DATACENTRIX HOLDINGS LIMITED
(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)
(REGISTRATION NUMBER: 1998/006413/06)
SHARE CODE: DCT
ISIN: ZAE 000016051

UNAUDITED INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 31 AUGUST 2005

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 AUGUST 2005

	Unaudited 6 months ended 31 August 2005 R'000	Unaudited 6 months ended 31 August 2004 R'000 Restated	Unaudited 12 months ended 28 February 2005 R'000 Restated
Revenue	**411 320**	440 668	882 205
Earnings before depreciation, amortisation, impairment of goodwill & interest (EBITDA)	**28 301**	44 659	82 771
Depreciation	**(5 093)**	(5 632)	(11 164)
Amortisation of intangibles	**(480)**	(786)	(1 473)
Impairment of goodwill	**(4 502)**	(4 564)	(8 471)
Operating income before interest and taxation	**18 226**	33 677	61 663
Net interest received	**4 796**	2 929	5 764
Deemed interest (AC133 fair value adjustment)	**-**	-	(87)
Share of associate income	**-**	176	472
Income before taxation	**23 022**	36 782	67 812
Taxation	**(10 673)**	(12 422)	(24 157)
Earnings attributable to ordinary shareholders	**12 349**	24 360	43 655
RECONCILIATION OF HEADLINE EARNINGS			
Earnings attributable to ordinary shareholders	**12 349**	24 360	43 655
Impairment of goodwill	**4 502**	4 564	8 471
Headline earnings	**16 851**	28 924	52 126
Headline earnings per ordinary share (cents)	**8.6**	14.8	26.6
Diluted headline earnings per ordinary share (cents)	**8.1**	14.1	25.1
Basic earnings per ordinary share (cents)	**6.3**	12.4	22.3
Diluted basic earnings per ordinary share (cents)	**5.9**	11.8	21.4
Weighted average number of shares in issue (000s)	**195 945**	195 714	195 801
Weighted average number of shares in issue for purposes of dilution (000s)	**208 219**	205 665	203 696

RECONCILIATION OF PREVIOUS REPORTED RESULTS TO RESTATED FIGURES

	31 August 2004 R'000	28 February 2005 R'000
Earnings attributable to ordinary shareholders as previously reported under SA GAAP	24 807	44 659
Restatements for IFRS		
Share based payments	(442)	(1 319)
Other restatements		
Leases	(5)	315
Restated earnings attributable to ordinary shareholders	24 360	43 655

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2005

	Unaudited 31 August 2005 R'000	Unaudited 31 August 2004 R'000 Restated	Unaudited 28 February 2005 R'000 Restated
ASSETS			
Non-current assets	**61 694**	65 123	70 722
Property and equipment	**26 532**	23 398	29 805
Investment property	**-**	-	2 333
Software	**886**	1 482	892
Goodwill	**21 524**	28 306	24 114
Investment in associate	**-**	1 405	1 413
Advance payments	**-**	1 947	-
Deferred taxation	**12 752**	8 585	12 165
Current assets	**301 299**	253 463	290 808
Inventories	**10 544**	8 407	7 320
Accounts receivable	**119 498**	98 109	116 116
Leases	**-**	-	226
Assets classified as held for sale	**2 289**	-	-
Bank balances and cash	**168 968**	146 947	167 146
TOTAL ASSETS	**362 993**	318 586	361 530
EQUITY AND LIABILITIES			
Capital and reserves	**218 080**	203 776	222 683
Share capital	**20**	20	20
Share premium	**39 074**	37 525	39 589
Treasury shares	**(14 682)**	(12 479)	(14 060)
Equity settled share scheme	**3 559**	857	1 735
Acquisition consideration (shares) due to vendors	**-**	1 746	-
Distributable reserves	**190 109**	176 107	195 399
Non-current liability			
Deferred revenue (long-term portion)	**13 404**	13 135	19 260
Current liabilities	**131 509**	101 675	119 587
Accounts payable and accruals	**98 831**	75 476	82 389
Provisions	**8 524**	4 166	13 299
Deferred revenue on contracts (short-term portion)	**14 027**	9 244	12 842
Acquisition consideration (short-term cash) due to vendors	**-**	833	920
Leases	**17**	96	-
Taxation	**10 110**	11 860	10 137
TOTAL EQUITY AND LIABILITIES	**362 993**	318 586	361 530
Net asset value per share (cents)	**111**	107	114
Tangible net asset value per share (cents)	**100**	92	102
Number of shares in issue (adjusted for treasury shares) (000s)	**195 641**	190 615	194 970

