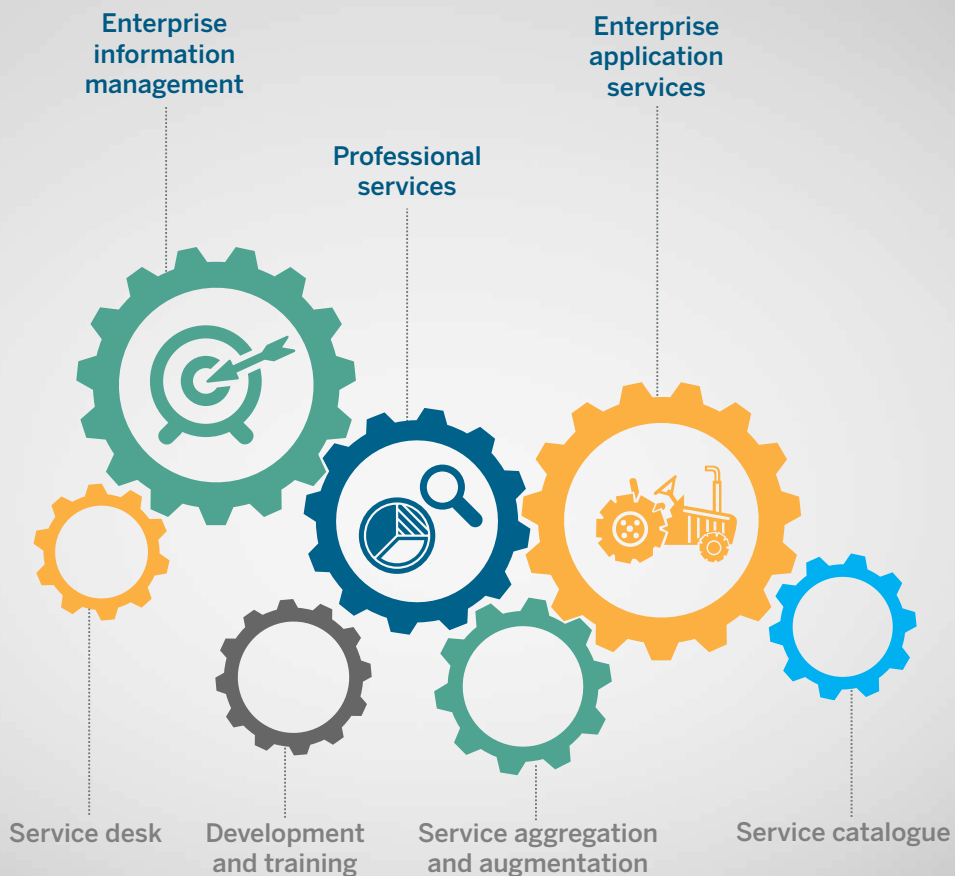
The division enables organisations to have better visibility and utilisation of their information assets. These information optimisation solutions

automate and streamline business processes, improve productivity and ensure accurate decisions by management.

The Business Applications division is a cohesive unit that is split into three core areas:

- Enterprise Information Management;
- Professional Services; and
- Enterprise Applications.

These focus areas satisfy enterprise information needs and deliver rapid time to value.



Operations review continued



Business Applications division (continued)

Enterprise information management

Datacentrix is a market leader in the enterprise content management (“ECM”) and enterprise information management (“EIM”) domains in the local market. The EIM business unit houses a significant EIM skills pool. Datacentrix is the only Platinum Partner for OpenText in South Africa and is also a Global Alliance partner. EIM involves structuring and managing information assets to enhance efficiencies, promote transparency and enable business insight. This encompasses managing information across an organisation to enable informed management.

Productivity solutions

Datacentrix has bolstered its skillset within the Microsoft productivity space. This development enables the delivery of more cost effective solutions to customers that have already invested in the Microsoft suite of products, providing them with tangible total cost of ownership and quantifiable return on investment. The productivity solutions provide an enterprise content management platform that enables customers to collaborate and share information seamlessly internally with staff and externally with customers and stakeholders.

Vertical healthcare solution

Datacentrix has structured an end-to-end Smart Healthcare solution that standardises service delivery, while automating processes and simplifying the provision of high-quality, uninterrupted patient care. The Smart Healthcare solution stack comprises healthcare applications and information management solutions, combined with robust next generation technology infrastructure, support services and system integration to ensure the effective

and efficient operations of a hospital's processes. The solution has the power to save costs and improve efficiencies while at the same time, empowering health professionals to provide better standards of healthcare.

Enterprise applications

Enterprise applications drive the way that we do business. Customers are looking to optimise their systems for internal use and to enhance their customers' experience. Enterprise applications services involve the integration of disparate applications, systems and business processes, enabling seamless information sharing, effective monitoring and control, and informed decision making. The added value that Datacentrix' enterprise application services deliver, encompasses proactive change management and customer education, proof of values, pilots, knowledge transfer and specialist training for the end user. The Company also applies best practice to address system integration risks, ensuring consistent data migration and an accurate reporting environment.

Professional Services

Datacentrix' Professional Services enable the conversion of data, sourced from across an organisation using multiple applications and disparate systems, into meaningful business information using a single managed view of customers, processes and business partners. This can be used by non-technical managers to make informed, systematic decisions that support business growth and success. The business unit's professional services involve the integration of planning, resource management and project management for organisations.

“The EIM business will continue to compete aggressively for business and lead in the areas of business process management and other technologies in the EIM space.”

Juane Peacock, Managing Director, Coastal Region and Enterprise Information Management

Operations review continued



Business Applications: Strategy in motion

Western Cape Government wins Enterprise Champion award

The Western Cape Government ("WCG") was honoured by OpenText, with Yasir Ahmed, Chief Director for Transport Regulation, Transport and Public Works, Western Cape Government, taking top honours as the OpenText Elite 2015 Enterprise Champion winner for his role in improving efficiencies and service delivery at the department, as nominated by Datacentrix. Using Content Suite from OpenText, the Department of Transport and Public Works cut turnaround time for vehicle operating licence applications by more than two-thirds, from an average of 145 days to 45 days. OpenText has also enabled document tracking from the point of receipt to the point of issuing, indicating where officials are involved at every step of the process. The Department also received an award from Productivity South Africa for improved turnaround times in managing licence applications.

"We have less of a need to respond to compliants, which allows our management team time to focus on further improving service delivery to our clients." Yasir Ahmed, Chief Director for Transport Regulation, Transport and Public Works, Western Cape Government.

NamPower leads African continent in enterprise information management

Namibia's national power utility, NamPower has successfully rolled out a company-wide EIM system, enhancing and centralising the management of content related to almost all of the business processes within the organisation. With the assistance of Datacentrix, NamPower's EIM rollout is a landmark project for the continent, marking the first successful African implementation of OpenText's SAP Extended Enterprise Content Management ("SAP xECM") on a consolidated EIM infrastructure.

- NamPower now has a 360 degree view of all enterprise content – both structured and unstructured.
- Their records and documents are uniformly managed, in line with records management principles, and are thereby compliant with the National Archives Act.
- Search capabilities are faster and more efficient, transparency and accountability have been greatly improved, processes are streamlined, and NamPower has seen gains in productivity and collaboration.

Suidwes Agriculture chooses Datacentrix to roll out integrated ERP solution for improved growth support

Suidwes Agriculture, one of South Africa's largest agricultural companies, partnered with Datacentrix to upgrade to an integrated ERP system that will better support the organisation's growth strategy. Suidwes Agriculture provides a number of services and products to the agricultural industry, including grain handling and storage, grain trading, retail trade, IT, financial services and insurance.

Datacentrix' status as a Premier Sage ERP x3 Partner and experience within the local agricultural sector were key factors in the company's appointment to assist Suidwes Agriculture in this project. Datacentrix has been tasked with analysing the current environment at Suidwes Agriculture, configuring and rolling out the new integrated ERP solution and all of its associated modules, and training users. In addition to this, Datacentrix will also be providing thought leadership in terms of ERP best practices to the business.

"It is our strategic objective to deliver maximum impact and apply the expertise of our people, proven processes and leading technologies to solve our customer's existing problems and future-proof their businesses against the challenges of tomorrow."

**Rainer Jeske, Managing Director:
Special Projects and Innovation**

Corporate social responsibility

Datacentrix' has a committed focus on sustainable development; this sentiment underpins the organisation's objective of being a responsible corporate citizen. Corporate responsibility requires that the organisation operates in an informed, responsive and socially responsible manner, including:

- ▶ making a positive socio-economic contribution to the regions where the Group operates, for example, stimulating job creation, supporting skills development, investing in communities and promoting black economic empowerment;
- ▶ fostering value-driven, ethical behaviour and good governance practices, under-pinned by respect for human rights;
- ▶ embedding a culture of safety in the workplace;
- ▶ providing a stimulating and rewarding work environment, based on effective human resource policies that attract and retain the best talent; and
- ▶ being cognisant of the impact our business can have on our environment.

Datacentrix is cognisant of the growing social needs in South Africa and is committed to making a difference by supporting projects that benefit historically disadvantaged sectors in society.

Broad-based black economic empowerment

Datacentrix maintained a Level 2 (AAA) Broad-Based Black Economic Empowerment ("B-BBEE") contributor status, with 125% procurement recognition from EmpowerDex in April 2016.

The Group retained its position as a "Value Adding Enterprise".

Corporate social investment initiatives

Corporate Social Investment ("CSI") is central to realising meaningful transformation and benefits the broader community. Datacentrix is cognisant of the growing social needs in South Africa and is committed to making a difference by supporting projects that benefit historically disadvantaged sectors of society.

Datacentrix' strategy aligns its social investment programme with its core business objectives and imperatives, moving its CSI undertakings from a purely charitable base to a proactive partnership with beneficiaries, government and non-governmental organisations ("NGOs") to bring about long-term sustainable development. It is against this backdrop that Datacentrix selects its CSI projects.

One of the Group's key focus areas continues to be the investment in education in South Africa. The impact of this strategy is far reaching, touching both the individual beneficiaries and the larger community in which they function. Additional social and community engagement initiatives are organised on an ad hoc basis addressing the specific

	Actual score
Ownership	14.21
Management	10.67
Employment equity	5.60
Skills development	10.21
Preferential procurement	21.45
Enterprise development	11.00
Socio-economic development	12.00
TOTAL SCORE	85.14

needs in the area of health, poverty alleviation and the aged. Some of the social investment activities during the year are highlighted below.

eLearning: Helping to raise the bar in local classrooms

Datacentrix has taken up the challenge to incentivise corporate citizens to help address the inequality in our education system by collectively enhancing the teaching and learning process in schools across Southern Africa with eLearning. Datacentrix offers customers, as well as local and international enterprises, the opportunity to be involved in the upskilling of South Africa's youth.

The Group's comprehensive eLearning solution spans IT infrastructure and software requirements, including storage, hosting, networking and connectivity, support services and classroom equipment, as well as mobile ICT labs, mobile audio visual libraries and mobile science carts. The solution also includes teacher training and professional development, two of the most important factors for success with eLearning. The flexible solution encompasses full project management and consultation with schools, the Provincial Departments of Education, Basic Department of Education and the Department of Communication.



Corporate Social Responsibility continued

Corporate social investment initiatives (continued)

The Group's eLearning solution has been carefully designed and has already been implemented at over 1,200 schools nationally, delivering tangible benefits to classrooms across the country.

The Group's comprehensive eLearning offering brings technology to young learners and provides teachers with the necessary support to unleash a culture of technological innovation and excellence in South Africa's educational arena.

eLearning:

- Affords learners the opportunity to use Information Communication Technology ("ICT") in their everyday learning activities
- Provides educators with an opportunity to enhance and support their teaching through the use of ICT tools

- Offers learners the tools to enhance their education and helps to prepare them for the digital workplace and information society
- Provides a total solution to assist the teachers and learners in the learning process
- Offers local and international organisations an opportunity to invest in education in Africa.

Datacentrix is eager to credit the youth in South Africa with having the power of knowledge at their fingertips. The Group's eLearning solution not only offers the opportunity to nourish the intellect and self-esteem of tomorrow's innovators, problem-solvers, employees and leaders, but it is a rewarding journey for everyone involved.

Thandulwazi Maths and Science Academy: Celebrating 10 years of empowerment through education

The Thandulwazi Maths & Science Academy, established by the St Stithians Foundation in October 2005, is a private-public educational partnership between the independent and public school sectors, educators, learners and corporate partners. It is described by one of its beneficiaries as "Ubuntu in action" and has adopted a multi-pronged approach for addressing the maths and science crisis facing our country.

Thandulwazi (isiZulu for "love of learning") offers an educational intervention programme to improve the learning and teaching of core subjects,



Laptop Cart

High-strength mobile storage and charging cart



Tablet Cart (simple series)

Durable tablet cart that stores, secures and charges up to 48 tablets



Audio visual mobile library

Library frame manufactured from steel and powder coated



600 Book, audio visual and 24 or 48 tablet mobile library

Library frame manufactured from steel and powder coated



Science Cart

Integrated technology in the science classroom



Basic Science Cart

Integrated technology in the science classroom

Corporate Social Responsibility continued

Corporate social investment initiatives (continued)

including maths, physical science, life sciences, English and accounting to learners; and provides upskilling workshops and professional development programmes for educators and school leaders in the Gauteng and Limpopo regions.

Datacentrix has been a proud supporter of the Thandulwazi Maths & Science Academy since 2010. The Company is cognisant of the shortage of quality skills in the ICT sector and the effect that poor education has on the economy as a whole.

Thandulwazi Maths and Science Academy focuses on four main areas: the Thandulwazi Intern-Teacher Training Programme; the Thandulwazi Teacher Development Programme; the Thandulwazi Saturday School and the Thandulwazi Learner Sponsorship Programme.

Lonmin and Datacentrix team up for local community support

Lonmin, one of the world's largest primary producers of Platinum Group Metals (PGMs), joined forces with Datacentrix to supply local schools and other community-based institutions with refurbished PCs and peripherals.

As part of the Group's three-year equipment refresh contract for Lenovo PCs and relevant end user equipment at Lonmin, Datacentrix has committed to refurbish desktops and other peripherals currently being replaced.

This contribution forms part of the greater Lonmin Community Education programme, which focuses on five vital areas: infrastructure, education, local economic development, and community health and supplier development. The infrastructure portion of the programme in particular



Thandulwazi Teacher Development Programme in Limpopo and Gauteng

“We are proud to be supported by our partners in education, such as Datacentrix, that share our vision for providing quality education in South Africa's classrooms.”

Beverley Johnson, deputy director of advancement at Thandulwazi Maths & Science Academy

looks at infrastructural development, addressing the upgrading of school facilities, community and health facilities.

“When we appointed Datacentrix, we also saw the need for a partner that

would be willing to provide additional time and effort in the green disposal and revamping of our older infrastructure for use by those in need, and we found this partner in Datacentrix.” Lonmin Information Management representative.

Corporate Social Responsibility continued

Corporate social investment initiatives (continued)

702 CEO SleepOut: Changing the lives of South Africa's most vulnerable children

The CEO SleepOut goes far beyond one winter's night under the stars on the streets of Johannesburg. It is all about multiplying the potential to change lives of South Africa's most vulnerable children. Datacentrix CEO, Ahmed Mahomed participated in the CEO SleepOut that took place in Johannesburg in 18 June 2015 to raise awareness and funds to help give vulnerable children an opportunity, a purpose and a place to call home. Girls and Boys Town South Africa fulfils a vital part of helping to change the future of homeless children. Its focus is on empowering youth who are alone and abused by creating opportunities for them to succeed. All the funds raised from this event, including the blankets that Datacentrix collected from employees, went to Girls and Boys Town.



CEO's spending the night under the stars in the streets of Johannesburg



Datacentrix joins forces in the fight against cancer

Members from Datacentrix participated in and completed the 14 hour CANSA Relay for Life to raise awareness and funds for the fight against cancer.

The relay event involved a team that walked a fixed route throughout the night from 16:00 until 06:00 the following morning. The journey for the participating teams is symbolic of the personal struggles that thousands of people have with cancer.



Team members from Datacentrix East London at the Sunshine Children's Home



“Their smiles make the visits worthwhile; it's the kind of thanks that warms the soul.”

Representative from the Datacentrix team in East London



Team members from Datacentrix before the 14 hour CANSA relay

Spreading some sunshine in East London

The entire team at Datacentrix' regional office in East London took part in making a difference in the lives of orphaned and abandoned children at Sunshine Children's Home. The team donated food parcels, clothing, blankets, furniture and

equipment and enjoyed spending some time with the 17 resident children and their helpers. The children range between 2-18 years of age. The East London team continues supporting the

home, not only through donations and gifts of kind, but by spending time with the children to provide support, assistance and a helping hand where they can.

Corporate Social Responsibility continued

Corporate social investment initiatives (continued)

Soup kitchen initiative in Philippi brings smiles

Datacentrix' Western Cape EIM team rolled up their sleeves and helped feed a community in the agricultural area of Philippi in 2014. In 2015, the team jumped at the opportunity to be involved once again. The EIM team made themselves available to help with the soup kitchen initiative alongside the Philippi Farm Community Organisation.

Other team members contributed non-perishable food, clothing and toys for distribution. Nearly 400 adults and children enjoyed a warm meal and some extra spoils on the day.



Datacentrix' Western Cape EIM team at the soup kitchen in Philippi



Other CSI projects supported during the year

- The Datacentrix employee scholarship support scheme funds school fees for qualifying staff.
- Datacentrix sponsors the Exxaro Mountain Bike Academy that is helping to transform the sport in South Africa by increasing the number of previously disadvantaged riders.
- Thandanani Children's Foundation: Founded in 1989, Thandanani facilitates community-based care and supports orphans and other vulnerable children (particularly those affected and infected by HIV and Aids) in the KwaZulu-Natal Midlands area. The charity equips community-based volunteer teams to respond to the children's basic material, physical, cognitive and emotional needs. Datacentrix has been supporting the foundation since 2013.
- 67 minutes for Mandela: On 18 July, Datacentrix participates in the initiative where every individual has the power to change the world one helping hand at a time. Teams and individuals spend 67 minutes on 18 July every year performing various

community and social responsibility activities.

- Charity calendars: Since 2001, Datacentrix' annual calendar run is supplied by New Art Creations, publishers of calendars and greeting cards, who has raised in excess of R22.6 million for The Giving Organisation, the largest operational children's charity organisation in South Africa. Some of the charities supported through this initiative include: Desmond Tutu HIV Foundation; CHOC Childhood Cancer Foundation SA; Cotlands; African Children's Feeding Scheme; The Reach for a Dream Foundation; and The Ithemba (Hope) Trust.

Skills development

Datacentrix supports the principle of lifelong learning and acknowledges the importance of a competent and motivated workforce for its continued growth, survival and success in a competitive global economy.

Seeing the barriers brought by social status and other factors in South Africa, Datacentrix strives to bridge the skills gap by providing the below programmes annually.

Partnerships

Datacentrix is a stakeholder member of the Media, Information and Communication Technologies Sector Education and Training Authority ("MICT SETA"). The organisation also collaborates with recognised training providers to assist in facilitating training programmes as prescribed by business requirements and Sector Skills Plan from the MICT SETA.

Skills development programmes

Individuals who have been empowered to achieve recognised qualifications, who have been exposed to formal employment and who have attained work experience, can become successful contributors to South Africa's economy. The following skills development programmes are in place at Datacentrix.

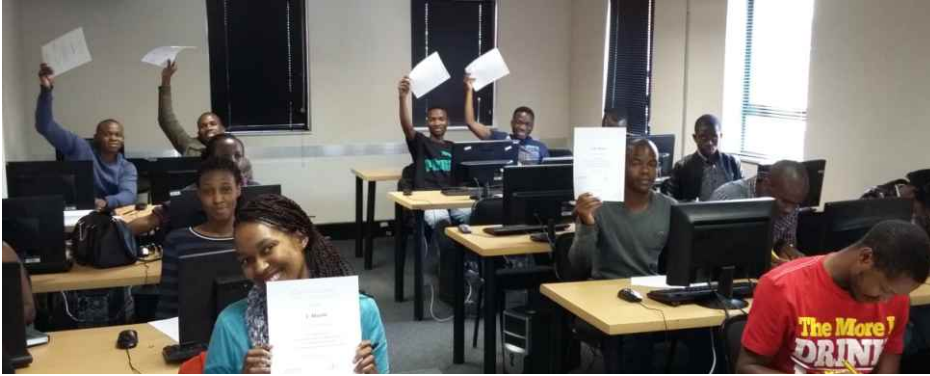
Learnership programme

Datacentrix, in cooperation with a selected service provider, runs an annual learnership programme.

The programme is a vocational education and training platform that combines theory and practice, culminating in a qualification that is registered on the National Qualifications Framework ("NQF").

Corporate Social Responsibility continued

Skills development (continued)



Datacentrix annually selects learners from previously disadvantaged backgrounds who have completed matric/Grade 12 with potential and interest in IT. These individuals receive a sponsorship to complete their qualification after which they are appointed, for a temporary period, to acquire practical experience.

Datacentrix has been hosting learners since 2012. Over the past four years, the Group has hosted 175 learners that have undergone formal training, i.e. NQF Level 4 Technical Support and NQF Level 5 Systems Support respectively.

During the period under review, Datacentrix hosted 31 learners. Subsequent to being found competent, learners were placed in different departments within the Group. They each had mentors who provided on-the-job training, guidance and motivation throughout the practical training of the programme. 70% of the learners were absorbed within the business and are currently working as permanent employees at Datacentrix.

Internship programme/Graduate programme

Datacentrix annually selects a number of interns who have completed tertiary qualifications and who can benefit from

on-the-job experience in the IT industry. These interns are appointed initially for a temporary period of one year after which a permanent appointment may be considered.

Datacentrix hosted 46 interns during the year. These learners received theoretical training through the Microsoft partnership as well as practical experience and were shadowing consultants in our Business Applications and Technology Solutions divisions for the duration of 12 months. 20 interns will be absorbed into the business.

Bursaries and training for employees

Datacentrix recognises that employees are the most important element in the Group's success and the source of sustainable competitive advantage. As such, the Group is fully committed to developing its employees.

Datacentrix further recognises that offering the opportunity to grow within the organisation is a significant part of attaining the status of 'employer of choice'.

During the year, Datacentrix invested more than R4 million on various training programmes, including bursaries, international examinations, accreditations and IT courses.

“The very nature of the workforce has changed with the addition of Generation Y. Millennials in the workplace often contradict traditional expectations; and understanding them, including their need for instant progression, financial dependence, work life balance and more, is key to attracting and retaining young talent. In order to stay relevant we need to commit to talent strategies that are inclusive and that support the millennial child now and into the future.”

Seipati Mbokazi, Head of Human Resources

Corporate Social Responsibility continued

Occupational Health and Safety

Datacentrix' Safety, Health, Environmental and Quality ("SHEQ") team oversees the organisation's efforts to comply with South Africa's health and safety regulations, in particular the Occupational Health and Safety Act (85 of 1993).

SHEQ is managed from a Group perspective in accordance with manuals, policies and procedures that have been drafted to ensure the standardisation and application of best practices.

Regular reviews and inspections of safety systems and practices are conducted across the business units and improvement opportunities are optimised as part of the Group's commitment to being a responsible employer.

Four principal elements contribute to the Group's focus on SHEQ, involving:

- the development of key performance indicators;
- communication with staff members who are exposed to different working environments, informing them of safety regulations governing these environments;

- the continuous health and safety of staff, customers, suppliers, contractors and visitors; and
- an Occupational Health and Safety ("OHS") Committee meets quarterly to manage and review all necessary requirements, ensuring that all standards are maintained. Datacentrix is OHSAS 18000-2007 aligned in an effort to meet its OHS responsibilities at the highest possible level.

Environment

Datacentrix' SHEQ function also oversees the Group's efforts to maintain an environmentally-friendly workplace, eliminating, reducing, reusing, recycling and disposing of waste in a responsible manner.

The Group aligns its activities with the ISO 14001-2004 standard, constantly working towards achieving a positive impact of its business activities on the environment in a sustainable way. Datacentrix adheres and complies to the national and local municipal Environmental Acts and Regulations.