RECONCILIATION OF PREVIOUS REPORTED RESULTS TO RESTATED FIGURES

	31 August 2004 R'000	28 February 2005 R'000
Equity		
Equity as previously reported under SA GAAP	203 870	222 457
Restatements for IFRS		
Share based payments – raising equity balance opening balance	416	-
Share based payments – opening retained earnings adjustment	(416)	-
Share based payments – income statement impact	(441)	(1 319)
Share based payments – raising equity balance	441	1 319
Other restatements		
Leases	(94)	226
Restated Equity	203 776	222 683

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 AUGUST 2005

	Unaudited 6 months ended 31 August 2005 R'000	Unaudited 6 months ended 31 August 2004 R'000 Restated	Unaudited 12 months ended 28 February 2005 R'000 Restated
Opening balance as previously stated	**222 683**	193 768	193 768
Share based payments – IFRS 2	**-**	(441)	(1 319)
Equity settled share scheme – IFRS 2	**-**	441	1 319
Leases	**-**	(89)	(89)
Opening balance restated	**222 683**	193 679	193 679
Net income for the period restated	**12 349**	24 360	43 655
Capital distribution	**-**	(13 444)	(13 444)
Dividend paid	**(17 642)**	-	-
(Loss)/profit on sale of treasury shares	**(395)**	167	482
Equity settled share scheme – IFRS 2	**1 824**	441	1 319
Share issue expenses	**(117)**	(25)	(26)
Treasury shares – movement during the period	**(622)**	(1 401)	(2 982)
Closing balance	**218 080**	203 952	222 683

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 AUGUST 2005

	Unaudited 6 months ended 31 August 2005 R'000	Unaudited 6 months ended 31 August 2004 R'000 Restated	Unaudited 12 months ended 28 February 2005 R'000 Restated
Income adjusted for non-cash items	**25 301**	44 826	83 089
Working capital changes	**7 578**	7 736	16 263
- Inventory	**(3 122)**	(1 769)	(682)
- Receivables	**591**	17 983	(24)
- Payables	**10 109**	(8 478)	16 969
Cash generated from operations	**32 879**	52 563	99 352
Net interest received	**4 796**	2 929	5 764
Taxation paid	**(11 287)**	(2 434)	(19 262)
Dividend paid	**(17 642)**	-	-
Capital distribution	**-**	(13 444)	(13 444)
Net cash inflow from operating activities	**8 746**	39 614	72 410
Net cash outflow from investing activities	**(3 438)**	(10 897)	(20 861)
Net cash outflow from financing activities	**(3 486)**	(12 792)	(15 425)
Net increase in cash and cash equivalents	**1 822**	15 925	36 124
Cash and cash equivalents at the beginning of the period	**167 146**	131 022	131 022
Cash and cash equivalents at the end of the period	**168 968**	146 947	167 146

Commentary

The directors of Datacentrix Holdings Limited present the unaudited interim financial results of the group for the six months ended 31 August 2005.

In line with the group's strategy to grow organically, significant investments in management as well as technical and sales resources were made during the period under review. These increased costs, together with lower than anticipated sales, particularly in the infrastructure division, have contributed to a decline in revenue and profitability.

Prospects for the balance of the year remain good and we expect that operating margins will stay at an acceptable level. Management is therefore confident that these increased costs will deliver for the group going forward.

Basis of Preparation

The preliminary financial statements have been prepared in accordance with the accounting policies of the group, which fully comply with International Financial Reporting Standards (IFRS) for the first time for the year ending 28 February 2006. This interim report has been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. Comparative figures have accordingly been restated. The disclosures required by IFRS 1 (First-time Adoption of International Financial Reporting Standards) concerning the transition from South African Statements of Generally Accepted Accounting Practice (SA GAAP) to IFRS and the required changes in accounting policies are set out in the results.

The group adopted IFRS 2: Share based payments, which resulted in earnings for the period under review having accordingly been reduced by R1,8 million and R1,3 million for prior reporting periods. In terms of the standard, the fair value of the share based payment instruments granted are recognised as an expense in the income statement on a straight line basis over the vesting period (adjusted to reflect actual levels of vesting), with a corresponding credit to equity.

The group adopted IFRS 3: Business combinations, which resulted in a change in accounting policies for goodwill. In accordance with this, the group has ceased the amortisation of goodwill with effect from 1 March 2005 and has tested it for impairment.

In compliance with circular 7/2005 issued by the South African Institute of Chartered Accountants, the group now accounts for its fixed escalation operating leases on a straight line basis over the period of the lease. The effect of this is that the rental accounted for in the income statement is the same as the period of the lease. Previously reported amounts have been restated from the inception of all current operating leases.

The above results have also been restated for the impact of IAS 8: Revenue and IAS 16: Property, plant and equipment, which has mainly been the reclassification of the respective line items. The interim results presented may differ from IFRS in effect at 28 February 2006 as a result of ongoing review and possible amendments by interpretive guidance from the IASB and IFRIC.

Basic earnings per share and headline earnings per share are reported after a secondary taxation on companies (STC) charge of R2,3 million in respect of Datacentrix' cash dividend paid in July 2005.

Infrastructure and Related Services

The substandard performance of the Infrastructure and related Services division over the past six months is attributable to certain key factors.

In keeping with the group's organic growth strategy, the division increased its sales, technical and managerial capacity ahead of the revenue curve. Simultaneously, the division also increased the number of value-add offerings, which have lead to it pursuing larger, more complex transactions with longer sales cycles. This reduced the division's focus on the traditional run-rate business, negatively impacting on sales during the period. Fierce competition and the price deflation of technology have also impacted on the division's performance.

Management is taking the necessary measures to address these factors. These include refocusing the sales force in the areas of traditional infrastructure products and actively engaging with its technology partners to structure more cost competitive offerings. The identified growth areas will also be addressed through existing dedicated specialist resources.

Solutions

The Development and Integration business unit has won major deals in the areas of workflow and data-mining. The Optimisation business unit, serving in the electronic content management and archiving areas, has performed creditably.

The ERP business unit experienced challenges over the last six months. In particular it encountered difficulties with the implementation of an ERP project. As a result of this the business unit incurred significant costs in the deployment of resources during this reporting period to ensure an acceptable outcome on this project.

Premier Foods has been a significant contributor to the division's revenue streams. The outsource contract has almost come to term and Datacentrix' involvement has significantly scaled down.

Contract and project management capacity of the solutions division has been enhanced and management is confident in the business unit's execution capability.

Black Economic Empowerment (BEE)

The board and Aka Capital, along with the pertinent financial institutions, are currently engaging with a number of BEE parties to take up shareholding that forms part of Aka Capital's current control structure. The board's objective is to facilitate the required transformation in terms of the DTI equity ownership guidelines. The board is eager to finalise the shareholding structure and capital structure changes, but to achieve best compliance with the codes, will conclude its activities once the codes of broad based practice are finalised.

Datacentrix continues to rank very satisfactorily in independent BEE surveys. The group, remains in the top 10 most empowered of all listed companies and is still ranked the top empowered IT company. Datacentrix continues to focus strongly on internal transformation imperatives and also participates actively in the ICT forums to promote transformation.

Dividend

No interim dividend has been declared. The board expects to pay a final dividend at year end.

Prospects

Datacentrix remains a strong and vibrant company and has maintained its strong balance sheet. Its tight operational and financial controls, strong customer and partner focus and performance-driven culture continue to make it an ideal choice for vendors and customers looking for a long-term strategic partner. The board will be taking steps to address the company's capital structure and excess cash. Options under consideration include adopting a more aggressive dividend policy, capital reduction by means of a share buyback program, or a combination thereof. The board remains confident of the prospects of the company and looks forward to more positive results for the balance of the financial year.

Board Composition

Datacentrix announced the appointment of Thenjiwe Chikane and Alwyn Martin as independent, non-executive directors to the board. We regret to announce the immediate resignation of Thenjiwe Chikane as a board member due to assumption of new responsibilities as the incoming chairperson of SITA. Sam Nematswerani resigned from the board during the period under review.

For and on behalf of the Board:

Gary Morolo
Chairman
27 September 2005

Gary Morolo (Chairman), Gerhard Uys (CEO), Ahmed Mahomed, Alwyn Martin*, Charl Joubert, Christoff Botha*, Elizabeth Naidoo, Imogen Mkhize*, Joan Joffe*, Klaas Lammers, Stewart Barker, Thenjiwe Chikane* (*non-executive)

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