Green IT

Rapidly rising energy costs have had a major impact on the way we look at IT infrastructure, especially the way we

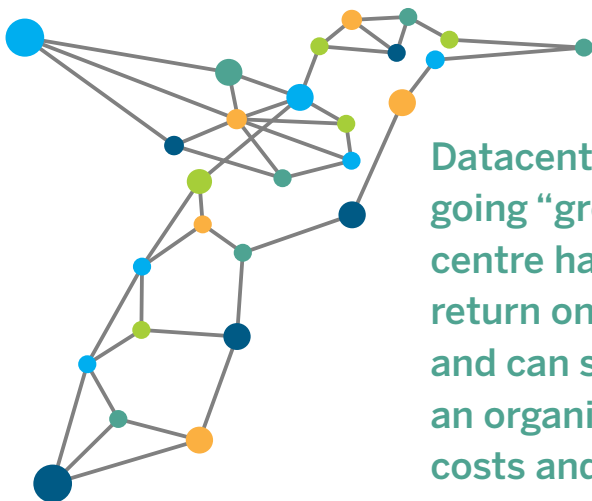
power and cool facilities, computer rooms and data centres. Datacentrix believes that going "green" in the data centre has a measurable return on investment, and can significantly reduce an organisation's energy costs and carbon footprint.

Datacentrix has invested in its employees with Certified TIA-942 Design Consultant and Certified Data Centre Professional resources. With this in mind, Datacentrix is able to consult, design and implement green and efficient IT infrastructure.

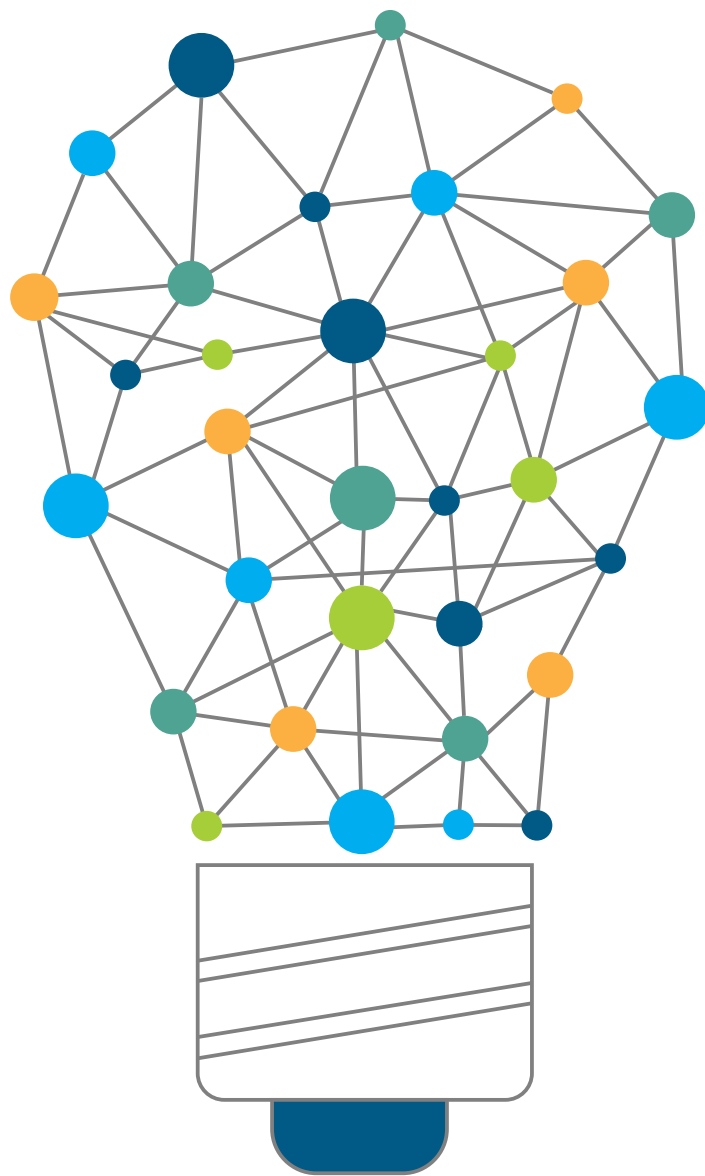
Power usage effectiveness ("PUE") and data centre efficiency are now accepted energy measurement standards developed by the Green Grid to help computer room managers determine the energy efficiency of their data centres. Datacentrix, together with selected technology partners, helps achieve acceptable PUE levels, thereby lowering energy costs and reducing the carbon footprint of its customers.

This is achieved by using the following:

- Hot or cold aisle containment;
- Passive climate control, rack cooling or liquid chilling of high performance equipment;
- The range of power solutions enable temperature and environment monitoring, which provide for real-time measurement of temperature, humidity and electricity usage of IT and infrastructure equipment;
- Full energy audits of all server, network, cooling and all electronic equipment;
- Right sizing of uninterrupted power supply units and diesel generators;
- Space planning; and
- Renewable energy sources into the data centre where equipment and lighting is powered from a combination of grid and solar power.



Datacentrix believes that going "green" in the data centre has a measurable return on investment, and can significantly reduce an organisation's energy costs and carbon footprint.



Governance

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Board of directors

Datacentrix is moving forward under a committed leadership team that shares a passion for influencing business and South Africa through technology. Management’s vision for the Group, its stakeholders, staff, customers and partners, supports its efforts to achieve excellence across all areas of the business.

Non-executive and executive directors



Arnold Fourie (53)
 Non-executive Chairman
 MSc (Chem Eng)
 Date of appointment: November 2013
 Appointed Non-executive Chairman: March 2016
 Committee: Member of Social, Ethics and Remuneration Committee
 Other directorships: Pinnacle Holdings Limited



Nolitha Fakude (51)
 Deputy Chairman, Lead Independent Director and Independent Non-executive Director
 BA (Hons)
 Date of appointment: March 2014
 Committees: Chairman of the Nominations Committee, member of the Audit and Risk Committee
 Other directorships: Sasol Limited Board and Member of the Sasol Risk and Safety, Health and Environment Committee, Chairman of the Sasol Mining Board



Alwyn Martin (77)
 Independent Non-executive Director
 BCom, CA (SA)
 Date of appointment: May 2005
 Committees: Chairman of the Audit and Risk Committee, member of the Social, Ethics and Remuneration Committee
 Other directorships: Trans Hex Group Limited and Northam Platinum Limited



Dudu Nyamane (58)
 Independent Non-executive Director
 BA (Social Sciences), MBA, MAP
 Date of appointment: June 2009
 Committees: Chairman of the Social, Ethics and Remuneration Committee, member of the Audit and Risk Committee, member of the Nominations Committee
 Other directorships: Mitsubishi Hitachi Power Systems, Indigo Cube Proprietary Limited, Joy Global Foundation, Vaal University of Technology and Oakbay Resources and Energy Limited, Kagosano Trust



Henry Ferreira (63)
 Non-executive Director
 Diplomas in Advanced Digital Techniques, Microprocessor Technology, Business Management (Wharton Business School USA), and Financial Management (Babson College USA)
 Date of appointment: March 2016



Richard Lyon (58)
 Alternate Director to Arnold Fourie
 BA (Economics and Business Law), CA
 Date of appointment: February 2015
 Resigned: March 2016 as Non-executive Director
 Other directorships: Pinnacle Holdings Limited



Ahmed Mahomed (54)
 Chief Executive Officer/Group Managing Director
 Date of appointment: March 2003
 Appointed CEO: March 2008



Elizabeth Naidoo (42)
 Chief Financial Officer/Group Financial Director
 BCom, BAcc, CA (SA)
 Date of appointment: October 2003

Executive management



Johann Coetzee (53)
Managing Director: Commercial and Technology Solutions (Technology Solutions division)
BEng (Industrial Engineering), MBA



Rainer Jeske (62)
Managing Director: Special Projects and Innovation (Technology Solutions division)



Kenny Nkosi (54)
Managing Director: Government (Technology Solutions division)
Diploma in Business Administration, Executive Development Programme



Juane Peacock (57)
Managing Director: Coastal Region Technology Solutions (Technology Solutions division) and Enterprise Information Management (Business Applications division)



Michael McGee (42)
Managing Director: Gauteng Managed Services



Seipati Mbokazi (36)
Head: Human Resources
BSocSc-Psychology, BSc (Honours) Psychology

Meetings of the board of directors and committees

Detail	Arnold Fourie#	Nolitha Fakude*	Alwyn Martin*	Dudu Nyamane*	Henry Ferreira#	Richard Lyon#	Ahmed Mahomed	Elizabeth Naidoo
Meetings of the board of directors								
17 April 2015	√	√	√	√	N/A	X	√	√
30 July 2015	√	√	√	√	N/A	√	√	√
12 October 2015	√	√	√	√	N/A	√	√	√
2 November 2015 [^]	N/A	√	√	√	N/A	N/A	√	√
2 March 2016	√	√	√	√	N/A	√	√	√
13 April 2016	√	√	√	√	√	N/A	√	√
Meetings of the Audit and Risk Committee								
13 April 2015	√•	√	√	√	N/A	√•	√•	√•
21 July 2015	N/A	X	√	√	N/A	√•	√•	√•
8 October 2015	N/A	√	√	√	N/A	√•	√•	√•
2 March 2016	N/A	X	√	√	N/A	√•	√•	√•
11 April 2016	√•	√	√	√	N/A	√•	√•	√•
Meetings of the Social, Ethics and Remuneration Committee								
13 April 2015	√	N/A	√	√	N/A	N/A	√•	√•
8 October 2015	X	N/A	√	√	N/A	N/A	√•	√•
11 April 2016	√	N/A	√	√	N/A	N/A	√•	√•
Meetings of the Nominations Committee								
13 April 2015	N/A	√	N/A	√	N/A	N/A	√•	N/A
11 April 2016	N/A	√	N/A	√	N/A	N/A	√•	N/A

* Independent non-executive director

√ Attended

Non-executive director

• By invitation

■ Chairman

X Apology

[^] Independent board meeting held

N/A Not a member of the committee

Corporate governance report

Corporate governance entails the framework of principles and practices by which the board of directors (the "Board") ensures accountability, fairness, and transparency in the Group's relationship with all its stakeholders. It extends beyond legislative and regulatory compliance and considers explicit and implicit relationships between the Company and the stakeholders. Datacentrix' Board regards corporate governance as important to the success of the Group and remains committed to sound corporate governance principles. The Board endorses the application of the principles recommended in the King III Report, and has been effectively implementing and reporting on a spectrum of governance principles, underpinned by the values of responsibility, accountability, fairness and transparency.

Statement of compliance

The Board accepts the responsibility to ensure that the King III principles are considered and applied, and is satisfied that every effort has been made to comply in all material aspects with these principles. Where the Group does not comply, this is stated and explained. The Group has remained committed to applying these principles to all its subsidiaries and its equity-accounted investee as appropriate.

A number of these principles are reflected in the Group's internal controls and policy procedures. While the Board is satisfied with its level of compliance with applicable governance and regulatory requirements, it recognises that its practices can always be improved, and accordingly the Board

has and will continuously review the Group's governance framework against governance best practices. The Group continues to improve its well-established corporate governance processes and remains abreast of the latest industry developments.

The following matrix was compiled based on the annual review of the Group's corporate governance framework to indicate the level to which King III principles have been applied (based on the 27 main principles per chapter 2 of King III).



Refer to the Group's website for a detailed matrix that considers all 75 principles of King III.

Description of principle	Compliant	Details
The board should act as the focal point for and custodian of corporate governance.	✓	Corporate governance report: Structure, governance and operation of the board
The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	Corporate governance report: Board charter
The board should provide effective leadership based on an ethical foundation.	✓	
The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	Our integrated strategy
The board should ensure that the company's ethics are managed effectively.	✓	Corporate governance report: Board charter
The board should ensure that the company has an effective and independent audit committee.	✓	Corporate governance report: Board committees – Audit and Risk
The board should be responsible for the governance of risk.	✓	
The board should be responsible for information technology ("IT") governance.	✓	Corporate governance report: Information technology
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	Corporate governance report: Board committees – Audit and Risk
The board should ensure that there is an effective risk-based internal audit.	✓	
The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	

Corporate governance report continued

Description of principle	Compliant	Details
The board should ensure the integrity of the company's integrated annual report.	✓	Corporate governance report: Board committees – Audit and Risk Committee
The board should report on the effectiveness of the company's system of internal controls.	✓	
The board and its directors should act in the best interests of the company.	✓	Corporate governance report: Board composition, performance and independence
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	N/A	
The board should elect a chairman of the board who is an independent, non-executive director. If the board chairman is not independent, the company must appoint a lead independent non-executive director. The CEO of the company should not also fulfil the role of the chairman of the board.	✓	Corporate governance report: Board Chairman; Chief Executive Officer
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	✓	Corporate governance report: Chief Executive Officer
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Corporate governance report: Board composition, performance and independence
Directors should be appointed through a formal process.	✓	
The induction and on-going training and development of directors should be conducted through formal processes.	✓	
The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	Corporate governance report: Company secretary
The evaluation of the board, its committees and the individual directors should be performed every year.	✓	Corporate governance report: Board composition, performance and independence
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	Corporate governance report: Board committees
A governance framework should be agreed upon between the group and its subsidiary boards.	✓	Corporate governance report: Structure, governance and operation of the board
Companies should remunerate directors and executives fairly and responsibly.	✓	Corporate governance report: Board committees – Social, Ethics and Remuneration Committee
Companies should disclose the remuneration of each individual director and certain senior executives.	✓	Annual financial statements
Shareholders should approve the company's remuneration policy.	✓	Corporate governance report: Board committees – Social, Ethics and Remuneration Committee

Corporate governance report continued

Structure, governance and operation of the Board

The Board remains the focal point of the Group's corporate governance system and is ultimately accountable and responsible for the key governance processes and the sustainable growth, performance and affairs of the Group.

Board charter

The Board charter details and governs the manner in which the business is to be conducted by the Board in accordance with the principles of sound corporate governance. The charter is reviewed annually and amended when necessary by the Board, ensuring that the charter remains relevant, incorporates best practices and achieves high levels of good governance.

The charter regulates and deals with, *inter alia*:

- Board leadership and defines the separate responsibilities of the Chairman and the Chief Executive;
- procedures, pre-requisites and competencies for membership, size and composition of the Board, period of office, reward, induction and succession planning;
- the role and responsibilities of the Board, which include the adoption of strategic plans, the monitoring of management's implementation of Board plans and strategies, the delegation of powers and duties to management, the determination of policy and processes to ensure the integrity of management, internal controls and IT governance;
- Board governance processes, including Board procedures and matters requiring annual and regular review;
- Board committees, including delegation of authority, but not responsibility, and the requirements for transparency and full disclosure by the committees;

- matters specifically reserved for the Board of a financial, administrative and manpower nature;
- risk management;
- procedures for Board meetings, frequency, quorum, agendas, Board papers, conflicts of interest and minutes;
- share dealings;
- Board, committee and individual evaluations and performance; and
- the role and responsibility of the company secretary.

The Board charter stipulates that the operation of the Board and the executive responsibility for the running of the Group's business should be two key and separate tasks. The charter requires that there should be a clear division of responsibilities at the head of the Group to safeguard a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision making or can dominate the Board's decision making.

Board Chairman

The Chairman of the Board is responsible, *inter alia*, for ensuring the integrity and effectiveness of the Board's governance processes and, in terms of the Company's Memorandum of Incorporation, is subject to annual election. The Chairman is also responsible for leadership, promoting the highest standards of governance and effectiveness of the Board. In alignment with best practices, a non-executive director fulfils the role of chairman for the Group. As the Chairman is not independent, a Lead Independent Director has been appointed.

Lead Independent Director ("LID")

In response to the Board charter requirements, Nolitha Fakude was appointed LID in March 2016 in the event that the Board chairman does not meet the criteria for independence in terms of the relevant governance criteria. The LID

provides leadership assistance at any Board, committee or shareholder meeting or in consultations with other directors or executives in circumstances where the board chairman is conflicted. The LID also leads and introduces discussions at Board and committee meetings regarding the performance and evaluation of the board chairman. The LID is subject to annual election by the Board.

Board composition, performance and independence

The Company's Board consists of the non-executive chairman, four other non-executive directors, and two executive directors. One of the independent non-executive directors has been appointed as the deputy chairman and LID. Three of the five non-executive directors are considered independent. These directors bring a wealth of experience and complement the skills and the experience base of the Board. Directors' abridged curriculum vitae are provided in the governance section of the integrated annual report under the board of directors.

The composition of the Board remains under constant review, not only to maintain the required balance in terms of independence of directors, but also to ensure the optimum mix of skills and experience as well as demographic profile. The non-executive directors have the necessary skills, qualifications and experience to provide judgement independent of management on material Board issues. Furthermore, the independence of all non-executive directors, with a particular focus on non-executives who have served on the Board for longer than nine years, is assessed annually.

Directors are appointed through a formal process that includes background checks. The Board as a whole, only after obtaining recommendations from the

Corporate governance report continued

Nominations Committee, considers all appointments and re-elections. In terms of the Company's Memorandum of Incorporation, the Board is permitted to remove any director without shareholder approval. At every Annual General Meeting ("AGM"), at least one-third of the non-executive directors retire from the Board. Directors appointed after the previous AGM are also expected to stand down for election by shareholders at the first AGM following their appointment.

The Board supports the development of directors and, through assistance from the company secretary, arranges an appropriate induction for new directors and, where applicable, training depending on each director's requirements. The performance of the Board as a whole, and the Board committees individually, is appraised on an annual basis. The outcome of the appraisal process for the period under review was tabled for discussion by the Board and no material areas of concern in respect of either the Board or any of the Board committees were noted.

The Board appreciates the importance of acting in the best interest of the Company and considers the interest and expectations of its stakeholders. Directors are required to declare their interests in accordance with the provisions of the Companies Act, 2008 (Act 71 of 2008), as amended, ("Companies Act").

Roles and responsibilities of the board of directors

The Board is responsible for determining strategy and the overall conduct of the business. The Board has the responsibility for the performance of the Group and is required to exercise objective judgement, independent from management on corporate matters.

A corporate governance framework defines the roles and responsibilities of the constituent elements of the Group's

management structure. This enables the Board to plan, execute, control and monitor the Group's activities in accordance with strategic objectives.

The matters that the Board has specifically reserved for its decision include:

- ▶ approval of the Group's strategy and annual budget;
- ▶ review of the Group's performance;
- ▶ monitoring of and reviewing the effectiveness of the Group's internal controls and risk management system;
- ▶ appointment, removal and remuneration of executive directors and the company secretary;
- ▶ determination of the terms of reference of Board committees; and
- ▶ approval of major capital expenditure or disposals, material contracts, material acquisitions and developments.

The general powers of the directors are conferred in the Company's Memorandum of Incorporation. Subject to specific fundamental, strategic and formal matters reserved for its decision, the Board may delegate certain responsibilities to a number of standing committees, which operate within defined terms of reference laid down by the Board, as referred to in this report.

The Board has at least four scheduled meetings annually. A formal performance evaluation of the Board and committees is conducted annually by means of a series of self-evaluation questionnaires, with the aim of evaluating and improving the effectiveness of the Board, its members and committees.

Chief executive officer ("CEO")

The CEO is responsible for the leadership and operational management of the Group within the strategy agreed upon with the Board. The Board's governance and management functions are linked

through the CEO, who is tasked with running the business and implementing the policies and strategies adopted by the Board. The CEO ensures that there are appropriate management structures to implement the Group's strategy and business plans effectively.

All Board authority conferred on management is delegated through the CEO and the accountability of management is considered to be under the authority and the accountability of the CEO. Appropriate and uniform controls and processes are in place within the Group and are communicated to management. This ensures that levels of authority are applied and monitored effectively throughout the Group, particularly in the areas of capital expenditure, contracts, procurement and human resources. Board authority is delegated by way of an approval framework. Levels of authority and materiality have been established and are reviewed annually by the Board.

Company secretary

The company secretary is appointed and removed by the Board. All directors have access to the advice and services of the company secretary. The certificate required to be signed in terms of section 88 of the Companies Act appears in the annual financial statements section of this report. Mr JV Parkin is the appointed company secretary and in terms of the JSE Listings Requirements, the Board is satisfied that Mr Parkin is appropriately qualified, competent and experienced to fulfil this function, and that an arm's length relationship is maintained at all times.

Access to company information and confidentiality

Procedures are in place, through the Board Chairman and the company secretary, enabling the directors to have access, at reasonable times, to all relevant Company information and to



Corporate governance report continued

senior management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

Information technology

IT is integrated in the strategic planning process within the Group and is managed by an IT Steering Committee, ensuring that IT initiatives are aligned with business objectives. The risk of significant disruptions to business operations as a result of the reliance on technology used is also managed through the IT Steering Committee.

Relevant IT matters are presented at an Executive Committee level, which include the following:

- aligning IT with the governance, performance and sustainability objectives of the Group;
- developing a charter and policy outlining the decision making rights and accountability framework for IT governance;
- reviewing the effectiveness of the IT governance framework, in particular, structures processes and mechanisms to enable IT to deliver value to the business and mitigate IT risk;
- monitoring IT projects, being mindful of business value of such investment and the returns expected; and
- ensuring IT governance policies are in place and reviewed, with the suitable awareness created.

Stakeholder communication

Stakeholder communication is a planned, proactive process where management engages formally and informally with individuals and collective audiences to share information and gain an appreciation for stakeholder perspectives. The Board is accessible to all stakeholders by appointment for

discussions pertaining to the business. Presentations are conducted in Johannesburg and Cape Town to shareholders, analysts and media representatives with the disclosure of the annual and interim financial results.

Financial and statutory information is published when appropriate on JSE Limited's Stock Exchange News Service ("SENS") and in print media. Both annual and interim financial results announcements are supported by press interviews.

Datacentrix' website is an information portal for Group news and announcements. Stakeholders can request information using the respective contact details on the website, or under the guidelines of the Promotion of Access to Information manual.

Additional communication channels include the Company's intranet for its staff, print and online newsletters that are aimed at customers and technology partners, social media and events that enjoy participation by various stakeholders.

Board committees

Subject to those matters reserved for its decision, the Board delegates certain responsibilities to the following committees:

- Audit and Risk Committee;
- Social, Ethics and Remuneration Committee; and
- Nominations Committee.

The terms of reference, and composition of the committees are determined and approved by the Board and have been adopted by all the committees. Terms of reference are reviewed by the Board on an annual basis. The most recent review was conducted in 2016 to incorporate the relevant principles advocated by King III and the requirements of the Companies Act where applicable.

The Chairman of the Board attends the Social, Ethics and Remuneration Committee meetings at his own discretion in a non-voting capacity.

A corporate governance framework defines the roles and responsibilities of the constituent elements of the Group's management structure. This enables the Board to plan, execute, control and monitor the Group's activities in accordance with strategic objectives.

Audit and Risk Committee

Mandate and duties of the Audit and Risk Committee

The Audit and Risk Committee is mandated by the Board through approved terms of reference, which are reviewed annually by the Committee and the Board and incorporate the relevant principles of King III. The Committee is satisfied that it has met its responsibilities in terms of compliance therewith in all material respects during the financial year, including the requirements of the Companies Act. Its terms of reference were reviewed and amended by the Board during the year to ensure compliance with regulatory changes and best practice.

The Committee evaluates its performance and effectiveness as part of the formal annual Board evaluation process. Self-evaluation questionnaires are used for this purpose. Based on the results, the Committee and Board believe that the Audit and Risk Committee functions effectively and complies with its terms of reference.

Composition of the Audit and Risk Committee

Nominations of members for appointment to the Audit and Risk Committee by shareholders at the AGM are based on the ability of the members to collectively, based on their skill and experience, discharge the mandate of the Committee as defined in the terms of reference.

Committee meetings are attended by the external and internal auditors and, on invitation, the CEO and Group Financial Director, including individuals involved in risk management and finance. The internal and external auditors have unlimited access to the Chairman of the Audit and Risk Committee.

The composition of the Committee meets the mandatory requirements set by the JSE and is compliant with the Companies Act. The Committee comprises solely of

independent, non-executive directors who are financially proficient with the necessary expertise to discharge their responsibilities.

The Chairman of the Audit and Risk Committee is required to attend the AGM to deal with enquiries relative to the Committee's mandate.

The qualifications and abridged curriculum vitae of the Committee members are available in the governance section of this report under the board of directors.

Meetings of the Audit and Risk Committee

There are three scheduled meetings per annum. During the year, the Committee focused on the issues discussed below.

Roles and responsibilities of the Audit and Risk Committee

Audit

The Audit and Risk Committee is responsible for overseeing the Group's reporting process on behalf of the Board. It assists the Board in discharging its fiduciary duties relating to the safeguarding of assets, the operation of adequate systems, maintenance of control processes and the preparation of accurate financial reporting and annual financial statements in compliance with all applicable statutory requirements, accounting standards and the JSE Listings Requirements.

The Committee also performs all the statutory functions required to be performed by an Audit and Risk Committee as required by section 94 of the Companies Act.

The functions of the Committee include:

- overseeing the integrity of the financial statements;
- overseeing the appointment, fees, qualifications, independence and

performance of the external auditor and the integrity of the audit process as a whole;

- approving the audit fees for internal and external audit;
- specifying the nature and extent of non-audit services;
- pre-approving contracts for non-audit services;
- reviewing the internal audit function;
- dealing with concerns relating to the accounting policies, the internal audit, the audit and content of the annual financial statements and the internal financial controls;
- verifying the effectiveness of financial risk management, controls and governance processes as well as the competence of the Group Financial Director and capabilities of the finance function;
- reviewing the integrated annual report;
- ensuring compliance with applicable legal and regulatory requirements; and
- ensuring compliance by management with constraints imposed by the Board.

Risk

The Board is responsible for the governance of risk and has established an on-going process for identifying, assessing and managing the significant risks faced by the Group.

The Committee is responsible for monitoring and reviewing the effectiveness of the Group's risk management, while the executives and management are responsible, through delegated authority, to manage risk on a day-to-day basis.

A comprehensive risk management policy is in effect, with a risk plan that enhances the Group's ability to achieve its strategic objectives, allowing the disclosure on risk management to be comprehensive, timely and relevant.



Audit and Risk Committee continued

The Committee's responsibilities include:

- reviewing the policy and plan for risk management annually;
- monitoring the implementation of the policy and plan by management;
- recommending to the Board levels of tolerance, appetite and the monitoring of risks that are managed within these levels;
- overseeing the dissemination of the risk management plan;
- ensuring that risk management assessments are performed annually;
- implementing frameworks and methodologies to increase the possibility of anticipating unpredictable risks;
- ensuring that continuous risk monitoring by management takes place and that appropriate risk responses are considered and implemented;
- monitoring the compliance function;
- liaising closely with the other committees to exchange relevant risk information;
- expressing a formal opinion to the Board on the effectiveness of risk management;
- reviewing risk management reporting that is included in the integrated annual report to ensure it is timely, comprehensive and relevant; and
- reporting to the Board on risk management.

External audit

Subsequent to a review of the performance and independence of the external auditor, the Audit and Risk Committee recommended the re-appointment of SizweNtsalubaGobodo Inc. to perform an independent audit of the Group's financial statements.

These financial statements are prepared in terms of International Financial Reporting Standards ("IFRS") and the Companies Act. Interim financial reports to shareholders are unaudited.

The external auditor provides the Board and the Audit and Risk Committee with their independent observations and suggestions on the Group's internal controls that come to their attention during their independent audit, as well as suggestions for improving the financial reporting and operations of the business.

As part of a combined assurance approach, there is close co-operation between internal and external audit and reliance is placed, where possible, on the work by both parties, therefore minimising the duplication of effort.

The annual external audit plan is placed before the Audit and Risk Committee for review and approval.

Internal audit

KPMG fulfilled the internal audit function for the financial year under review. This function is designed to serve and support management and the Board through independent evaluations and examinations of the Group's activities and resultant business risks.

The purpose, authority and responsibility of the internal audit function are formally defined in an internal audit charter, which is reviewed by the Audit and Risk Committee and approved by the Board. This charter is reviewed on an annual basis and revised as necessary. The internal audit function is designed to respond to management's needs while maintaining an appropriate degree of independence to render impartial and unbiased judgments in performing its services.

The scope of the internal audit function includes:

- performing independent evaluations of the adequacy and effectiveness of Group companies' controls;
- providing additional assurance regarding the safeguarding of assets and financial information;
- reviewing results of assurance activities by internal corporate functions, where relevant;
- reviewing financial reporting mechanisms and records;
- reviewing information systems and operations;
- reporting on the adequacy of these controls; and
- monitoring and evaluating operating procedures and processes.

The internal auditor reports at all Audit and Risk Committee meetings and has unrestricted access to the Chairman of the Board and the Audit and Risk Committee respectively. The appointment or dismissal of the internal auditor occurs with the concurrence of the Audit and Risk Committee.

A comprehensive risk management policy is in effect, with a risk plan that enhances the Group's ability to achieve its strategic objectives, allowing the disclosure on risk management to be comprehensive, timely and relevant.

Audit and Risk Committee continued

Combined assurance

To manage a consolidated reporting structure for all assurance activities, Datacentrix has applied the principles of combined assurance. The combined assurance plan consists of “three layers of defence” wherein the assurance on risk management and related controls for the Group is reported. The level of assurance required by the Board, and who should provide this assurance varies depending on the risk and required independence of the assurance being provided.

The overall assurance plan is developed and co-ordinated based on an assessment of the results of the risk management process that operates within the Group as well as specific areas raised by management, and through interactions between the different assurance providers and the Audit and Risk Committee. This ensures that the plan is focused on risk areas that are relevant to the Group and duplication of effort is minimised.

The results of the reviews by the different assurance providers are presented to the Audit and Risk Committee on a quarterly basis and assessed in accordance to the combined assurance principles. This ongoing feedback allows for weaknesses in controls to be identified proactively and ensures that proper controls are immediately implemented to prevent any further deficiencies.

The Board is responsible for the Group's systems of internal control. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The controls throughout the Group concentrate on critical risk areas.

Through the combined assurance principles applied, the Board is able to obtain the appropriate levels of assurance on the relevant controls, in this way monitoring the systems of internal control effectively. Continual review and reporting structures enhance the control environments. Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the Group occurred during the year.

Ethics and whistleblowing

All employees at Datacentrix are expected to be professional and ethical in all business dealings and practices. On appointment, staff members pledge to comply with the Group's Code of Conduct and Zero Tolerance policies. Staff workshops are held as part of employee induction and frequent staff communication reinforces the importance of integrity in business relations as well as the ramifications of non-compliance. The Board reviews the Code of Conduct annually. Contracts with suppliers and service providers incorporate a Code of Conduct clause as part of the requirements for doing business with the Group.

Datacentrix has had an independent and anonymous whistleblowing programme in place for a number of years. The programme is managed by the Audit and Risk Committee and is designed to enable employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to laws, the values, Code of Conduct and standard policies. The information is forwarded to the CEO and Group Financial Director for the necessary corrective measures.

Compliance

Compliance requirements have been categorised into Finance; Human Resources; Legal; IT; Safety, Health,

Environment and Quality; Operational; and Regulatory and Governance. Matters relevant to each category are considered and, if appropriate, managed in accordance with the risk management process of the Group.

Quality management system

The Datacentrix Telkom Process Control Release (“PCR”) Quality Management System (“QMS”) is aligned to the ISO9001: 2008 standard. Datacentrix successively renewed its certification in February 2015 after an assessment process conducted by Telkom, retaining its PCR accreditation. The maturity of the QMS has developed significantly with every renewed certification. It is essential for Datacentrix as a modern business to have a certified QMS to compete in the marketplace and exceed customer expectations. The certification will be renewed in August 2016.

Public reporting

The Audit and Risk Committee is responsible for considering and making recommendations to the Board relating to the Group's integrated annual report, the financial statements and any other reports (with reference to the financial affairs of the Group) for external publication or distribution.

The Committee has overseen the integrated reporting for 2016, and has recommended the approval of the integrated annual report for the financial year ended 29 February 2016 by the Board.

Risk management

It is the view of the Audit and Risk Committee that in the year under review:

- ▶ there were no undue, unexpected or unusual risks taken, nor were there any material losses suffered;
- ▶ there were no imminent or envisaged risks that may threaten the long-term sustainability of the Group; and



Audit and Risk Committee continued

- ▶ the risks associated with the strategic direction of the Group have been managed effectively.

Through the Audit and Risk Committee, the Board determines and approves the Group's risk tolerance and appetite and also ensures that risk management is a continuous process by formally reviewing the Group risk register on a quarterly basis. The directors of Datacentrix have committed the Group to a process of risk management that is aligned to the principles of King III.

Sound management of risk enables management to anticipate and respond to changes in the business environment, as well as make informed decisions under conditions of uncertainty. Risk management processes are embedded in the business systems and processes, so that responses to risk remain current and dynamic.

All key risks, whether reputational, financial or non-financial, associated with major change and significant actions by the Group, also fall within the processes of risk management. The nature of Datacentrix' risk attitude demands a prudent approach to corporate risk, and its assessment of the approved risk tolerance and risk mitigation actions reflect this.

Controls and risk interventions are chosen on the basis that they increase the likelihood that management will fulfil its intentions to stakeholders. The Group's risk register, comprising the key strategic, operational, financial, reputational and compliance risks, was continuously updated during the year.

The risk process requires that risks are assessed by separately considering the inherent risk and the impact of mitigating controls in place. In assessing the inherent risk rating, the severity of impact and the likelihood of occurrence

of each risk are assessed after taking the root cause and consequences of the risks materialising into account.

The result of these assessments allow for the residual risk rating of each risk to be determined, which facilitates the formalisation of action points to mitigate the risks where possible and assessing progress made in addressing risks identified.

The risk management plan entails managing directors, with the assistance of business unit managers, performing a review of risks faced in their respective businesses on a monthly basis. These risks are reviewed at an executive management level and are filtered up through the relevant reporting lines to allow for significant risks faced by the Group to be identified, assessed and monitored at a Group level.

The Group risk register is reviewed at the Audit and Risk Committee meetings to assess the status of identified risks, but also to allow for the completeness of the risk register to be deliberated. This process results in risks being assessed both from the bottom-up, and also explores the possibility and probability of new risks having entered the risk environment.

Ownership of each risk remains the responsibility of assigned senior executives, who report on the status of agreed-upon action plans.

The Board is satisfied with the process of identifying, monitoring, managing and reporting of significant risks and that appropriate systems, processes and internal controls are in place to manage the identified risks, measure the impact thereof and is also satisfied that these are proactively managed so that the Group's assets and reputation are suitably protected.

Sound management of risk enables management to anticipate and respond to changes in the business environment, as well as make informed decisions under conditions of uncertainty. Risk management processes are embedded in the business systems and processes, so that responses to risk remain current and dynamic.

Social, Ethics and Remuneration Committee

Mandate and duties of the Social, Ethics and Remuneration Committee

The Committee is governed by a formal charter, which is aligned to the King III principles and the Companies Act. The Committee's terms of reference are reviewed and amended by the Board on an annual basis to ensure compliance with regulatory changes and best practice and to incorporate the relevant provisions of King III as approved by the Board. Responsibilities of this Committee are in line with the legislated requirements as per Regulation 43 of the Companies Act.

The key areas of responsibility are listed below.

The committee evaluates its performance and effectiveness as part of the formal annual Board evaluation process. Self-evaluation questionnaires are used for this purpose. Based on the results, the committee and Board believe that the Social, Ethics and Remuneration Committee functions effectively and complies with its terms of reference.

Key area	Reference to further information on the topic
Social and economic development	Social responsibility report in this integrated annual report
Corporate citizenship	Social responsibility report in this integrated annual report
Environment, health and public safety	Social responsibility report in this integrated annual report
Empowerment and transformation	Page 30 of the integrated annual report
Stakeholder relations	Page 45 of the integrated annual report
Ethics and code of conduct compliance	Page 48 of the integrated annual report
Regulatory, statutory and legislative compliance	Page 48 of the integrated annual report
Labour and employment	Page 51 of the integrated annual report

Furthermore, the Committee strives to apply relevant codes of best practice, including but not limited to, the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development ("OECD") guidelines regarding corruption, International Labour Organisation's Decent Work Agenda, and the principles of good corporate citizenship as espoused in the King III Report on Corporate Governance in South Africa.

The Committee evaluates its performance and effectiveness as part of the formal annual Board evaluation process. Self-evaluation questionnaires are used for this purpose. Based on the results, the Committee and Board believe

that the Social, Ethics and Remuneration Committee functions effectively and complies with its terms of reference.

Composition of the Social, Ethics and Remuneration Committee

Appointments to the Social, Ethics and Remuneration Committee are based on the independence, business acumen and industry experience of the non-executive director to assist the Committee in fulfilling its mandate as set out in the terms of reference.

Meetings are attended on invitation by the CEO, Group Financial Director and the Head of Human Resources. The Chairman of the Board attends the meetings by invitation.

The majority of the members of the Social, Ethics and Remuneration Committee are considered by the Company to be independent, non-executive directors. The qualifications and abridged curriculum vitae of the committee members are available in the Governance section of this report under the board of directors.

Roles and responsibilities of the Social, Ethics and Remuneration Committee

In addition to fulfilling its statutory duties, the Committee is responsible for the remuneration strategy of the Group, the approval of mandates for incentive schemes within the Group and the determination of the remuneration of the

Social, Ethics and Remuneration Committee continued

executive directors, relative to local and international industry benchmarks, including:

- the remuneration policy and its specific application to the CEO, the executive and non-executive directors and the CEO's direct reports, and its general application to all employees;
- the adoption of annual and longer term incentive plans;
- the determination of levels of reward for the CEO and approval of reward to the CEO's senior direct reports;
- the annual evaluation of the performance of the CEO, by giving guidance to the Chairman;
- the communication to shareholders on the remuneration policy and the committee's work on behalf of the Board; and
- compliance with applicable legal and regulatory requirements associated with human resources matters such as skills development and employment equity.

Meetings of the Social, Ethics and Remuneration Committee

There are two scheduled meetings per annum. During the year, the Committee focused on the issues discussed below.

Employment equity

Datacentrix has set internal workforce targets per division to ensure that future growth is in line with the business strategy.

An employment equity plan was prepared and submitted to the Department of Labour during the year. The Group is committed to addressing areas of under-representation across occupational levels by:

- identifying and fast tracking the development of identified employees;
- providing continuous support to line management with regards to disability management in the workplace;
- continuing to meet the targets for improving its BEE scorecard;

- fine-tuning its focus on the gender issue, particularly for black women; and
- addressing the retention of key talent.

Datacentrix, by the nature of its business, attracts employees through business acquisitions, acquisitions of targeted skills as well as employment. While the race and gender of the latter remain in the control of the Group, employment equity targets and demographic planning become more complicated to manage when part of an acquisition.

Skills development

Skills development is an integral part of human capital management that ensures efficiency and effectiveness and the deployment of the best skills to customers and projects. A workplace skills plan was prepared and submitted to the Services Seta during the year.

Management has recommitted itself to achieving set targets in this regard and ensuring that Datacentrix:

- continues to invest in internal training to develop existing staff and any new recruits;
- uses a graduate programme to attract and train individuals in the information technology environment; and
- continues, in conjunction with its business partners, implementing learnership programmes targeted at developing technical skills.

Datacentrix is committed to building the capabilities of its employees and addressing current and future skills challenges. The focus on learnership development will contribute to alleviating skills shortage and reducing unemployment in South Africa. The Group supports the principle of lifelong learning and acknowledges the importance of a competent and motivated workforce for its continued growth. This is vital for survival and

success in a competitive global economy.

Remuneration philosophy

The remuneration philosophy reflects Datacentrix' commitment to align with best practice in the areas of remuneration, retention and reward in an effort to attract and retain exceptional talent.

The remuneration packages and incentives are regularly evaluated against market-related surveys. Packages are structured on a cost-to-company basis and include contributions to healthcare, disability, life insurance and retirement benefits.

Datacentrix' remuneration philosophy views employee rewards in a holistic manner and includes monetary and non-monetary elements such as standard compensation, performance incentives; reward and recognition; work stability and security; continuous development, career path building and succession planning; respect; quality coaching and a work environment aligned to the Datacentrix values.

Datacentrix' philosophy, which remains fundamentally unchanged from prior years, is to employ individuals of the highest calibre, who are characterised by integrity, great competence and leadership abilities and who adhere and subscribe to the Group's culture, values and philosophies.

Datacentrix strives to inspire success by providing a working environment that stimulates extraordinary performance.

The way in which Datacentrix rewards its staff, in particular executive directors and management, is in line with the Group's dedication to achieving its strategic objectives. The table below indicates the Group's three strategic focus areas, illustrating the link to the Group's remuneration policy and practices.

Social, Ethics and Remuneration Committee continued

Group remuneration philosophy (continued)

Strategic objective	Link to remuneration strategy
<p>Value delivery: To build an organisation of performance-driven, empowered, passionate and professional employees, who align their success to that of the Group and who are driven to create and share innovation and continuous improvement.</p>	<ul style="list-style-type: none"> ▶ Datacentrix aims to provide a level of remuneration that attracts, retains and motivates staff of the highest calibre. ▶ Datacentrix' overall remuneration philosophy is to ensure that executive directors and management are fairly rewarded for their individual contribution to the operating and financial performance with respect to its corporate objectives and strategy. In line with this, the Group is committed to paying remuneration that is competitive relative to the market based on industry and market benchmarks reviewed on an annual basis.
<p>Growth: To achieve targeted growth in total shareholder returns.</p>	<ul style="list-style-type: none"> ▶ Remuneration is heavily weighted towards variable remuneration to ensure the alignment of executive directors and management interests with those of the shareholders. ▶ Attract and retain specialist skills in niche and more complex segments of the market.
<p>Leadership: To drive market leadership through competitive differentiation by accelerating the evolution of Datacentrix' business model from a product-driven organisation to an all-inclusive, services-orientated, integrated ICT solutions provider.</p>	<ul style="list-style-type: none"> ▶ The short-term incentive ("STI") rewards motivate the achievement of agreed Group, divisional and individual performance objectives. ▶ In respect of personal scorecard objectives for the STI, key performance indicators ("KPIs"), such as the following, would be included to drive performance in line with this strategic objective: <ul style="list-style-type: none"> – divisional and group profit targets; and – B-BBEE targets.

The Social, Ethics and Remuneration Committee is tasked with the overall accountability for remuneration. This includes ensuring that the Group's remuneration policy remains effective in supporting the Group's objectives as well as complying with relevant legislation and good corporate governance. The Committee furthermore:

- ▶ determines the remuneration of the executive directors and management;
- ▶ recommends the allocation of long-term incentives to management and executive directors;
- ▶ recommends the approval of

performance bonuses to individuals under the Group's short-term incentive scheme; and

- ▶ makes recommendations on fees for non-executive directors and Board committee members for approval by the Board and shareholders.

Salary adjustments for other employees are filtered through the Group from the executive management down to employees, through the business unit manager structure in place. Approvals go through the divisional executive committees, within the overall annual salary increase approval guidelines set

by the Social, Ethics and Remuneration Committee.

Decisions by the Social, Ethics and Remuneration Committee during the financial year included:

- ▶ approval of the performance bonuses for the qualifying employees; and
- ▶ total cost to company ("TCTC") increase for the forthcoming year; and
- ▶ the Group participated in the 21st Century survey and benchmarked existing salaries against the survey results.

Social, Ethics and Remuneration Committee continued

The Committee is satisfied that:

- performance-related elements of remuneration constitute a large proportion of total remuneration packages;
- remuneration levels determined by the committee are adequately benchmarked to attract, motivate, reward and retain senior executives, directors and employee categories of the Group; and
- it has established a formal and transparent set of policies and procedures.

Remuneration components

The various components of Datacentrix' remuneration approach are summarised in the table below:

Component	Datacentrix' approach to remuneration
Employees	<p>Group employees receive a total guaranteed package that is based on the role of the employee, market value, individual performance and level of competence. Packages are structured on a total-cost-to-company ("TCTC") basis and include contributions to healthcare, disability, life insurance and retirement benefits. Employer contributions towards retirement, life and medical benefits are included in the total guaranteed package. This means that employees are able to participate in the structure and composition of their individual packages to suit their needs and the requirements of their positions. This also enables comparison across the various employee classes. The TCTC concept offers transparency as each employee is able to understand the elements of their total remuneration package.</p> <p>Base salaries are reviewed in terms of job profiles and experience, and adjustments are made to base salaries to bring them in line where applicable.</p>
Middle management and key employees	<p>The remuneration structure for middle management and key employees includes fixed, short-term and medium to long-term components that reflect individual performance aligned with the relevant business' performance. The Group's primary management remuneration objective is to reward members of the management team to ensure that their interest areas, as far as possible, correspond with the interests of shareholders, the financial and commercial well-being of the Group and recommendations from industry surveys. This is achieved through:</p> <p>Fixed remuneration: Base salary and benefits – this is reviewed annually to ensure that the efforts of management who contribute to the success of the Group and have the potential to sustain performance are remunerated competitively.</p> <p>Short-term incentives: A short-term performance-related incentive scheme intended to provide superior total pay opportunities, should business performance merit it, and to reward individual performance.</p> <p>Long-term incentives: A long-term deferred bonus performance-related incentive scheme intended to attract, engage and retain critical talent and drive toward the overall performance of the Group.</p>
Executive directors and management	<p>The remuneration of executive directors and management is structured with the purpose to align the interests of the executives with operational performance and the long-term sustainability of the Group. They are rewarded through the payment of base remuneration, benefits and short-term incentives. New long-term incentives are being investigated. Remuneration is generally split between variable and fixed compensation. Details of the remuneration of the executive directors and management and information on share options are set out in the annual financial statements.</p>

Social, Ethics and Remuneration Committee continued

Remuneration components (continued)

Component	Datacentrix' approach to remuneration
Executive directors and management (continued)	<p>The financial metrics for short and long-term incentives are set by the Social, Ethics and Remuneration Committee on an annual basis, and are carefully selected based on key business drivers over the short and long term. The metrics that have been used in the past, and are envisaged to be used in future, are as follows:</p> <p>Short-term incentive: Group targets apply in the case of the CEO and Financial Director. Group targets are considered appropriate for these individuals due to the strategic nature of these roles, and their responsibilities for the performance of the Group as a whole. Divisional and Group targets apply for the rest of the executive management, in recognition of the responsibilities they bear to individual divisions of the business as well as their contributions to the performance of the Group as a whole. The targets set take into account the current trading conditions and challenges being faced by the Group or relevant division and incorporate a meaningful level of stretch to motivate and retain senior employees.</p>
Non-executive directors	<p>Non-executive directors are paid fees for their services as directors and Board-appointed committee members. Fees for non-executive directors are recommended to the Board by the Social, Ethics and Remuneration Committee and are reviewed annually taking into account external benchmarks.</p> <p>The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new acts, regulations and corporate governance guidelines. As required in terms of the Companies Act, fees for non-executive directors are submitted to shareholders for approval by way of special resolution at the AGM.</p> <p>To avoid the potential for conflicts of interest, which could impair independence, Datacentrix does not award bonuses or share options to non-executive directors.</p> <p>Information on fees paid to the non-executive directors for the financial year for directorship and membership of the Board and various committees is set out in note 2 of the annual financial statements.</p>

Social, Ethics and Remuneration Committee continued

Remuneration breakdown

The breakdown of the elements forming part of Datacentrix' remuneration approach are summarised in the table below:

Base salary	Fixed	<ul style="list-style-type: none"> ▶ Reflects the nature and scope of the specific role, including the performance and experience of the employee. ▶ Fixed remuneration is based on a TCTC approach. Benefits included as part of TCTC packages include a healthcare, disability, life insurance and retirement benefits. ▶ There is no standard across-the-board increase to all employees within the Group. Consideration for increases takes into account, among others, the following factors, namely market related increases, changes in individual responsibility, individual performance, the performance of the Group as a whole and other relevant economic indicators such as, <i>inter alia</i>, affordability and inflation. Overall increases will typically reflect the market benchmark increases, with individual increases varying according to an assessment of individual performance/worth. ▶ As a general rule, above average remuneration (75th percentile) is awarded to key staff who demonstrate that they have above average competency, and who are able to deliver results in keeping with this – as reflected in their annual performance ratings.
Benefits (included in base remuneration)	Fixed	<ul style="list-style-type: none"> ▶ Provides employees with contractually agreed benefits such as healthcare, disability, life insurance and retirement benefits. Members have the option to structure their pensionable income, monthly contributions to the Provident Fund and the nature of the fund invested in, however membership is compulsory for all new members. ▶ A minimum of 10% of pensionable remuneration is invested in the Provident Fund for all new employees. ▶ Contributions to the Provident Fund include benefits relating to insurance for employee and their dependants in the event of disability, death, critical illness, etc. ▶ All employees are required to belong to an approved medical aid scheme. ▶ Benefits are funded from the TCTC package for each employee.
Short-term incentives schemes	Variable	<ul style="list-style-type: none"> ▶ Rewards motivate employees to achieve agreed objectives. ▶ Datacentrix has short-term incentive schemes, which are tailored to the diverse businesses within the Group and designed to incentivise various categories of employees. ▶ All full-time salaried employees are appraised annually by the manager to whom they report in terms of the Group's various performance management systems. ▶ Performance ratings at year-end are taken into account in relation to merit increments or promotion in the following year. ▶ Selected key staff are eligible to receive a short-term incentive bonus at the end of the financial year based on a performance rating. ▶ For these purposes, their performance scorecards are structured with a weighting of between 30% and 75% being given to financial targets and of between 30% and 75% to their individual KPIs as agreed with the manager to whom they report at the beginning of the year.

Social, Ethics and Remuneration Committee continued

Remuneration breakdown (continued)

<p>Short-term incentives schemes (continued)</p>	<p>Variable</p>	<ul style="list-style-type: none"> ▶ Short-term incentives are not guaranteed, are paid in cash and are based on both individual and business unit achievement against pre-set targets. The conditions for earning a short-term incentive generally consist of two elements, namely personal objectives (incorporating non-financial measures) and, financial performance targets. Performance targets are designed to be relevant, and challenging. Budgets are approved by the Board at the start of the period and the committee approves bonuses for executives before they are paid. ▶ A Group bonus scheme is also in place for employees who are not entitled to any other form of incentive. The Group bonus scheme is solely based on Group financial performance against targets set by the Committee and Board. <p>Operational management performance targets focus on operating profits and working capital. The bonuses also include a discretionary element covering specific key performance areas and targets for each manager. These key performance indicators include responsibility for matters such as:</p> <ul style="list-style-type: none"> ▶ Service level achievements; ▶ Performance management; ▶ Growth of the Company; ▶ Succession planning and talent management; and ▶ Achievement of predetermined broad-based black economic empowerment targets for each manager's area of responsibility.
<p>Medium/long-term incentive plans</p>	<p>Variable</p>	<p>Medium to long-term incentives create loyalty and commitment among employees and act as a retention mechanism. It is essential for the Group to retain skills over the longer term and to motivate and incentivise senior management and other key employees to drive sustainable value creation over multiple reporting periods. This is achieved through long-term incentive plans and annual awards using the deferred bonus scheme. Financial performance targets for selected employees are set annually. On partial achievement of certain of these targets, a pro-rata bonus value is accrued. The value is deferred over a three-year period, with one third being available for a cash pay-out on an annual basis. The employee has to remain in the employment of the Company to retain the right to be paid the bonus.</p>
<p>Datacentrix Share Option Scheme</p>	<p>Variable</p>	<p>Long-term incentives were offered through participation in the Datacentrix Holdings Share Trust. As of 1 March 2015, no further options have been allocated and awarded.</p> <p>The trustees and management are in the process of reviewing alternative strategies in respect of long-term incentives.</p>

Social, Ethics and Remuneration Committee continued

Equity-settled share option plan

The Group plan provides for a grant price equal to the five day weighted average quoted market price of the Group shares on the date of grant. The vesting period is 12 to 54 months for employees and 12 to 36 months for directors. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the option vests. Datacentrix Holdings Limited funds the cash flow of the trust and has the obligation to fund the deficit of the trust on termination.

Executive directors' remuneration

Remuneration and benefits for executive directors are set out in note 2 of the annual financial statements. No current or retired director receives a pension funded by the Group.

Contractual provisions of executive directors and management

No special contractual arrangements apply to the appointments and termination of employment of the senior executives and no fixed term contracts of employment remain to be fulfilled. For executive directors and management notice of termination is one month.

Severance packages are not less than the minimum prescribed by law at the relevant time. Currently, none of the senior executives have special termination benefits or balloon payment provisions in their employment contracts, and Group policy prevents any senior executive from being compensated for loss of office.

Senior executives are subject to a restraint of trade condition prohibiting such individuals from taking employment with competing organisations for a period of 18 months after termination of employment. No consideration is paid to these employees in terms of this restraint.

	Group	
	2016 Options	2015 Options
Outstanding at the beginning of the year	21 784 798	21 954 798
Granted during the year	-	125 000
Exercised during the year	(11 705 446)	(22 500)
Forfeited during the year	(172 600)	(272 500)
Outstanding at the end of the year	9 906 752	21 784 798

The Remuneration philosophy reflects Datacentrix' commitment to align with best practice in the areas of remuneration, retention and reward in an effort to attract and retain exceptional talent.

Executive Committee remuneration

The total remuneration of members of the Executive Committee is set out in note 2 of the annual financial statements.

Share options

Share option allocations are considered and recommended by the Board and approved by the Social, Ethics and Remuneration Committee. Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

No share options have been allocated to directors or prescribed officers during the current year.

Non-executive directors

The appointment of non-executive directors ("NEDs") is governed by a letter of appointment that sets out, among other things, the term of appointment, duties and responsibilities, fees and other payments, and termination of

services. NEDs receive a standard fee for their services on the Board and Board committees. The Social, Ethics and Remuneration Committee reviews the level of fees and makes recommendations to the Board for consideration. In terms of Datacentrix' Memorandum of Incorporation, fees payable to NEDs must be approved by shareholders at a general meeting. The current level of fees payable to non-executive directors was approved by shareholders at the previous AGM. The proposed fees will be tabled for approval at the next AGM.

Succession planning

The Social, Ethics and Remuneration Committee reviews the Group's succession plan and communicates any areas of concern to the Board. The Group is presently not at risk in any senior executive position. The development of the plan is ongoing and is formally reviewed on an annual basis.



Nominations Committee

Mandate and duties of the Nominations Committee

Appointments to the Board are made in a formal and transparent manner and are considered by the Board as a whole.

The Nominations Committee provides independent and objective recommendations to the Board to ensure that the Board has the appropriate composition to discharge its duties effectively.

It reviews the balance of experience, knowledge and skills of the Board to ensure that it delivers strategic direction and leadership required for success.

Committee meetings are held on an ad hoc basis when necessary.

Composition of the Nominations Committee

The members of the Nominations Committee are non-executive directors. The committee is chaired by the Lead Independent Director ("LID").

Meetings of the Nominations Committee

The Committee met once during the financial year.

Roles and responsibilities of the Nominations Committee

- Make recommendations to the Board on the appointment of new members;
- Recommendations on the composition of the Board;
- Make recommendations to the Board on the appointment of a LID when applicable;

- Regularly review the Board structure, size and composition;
- Identify and nominate candidates for the approval of the Board to fill Board vacancies;
- Ensure succession plans are in place;
- Recommend directors that are retiring by rotation, for re-election;
- Initiate an annual, formal evaluation process of the Board, sub-committees and individual directors;
- Consult other directors in its evaluation of the Chairman of the Board, the Chief Executive and individual directors;
- Liaise with the Board in relation to the preparation of the Committee's report to shareholders; and
- Give due consideration to the JSE Listings Requirements and the principles of governance and the Code of Governance Principles.



Annual Financial Statements

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The annual financial statements for the year ended 29 February 2016 have been prepared under the supervision of the Group Financial Director, Elizabeth Naidoo (CA)SA. These separate and consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, 2008 (Act 70 of 2008), as amended.

Directors' report

The directors have pleasure in presenting their report on the activities of the Group and Company for the year ended 29 February 2016.

General review

The year under review is fully covered in this integrated report in the Chairman's and Chief Executive Officer's reports.

Share capital

There were no movements in the share capital of the Company in the current or prior financial period. Details of the authorised and issued share capital appear in note 22 to the annual financial statements.

Dividends

Details of the dividends and distributions declared and paid are shown in note 9 to the annual financial statements.

Datacentrix Holdings Share Trust

The two trustees, Nolitha Fakude and Dudu Nyamane, both independent, non-executive directors, manage the Datacentrix Holdings Share Trust. The trustees are responsible for the financial management of the trust and ensure adherence to the rules of the share trust deed. Details of the share trust are included in note 28 to the annual financial statements.

Subsidiaries and equity-accounted investee

Details of principal subsidiary companies appear in note 14 and details of the equity-accounted investee appear in note 13 to the annual financial statements.

Major shareholders

Shareholders holding beneficially, directly or indirectly in excess of 5% of the issued share capital of the Company are detailed in note 38 to the annual financial statements.

Events after reporting date

The events after reporting date are detailed in note 30 to the annual financial statements. The directors are not aware of any other matters or circumstances arising since the end of the financial year until the date of this report.

Capital expenditure

The Group spent R7.8 million (2015: R13.7 million) on property and equipment. R1.6 million (2015: R2.2 million) was spent on spares stock, also classified as equipment.

Auditor

SizweNtsalubaGobodo Inc. continued in office as auditor for the Company, its subsidiaries and equity-accounted investee for 2016. At the forthcoming Annual General Meeting ("AGM"), SizweNtsalubaGobodo Inc. will be proposed for re-appointment as the independent external auditor of the Company, its subsidiaries and equity-accounted investee for the 2017 financial year.

Dealing in securities

At the last AGM held on 3 July 2015, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 46 and 48 of the Companies Act, by way of special resolution, for acquisition of its own shares.

Trading in the Company's shares and options is conducted on completion of an application form. Authorisation is given in writing by the Chairman of the Board or the CEO as appropriate. The written authority is kept by the company secretary with the record of the particular transaction.

The Group operates in a closed period prior to the publication of its year-end and interim results. During this time, the Group's directors, prescribed officers and employees, and their families and associates, are restricted from dealing, whether directly or indirectly, in the Company's shares based on privileged, price-sensitive information before it has been publicly announced to the market. Additional closed periods are enforced as required in terms of any corporate activity.

Directors' report continued

Borrowing powers

The borrowing powers of the Company and subsidiaries are detailed in note 32 to the annual financial statements.

Directorate

Biographical notes of the current directors are shown within this integrated report. According to the Company's Memorandum of Incorporation, one third of the non-executive directors should retire by rotation at the forthcoming AGM. Directors appointed after the previous AGM shall also stand down for election by shareholders as required in the Memorandum of Incorporation.

The following changes to the Board have been made, effective 3 March 2016, as a result of the change in control and in compliance with the Listings Requirements of JSE Limited, following the finalisation of the mandatory offer to shareholders by Pinnacle Holdings Limited:

- ▶ Arnold Fourie, CEO of Pinnacle Holdings Group, has assumed the role of non-executive Chairman;
- ▶ Nolitha Fakude has stepped down from her role as Chairman to assume the role of Deputy Chairman and Lead Independent Director;
- ▶ Henry Ferreira has been appointed as a non-executive director; and
- ▶ Richard Lyon has stepped down from his role as a non-executive director to assume the role of alternate director to Arnold Fourie.

Directors' and prescribed officers' remuneration

The directors' and prescribed officers' remuneration and share options are reported in note 2 to the annual financial statements.

Company secretary

The company secretary is Mr JV Parkin who was appointed on 15 October 2015, replacing iThemba Governance and Statutory Solutions Proprietary Limited. The company secretary provides a central source of advice to the Board on the requirements of the JSE Listings Requirements, King III and corporate governance in general. In addition to the company secretary's statutory and other duties, the secretary also provides the Board as a whole, directors individually, and the committees, with guidance as to the manner in which their responsibilities should be discharged in the best interests of the Company. The appointment and removal of the company secretary is a matter to be determined by the Board. Additional information on the competence, qualifications and experience of the company secretary is provided in the corporate governance report.

Directors' responsibilities

The annual financial statements are the responsibility of the directors of the Company. The directors fulfil this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the Group's assets are safeguarded, that transactions are executed in accordance with management's authorisation and that financial records are reliable.

Audit and Risk Committee

Details of the Audit and Risk Committee are reported on in the corporate governance report.

Going concern

Following due consideration of the operating budgets, an assessment of Group debt covenants and funding requirements, solvency and liquidity, the major risks, outstanding legal, insurance and taxation issues, and other pertinent matters presented by management, the directors have recorded that they have reasonable expectation that the Company and the Group have adequate resources and the ability to continue in operation for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

Financial results

The financial results for the year ended 29 February 2016 are set out in detail within these annual financial statements.



Directors' report continued

Interests of directors

During the financial year, other than transactions with companies related to the major shareholders of the Group, which are disclosed in the annual financial statements, no material contracts were entered into which directors of the Company had an interest in and which significantly affected the business of the Group.

The interests of directors in terms of direct and indirect beneficial interest are disclosed under note 2 of the annual financial statements.

Related party transactions

The related party transactions entered into in the ordinary course of business are disclosed in note 34 of the annual financial statements. A business combination from a related party is disclosed in note 14 of the annual financial statements.

Financial assistance to all related and inter-related companies

At the last AGM held on 3 July 2015, shareholders gave the Company approval in terms of section 45 of the Companies Act, by way of special resolution, to provide direct or indirect financial assistance to a related or inter-related company or corporation, at any time and from time to time during the two years period commencing on that date.

Holding company

The Group's holding company is Pinnacle Holdings Limited, which holds 55.30% (2015: 34.99%) of the Company's total voting shares in issue through a wholly-owned subsidiary, DCT Holdings Proprietary Limited. Both entities are incorporated in South Africa.

Sponsor

Merchantec Capital, a leading independent JSE registered sponsor and corporate finance company in South Africa, is the Group's sponsor. Their sponsor division comprises dedicated people who, through their thorough understanding of the various regulatory frameworks and extensive corporate finance experience, ensure the highest quality of service. The team represents over 20 listed clients, a number of which have been clients for almost fifteen years.

Insurance

The Group has placed cover in the South African traditional insurance markets to ensure that all categories of risk are covered adequately. Additional cover on a per risk basis has been purchased where appropriate.

Future reporting period

The Board has approved a change in the Company's and its subsidiaries' financial year-ends from February to June, with effect from 30 June 2016.

Audit and Risk Committee's report

In compliance with the requirements of section 94 of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act"), an Audit and Risk Committee is appointed annually by shareholders at the Annual General Meeting ("AGM"). During the year under review, this Committee comprised of Alwyn Martin (Chairman); Nolitha Fakude; and Dudu Nyamane.

During the financial year ended 29 February 2016, in addition to the duties set out in the Audit and Risk Committee's terms of reference, the Committee carried out its functions as follows:

- ▶ nominated the appointment of SizweNtsalubaGobodo Inc. as the registered independent auditor after satisfying itself through enquiry that SizweNtsalubaGobodo Inc. is independent as defined in terms of the Companies Act;
- ▶ determined the fees to be paid to SizweNtsalubaGobodo Inc. and their terms of engagement;
- ▶ ensured that the appointment of SizweNtsalubaGobodo Inc. complied with the Companies Act and any other legislation relating to the appointment of auditors;
- ▶ approved a non-audit services policy that determines the nature and extent of any non-audit services, which SizweNtsalubaGobodo Inc. may provide to the Company; and
- ▶ pre-approved any proposed contract with SizweNtsalubaGobodo Inc. for the provision of non-audit services to the Company.

The Audit and Risk Committee has satisfied itself through enquiry that SizweNtsalubaGobodo Inc. and Alex Philippou, the designated auditor, are independent of the Company. The Audit and Risk Committee recommended the annual financial statements for the year ended 29 February 2016 for approval to the Board. The Board has subsequently approved the annual financial statements, which will be open for discussion at the forthcoming AGM.

The Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the Group Financial Director, Elizabeth Naidoo, and the finance function. An abridged curriculum vitae of the Group Financial Director appears in the Governance section of this integrated annual report under the board of directors.



Alwyn Martin
Chairman, Audit and Risk Committee
Midrand
18 April 2016

Certificate of the company secretary

I certify, in my capacity as company secretary and in accordance with section 88 of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended, that for the year ended 29 February 2016 the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required from a public company in terms of the Act and that these returns are true, correct and up to date.



JV Parkin
Company Secretary
Midrand
18 April 2016

Directors' statement of responsibility

The annual financial statements are prepared in accordance with the appropriate accounting policies based on International Financial Reporting Standards ("IFRS"), the Companies Act, 2008 (Act 71 of 2008), as amended and incorporate appropriate and responsible disclosure, supported by reasonable and prudent judgements and estimates, which have been used consistently. The responsibility of the external auditor is to independently audit and report on the fair presentation of the financial statements in all material respects and their report is presented on page 65.

The directors accept responsibility for the integrity, objectivity and reliability of the financial statements of the Company and Group. Complete accounting records have been kept to support this. The directors support the principle of transparent reporting and delegated the responsibility for the preparation and presentation of the financial statements to management.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurances as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitable, trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors believe that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the financial statements fairly present the financial situation and results of operations and cash flows of the Company and the Group for the year ended 29 February 2016.

The directors of the Group, whose names are given in the Governance section under the board of directors of this integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted, which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this annual report contains all the information required by the Listings Requirements of JSE Limited.

The annual financial statements appearing on pages 66 to 111 were approved by the Board of directors on 18 April 2016, and are signed on its behalf by:



Arnold Fourie
Non-executive Chairman



Ahmed Mahomed
Chief Executive Officer

Independent auditor's report

To the shareholders of Datacentrix Holdings Limited

We have audited the consolidated and separate annual financial statements of Datacentrix Holdings Limited, set out on pages 66 to 110, which comprise the consolidated and separate statements of financial position as at 29 February 2016, and the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2008 (Act 71 of 2008), as amended, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Datacentrix Holdings Limited as at 29 February 2016, and its consolidated and separate financial performances and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate annual financial statements for the year ended 29 February 2016, we have read the Directors' Report, the Audit and Risk Committee's Report and the Certificate of the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that SizweNtsalubaGobodo Inc. has been the auditor of Datacentrix Holdings Limited for 3 years.



SizweNtsalubaGobodo Inc.
Alex Philippou: Registered Auditor, Engagement Director
18 April 2016

Statements of profit or loss and other comprehensive income

for the year ended 29 February 2016

	Notes	Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	3	2 609 256	2 249 661	-	-
Changes in inventories of finished goods and work in progress		(123 644)	13 286	-	-
Finished goods		(1 658 017)	(1 516 646)	-	-
Other income		6 391	-	-	-
Employee benefits expense		(568 835)	(507 322)	-	-
Depreciation and amortisation expenses		(31 937)	(25 669)	-	-
Other expenses		(68 914)	(68 541)	(972)	(1 126)
Loss from equity-accounted investee		-	(967)	-	-
Investment income	4	10 696	5 257	30 009	11
Finance costs	5	(1 516)	(2 602)	-	-
Profit/(loss) before tax	6	173 480	146 457	29 037	(1 115)
Income tax expense	7	(50 309)	(42 980)	-	-
Profit/(loss) after tax		123 171	103 477	29 037	(1 115)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year attributable to shareholders		123 171	103 477	29 037	(1 115)
Basic earnings per ordinary share (cents)	8	62.9	52.9		
Diluted basic earnings per ordinary share (cents)	8	62.7	52.6		

Statements of financial position

as at 29 February 2016

	Notes	Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
ASSETS					
Non-current assets					
		251 260	200 179	113 506	119 328
Property and equipment	10	61 778	68 421	-	-
Intangible assets – business combinations	11	146 467	88 854	-	-
Intangible assets – software	12	6 458	9 803	-	-
Investment in equity-accounted investee	13	-	-	-	-
Investment in subsidiaries	14	-	-	113 506	119 328
Long-term receivable	15	4 173	-	-	-
Finance lease receivable	16	-	-	-	-
Deferred tax assets	17	32 384	33 101	-	-
Current assets					
		933 775	780 739	6 826	7 125
Loan to share trust	18	-	-	6 627	6 627
Current tax assets		1 146	1 998	-	-
Finance lease receivable	16	489	7 191	-	-
Inventories	19	154 766	31 122	-	-
Trade and other receivables	20	656 897	448 936	199	195
Cash and cash equivalents	21	120 477	291 492	-	303
TOTAL ASSETS					
		1 185 035	980 918	120 332	126 453
EQUITY AND LIABILITIES					
Capital and reserves					
		690 734	612 425	120 000	126 125
Share capital	22	21	21	21	21
Share premium	22	58 365	36 092	69 784	39 280
Treasury shares	22	(45 439)	(35 983)	-	-
Equity-settled share scheme reserve	22	18 123	39 208	18 760	46 061
Retained earnings		659 664	573 087	31 435	40 763
Non-current liabilities					
		29 382	19 889	-	-
Deferred revenue	23	29 097	6 438	-	-
Loan payable	14	-	13 338	-	-
Deferred tax liabilities	17	285	113	-	-
Finance lease liabilities	24	-	-	-	-
Current liabilities					
		464 919	348 604	332	328
Deferred revenue	23	96 677	67 580	-	-
Finance lease liabilities	24	489	7 157	-	-
Trade and other payables	25	351 334	265 096	332	325
Current tax liabilities		602	304	-	3
Loan payable	14	13 658	6 405	-	-
Operating lease liability		2 159	2 062	-	-
TOTAL EQUITY AND LIABILITIES					
		1 185 035	980 918	120 332	126 453

Statements of changes in equity

for the year ended 29 February 2016

	Share capital R'000	Share premium R'000	Treasury shares R'000	Equity-settled share scheme reserve R'000	Retained earnings R'000	Total R'000
GROUP						
Balance at 28 February 2014	21	36 079	(35 983)	36 378	501 448	537 943
Total comprehensive income for the year [#]	-	-	-	-	103 477	103 477
Treasury shares – movement during the year [*]	-	13	-	(70)	-	(57)
Share-based payments	-	-	-	2 900	-	2 900
Dividend paid	-	-	-	-	(31 838)	(31 838)
Balance at 28 February 2015	21	36 092	(35 983)	39 208	573 087	612 425
Total comprehensive income for the year [#]	-	-	-	-	123 171	123 171
Treasury shares – movement during the year [*]	-	(8 231)	(3 240)	-	-	(11 471)
Share-based payments	-	-	-	3 203	-	3 203
Transfer between reserves [@]	-	30 504	(6 216)	(24 288)	-	-
Dividend paid	-	-	-	-	(36 594)	(36 594)
Balance at 29 February 2016	21	58 365	(45 439)	18 123	659 664	690 734
COMPANY						
Balance at 28 February 2014	21	39 280	-	43 161	75 256	157 718
Total comprehensive income for the year [#]	-	-	-	-	(1 115)	(1 115)
Share-based payments	-	-	-	2 900	-	2 900
Dividend paid	-	-	-	-	(33 378)	(33 378)
Balance at 28 February 2015	21	39 280	-	46 061	40 763	126 125
Total comprehensive income for the year [#]	-	-	-	-	29 037	29 037
Share-based payments	-	-	-	3 203	-	3 203
Transfer between reserves [@]	-	30 504	-	(30 504)	-	-
Dividend paid	-	-	-	-	(38 365)	(38 365)
Balance at 29 February 2016	21	69 784	-	18 760	31 435	120 000

* Treasury share movements relating to the share incentive scheme of the Group have been accounted for in the equity-settled share scheme reserve as this reflects the nature of the transaction.

The total comprehensive income for the period is equal to the profit or loss for the year as no element of other comprehensive income exists.

@ The transfer between reserves relates to treasury shares and the equity-settled share-based payment reflecting the correct value.

Statements of cash flow

for the year ended 29 February 2016

	Notes	Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		2 417 782	2 266 148	2 234	2 046
Cash paid to suppliers and employees		(2 394 180)	(2 067 100)	-	-
Cash generated from operations	35	23 602	199 048	2 234	2 046
Interest received	37	10 761	6 599	9	11
Interest paid		(1 516)	(2 602)	-	-
Dividend received		-	-	30 000	-
Dividend paid	9	(36 594)	(31 838)	(38 365)	(33 378)
Income tax paid	36	(47 921)	(38 094)	(3)	(1)
Net cash (outflow)/inflow from operating activities		(51 668)	133 113	(6 125)	(31 322)
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	10	(9 476)	(15 979)	-	-
Additions to intangible assets – software	12	(6 143)	(6 982)	-	-
Proceeds from sale of property and equipment		1 159	58	-	-
Decrease in investment		-	-	5 822	31 192
Acquisition of subsidiary	14	(80 010)	-	-	-
Increase in equity-accounted investee loan		-	(53)	-	-
Net cash (outflow)/inflow from investing activities		(94 470)	(22 956)	5 822	31 192
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in equity-settled share scheme reserve		(3 240)	(70)	-	-
Decrease in amounts due under finance leases		(6 668)	(18 565)	-	-
Decrease in loans payable		(14 969)	(2 567)	-	-
Net cash outflow from financing activities		(24 877)	(21 202)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(171 015)	88 955	(303)	(130)
Cash and cash equivalents at the beginning of the year	21	291 492	202 537	303	433
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	120 477	291 492	-	303

Notes to the annual financial statements

for the year ended 29 February 2016

REPORTING ENTITY

Datacentrix Holdings Limited is a company domiciled in South Africa. The address of the Company is 238 Roan Crescent, Old Pretoria Road, Midrand, 1685. The consolidated financial statements of the Company as at and for the year ended 29 February 2016 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in its equity-accounted investee. The Group is primarily involved in the provision of solutions and infrastructure within the ICT industry.

BASIS OF PREPARATION

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of JSE Limited, and the Companies Act of South Africa (Act 71 of 2008), as amended.

The annual financial statements were authorised for issue by the Board of directors on 18 April 2016 and are subject to the approval of the shareholders at the AGM.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for financial instruments carried at fair value, as applicable.

The consolidated and separate financial statements are presented in South African Rands which is the functional currency of the entity. Amounts are rounded to the nearest thousand with the exception of earnings per share, headline earnings per share and the related number of shares, the net tangible asset value, the number of ordinary shares as set out in note 8, dividend information as set out in note 9 and share-based payment information set out in note 28.

The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results might differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate annual financial statements are included in note 1, "Summary of significant accounting policies".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted are set out below. The principal accounting policies, which comply with IFRS, have been consistently applied in all material respects in the current and comparative years.

All subsidiaries and other entities, controlled by the Company, complied with these accounting policies.

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company, its subsidiary companies and the Datacentrix Holdings Share Trust, all of which are controlled by the Company as well as the investment in its equity-accounted investee. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The operating results of subsidiary companies are included from the effective dates of acquisition, up to the effective dates of disposal. All inter-company transactions and balances have been eliminated on consolidation. Premiums that arise on the acquisition of subsidiary companies and any excess of the net assets of a subsidiary company over the cost of acquisition are treated in terms of the Group's accounting policy for goodwill.

Subsidiaries

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method when control is transferred to the Group. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Transaction costs are expensed as incurred, except if they relate to the issue of debt or equity instruments.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

Business combinations (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3: Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, the subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

Interest in equity-accounted investee

The Group's interest in its equity-accounted investee comprises an interest in a joint venture.

A joint venture is a joint arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, and the Group has rights to the net assets of the arrangement, rather than the right to its assets and obligations for its liabilities. The investment in the joint venture is accounted for using the equity method and is recognised initially at cost. The cost of the initial investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of its equity-accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of future losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Operating segments

An operating segment is a component of an entity:

- ▶ that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- ▶ whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- ▶ for which discrete financial information is available.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- ▶ its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- ▶ the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- ▶ its assets are 10% or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

All items of property and equipment, except for land, which is stated at cost, are stated at original cost less accumulated depreciation and any impairment losses. Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to or replace part of it. Costs relating to the day-to-day servicing of items classified as property and equipment are recognised in profit or loss. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised. Depreciation is charged so as to write-off the cost of assets over their estimated useful lives to their residual values, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Computer equipment utilised in large enterprise outsourcing contracts are depreciated over the term of the contract, which is considered to be the useful life, to their residual values.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

A gain or loss arising on the disposal or derecognition of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Spare parts are included in property and equipment if it meets the definition of property plant and equipment in terms of IAS 16, otherwise it is classified as inventory.

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. Goodwill is reviewed for impairment on an annual basis, regardless of whether there are any indicators of impairment or more frequently when there is an indication that the cash-generating unit to which it belongs may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss for the year. It is first allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit on a pro-rata basis. The recoverable amount is determined in terms of the value in use.

Other than for goodwill, where an impairment loss subsequently reverses the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit and loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

A cash-generating unit within the Group is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition of the Group's interest over the fair value of the identifiable assets and liabilities of a division, subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

A recognised impairment loss is never reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Software

All items of software are stated at original cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write-off the cost of assets over their estimated useful lives to residual values, using the straight-line method.

Intangible assets – business combinations

Other intangible assets are stated at fair value (as determined as part of business combinations) less accumulated amortisation. Other intangible assets are amortised over the estimated useful lives of the relevant assets.

Leases

At inception of an arrangement, the Group determines the classification of the arrangement as a finance lease or an operating lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges related to leases are recognised in profit or loss as they accrue.

Assets held under operating leases are not recognised in the Group's statement of financial position. Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The Group as lessor

Assets utilised in finance lease arrangements with the Group as lessor are not recorded as assets of the Group. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases and is recognised in profit or loss.

Rental income from operating leases (excluding costs for other services) is recognised on a straight-line basis over the term of the relevant lease and recognised in profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from the lessee are recognised as receivables.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The charge for current tax is based on the results for the year as adjusted for items, which are non-taxable or disallowed. It is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability is settled. Deferred tax is recognised in profit or loss for the year, except when it relates to items recognised directly to other comprehensive income or equity, in which case the deferred tax is also dealt with accordingly.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when the different taxable entities intends to settle current tax assets and liabilities on a net basis.

Inventories

All inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Redundant and slow-moving inventories are identified and written-down with regard to their estimated economic or realisable values. The net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is party to a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' financial assets, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Trade receivables, loans, and other short term receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTP' or 'financial liabilities at amortised cost'.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 31.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value-added taxation.

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group, the amount of revenue can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Contracts containing multi-elements are split upfront into the various elements i.e. the sale of goods and service and maintenance components are separately measured and recognised.

Revenue earned from the sale of goods is recognised when goods are delivered and the risks and rewards of ownership have passed.

Revenue derived from services rendered relating to service and maintenance contracts are recognised by reference of the stage of completion. The stage of completion of the contract is directly linked to the period of the contract, which varies between 12 to 36 months. The revenue received in relation to these contracts is deferred and recognised over the remainder of the contract life.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease and classified as revenue.

The interest income earned on finance leases are recognised as revenue.

Interest and dividends received

Interest income on investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies

Transactions in currencies other than South African Rands are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling at reporting date. Profits and losses arising on exchange are accounted for in profit or loss.

Finance costs

All finance costs are recognised in profit or loss in the period in which they are incurred as the Group has no qualifying assets as defined in *IAS 23: Borrowing Costs*.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amounts expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value, determined with the binomial model at the grant date of the equity-settled share-based transactions, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market vesting conditions. At each reporting date the Group reconsiders the estimates made.

The expected life used in the binomial model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Options are granted to employees and directors in terms of equity compensation plans at fair value of the Company's shares at the date of granting the options. When exercised at a later date, shares are issued at the option value.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Any losses or profits incurred by the Group or the Datacentrix Holdings Share Trust on the exercise of options by employees are accounted for in share premium. Shares held by the trust are treated as treasury shares. Any potential losses that could be incurred by the trust where vested options are immediately exercisable are recognised in share premium. Potential losses or profits on vested options exercisable at future dates or profits on options exercisable immediately are disclosed by way of a note.

Retirement benefits

Payments to defined contribution retirement plans are recognised as an expense as they fall due. Unpaid amounts are reflected as a liability at reporting date and prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Other employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value. Benefits are classified as short-term in nature if these are expected to be paid within 12 months after the end of the reporting period.

Leave pay accrual

The leave pay accrual, included under the employee related liabilities in note 25, relates to possible vesting leave pay to which employees may become entitled upon leaving the employment of the Group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave pay or utilise compensated leave due to them.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described earlier in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition

Note 3 sets out the different types of revenue recognised for the businesses of Technology Solutions, Managed Services and Business Applications. In making its judgement of how to treat the revenue of the various transactions, management considered the detailed criteria for the recognition of revenue from the sale of goods and services, set out in *IAS 18: Revenue*, and in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

Where a single contract price is negotiated with a customer for both goods and services, the split is determined with reference to the usual sales prices for these specific goods and services.

Consolidation of the Datacentrix Holdings Share Trust – share incentive trust of the Group

Management considered the various elements on determining whether it controls and should consolidate the Datacentrix Holdings Share Trust as set out in *IFRS 10: Consolidated Financial Statements* and the definition of a structured entity as set out in *IFRS 12: Disclosure of Interests in Other Entities*.

Management has made considerations from strategic points of view, which include Datacentrix Holdings being closely involved in the design and purpose of the trust as a vehicle to operate the share incentive scheme of the Group and the authority to appoint the trustees of the trust. From an operational perspective the trust receives financial support from Datacentrix Holdings Limited which also includes the absorption of any potential deficit of the trust on termination, should this occur and the fact that the operations of the trust is considered to be contingent to the purpose of the trust. Based on these indicators the trust is a structured entity and is controlled by Datacentrix Holdings Limited and therefore consolidated in the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Group's accounting policies (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which goodwill has been allocated. The value in use requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. A five-year model is applied. Refer to note 11 for details.

Useful lives and residual values of assets

Useful lives and residual values of assets are reviewed at least once a year, at year end. Management is of the opinion that the useful lives and residual values of the assets currently carried are in line with industry norms. Refer to note 10, 11 and 12 for details.

Inventory carried at net realisable value

The net realisable value of inventory represents the estimated selling price in the current market at year end. The Group provides for the amount, which the cost of inventory is higher than the net realisable value multiplied by the units of stock on hand at year end. No such provision was required in the current or prior year.

Allowance for credit losses

The allowance for credit losses relates to possible recoverability and ageing issues regarding specific debtors. These are analysed on a one-on-one basis first, and then on a portfolio basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Fair value of financial instruments

As described in note 31, the directors used their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Fair value of share-based payments reserve

The fair value is determined using the binomial model. Refer note 28 for inputs and assumptions made in the binomial model.

Adoption of new and revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations.

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations issued but not yet effective

At the date of authorisation of the annual financial statements, the following Standards and Interpretations applicable to the Group were in issue, but not yet effective:

Standards/ interpretations	Details of amendment	Effective for annual periods beginning on or after
IFRS 9: Financial Instruments	This is a new standard that is meant to replace IAS 39: Financial Instruments: Recognition and Measurement, when it becomes effective.	
IFRS 15: Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: <ul style="list-style-type: none"> ▶ identify the contract with the customer; ▶ identify the performance obligations in the contract; ▶ determine the transaction price; ▶ allocate the transaction price to the performance obligations in the contracts; and ▶ recognise revenue when (or as) the entity satisfies a performance obligation. 	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018
IFRS 16: Leases	This is a new standard that is meant to replace IAS 17: Leases, when it becomes effective.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019
Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	The issue is to clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of IFRS 10, is available to entities affected by Investment Entities amendments.	
Disclosure Initiative (Amendments to IAS 1)	The amendments relate to the following: <ul style="list-style-type: none"> ▶ materiality; ▶ order of the notes; ▶ subtotals; ▶ accounting policies; and ▶ disaggregation. 	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016

Notes to the annual financial statements continued

for the year ended 29 February 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations issued but not yet effective (continued)

Standards/ interpretations	Details of amendment	Effective for annual periods beginning on or after
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	The objective was to add new guidance to IFRS 11: Joint Arrangements on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The IASB decided that acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3: Business Combinations, and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations.	
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	This project is a limited-scope amendment to IAS 16 and IAS 38 to clarify the use of a revenue-based depreciation or amortisation method.	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	The objective of the project is to address the acknowledged inconsistency between the requirements in IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 (2011) restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016
Annual Improvements 2012-2014	<p>IFRS 5: Non-current Assets Held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> ▶ Changes in methods of disposal <p>IFRS 7 Financial Instruments: Disclosures</p> <ul style="list-style-type: none"> ▶ Servicing contracts ▶ Applicability of the amendments to IFRS 7 to condensed interim financial statements <p>IAS 19: Employee Benefits</p> <ul style="list-style-type: none"> ▶ Discount rate: regional market issue <p>IAS 34: Interim Financial Reporting</p> <ul style="list-style-type: none"> ▶ Disclosure of information 'elsewhere in the interim financial report' 	

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity). The specific impact of IFRS 15 and IFRS 16 will be assessed by management as these specific Standards have potential direct impact on the operations of the Group. Management assessed all the other Standards and Interpretations and does not believe that any of these will have a material impact on the results of the Group and Company in future periods.

Notes to the annual financial statements continued

for the year ended 29 February 2016

2. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Executive directors

Remuneration and benefits for executive directors were as follows:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000
2016					
Ahmed Mahomed	3 488	4 454	33	443	8 418
Elizabeth Naidoo	2 156	2 233	117	286	4 792
	5 644	6 687	150	729	13 210
2015					
Ahmed Mahomed	3 248	4 021	29	412	7 710
Elizabeth Naidoo	2 027	2 110	113	269	4 519
	5 275	6 131	142	681	12 229

No current or retired director receives a pension funded by the Group.

Executive management

The total remuneration of the executive management, which does not form part of the directorate is set out below:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000	2015 Total R'000
2016						
Officer 1	2 043	2 008	69	-	4 120	3 894
Officer 2	1 767	2 188	47	224	4 226	3 370
Officer 3 (appointed January 2016)	383	-	20	33	436	-
Officer 4	1 378	1 627	173	197	3 375	3 046
Officer 5	1 237	806	120	108	2 271	2 307
Officer 6 (resigned May 2014)	-	-	-	-	-	301
Officer 7 (resigned February 2016)	1 139	749	104	156	2 148	2 021
Officer 8 (appointed November 2015)	664	151	12	87	914	409
	8 611	7 529	545	805	17 490	15 348

Non-executive directors – fees for services as directors

	Total	
	2016 R'000	2015 R'000
Arnold Fourie#	143	162
Nolitha Fakude^	600	-
Alwyn Martin	371	370
Dudu Nyamane	321	303
Richard Lyon ~*#	86	-
	1 521	835

* Resigned after the reporting date ^ Waived right to fees in prior year ~ Appointed during the current year

Arnold Fourie and Richard Lyon have an interest in the holding company, Pinnacle Holdings Limited, and accordingly, the fees were paid to this company.

Notes to the annual financial statements continued

for the year ended 29 February 2016

2. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (continued)

Directors' shareholding

<i>Executive directors</i>	2016 Beneficial		2015 Beneficial	
	Direct	Indirect	Direct	Indirect
Ahmed Mahomed	-	-	160 400	-

<i>Non-executive directors</i>	Non-beneficial	2016 Beneficial		Non-beneficial	2015 Beneficial	
		Direct	Indirect		Direct	Indirect
Directors of Pinnacle Holdings Limited@	108 311 512	-	-	68 520 048	-	-
	108 311 512	-	-	68 520 048	-	-

@Arnold Fourie is a shareholder in and director of the holding company, Pinnacle Holdings Limited.

@Richard Lyon is a shareholder in and director of the holding company, Pinnacle Holdings Limited.

There have been no changes to the directors' interests between the reporting date and the date of this report.

Share options

Share option allocations are considered and recommended by the Board and approved by the Social, Ethics and Remuneration Committee. Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

	Number of options 28 Feb 2015	New options allocated during the year	Expired, sold or lapsed during the year	Number of options 29 Feb 2016	Option price R	Grant date	Value of all options in total R
Ahmed Mahomed	1 750 000	-	(1 750 000)	-	3.43	02/10/2006	-
	500 000	-	(500 000)	-	3.11	30/01/2009	-
	3 000 000	-	(833 333)	2 166 667	4.31	25/11/2009	9 338 335
	1 333 334	-	(1 333 334)	-	3.97	23/06/2010	-
	1 333 334	-	(1 333 334)	-	4.22	05/10/2011	-
	1 333 333	-	-	1 333 333	4.90	22/06/2012	6 533 332
Elizabeth Naidoo	1 000 000	-	(1 000 000)	-	3.43	02/10/2006	-
	300 000	-	(300 000)	-	3.11	30/01/2009	-
	666 667	-	(666 667)	-	3.97	23/06/2010	-
	666 667	-	(333 333)	333 334	4.22	05/10/2011	1 406 669
	666 666	-	-	666 666	4.90	22/06/2012	3 266 664
	12 550 001	-	(8 050 001)	4 500 000			20 545 000

No share options have been allocated to directors or prescribed officers during the current year. At reporting date, share options allocated to prescribed officers amounted to 4,962,500 (at an average option price of R4.46) to the value of R22.1 million.

Notes to the annual financial statements continued

for the year ended 29 February 2016

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Group	
	2016 R'000	2015 R'000
Sale of goods	1 611 228	1 351 280
Services rendered	997 963	897 039
Interest on finance lease receivables	65	1 342
	2 609 256	2 249 661

4. INVESTMENT INCOME

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Interest on bank deposits	9 946	5 257	9	11
Interest on trade receivables	326	-	-	-
Interest from revenue authorities	424	-	-	-
Dividends received from subsidiaries	-	-	30 000	-
	10 696	5 257	30 009	11

5. FINANCE COSTS

Interest paid to financial institutions	110	67	-	-
Interest paid on loans	1 341	1 219	-	-
Interest paid on finance lease payables	65	1 316	-	-
	1 516	2 602	-	-

Notes to the annual financial statements continued

for the year ended 29 February 2016

6. PROFIT BEFORE TAXATION

Profit before taxation for the year has been arrived at after taking the following into account:

	Group	
	2016 R'000	2015 R'000
Auditors' remuneration		
- external audit fees	1 478	1 287
- fees for other services (taxation and advisory services)	277	313
Net foreign exchange (profit)/loss	(6 056)	322
Depreciation of property and equipment	18 713	16 182
Amortisation of software and intangibles	13 224	9 487
Increase in allowance for credit losses	7 776	912
Total employee benefits expense	568 835	507 322
Retirement fund contributions (included in employee benefits expense)	30 606	29 452
Operating lease payments – equipment	9 493	19 327
Operating lease payments – properties	21 305	21 499
Increase in allowance for obsolete inventories	5 556	2 203
(Profit)/loss on disposal of property, equipment and intangible assets	(335)	324

7. INCOME TAX EXPENSE

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Tax charge				
SA normal tax – current year	58 492	48 552	-	-
Deferred tax – current year	(8 183)	(5 572)	-	-
	50 309	42 980	-	-

SA normal income tax is calculated at 28% (2015: 28%) of the estimated assessable profit for the year. Deferred taxation is calculated at 28% (2015: 28%).

	%	%	%	%
Reconciliation of rate of taxation				
Taxation at statutory rate	28.0	28.0	28.0	28.0
Share-based payment expense not tax deductible	1.8	0.5	-	-
Finance costs not tax deductible	0.2	0.2	-	-
Other (income)/expenses not tax deductible/(taxable)	(1.0)	0.7	(28.0)	(28.0)
Effective taxation rate for the year	29.0	29.4	-	-

Notes to the annual financial statements continued

for the year ended 29 February 2016

8. EARNINGS PER SHARE AND OTHER PER SHARE INFORMATION

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2016 R'000	2015 R'000
Number of shares		
Weighted average number of ordinary shares for the purposes of earnings per share (net of shares held by the Datacentrix Holdings Share Trust)	195 847 991	195 797 991
Effect of dilutive potential ordinary shares: Share options	471 677	981 838
Weighted average number of ordinary shares for the purposes of diluted earnings and headline earnings per share	196 319 668	196 779 829
Earnings for the purpose of earnings per share (R'000)	123 171	103 477
Earnings per share (cents)		
Basic	62.9	52.9
Diluted	62.7	52.6
Headline earnings for the purposes of headline earnings per share*		
Profit attributable to ordinary shareholders (R'000)	123 171	103 477
(Profit)/loss on disposal of assets, net of tax effect (R'000)	(241)	324
Headline earnings for the purposes of basic and diluted headline earnings per share (R'000)	122 930	103 801
Headline earnings per share (cents)		
Basic	62.8	53.0
Diluted	62.6	52.8
Net asset value per share		
Net asset value per share is calculated by dividing the ordinary shareholders' equity by the issued share capital at reporting date		
Number of shares		
Closing number of shares (net of shares held by the Datacentrix Holdings Share Trust)	195 847 991	195 797 991
Net asset value		
Ordinary shareholders' equity	690 734	612 425
Net asset value (adjusted for treasury shares) per share (cents)	352.7	312.8
Tangible net asset value per share		
Tangible net asset value per share is calculated by dividing the ordinary shareholders' equity, less intangibles, by the issued share capital at reporting date		
Ordinary shareholders' equity (R'000)	690 734	612 425
Adjustment: Less intangible assets (R'000)	(152 925)	(98 657)
Tangible net asset value (R'000)	537 809	513 768
Tangible net asset value (adjusted for treasury shares) per share (cents)	274.6	262.4

* The headline earnings per share is calculated in terms of the requirements of Circular 2/2015 as issued by the South African Institute of Chartered Accountants ("SAICA").

Notes to the annual financial statements continued

for the year ended 29 February 2016

9. DIVIDEND

The total dividend paid by the Group during the financial period amounted to R36 594 645 (2015: R31 838 753).

The Board declared an interim gross cash dividend of 9.23 cents per share. The Group previously indicated that as it expands and secures the provisioning of complex turnkey solutions, working capital requirements will increase. As a result, investment is required not only to support this organic growth strategy, but also potential acquisitions. Consequently the Board has decided not to declare an additional final dividend payment for the second half of the 2016 financial year. Datacentrix intends to remain a dividend paying company and the Board will review this at each reporting date.

10. PROPERTY AND EQUIPMENT – GROUP ONLY

2016	Opening balance R'000	Acquisition R'000	Additions R'000	Disposals R'000	Closing balance R'000
Cost					
Land	1 915	-	-	-	1 915
Buildings	13 635	-	-	-	13 635
Motor vehicles	2 832	1 446	598	(554)	4 322
Furniture and fittings	10 084	416	99	(29)	10 570
Computer equipment	84 470	236	6 890	(2 172)	89 424
Office equipment	8 471	882	222	(6)	9 569
Spare parts	21 757	-	1 629	(5 147)	18 239
Leasehold improvements	6 986	90	38	-	7 114
	150 150	3 070	9 476	(7 908)	154 788

2016	Opening balance R'000	Depreciation R'000	Disposals R'000	Closing balance R'000
Accumulated depreciation				
Land	-	-	-	-
Buildings	255	-	-	255
Motor vehicles	1 616	972	(521)	2 067
Furniture and fittings	6 682	611	(26)	7 267
Computer equipment	44 351	14 135	(1 926)	56 560
Office equipment	2 797	793	(6)	3 584
Spare parts	20 689	987	(4 953)	16 723
Leasehold improvements	5 339	1 215	-	6 554
	81 729	18 713	(7 432)	93 010

2015	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Cost				
Land	1 915	-	-	1 915
Buildings	13 548	87	-	13 635
Motor vehicles	2 326	506	-	2 832
Furniture and fittings	9 887	204	(7)	10 084
Computer equipment	73 995	12 518	(2 043)	84 470
Office equipment	8 404	100	(33)	8 471
Spare parts	22 469	2 287	(2 999)	21 757
Leasehold improvements	6 709	277	-	6 986
	139 253	15 979	(5 082)	150 150

Notes to the annual financial statements continued

for the year ended 29 February 2016

10. PROPERTY AND EQUIPMENT – GROUP ONLY (continued)

2015	Opening balance R'000	Depreciation R'000	Disposals R'000	Closing balance R'000
Accumulated depreciation				
Land	-	-	-	-
Buildings	255	-	-	255
Motor vehicles	1 274	342	-	1 616
Furniture and fittings	6 288	401	(7)	6 682
Computer equipment	35 262	10 933	(1 844)	44 351
Office equipment	2 321	506	(30)	2 797
Spare parts	21 075	2 433	(2 819)	20 689
Leasehold improvements	3 772	1 567	-	5 339
	70 247	16 182	(4 700)	81 729

	Group	
	2016 R'000	2015 R'000
Carrying amount and depreciation rates applied		
Land	1 915	1 915
Buildings	13 380	13 380
Motor vehicles (16.7%) (2015: 16.7%)	2 255	1 216
Furniture and fittings (10%) (2015: 10%)	3 303	3 402
Computer equipment (20%) (2015: 20%)	32 864	40 119
Office equipment (16.7% to 33.3%) (2015: 16.7% to 33.3%)	5 985	5 674
Spare parts (33.3%) (2015: 33.3%)	1 516	1 068
Leasehold improvements (period of lease)	560	1 647
	61 778	68 421

Land comprises stand number 865 Kosmosdal, Extension 11, Gauteng, with buildings and additions thereon at additional costs. The register of land and buildings is open for inspection at the registered offices of the Company.

The acquisition of property and equipment relates to the acquisition of Infrasol Proprietary Limited as disclosed in note 14.

Useful lives

The Group reviews the estimated useful lives and residual values of property and equipment in terms of IAS 16 at the end of each reporting period. No changes to the useful lives or residual values of property and equipment were made based on the current year review.

The Group reviews the carrying amount of plant and equipment at the end of each reporting period to determine any indication of impairment present. No indicators of impairment were present based on the current year review and therefore no impairment loss was recognised.

No current contractual commitments exist to purchase items of property and equipment.

Notes to the annual financial statements continued

for the year ended 29 February 2016

11. INTANGIBLE ASSETS – BUSINESS COMBINATIONS – GROUP ONLY

2016	Goodwill R'000	Customer relationships R'000	Other R'000	Total R'000
Carrying amount at the beginning of the year	79 843	8 133	878	88 854
Cost	88 361	13 122	1 000	102 483
Accumulated amortisation/impairments	(8 518)	(4 989)	(122)	(13 629)
Acquisitions during the year	51 753	9 944	-	61 697
Amortisation recognised during the year	-	(4 018)	(66)	(4 084)
Carrying amount at the end of the year	131 596	14 059	812	146 467
Cost	140 114	23 066	1 000	164 180
Accumulated amortisation/impairments	(8 518)	(9 007)	(188)	(17 713)
2015				
Carrying amount at the beginning of the year	79 843	10 729	944	91 516
Cost	88 361	13 122	1 000	102 483
Accumulated amortisation/impairments	(8 518)	(2 393)	(56)	(10 967)
Additions during the year	-	-	-	-
Amortisation recognised during the year	-	(2 596)	(66)	(2 662)
Carrying amount at the end of the year	79 843	8 133	878	88 854
Cost	88 361	13 122	1 000	102 483
Accumulated amortisation/impairments	(8 518)	(4 989)	(122)	(13 629)

The intangible assets included above have the following finite useful lives:

- ▶ Customer relationships: Five years (2015: Five years)
- ▶ Other intangible assets - Licences: Fifteen years (2015: Fifteen years)

Additions to intangible assets relate to the acquisition of Infrasel Proprietary Limited as disclosed in note 14.

Customer relationships have been valued in accordance with an excess earnings (Multi-period Excess Earnings Method "MEEM") valuation method, which considers the projected earnings attributable to existing customer relationships at the time of the acquisition. The Group reviews the useful lives of the intangible assets at the end of each reporting period, no changes have been deemed necessary in the current or prior year.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The calculations were done with reference to the smallest cash generating units being the:

- ▶ Gauteng Commercial business within the Technology Solutions division;
- ▶ Enterprise Resource Planning business within the Business Applications division;
- ▶ Gauteng Enterprise Information Management business within the Business Applications division;
- ▶ Infrasel Proprietary Limited; and
- ▶ eNetworks Proprietary Limited respectively.

The recoverable amounts of the cash generating units are determined based on value in use. This value in use is determined by means of a discounted cash flow model. Five year cash flow forecasts were used to assess this. The key assumptions in the calculations included an average discount rate of 15% (2015: 15%), 4% terminal growth rate and expected volume growth of 7%. The risk profiles of the cash generating units are considered to be similar and hence a similar discount rate has been used. Management considers these rates to be highly conservative.

No indicators of impairment were present based on the current year review and therefore no impairment loss was recognised.

Notes to the annual financial statements continued

for the year ended 29 February 2016

12. INTANGIBLES – SOFTWARE – GROUP ONLY

	2016 R'000	2015 R'000
Carrying amount at the beginning of the year	9 803	9 646
Cost	38 799	31 817
Accumulated amortisation	(28 996)	(22 171)
Additions during the year	6 143	6 982
Disposals during the year	(813)	-
Amortisation on disposals during the year	465	-
Amortisation recognised during the year	(9 140)	(6 825)
Carrying amount at the end of the year	6 458	9 803
Cost at acquisition	44 129	38 799
Accumulated amortisation	(37 671)	(28 996)

The intangible assets included above have the following finite useful lives:

- ▶ Software: Three years (2015: Three years)

The Group reviews the useful lives of the intangible assets at the end of each reporting period, no changes have been made in the current or prior year.

The Group reviews the carrying amount of intangible assets at the end of each reporting period to determine any indication of impairment present. No indicators of impairment were present based on the current year review and therefore no impairment loss was recognised.

13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

	Group	
	2016 R'000	2015 R'000
Equity-accounted investment		
Reconciliation between proportionate investment and current investment value:		
Investment at cost	1 204	1 204
Share in losses – opening balance	(1 204)	(237)
Share in losses – current period	-	(967)
Investment in equity-accounted investee	-	-
Unrecognised share of losses – opening balance	(1 259)	-
Unrecognised share of losses for the year	(793)	(1 259)
Unrecognised share of losses carried forward	(2 052)	(1 259)

The Group has a 50% interest in Electronic-DNA Proprietary Limited, a company incorporated in South Africa. The company supplies licences for security software developed. The equity-accounted investee is not a publicly listed entity and consequentially does not have a published price quotation.

Notes to the annual financial statements continued

for the year ended 29 February 2016

13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (continued)

The financial information of the equity-accounted investee is as follows:

	Group	
	2016 R'000	2015 R'000
Non-current assets	1 551	1 705
Current assets	2 915	1 860
Total assets	4 466	3 565
Long-term liabilities	(263)	(375)
Current liabilities	(8 303)	(5 708)
Total liabilities	(8 566)	(6 083)
Net asset value	(4 100)	(2 518)
Revenue	4 869	2 669
Cost of sales	(99)	(27)
Gross profit	4 770	2 642
Other expenses	(6 529)	(7 071)
Other income	41	24
Operating loss	(1 718)	(4 405)
Income tax expense	132	(48)
Loss for the year	(1 586)	(4 453)

Notes to the annual financial statements continued

for the year ended 29 February 2016

14. INVESTMENT IN SUBSIDIARIES

							Company	
							2016	2015
							R'000	R'000
Shares at cost							12 514	12 514
Amount owing by subsidiary companies							100 992	106 814
							113 506	119 328
Name of subsidiary <i>Principal activity</i>	Issued share capital		Effective percentage held		Shares at cost		Net receivable	
	2016	2015	2016 %	2015 %	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Datacentrix Proprietary Limited <i>ICT technology and managed services</i>	2	2	100	100	10 857	10 857	100 992	106 814
Datacentrix Solutions Proprietary Limited <i>Dormant</i>	200	200	100	100	#	#	-	-
Datacentrix Infrastructure Optimisation Proprietary Limited <i>Dormant</i>	22 220	22 220	100	100	1 657	1 657	-	-
Dezzo Trading 386 Proprietary Limited <i>Dormant</i>	100	100	100	100	#	#	-	-
Datacentrix Properties Proprietary Limited* <i>Property</i>	100	100	100	100	-	-	-	-
Styleprops Services 18 Proprietary Limited* <i>Dormant</i>	100	100	100	100	-	-	-	-
Datacentrix Outsourcing Proprietary Limited <i>Dormant</i>	100	100	100	100	#	#	-	-
Dirigible IT Proprietary Limited* <i>Dormant</i>	100	100	100	100	-	-	-	-
Nokusa Engineering Informatics Proprietary Limited* <i>Dormant</i>	210	210	100	100	-	-	-	-
eNetworks Proprietary Limited* <i>Internet service provider</i>	100	100	100	100	-	-	-	-
Infrasol Proprietary Limited* <i>Managed services</i>	1	-	100	-	-	-	-	-
Merqu Proprietary Limited* <i>Managed services</i>	1	-	100	-	-	-	-	-
					12 514	12 514	100 992	106 814

* Indirect holding, i.e. through a subsidiary # Amount less than R1,000

The amounts owing by subsidiary companies are interest-free. There is no expectation of the amounts being repaid within the next 12 months nor is there any intention to call for payment and accordingly they are considered to be long-term in nature.

Notes to the annual financial statements continued

for the year ended 29 February 2016

14. INVESTMENT IN SUBSIDIARIES (continued)

The interest of the Group in the net income before taxation of its subsidiary companies and controlled Trust[#] is:

	Group	
	2016 R'000	2015 R'000
Datacentrix Proprietary Limited	152 383	141 948
Nokusa Engineering Informatics Proprietary Limited	(1)	25
Datacentrix Holdings Share Trust	(8 221)	23
eNetworks Proprietary Limited	10 766	8 603
Datacentrix Properties Proprietary Limited	(422)	(427)
Infrasol Proprietary Limited	14 628	-
Merqu Proprietary Limited	36	-
	169 169	150 172

[#] The equity-settled scheme of the Group is operated by the Datacentrix Holdings Share Trust, which has been consolidated into the Group. The Group has control of the trust as the cash flow of the trust is funded by Datacentrix Holdings Limited. The deficit of the trust on termination, should this occur, will be settled by Datacentrix Holdings Limited. The trustees of the trust are appointed by the directors of the Group.

Acquisition of subsidiaries – Infrasol Proprietary Limited and Merqu Proprietary Limited

On 1 July 2015, control of Infrasol Proprietary Limited and Merqu Proprietary Limited was obtained (companies specialising in ICT related services) by acquiring 100% of the shares and voting interests in the companies. These companies design, deploy, manage and support ICT infrastructure for organisations across South Africa and have strengthened the Group's positioning in the managed services space. The effective date of the transaction was 1 July 2015. Had Infrasol been acquired at 1 March 2015, the income after tax for 12 full months would have been R10 million.

The carrying amounts, included in the consolidated financial statements of Datacentrix Holdings Limited immediately before the acquisition, were as follows:

	Fair values recognised on acquisition	Previous carrying values
	R'000	R'000
Customer relationships	9 944	-
Property and equipment	3 070	3 070
Inventories	3 104	3 104
Trade and other receivables	48 179	48 179
Bank and cash balances	4 990	4 990
Deferred tax	554	554
Tax payable	2 579	2 579
Total assets	72 420	62 476
Trade and other payables	(27 505)	(27 505)
Deferred tax on intangible assets	(2 784)	-
Loan payable	(8 884)	(8 884)
Total liabilities	(39 173)	(36 389)
Net assets	33 247	26 087
Goodwill	51 753	-
Consideration, to be satisfied by cash	85 000	-
Net cash outflow	80 010	-

Notes to the annual financial statements continued

for the year ended 29 February 2016

14. INVESTMENT IN SUBSIDIARIES (continued)

Acquisition of subsidiaries – eNetworks Proprietary Limited (2014 reporting period)

The total consideration is payable over a three year period from the date of the transaction and has been recorded as a loan payable in the statement of financial position, with the expected payment due during the 2016 financial year being reflected as a short-term liability. In the current year an amount of R6.4 million (2015: R3.6 million) was settled in cash, with the remaining consideration payable over the 12 months based on the audited results of the company for the 2016 reporting period. The loan payable bears interest equal to interest received by the Group on cash balances held with its commercial bankers.

15. LONG-TERM RECEIVABLE

	Group	
	2016 R'000	2015 R'000
Within 1 year (included in trade and other receivables)	2 946	-
Within 2-3 years	4 173	-
	7 119	-

The long-term receivable relates to extended payment terms granted to a trade debtor. The outstanding amount is payable in quarterly payments and market-related interest is charged on the outstanding amount.

16. FINANCE LEASE RECEIVABLES

Total finance lease receivables at the beginning of the year	7 191	26 462
New lease contracts during the year	-	-
Total capital payments received	(6 702)	(19 271)
Total finance lease receivables at the end of the year	489	7 191

	2016			2015		
	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000
The finance lease receivables are payable as follows:						
Short-term (within 1 year)	526	(37)	489	7 359	(168)	7 191
Long-term (within 2-5 years)	-	-	-	-	-	-
	526	(37)	489	7 359	(168)	7 191

Terms of finance lease receivables

	Currency	Nominal interest rate	2016		2015	
			Fair value	Carrying value	Fair value	Carrying value
Finance leases	ZAR	8% - 13%	489	489	7 191	7 191

The Group has previously entered into finance leases in respect of customer transactions in the Managed Print and Document Solutions business unit. These leases are covered in back-to-back transactions with vendors. The leases have a maturity timeline of between 24 and 36 months.

The fair values of the receivables under finance leases approximates their carrying amounts.

Notes to the annual financial statements continued

for the year ended 29 February 2016

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2016 R'000	2015 R'000
Provisions, forward exchange contract and lease liabilities	24 362	32 337
Intangible assets - business combinations	(4 165)	(2 506)
Property and equipment	4 435	4 268
Calculated assessed loss	636	518
Prepayments	(1 445)	(1 840)
Deferred revenue on long-term contracts and finance lease receivables	8 276	211
	32 099	32 988
Split between net deferred tax assets and liabilities:		
Deferred tax assets	32 384	33 101
Deferred tax liabilities	(285)	(113)
	32 099	32 988
Movement in deferred tax:		
Carrying amount at the beginning of the year	32 988	27 836
Movement in:		
Provisions, forward exchange contract and lease liabilities	(7 975)	7 076
Intangible assets – business combinations	(1 659)	763
Property and equipment	167	697
Calculated assessed loss	118	120
Prepayments	395	(396)
Deferred revenue on long-term contracts and finance lease receivables	8 065	(3 108)
Carrying amount at the end of the year	32 099	32 988

The tax effects of temporary timing differences of the Company and subsidiary companies resulted in deferred tax assets. It is probable that future taxable income will be sufficient to allow the tax benefit to be realised.

18. LOAN TO SHARE TRUST

	Company	
	2016 R'000	2015 R'000
Loan to Datacentrix Holdings Share Trust	6 627	6 627

The loan is unsecured, interest-free and there are no fixed terms of repayment. Refer to note 28 for details in respect of the Share Trust. The fair value equates the carrying value of the loan.

19. INVENTORIES

	Group	
	2016 R'000	2015 R'000
Finished goods	101 029	20 351
Work in progress	51 623	6 679
Consumables	2 114	4 092
	154 766	31 122

Consumables stock relates to cartridges, which are supplied by our Managed Print and Document Solutions business unit to customers.

Notes to the annual financial statements continued

for the year ended 29 February 2016

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade receivables	644 267	439 329	-	-
Allowance for credit losses	(11 988)	(4 212)	-	-
Current portion of long-term receivable	2 946	-	-	-
Prepayments	20 398	12 194	-	-
Other receivables	1 274	1 625	199	195
	656 897	448 936	199	195

The carrying amount of the trade and other receivables approximates fair value because of the short period to maturity.

The average credit period on sales of goods is 45 days (2015: 45 days). No interest is charged on the trade receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Before accepting any new customers, the Group checks bank and trade references to assess the potential customer's credit quality and defines credit limits by assessing the results of the checks. Included in the Group's trade receivable balance is debtors with a carrying amount of R124 million (2015: R92 million), which are past due at the reporting date. Based on an assessment of the credit quality an allowance for impairment against trade receivables has been recognised as detailed below. The remaining receivable balances are considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 64 days (2015: 59 days).

Trade receivables have been pledged to the Group's bankers in terms of the unutilised bank facilities as disclosed in note 21.

Reconciliation of the allowance for credit losses

Opening balance	(4 212)	(3 300)	-	-
Allowance for credit losses increase	(7 776)	(912)	-	-
	(11 988)	(4 212)	-	-

21. CASH AND CASH EQUIVALENTS

Bank balances and cash	118 406	289 946	-	303
Bank guarantees/deposits (restricted)	2 071	1 546	-	-
	120 477	291 492	-	303

The Group and Company had no overdrawn bank accounts at reporting date and therefore no off-setting of bank accounts occurred on the statement of financial position. All cash resources are placed with reputable bankers.

The Company has secured various borrowing and banking facilities of Datacentrix Proprietary Limited from ABSA Bank Limited comprising unutilised primary lending facilities of R100 million (2015: R70 million) and other facilities of R128 million (2015: R98 million).

The Group holds cash and cash equivalents with reputable financial institutions. These institutions have a National Short Term and National Long Term credit rating of F1+ or above and AA or above respectively. (Source: Fitch rating agency)

Notes to the annual financial statements continued

for the year ended 29 February 2016

22. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND EQUITY-SETTLED SHARE SCHEME RESERVE

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Share capital				
Authorised 400,000,000 (2015: 400,000,000) ordinary shares of R0,0001 each	40	40	40	40
Issued 205,265,683 (2015: 205,265,683) ordinary shares of R0,0001 each	21	21	21	21
Unissued shares are under the control of the directors in terms of the Group's Memorandum of Incorporation.				
Share premium				
Carrying amount at the beginning of the year	36 092	36 079	39 280	39 280
Transfer between reserves	30 504	-	30 504	-
Movement relating to treasury shares	(8 231)	13	-	-
Carrying amount at the end of the year	58 365	36 092	69 784	39 280
Treasury shares	(45 439)	(35 983)	-	-
Equity-settled share scheme reserve				
Carrying amount at the beginning of the year	39 208	36 378	46 061	43 161
Treasury share movements	-	(70)	-	-
Transfer between reserves	(24 288)	-	(30 504)	-
Expensed during the year	3 203	2 900	3 203	2 900
Carrying amount at the end of the year	18 123	39 208	18 760	46 061

The share-based payments expense in terms of *IFRS 2: Share-based Payments*, has been expensed as part of the employee benefits and credited to this equity account.

23. DEFERRED REVENUE

	Group	
	2016 R'000	2015 R'000
Carrying amount at the beginning of the year	74 018	66 459
Non-current portion	6 438	13 175
Current portion	67 580	53 284
Deferred revenue recognised during the year	538 726	368 302
Realisation of revenue in profit or loss during the year	(486 970)	(360 743)
Carrying amount at the end of the year	125 774	74 018
Non-current portion	29 097	6 438
Current portion	96 677	67 580

Deferred revenue relates to service and maintenance contracts contracted for a 12 to 36 month period. The related revenue, which has been deferred, is recognised on a systematic basis over the remainder of the contract in terms of actual services rendered.

Notes to the annual financial statements continued

for the year ended 29 February 2016

24. FINANCE LEASE LIABILITIES

	Group	
	2016 R'000	2015 R'000
Total finance lease liabilities at the beginning of the year	7 157	25 722
Total capital repayments	(6 668)	(18 565)
Total finance lease liabilities at the end of the year	489	7 157

	2016			2015		
	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000
The finance lease liabilities are payable as follows:						
Short-term (within 1 year)	526	(37)	489	7 324	(167)	7 157
Long-term (within 2-5 years)	-	-	-	-	-	-
	526	(37)	489	7 324	(167)	7 157

Terms of finance lease liabilities	Currency	Nominal interest rate	2016		2015	
			Fair value	Carrying value	Fair value	Carrying value
Finance leases	ZAR	8% - 13%	489	489	7 157	7 157

The Group has previously entered into finance leases in respect of customer transactions in the Managed Print and Document Solutions business unit. These leases are covered in back-to-back transactions with vendors. The leases have a maturity timeline of between 24 and 36 months.

The fair values of the liabilities under finance leases approximates their carrying amounts.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade payables	252 132	180 256	248	240
Other accruals and payables	26 661	18 896	84	75
VAT payable	9 276	14 886	-	-
Employee related liabilities	62 148	50 035	-	10
Audit fee accrual	1 117	1 023	-	-
	351 334	265 096	332	325

Trade and other payables approximates fair value because of the short period to maturity, except for derivatives held for risk management, refer to note 31. The fair value of derivatives is based on market valuations.

Notes to the annual financial statements continued

for the year ended 29 February 2016

26. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND LITIGATION STATEMENT

The directors of the Company are not aware of any legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, from 1 March 2016 up to the date of this notice, a material effect on the Group's financial position.

The following bank guarantees were in place for subsidiary companies:

- ▶ R697,010 (2015: R697,010) for rental payments for Datacentrix Proprietary Limited with the beneficiary being IFOUR Properties Three Proprietary Limited;
- ▶ R533,376 (2015: R533,376) for rental payments for Datacentrix Proprietary Limited with the beneficiary being Parch Properties 74 Proprietary Limited;
- ▶ R315,700 (2015: R315,700) for rental payments for Datacentrix Proprietary Limited with the beneficiary being United African Marine Insurance Proprietary Limited.
- ▶ R331,988 (2015: Rnil) performance guarantee for Infrasol Proprietary Limited with the beneficiary being Stefanutti Stocks Building Gauteng Proprietary Limited.
- ▶ R193,410 (2015: Rnil) performance guarantee for Merqu Proprietary Limited with the beneficiary being Anglo Operations Proprietary Limited.

A subsidiary of the Group, Infrasol Proprietary Limited, has cross-suretyship and a short-term contingent sharing facility in place in favour of some subsidiaries of Pinnacle Holdings Limited to the value of R 24.9 million and R 1.9 million respectively.

There are unlimited cross-suretyships, excluding the cession of loan accounts, between all the subsidiaries and the Company for bank facilities. There were no contingent liabilities or capital commitments at reporting date.

27. OPERATING LEASE ARRANGEMENTS

Operating leases relate to office facilities with lease terms of between one to five years as well as leases relating to the rental of equipment used in delivering services to customers. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases relating to office facilities, which fall due as follows:

	Group	
	2016	2015
	R'000	R'000
Within one year	16 843	15 416
Within 2-5 years	39 351	7 048
	56 194	22 464

At the end of the reporting date, the Group had outstanding commitments under non-cancellable operating leases relating to equipment, which fall due as follows:

Within one year	7 077	23 776
Within 2-5 years	4 652	14 509
	11 729	38 285

Notes to the annual financial statements continued

for the year ended 29 February 2016

28. SHARE-BASED PAYMENT

Equity-settled share option scheme

The Group scheme provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is 12 to 54 months for employees and 12 to 36 months for directors. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the option vests. Share options exercised are equity-settled through the Share Trust. Datacentrix Holdings Limited funds the cash flow of the trust and has the obligation to fund the deficit of the trust on termination. The financial year in which an employee may exercise his/her options are indicated below.

The inputs into the binomial model are as follows:

Exercise price	2016	2017	2018	2019	2020	Total
250 cents	3 750	-	-	-	-	3 750
270 cents	32 500	-	-	-	-	32 500
310 cents	15 000	-	-	-	-	15 000
350 cents	50 000	-	-	-	-	50 000
360 cents	5 000	2 500	2 500	-	-	10 000
370 cents	2 500	2 500	2 500	2 500	-	10 000
385 cents	625	1 250	1 250	1 250	625	5 000
387 cents	625	625	625	625	-	2 500
390 cents	625	625	625	625	-	2 500
397 cents	1 333 334	-	-	-	-	1 333 334
400 cents	60 938	1 250	1 250	1 250	313	65 001
422 cents	1 554 686	174 479	-	-	-	1 729 165
431 cents	2 166 667	-	-	-	-	2 166 667
436 cents	1 875	1 250	1 250	625	-	5 000
437 cents	35 000	5 000	-	-	-	40 000
463 cents	7 000	1 000	-	-	-	8 000
475 cents	4 375	625	-	-	-	5 000
485 cents	25 000	-	-	-	-	25 000
487 cents	10 000	-	-	-	-	10 000
490 cents	3 675 001	558 334	-	-	-	4 233 335
499 cents	75 000	-	-	-	-	75 000
500 cents	20 000	-	-	-	-	20 000
520 cents	7 500	2 500	-	-	-	10 000
530 cents	30 000	-	-	-	-	30 000
539 cents	20 000	-	-	-	-	20 000
Total	9 137 001	751 938	10 000	6 875	938	9 906 752

Expected volatility: The historical volatility percentages used were calculated over the entire period of each grant from listing date of the share.

Expected life: 12 to 54 months for employees, with 12 to 36 months for executive directors.

Risk free rate: The zero-coupon bond curve interest rate was used for each grant date in determining this rate.

Expected dividends: A dividend yield of 7.5% (2015: 7.5%), continuously compounded, was used based on industry averages.

Notes to the annual financial statements continued

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28. SHARE-BASED PAYMENT (continued)

Equity-settled share option scheme (continued)

	Group	
	2016 Options	2015 Options
Outstanding at the beginning of the year	21 784 798	21 954 798
Granted during the year	-	125 000
Exercised during the year	(11 705 446)	(22 500)
Forfeited during the year	(172 600)	(272 500)
Outstanding at the end of the year	9 906 752	21 784 798

The weighted average share price at the date of exercise for share options exercised during the year was R4.37 (2015: R4.07).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous years since listing. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The estimated fair value of the options at the reporting date amounts to R13,548,471 (2015: R29,792,890). The trust deed makes provision for additional shares to be issued to the trust in the event of the options exercised exceeding the shares held by the trust.

29. RETIREMENT BENEFIT PLANS

The Alexander Forbes Provident Fund with 1,090 members (2015: 983 members) and the Momentum Wealth Provident Fund with 27 members (all ex-Nokusa Engineering Informatics Proprietary Limited employees) are defined contribution funds of which the majority of the Group's permanent employees are members. These funds have been registered by the Registrar of Pension Funds and are governed by the Pension Funds Act 24 of 1956. The Group does not provide any post-retirement medical benefits to its employees.

30. EVENTS AFTER REPORTING DATE

The following non-adjusting event took place after the reporting date:

Changes to the Board

The following changes to the Board have been made, effective 3 March 2016, as a result of the change in control and in compliance with the Listings Requirements of JSE Limited, following the finalisation of the mandatory offer to shareholders by Pinnacle Holdings Limited:

- ▶ Arnold Fourie, CEO of Pinnacle Holdings Group, has assumed the role of non-executive Chairman;
- ▶ Nolitha Fakude has stepped down from her role as Chairman to assume the role of Deputy Chairman and Lead Independent Director;
- ▶ Henry Ferreira has been appointed as a non-executive director; and
- ▶ Richard Lyon has stepped down from his role as a non-executive director to assume the role of alternate director to Arnold Fourie.

Change in financial year end

Shareholders are advised that the Board has approved a change in the Company's financial year-end from February to June, with effect from 30 June 2016.

Legal

Further, as disclosed in the SENS announcements on 14 April and 15 April 2016 entitled "Legal Proceedings" and "Legal Proceedings – Update" respectively, Datacentrix Proprietary Limited (a wholly-owned subsidiary) has been cited in an application in the High Court of South Africa seeking to review and set aside a bid awarded to the company in January 2015. The wholly-owned subsidiary is taking legal advice and will be opposing the matter. Any developments will be appropriately communicated.

Other than mentioned in this report, there were no other material subsequent events that required disclosure.

Notes to the annual financial statements continued

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31. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure of the Group, the Board of Directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. This strategy remains unchanged from 2015.

There are no externally imposed capital requirements.

The debt to equity ratio of the Group is 0.53 (2015: 0.48). The total debt of the Group excludes deferred revenue, deferred tax liabilities and operating lease liabilities.

Estimation of fair values

The following summarises the valuation methods and assumptions used in estimating the fair values of financial instruments reflected in the tables below.

Loans and receivables

The carrying value of loans and receivables, which include cash and cash equivalents, with a remaining life of less than one year approximates fair value due to the short-term period to maturity. The fair value of long-term receivables is calculated based on the present value of future principal and interest cash flows.

Other financial liabilities

The carrying value of other financial liabilities with a maturity of less than one year approximates fair value due to their short-term nature. For longer maturities fair value is calculated based on the present value of future principal and interest cash flow.

Forward exchange contracts

The fair value of forward exchange contracts is based on observable inputs, quoted in the market, within the valuation model, which compares the contracted forward rate to the present value of the current forward rate on an equivalent contract with the same maturity date.

Investments

The fair value of held-to-maturity investments is calculated based on the present value of future principal and dividend cash flows.

Fair value hierarchy

The tables below analyse financial instruments carried at cost, which approximated fair value, by valuation method. The different levels have been defined as follows:

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

Notes to the annual financial statements continued

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31. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

GROUP 2016	Fair value hierarchy	Loans and receivables R'000	Total R'000	Fair value R'000
Financial assets				
Long-term receivable	2	4 173	4 173	4 173
Finance lease receivables	2	489	489	489
Trade and other receivables excluding prepayment	2	636 499	636 499	636 499
Cash and cash equivalents	2	120 477	120 477	120 477
		761 638	761 638	761 638
2015				
Financial assets				
Finance lease receivables	2	7 191	7 191	7 191
Trade and other receivables excluding prepayment	2	436 742	436 742	436 742
Cash and cash equivalents	2	291 492	291 492	291 492
		735 425	735 425	735 425

GROUP 2016	Fair value hierarchy	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Total R'000	Fair value R'000
Financial liabilities					
Finance lease liabilities	2	489	-	489	489
Loan payable	2	13 658	-	13 658	13 658
Derivatives held for risk management	2	-	2 698	2 698	2 698
Trade and other payables, excluding VAT payable and derivatives	2	339 360	-	339 360	339 360
		353 507	2 698	356 205	356 205
2015					
Financial liabilities					
Finance lease liabilities	2	7 157	-	7 157	7 157
Loan payable	2	19 743	-	19 743	19 743
Derivatives held for risk management	2	-	69	69	69
Trade and other payables, excluding VAT payable and derivatives	2	250 141	-	250 141	250 141
		277 041	69	277 110	277 110

Notes to the annual financial statements continued

for the year ended 29 February 2016

31. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

COMPANY 2016	Fair value hierarchy	Loans and receivables R'000	Total R'000	Fair value R'000
Financial assets				
Loan to share trust	2	6 627	6 627	6 627
Trade and other receivables	2	199	199	199
Amounts owing by subsidiary companies	2	100 992	100 992	100 992
Cash and cash equivalents	2	-	-	-
		107 818	107 818	107 818
2015				
Financial assets				
Loan to share trust	2	6 627	6 627	6 627
Trade and other receivables	2	195	195	195
Amounts owing by subsidiary companies	2	106 814	106 814	106 814
Cash and cash equivalents	2	303	303	303
		113 939	113 939	113 939

COMPANY 2016	Fair value hierarchy	Liabilities at amortised cost R'000	Total R'000	Fair value R'000
Financial liabilities				
Trade and other payables	2	332	332	332
		332	332	332
2015				
Financial liabilities				
Trade and other payables	2	325	325	325
		325	325	325

Financial risk management objectives

The Group's financial function provides services to the business and co-ordinates access to domestic and international financial markets. The Executive Committee monitors and manages the financial risks relating to the operations of the Group through monthly analysis reports, which analyse risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk, and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group only enters into derivative financial instruments to manage its exposure to foreign currency risk; being forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the annual financial statements continued

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31. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward exchange contracts to cover all foreign currency payments and receipts within 100% of the exposure generated. Forward exchange contracts are entered into for most transactions as frequent purchases are made from foreign entities. On short-term contracts, currency fluctuations are passed onto customers. Limited currency risks related to long-term contracts exist.

2016	Foreign currency amount FC'000	Spot rate	R'000	Fair value R'000
US Dollar	6 647	15.90	105 687	110 728
GBP	-	17.34	-	-
Euro	-	22.05	-	-
			105 687	110 728
2015				
US Dollar	1 711	11.63	19 898	19 964
GBP	-	17.93	-	-
Euro	-	13.05	-	-
			19 898	19 964

Foreign currency sensitivity

The following table indicates the Group's sensitivity at reporting date to the indicated movements in foreign exchange on financial instruments excluding forward foreign exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the Group and represents management's assessment of the possible change in the reporting foreign currency exchange rates. The Group is exposed to movements in the exchange rates related to the British Pound Sterling, the Euro and the US Dollar. The US Dollar is the primary currency to which the Group is exposed.

2016	USD 1: R16.04	R17.32	R18.70	R20.20
Foreign exchange	(5 339)	(5 766)	(6 228)	(6 726)
Forward exchange contracts	(3 485)	(3 764)	(4 065)	(4 390)
Cash	(2 350)	(2 538)	(2 741)	(2 960)
Creditors	2 646	2 858	3 086	3 333
2015	USD 1: R11.63	R12.65	R13.56	R14.64
Foreign exchange	272	293	317	342
Forward exchange contracts	322	348	376	406
Creditors	(51)	(55)	(59)	(64)

Notes to the annual financial statements continued

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31. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity (continued)

2016	Euro 1: R17.47	R18.87	R20.38	R22.01
Foreign exchange	(272)	(294)	(317)	(343)
Forward exchange contracts	24	26	28	30
Creditors	(296)	(320)	(345)	(373)
2015	Euro 1: R13.06	R14.10	R15.23	R16.45
Foreign exchange	38	41	44	48
Forward exchange contracts	35	38	41	44
Creditors	3	3	3	4
2016	GBP 1: R22.27	R19.37	R20.92	R22.59
Foreign exchange	4	4	4	4
Forward exchange contracts	4	4	4	4
2015	GBP 1: R17.94	R19.37	R20.92	R22.59
Foreign exchange	(8)	(8)	(9)	(10)
Forward exchange contracts	(8)	(8)	(9)	(10)

Interest rate risk management

The Group's exposure to interest rate risk is on a floating rate basis. At reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group	
	2016 R'000	2015 R'000
Interest-bearing financial assets	489	7 191
Interest-bearing financial liabilities	(14 147)	(26 900)
Cash and cash equivalents	120 477	291 492
	106 819	271 783

Cash flow sensitivity analysis

A change of 150 basis points (2015: 100 points) in interest rates at the reporting date would have increased profit or loss by the amounts shown below. This analysis assumes that the other variables remain constant and is based on closing balances compounded annually.

	Profit	
	150 basis point increase R'000	100 basis point increase R'000
Variable interest rate instruments	16	27

Notes to the annual financial statements continued

for the year ended 29 February 2016

31. FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Financial assets are considered or assessed to be neither past due nor impaired except certain trade receivables as set out below.

Trade receivables consist of a large number of customers, spread across diverse industries. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group has the following amounts due from major customers:

2016	Number of customers	Value R'000	%
Greater than R5 million	27	396 221	62
Greater than R2 million but less than R5 million	33	99 412	16
Less than R2 million	910	136 646	22
	970	632 279	100
2015			
Greater than R5 million	17	224 966	52
Greater than R2 million but less than R5 million	24	74 443	17
Less than R2 million	983	135 708	31
	1 024	435 117	100

The Group has the following amounts included in trade debtors, which are past due but not impaired:

2016	Carrying amount
60 days	29 879
90 days and longer	94 119
	123 998
2015	
60 days	9 188
90 days	83 307
	92 495

The entity is exposed to credit risk management in terms of finance lease receivables as disclosed in note 16 and cash and cash equivalents as disclosed in note 21.

Notes to the annual financial statements continued

for the year ended 29 February 2016

31. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is mainly attributable to the trade and other payables, but current cash and cash equivalents are sufficient to ensure payment of these balances.

The liquidity risk extends to the finance lease liabilities as set out in note 24, the loan payable set out in note 14 and the trade and other payables as set out in note 25.

Note 21 provides details of facilities available to the Group in the management of liquidity risk. The Group has unutilised primary lending facilities of R100 million (2015: R70 million).

Derivative and non-derivative maturity analysis – financial liabilities:

GROUP 2016	Carrying value R'000	Up to 3 months R'000	3-12 months R'000	1-2 years R'000	2-5 years R'000
Financial liabilities					
Finance lease liabilities	489	-	489	-	-
Loan payable	13 658	13 658	-	-	-
Derivatives held for risk management	2 698	2 698	-	-	-
Trade and other payables, excluding VAT payable and derivatives	339 360	339 360	-	-	-
	356 205	355 716	489	-	-
2015					
Financial liabilities					
Finance lease liabilities	7 157	-	7 157	-	-
Loan payable	19 743	6 405	-	13 338	-
Derivatives held for risk management	69	69	-	-	-
Trade and other payables, excluding VAT payable and derivatives	250 141	250 141	-	-	-
	277 110	256 615	7 157	13 338	-

32. BORROWING POWERS OF THE COMPANY AND ITS SUBSIDIARIES

The borrowing powers of Datacentrix Holdings Limited's directors are unlimited. The directors of the subsidiaries are governed by an approval framework, which is renewed by the Board of directors on an annual basis.

Notes to the annual financial statements continued

for the year ended 29 February 2016

33. OPERATING SEGMENT INFORMATION

All the Group's activities are conducted within South Africa. For reporting purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

- Technology Solutions – supply of ICT infrastructure and integrated solutions;
- Managed Services – supply of IT services;
- Business Applications – supply of business solutions; and
- Corporate – subsidiaries, special purpose entities of the Group.

Segment assets and liabilities and segment cash flows are not separately reported to the chief operating decision maker (CEO).

2016	Managed Services R'000	Technology Solutions R'000	Business Applications R'000	Corporate R'000	Group R'000
Revenue	622 840	1 823 717	162 699	-	2 609 256
EBITDA	96 956	81 979	17 302	-	196 237
Operating profit	78 477	73 005	15 840	(3 022)	164 300
Net interest	28	-	-	9 152	9 180
Profit before tax	78 505	73 005	15 840	6 130	173 480
Income tax expense	(22 834)	(21 171)	(4 594)	(1 710)	(50 309)
Total comprehensive income for the year#	55 671	51 834	11 246	4 420	123 171
2015					
Revenue	516 695	1 572 023	160 943	-	2 249 661
EBITDA	83 985	69 693	16 760	-	170 438
Operating profit	65 661	64 450	15 293	(1 602)	143 802
Net interest	(1 179)	-	-	3 834	2 655
Profit before tax	64 482	64 450	15 293	2 232	146 457
Income tax expense	(18 922)	(18 915)	(4 488)	(655)	(42 980)
Total comprehensive income for the year#	45 560	45 535	10 805	1 577	103 477

The total comprehensive income for the period is equal to the profit for the year as no element of other comprehensive income exists.

Notes to the annual financial statements continued

for the year ended 29 February 2016

34. RELATED PARTY TRANSACTIONS

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. These transactions with related parties occurred under terms that are not less favourable than those arranged with third parties.

Subsidiaries and equity-accounted investee

Details of investments in subsidiaries and the equity-accounted investee are disclosed in note 13 and 14. No goods and services were sold by the Company to its subsidiaries. Transactions between subsidiaries are eliminated on consolidation for Group results.

Shareholders

The principal shareholders of the Company are detailed in the shareholders' analysis in note 38. Details on dividends paid to shareholders are disclosed in the statement of changes in equity and note 9.

Share trust

The detail of the loan between the Company and the Datacentrix Holdings Share Trust is set out in note 18.

Other transactions and balances

The Group had the following transactions and balances with related parties:

	Group	
	2016 R'000	2015 R'000
Sales to related parties included in revenue		
Axis Proprietary Limited	9 541	315
Infrasol Proprietary Limited	-	337
Pinnacle Micro Proprietary Limited	522	387
Pinnacle Technology Shared Management Services Proprietary Limited	29	-
Electronic-DNA Proprietary Limited	2 408	2 158
Purchases from related parties included in cost of sale		
Axis Proprietary Limited	251 573	151 014
Centrafin Proprietary Limited	5 518	1 600
Infrasol Proprietary Limited	-	849
Electronic-DNA Proprietary Limited	6 038	3 725
Modrac Proprietary Limited	65	-
Pinnacle Business Solutions Proprietary Limited	228	2 963
Pinnacle Micro Proprietary Limited	95 350	45 639
Pinnacle Technology Shared Management Services Proprietary Limited	3 070	-
Dividends paid		
Pinnacle Holdings Limited (through a subsidiary company)	14 652	11 142
Balances owing by related parties included in trade and other receivables		
Electronic-DNA Proprietary Limited	2 564	253
Pinnacle Micro Proprietary Limited	57	-
Balances owing to related parties included in trade and other payables		
Axis Proprietary Limited	31 293	2 801
Centrafin Proprietary Limited	491	153
Pinnacle Business Solutions Proprietary Limited	15	946
Pinnacle Micro Proprietary Limited	20 051	14 025
Pinnacle Technology Shared Management Services Proprietary Limited	130	-
Electronic-DNA Proprietary Limited	1 566	-
Acquisition of Infrasol Proprietary Limited and Merqu Proprietary Limited from Pinnacle Holdings Limited (refer note 14)	85 000	-

Notes to the annual financial statements continued

for the year ended 29 February 2016

34. RELATED PARTY TRANSACTIONS (continued)

Key management personnel

The details of the remuneration paid to key management personnel are set out in note 2.

35. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM/(UTILISED IN) OPERATIONS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Profit before taxation	173 480	146 457	29 037	(1 115)
Adjusted for:	17 426	25 057	(26 806)	2 889
(Profit)/Loss on sale of property, equipment and intangibles	(335)	324	-	-
Depreciation of property and equipment	18 713	16 182	-	-
Amortisation of intangibles	13 224	9 487	-	-
Loss from equity-accounted investee	-	967	-	-
Interest received	(10 761)	(6 599)	(9)	(11)
Dividend received from subsidiaries	-	-	(30 000)	-
Smoothing of operating lease adjustments	97	(819)	-	-
Share-based payments	3 203	2 900	3 203	2 900
(Profit)/Loss on sale of treasury shares	(8 231)	13	-	-
Interest paid	1 516	2 602	-	-
Operating profit before working capital changes	190 906	171 514	2 231	1 774
Working capital changes	(167 304)	27 534	3	272
Inventories	(120 540)	13 286	-	-
Trade and other receivable	(163 955)	29 194	(4)	(14)
Finance lease receivables	6 702	19 271	-	-
Trade and other short-term payables	110 489	(34 217)	7	286
Cash generated from (utilised in) operations	23 602	199 048	2 234	2 046

36. INCOME TAX PAID

Opening balance	1 694	11 732	(3)	(4)
Profit or loss expense	(50 309)	(42 980)	-	-
Current expenses acquired	2 579	-	-	-
Movement in deferred tax balance	889	(5 152)	-	-
Deferred tax acquired in business combination	(2 230)	-	-	-
Closing balance	(544)	(1 694)	-	3
	(47 921)	(38 094)	(3)	(1)

37. INTEREST RECEIVED

Interest included in investment income	10 696	5 257	9	-
Interest in finance lease receivables included in revenue	65	1 342	-	-
	10 761	6 599	9	-

Notes to the annual financial statements continued

for the year ended 29 February 2016

38. SHAREHOLDER ANALYSIS

Major shareholders	2016		2015	
	Number of shares	%	Number of shares	%
DCT Holdings Pty Limited	108 311 512	53	68 520 048	33
Eglin Investments Number 31 Proprietary Limited	-	-	20 000 000	10
Directors, management and staff	630 109	1	791 879	1
Datacentrix Holdings Share Trust	9 417 692	4	9 467 692	4
General public and corporate investors				
- PIC	22 963 100	11	-	-
- 36One Asset Management	15 453 709	8	20 690 593	10
- Sanlam	4 291 790	2	-	-
- Old Mutual Funds	412 253	1	15 542 264	8
- Investec	3 231 575	1	11 885 061	6
- Other	40 553 943	20	58 368 146	28
	205 265 683	100	205 265 683	100

2016	Number of shareholders	%	Number of shares	%
1 to 10 000 shares	1 043	82	2 232 270	1
10 001 to 50 000 shares	145	11	3 169 649	2
50 001 to 100 000 shares	21	2	1 457 774	1
100 001 to 500 000 shares	39	3	9 246 237	4
500 001 to 1 000 000 shares	15	1	10 756 906	5
1 000 001 shares and over	19	1	178 402 847	87
	1 282	100	205 265 683	100

2015	Number of shareholders	%	Number of shares	%
1 to 10 000 shares	1 223	79	3 277 546	2
10 001 to 50 000 shares	167	11	4 022 839	2
50 001 to 100 000 shares	31	2	2 253 790	1
100 001 to 500 000 shares	68	4	14 989 715	7
500 001 to 1 000 000 shares	19	1	13 655 534	7
1 000 001 shares and over	45	3	167 066 259	81
	1 553	100	205 265 683	100

Public and non-public shareholders

2016	Number of shareholders	%	Number of shares	%
Non-public shareholders	3	0.2	10 047 801	4.9
- Directors, management and staff	2	0.2	630 109	0.3
- Datacentrix Holdings Share Trust	1	0.1	9 417 692	4.6
Public shareholders	1 279	99.8	195 217 882	95.1
	1 282	100	205 265 683	100

2015	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	0.4	10 258 201	5.0
- Directors, management and staff	5	0.3	790 509	0.4
- Datacentrix Holdings Share Trust	1	0.1	9 467 692	4.6
Public shareholders	1 547	99.6	195 007 482	95
	1 553	100	205 265 683	100

Notice of the Annual General Meeting

Datacentrix Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1998/006413/06)

Share code: DCT; ISIN: ZAE000016051

("Datacentrix" or "the Company")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given of the eighteenth annual general meeting ("AGM") of shareholders of the Company, which will be held at the registered office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria Road, Midrand, 1685 on Friday, 1 July 2016 at 10:00 to deal with the business as set out below and to consider and if deemed fit, to pass, with or without modification, the ordinary and special resolutions as set out in this notice.

Record date

The Board of directors of the Company (the "Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act"), the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM is 24 June 2016. Accordingly, the last day to trade Datacentrix shares in order to be recorded in the Register to be entitled to vote will be Friday, 17 June 2016.

Presentation of annual financial statements

The audited annual financial statements of the Company for the year ended 29 February 2016, including the directors' report, the independent auditor's report and the report of the Audit and Risk Committee, to be presented as required in terms of section 30(3)(d) of the Companies Act.

Report from the Social, Ethics and Remuneration Committee

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act, the Chairman of the Social, Ethics and Remuneration Committee, or in the absence of the Chairman any member of the Committee, will present the Committee's report to shareholders at the AGM.

Ordinary resolutions 1.1 to 1.3: Re-election of directors

In accordance with the provisions of the Company's Memorandum of Incorporation the appointment of any directors appointed by the Board shall be approved by shareholders at the first AGM following such appointment. In terms hereof, the appointment of Mr HMP Ferreira will be approved by shareholders at the AGM. In addition, one third of the non-executive directors, excluding the newly appointed director, must retire from office at the AGM and may, if eligible and willing, offer themselves for re-election. In terms hereof, Ms D Nyamane and Mr A Martin will be retiring from office at the AGM. Ms D Nyamane and Mr A Martin have confirmed their willingness to continue to serve as members of the Board. Brief biographical details of each of the aforementioned directors, and the balance of the Board are contained in the Governance section under the Board of directors of the integrated annual report of which this notice forms part.

Ordinary resolution 1.1

"RESOLVED THAT Mr HMP Ferreira be and is hereby elected as a director of the Company."

Ordinary resolution 1.2

"RESOLVED THAT Ms D Nyamane be and is hereby re-elected as a director of the Company."

Ordinary resolution 1.3

"RESOLVED THAT Mr A Martin be and is hereby re-elected as a director of the Company."

Notice of the Annual General Meeting continued

Ordinary resolutions 2.1 to 2.3: Appointment to Audit and Risk Committee

In terms of section 94(2) of the Companies Act, a public company must at each AGM elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation. In order to fill the vacancies on the Audit and Risk Committee, the Board resolved to appoint Ms D Nyamane and Mr A Martin, as a member and Chairman of the Committee respectively, having considered the recommendations of King III as well as the current composition of the Board. The other member of the Committee is an independent non-executive director.

The Board is satisfied that the proposed members of the Audit and Risk Committee meet all relevant statutory requirements, including being independent non-executive directors as defined by King III. The appointments of Ms D Nyamane and Mr A Martin, as a member and Chairman of the Committee respectively, will be subject to their re-election as directors of the Company.

Ordinary resolution 2.1

"RESOLVED THAT Mr A Martin be and is hereby elected as a member and Chairman of the Audit and Risk Committee."

Ordinary resolution 2.2

"RESOLVED THAT Ms D Nyamane be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution 2.3

"RESOLVED THAT Ms N Fakude be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution 3: Appointment of external auditors

SizweNtsalubaGobodo Inc., has indicated its willingness to continue in office and ordinary resolution 3 proposes the re-appointment of SizweNtsalubaGobodo Inc. as the Company's independent auditors by shareholders. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in section 90(2) thereof. The Board is satisfied that both SizweNtsalubaGobodo Inc. and the designated auditor, Alex Philippou, meet all relevant requirements.

"RESOLVED THAT SizweNtsalubaGobodo Inc. be and is hereby re-appointed as the Company's independent external auditors, with Alex Phillipou being the individual registered auditor, until the next AGM."

Ordinary resolution 4: Authority to issue authorised but unissued ordinary shares

In terms of the Companies Act, directors are authorised to allot and issue the authorised but unissued ordinary shares of the Company, unless otherwise provided in the Company's Memorandum of Incorporation or in instances as set out in section 41 of the Companies Act, 2008. In accordance with the provisions of the Company's Memorandum of Incorporation, shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion, provided that such corporate action(s) has/have been approved by JSE Limited and are subject to the Listing Requirements of the JSE Limited ("JSE Listings Requirements"). The directors confirm that, as at the date of this notice, there is no specific intention to issue any shares, other than as part of and in terms of the rules of the Company's share incentive schemes. This authority is furthermore, as per the ordinary resolution 4, set out below, limited to a maximum of 5% of the total issued ordinary shares of the Company as at the date of this notice.

"RESOLVED THAT the Board of directors be and are hereby authorised by way of a general authority to allot and issue at their discretion up to 5% (five percent) of the total issued ordinary shares of the Company as at the date of this notice and/or to grant options to subscribe for such authorised but unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such corporate action(s) has/have been approved by JSE Limited and are subject to the JSE Listings Requirements and the requirements of the Companies Act, 2008 (Act 71 of 2008), as amended."

Notice of the Annual General Meeting continued

Ordinary resolution 5: Authority to issue shares, and to sell treasury shares, for cash

“RESOLVED THAT the directors of Datacentrix Holdings Limited (“the Company”) and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to –

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company;

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements from time to time, subject to the following conditions as required by the JSE Listings Requirements:

- this general authority will be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 5% (five percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 9,792,399 securities. Any securities issued under this authorisation will be deducted from the aforementioned 9,792,399 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the Company and the parties subscribing for the securities and an explanation including supporting information (if any), of the use of the funds, will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, ordinary resolution number 5 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all shareholders present or represented by proxy at the AGM.

Ordinary resolution 6: Group remuneration policy

The King Report on Corporate Governance for South Africa, 2009 (“King III”) recommends that the remuneration policy of the Company be submitted to shareholders for consideration and approval by way of an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company. Shareholders are referred to the remuneration policy as contained on pages 51 to 56 of the integrated annual report of which this notice forms part.

“RESOLVED, by way of a non-binding, advisory vote, that the remuneration policy of the Company be and is hereby approved.”

Notice of the Annual General Meeting continued

Special resolution 1: Non-executive directors' fees

In terms of sections 66(8) and 66(9) of the Companies Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company. In terms of the provisions of the Companies Act, special resolution number 1 requires the approval from at least 75% (seventy five percent) of the votes exercised by shareholders present or represented by proxy at the annual general meeting for this resolution to become effective.

"RESOLVED by special resolution that the Company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, and that the remuneration structure and amounts as set out below, be and is hereby approved with effect from the current financial year for a period of two years until such time as rescinded or amended by shareholders by way of a special resolution:

	Proposed	Present
Chairman of the board – annually	R636 000	R600 000
Deputy Chairman - Lead independent director – annually	R250 000	-
Chairman of the Social, Ethics and Remuneration Committee – per meeting	R44 945	R42 400
Chairman of the Audit and Risk Committee – per meeting	R52 810	R49 820
Members of the Board and Social, Ethics and Remuneration Committee – per meeting	R30 340	R28 620
Members of the Audit and Risk Committee – per meeting	R32 360	R30 530

Special resolution 2: Financial assistance to all related and inter-related companies

"RESOLVED THAT, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), the shareholders of Datacentrix Holdings Limited ("the Company") hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 2, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that –

(a) the Board, from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and

(b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of this special resolution number 2 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation.

Special resolution number 2 to be adopted at this AGM requires the approval from at least 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting.

Notice of the Annual General Meeting continued

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 2:

- (a) By the time that notice of this AGM is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or inter-related company or corporation;
- (b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- (c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

Special resolution 3: General approval to acquire shares

"RESOLVED, by way of a general approval that Datacentrix Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE"), as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- ▶ the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- ▶ this general authority shall only be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- ▶ in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- ▶ at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- ▶ the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- ▶ the Company may only effect the repurchase once a resolution has been passed by the Board of directors of the Company ("the Board") confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- ▶ the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- ▶ an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Notice of the Annual General Meeting continued

Explanatory note

The purpose of this special resolution number 3 is to obtain an authority for, and to authorise, the Company and the its subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Special resolution number 3 to be adopted at this AGM requires the approval from at least 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting.

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

The JSE Listings Requirements require the following disclosure, which is contained in the integrated annual report of which this notice forms part:

- major shareholders of the Company – page 111; and
- share capital of the Company – page 96.

Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given in the Governance section under the Board of directors of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 3 that have been omitted which would make any statement in relation to special resolution number 3 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 3 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 3.

Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

Ordinary resolution 7: Signing authority

"RESOLVED THAT each director of Datacentrix Holdings Limited ("the Company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed and duly passed at this AGM."

Notice of the Annual General Meeting continued

Electronic participation

Should any shareholder of the Company wish to participate in the AGM by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the company secretary at the applicable address set out below at least 5 (five) business days prior to the AGM in order for the company secretary to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the company secretary to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

Voting and proxies

On a show of hands, each shareholder who, being a natural person, is present in person or by proxy or, being a body corporate, is present by representative or proxy, shall have one vote. On a poll, if requested, each shareholder, whether present in person or by proxy or by representation, is entitled to one vote for each ordinary share held.

Special resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting, with the exception of ordinary resolution number 5 which requires approval from 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting, as required by JSE Limited.

A form of proxy is included for completion by registered certificated shareholders and dematerialised shareholders with own name registration that are unable to attend the AGM and wish to be represented thereat. Forms of proxy must be completed and received by the company secretary no later than 10:00 on Wednesday, 29 June 2016. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the AGM to the exclusion of their appointed proxy(ies) should such member wish to do so.

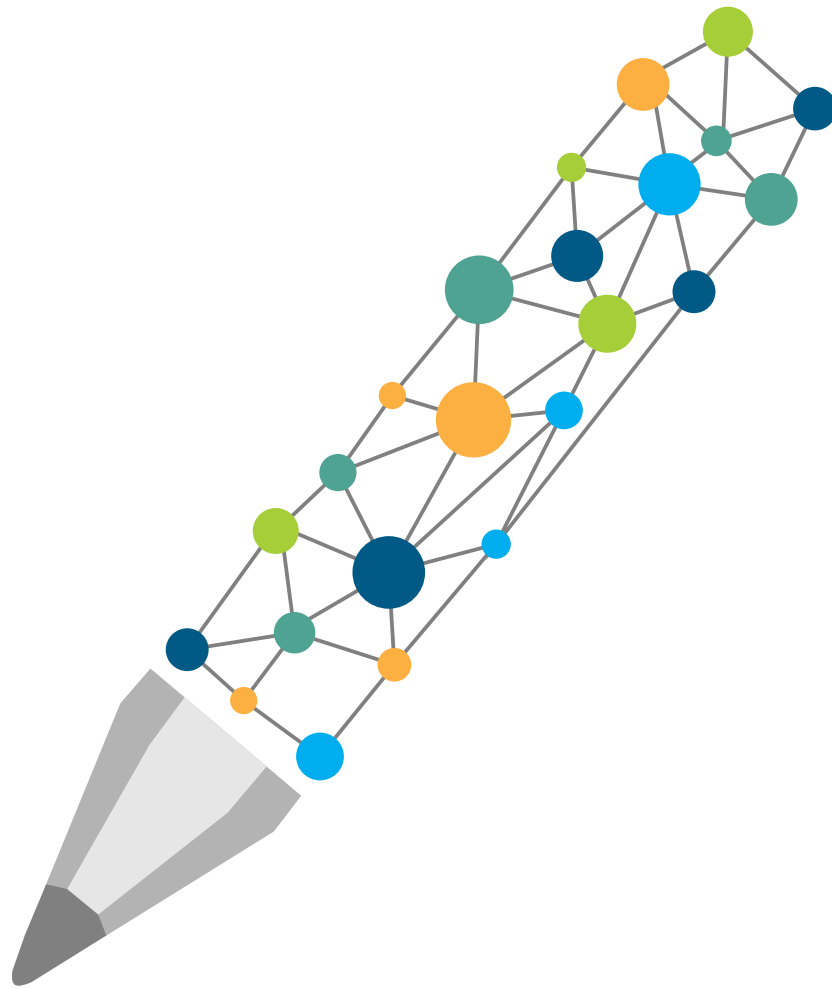
Dematerialised shareholders, other than with own name registration, must inform their CSDP or broker of their intention to attend the AGM and obtain the necessary Letter of Representation from their CSDP or broker to attend the AGM or provide their CSDP or broker with their voting instructions should they not be able to attend the AGM. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and to vote in his/her stead. **Shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Companies Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.**

By order of the Board



JV Parkin
Company Secretary
Midrand
18 April 2016



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Shareholders' diary

Financial year end	29 February
Annual general meeting for the year ended 29 February 2016	1 July 2016

Results announcements

Announcement of annual results for the four months to 30 June 2016*	7 September 2016
Annual financial statements for the four months ending 30 June 2016*	30 September 2016

* The year end of the Company has been changed from the last day in February to the last day in June.



Proxy form

Datacentrix Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1998/006413/06)

Share code: DCT; ISIN: ZAE000016051

(“Datacentrix” or “the Company” or “the Group”)

For use only by ordinary shareholders who:

- ▶ hold ordinary shares in certificated form (“certificated ordinary shareholders”); or
- ▶ have dematerialised their ordinary shares (“dematerialised ordinary shareholders”) and are registered with "own-name" registration, at the eighteenth annual general meeting (“AGM”) of shareholders of the Company to be held at the office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria Main Road, Midrand, 1685 at 10:00 on Friday, 1 July 2016 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the AGM must inform their Central Securities Depository Participant (“CSDP”) or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These ordinary shareholders must not use this form of proxy.

I/We (name in block letters) _____

of (address) _____

Telephone (work) _____ Telephone (home) _____ Cellphone _____

Being the holder(s) of ordinary shares in the company, hereby appoint:

1. _____ of _____ or failing him/her _____

2. _____ of _____ or failing him/her _____

3. the chairman of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat (“resolutions”) and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

Proxy form continued

Agenda item	Number of ordinary shares		
	For	Against	Abstain
Ordinary resolution number 1.1 – The election of Mr HMP Ferreira as a director			
Ordinary resolution number 1.2 – The re-election of Ms D Nyamane as a director			
Ordinary resolution number 1.3 – The re-election of Mr A Martin as a director			
Ordinary resolution number 2.1 – The appointment of Mr A Martin as member and Chairman of the Audit and Risk Committee			
Ordinary resolution number 2.2 – The appointment of Ms D Nyamane as member of the Audit and Risk Committee			
Ordinary resolution number 2.3 – The appointment of Ms N Fakude as member of the Audit and Risk Committee			
Ordinary resolution number 3 – The appointment of SizweNtsalubaGobodo Inc. as external auditors of the Company, together with Alex Phillipou, for the ensuing financial year			
Ordinary resolution number 4 – Authority to issue authorised but unissued ordinary shares			
Ordinary resolution number 5 – Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution number 6 – Approval of the Group remuneration philosophy			
Special resolution number 1 – Approval of the non-executive directors' fees			
Special resolution number 2 – Financial assistance to related and inter-related companies			
Special resolution number 3 – General approval to acquire shares			
Ordinary resolution number 7 – Signing authority			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable. A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a member of the Company.

Signed at _____ on _____ 2016

Signature _____ Assisted by (if applicable) _____

Notes to the proxy form

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty-eight hours before the commencement of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairman of the AGM may reject or accept any form of proxy, which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the chairman of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the chairman of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
 - 12.1. any one holder may sign the form of proxy;
 - 12.2. the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to: Computershare Investor Services Proprietary Limited 70 Marshall Street Johannesburg, 2001	Postal deliveries to: Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107
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to be received by no later than 10:00 on Wednesday, 29 June 2016.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.



Notes to the proxy form continued

Summary of the rights of a shareholder to be represented by proxy as set out in section 58 of the Companies Act:

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid until the end of the relevant shareholders' meeting.

A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the "Notes to the proxy".

The completion of a form of proxy does not preclude any shareholder from attending the AGM.



Contact information

Datacentrix Holdings Limited

(Incorporated in the Republic of South Africa)
Registration number: 1998/006413/06
JSE code: DCT
ISIN: ZAE000016051

Business address and registered office

Corporate Park North
238 Roan Crescent, Old Pretoria Road
Midrand, 1685
Tel: +27 87 741 5000
Fax: +27 87 741 5100
Email: info@datacentrix.co.za
Website: www.datacentrix.co.za

Company secretary

Mr JV Parkin
PO Box 483
Halfway House, 1685
Email: vaughnp@pinnacleholdings.co.za

Share transfer secretaries

Computershare Investor Services Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Tel: +27 11 370 5000

Auditors and reporting accountants

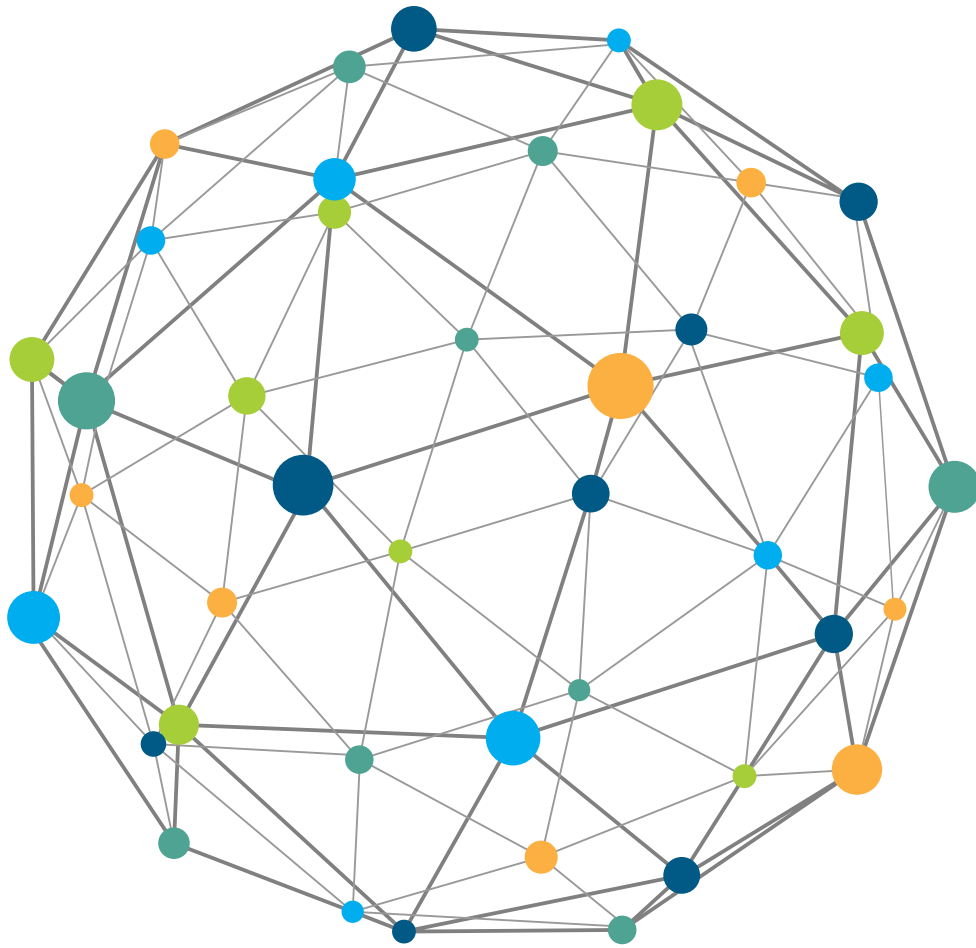
SizweNtsalubaGobodo Inc. Registered Auditor
Building 4, Summit Place Office Park
221 Garsfontein Road, Waterkloof, 0181
Private Bag X2008, Menlyn, 0063
Tel: +27 86 117 6782

Commercial bankers

Absa Bank Limited
2nd Floor, Loerie Place, Hillcrest Office Park
177 Dyer Road, Hillcrest, Pretoria, 0083
PO Box 4210, Pretoria, 0001
Tel: +27 12 366 6000

Sponsor

Merchantec Capital
2nd Floor, North Block, Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
PO Box 41480, Craighall, 2024
Tel: +27 11 325 6363



Glossary

127 Abbreviations

129 Definition of terms

Abbreviations

AFS: Available for Sale

AGM: Annual General Meeting

AM: Application Management

BaaS: Back-up as a Service

B-BBEE: Broad-based Black Economic Empowerment

BI: Business Intelligence

Board: Board of Directors

BPM: Business Process Management

CDCP: Certified Data Centre Professional

CEM: Customer Experience Management

CEO: Chief Executive Officer

CEWA: Central, East and West Africa

CFO: Chief Financial Officer

Companies Act: Companies Act, 2008 (Act 71 of 2008), as amended

CRM: Customer Relationship Management

CSDP: Central Securities Depository Participant

CSI: Corporate Social Investment

CTDC: Certified TIA-942 Design Consultant

DCiE: Data Centre Efficiency

EAM: Enterprise Asset Management

EBITDA: Earnings Before Interest, Taxation, Depreciation and Amortisation

ECM: Enterprise Content Management

EE: Employment Equity

EIM: Enterprise Information Management

EMEA: Europe (including Mediterranean), Middle East and Africa

EPS: Earnings per Share

ERP: Enterprise Resource Planning

ESM: Enterprise Systems Management

HEPS: Headline Earnings per Share

HR: Human Resources

IaaS: Infrastructure as a Service

IASB: International Accounting Standards Board

ICT: Information Communication Technology

IFRS: International Financial Reporting Standards

IoT: Internet of Things

IP: Intellectual Property

ISP: Internet Service Provider

IT: Information Technology

ITIL: Information Technology Infrastructure Library

ITSM: Information Technology Service Management

IX: Information Exchange

King III: King Report on Corporate Governance for South Africa, 2009

KPI: Key Performance Indicator

LID: Lead Independent Director

LRA: Labour Relations Act

MD: Managing Director

MDP: Management Development Programme

MEEM: Multi-period Excess Earnings Method

Abbreviations continued

MICT SETA: Media, Information and Communication Technologies Sector Education and Training Authority

MTS: Managed Talent Solutions

NAV: Net Asset Value per Share

NED: Non-executive Director

NGO: Non-governmental Organisation

NQF: National Qualifications Framework

NSP: Network Service Provider

OECD: Organisation for Economic Cooperation and Development

OHS: Occupational Health and Safety

PaaS: Platform as a Service

PAT: Profit After Taxation

PBT: Profit Before Taxation

PCR: Process Control Release

PFCO: Philippi Farm Community Organisation

PGM: Platinum Group Metal

PPM: Project Portfolio Management

PuE: Power Usage Effectiveness

QMS: Quality Management System

ROI: Return on Investment

SaaS: Software as a Service

SAM: Software Asset Management

SCM: Supply Chain Management

SENS: Stock Exchange News Service

SHEQ: Safety, Health, Environment and Quality

SOC: Security Operations Centre

STI: Short-term Incentive

TCOE: Total Cost of Employment

TCTC: Total Cost to Company

The Company: Datacentrix Holdings Limited

UPS: Uninterrupted Power Supply

WAN: Wide Area Network

WCG: Western Cape Government

Definition of terms

The Group: Datacentrix Holdings Limited, its subsidiaries and equity-accounted investee.

Business Intelligence (“BI”): A business solution that enables customers to make meaningful business decisions from their structured and unstructured data by providing the systems they need to do so.

Cloud services: Public and private cloud services with management, monitoring, security, and always-on availability.

Colocation: The provision of high density, network-rich, secure colocation, enabling customers to reduce their operating costs and minimise risk through the provision of fully managed data centre solutions.

Communications: Leading networking and unified communications solutions that enhance customer communications both inside and outside of their organisations.

Data centres: An end-to-end data solution that encompass Infrastructure as a Service (“IaaS”) either on-premise or hosted, and includes 24x7x365 support and maintenance services, ensuring the continuous processing, storage, protection and management of customer data.

eLearning: A total solution that involves the use of technology in classrooms to support the teaching and learning process that spans ICT infrastructure and software, storage, hosting and networking, support services, teacher training and classroom equipment.

Electronic fraud management: A managed service that helps customers guard against electronic fraud and identity theft, encompassing all legal, operational and compliance requirements.

End user computing: Solutions that help customers simplify the management of their end user computing environment and mobile devices through customised product rollout and maintenance solutions, product mapping and financing solutions, automated procurement, complete asset and mobile device management, as well as network security access management and application virtualisation.

Enterprise information management (“EIM”): A business information solution that ensures that customers gain better business insight and reduce risks relating to information governance.

Enterprise resource planning (“ERP”): A business solution that integrates business processes to save time and expense; enable faster more accurate decision making; and ensure the visibility of data across the organisation.

Enterprise systems management (“ESM”): The configuration, management, monitoring and controlling of distributed enterprise systems.

Hosting: Managed services that are delivered via leading infrastructure and are provided with service level agreements and 99.999% network uptime guarantee.

Managed networks: The service of designing, building, implementing, operating and maintaining local and wide area networks, providing solutions from the network core to the network edge, as well as data centre deployment.

Managed print and document services: Integrated document solutions that respond to complete document requirements across the document life cycle from creation and distribution, to collaboration and archiving.

Managed shared services: The provision of service offerings that encompass a customer's ICT information processes, associated technologies, service management and supporting services; delivering strategically aligned value by utilising defined input and output controls with structured measurements and reporting to support and enhance service levels.

Definition of terms continued

Managed systems: The service of managing all the disciplines associated with customer systems management that supports the world's leading vendors' hardware and operating systems.

Monitoring: The service of monitoring and controlling all server hardware systems, operating systems, application services, databases, network devices and servers running in an ICT environment to establish and maintain critical system health.

Security operations centre (“SOC”): The managed service of monitoring and defending customer environments against security threats, which offers a powerful analytical tool that helps to simplify compliance, enhance security and ensure risk mitigation.

Security: End-to-end security solutions for monitoring, assessing and defending company information.

Server platforms: The procurement, installation, management and maintenance of customer server environments using leading server technology, and specialist virtualisation and consolidation solutions.

Service aggregation: The service of managing customer vendor relationships and service framework by becoming the central point of contact for all customer service issues and for all customer service providers.

Service desk: An always-available managed services solution, providing customers the ability to rapidly report any IT problems and solve on-going issues.

Storage solutions: Enterprise storage technology (tiered and virtual), complete implementation, management and monitoring services that are supported by professional consulting and technical expertise to ensure the on-going availability, security and controlled accessibility to company data and information.

www.datacentrix.co.za

