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2004 CEO's Review

The past year has produced numerous highlights for Datacentrix. Not only has Datacentrix retained all of its major existing customers and renewed existing contracts, it has also chalked up a number of significant wins with key organisations and has heightened its accreditations with its technology partners.

Datacentrix has further improved its employment equity profile and has met key challenges for 2003/4 by increasing market penetration within Johannesburg-based customers and also made healthy inroads in the enterprise space. Datacentrix also completed an internal implementation of Microsoft Business Solutions' Great Plains software, standardising its ERP system and reporting facilities as well as streamlining operations like back-up and database administration.

Delays in the evaluation and award of government IT contracts, and the somewhat inconsistent management of BEE issues by some state-owned enterprises affected many local IT solution providers. Despite these challenges, Datacentrix has continued nurturing its existing relationships with its government related customers and maintains its position as a significant government supplier.

For the new financial year, the group will be focusing on a number of critical strategic and operational factors, which will ensure that the momentum from the last financial year is maintained and that opportunities within the market are seized. The organisation is setting plans in place to gain market share within the selective outsourcing market and increasing its focus in the enterprise space. The group will continue its transformation into a solutions provider, focussing on tailor-made solutions for customers' specific needs. Other key strategic objectives include maintaining strong vendor relationships, recruiting quality employees and further enhancing its employment equity profile, particularly in management.

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Infrastructure and Related Services

The Infrastructure division maintains strong relationships with its technology partners and has shown consistent, real term growth with these vendors. This alignment has produced customer confidence in the technology solutions and engineering capabilities of the organisation. Existing direct partner contracts and sole agencies have been renewed and accreditations maintained during the year.

The local enterprise systems sector presents significant potential, specifically within the areas of server consolidation and storage. Datacentrix continues to focus on the formulation of strategies and methodologies needed to assist customers in the intelligent consolidation of their infrastructure and is well positioned to further enhance its leadership within this market.

The division has provided infrastructure and storage customers the benefit of reduced risk and lower total cost of ownership associated with hardware purchases through technology financing options, a trend that has seen growth over the past year.

Management within the Infrastructure division has been bolstered to assist the group in meeting its growing customer requirements. Ahmed Mahomed remains the Infrastructure managing director; Johann Coetzee has been appointed general manager for Johannesburg; Mpume Dywili will head up a second business unit within the government arena as business unit manager; and Juane Peacock assumes additional responsibilities as general manager of the coastal regions.

Datacentrix Services is a single service provider for an enterprise's diverse requirements including hardware maintenance, end-user support, data centre management, network management, technical skills supply, Microsoft and Novell consulting, implementation and management and IT infrastructure outsourcing. The focal point for Services has been customer satisfaction through the successful achievement of exceptional service levels.

Opportunities within the selective outsourcing market have been identified as key, bringing the benefit of stronger strategic

customer relationships, improved resource utilisation and annuity income. A number of blue-chip companies including Liberty Group, Kumba Resources, SAB, SABC and PPC, awarded Datacentrix Services selective outsourcing contracts during the year with the majority being multi-year contracts. There are also a number of selective outsourcing agreements which are being finalised and that will contribute financially during the forthcoming financial year. The single-source managed support contract that brings together multiple-point services, is gaining momentum as the preferred method of contracting and doing business with support providers.

Datacentrix is a highly accredited warranty service provider for all major vendors and performs in-warranty repairs on their behalf for customers. The supply of products through Infrastructure and the outsourcing capabilities of Services provide cost effective and capable solutions to Datacentrix' customers.

Gerhard Uys
Chief Executive
Officer



Solutions

Datacentrix Solutions' growth has been fuelled by the market's need for archiving of data and documents, integration of dissimilar applications, document management and workflow; business intelligence; the move towards outsourcing of business applications; and Microsoft's entry into the CRM market. The result has been a number of successful contract wins, which will be executed during the new financial year, including Cashbuild, Pride Milling, Brenner Mills and Astral Foods. The division's strong Microsoft partnership has been fortified with its offering of Microsoft CRM solutions to new and existing customers. The division attained the Microsoft Business Solution Partner of the Year award in August 2003 and was accredited as a Microsoft Gold Certified Partner for Business Intelligence, reinforcing Datacentrix' expertise and position in the local market.

debt. Lower cash conversion was primarily due to cash reserves being utilised to pay trade creditors earlier in order to benefit from settlement discounts. Datacentrix maintains its policy of no long-term borrowings and has provided for taxation at the full rate.

Share Capital

The authorised share capital of the company remained unchanged. Issued share capital increased with the issue of additional shares in respect of the achievement of profit warranties.

Empowerment

The past year has seen the levelling of the BEE playing field, as local businesses have scrambled to attain the correct empowerment ratings and qualifications.

focus on upliftment and development, both internally and externally, with particular focus on further augmenting empowerment supplier purchases and corporate social investment.

Industry Overview

As predicted, the industry shakeout and consolidation period continues, with the delivery of value-added solutions becoming increasingly important for the survival of channel players. Demand for end-to-end solutions and outsourcing from local companies is also on the rise. Another positive for South African businesses has been the role of the strengthening Rand in bringing down infrastructure prices.

2004 should mark the start of a number of sizeable "refresh" projects, as organisations start to upgrade equipment implemented during the Y2K boom.

Future

Datacentrix' profitability, consistent performance, skilled staff, strong vendor relationships and accreditations, and high customer satisfaction levels are all results of solid decision-making and strategy. The group's strategic focus remains unchanged, with expected growth areas encompassing enterprise storage and increased presence in the Johannesburg market.

Other areas of future strategic importance to Datacentrix include a boost in government business, a focus on output printing, as well as concentrating on developing successes within the Microsoft and selective outsourcing arenas.

Datacentrix looks forward to strengthening relationships with its partners, keeping up its positive financial track record and maintaining the quality of its customer base.



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Financial Overview

Revenue was down 1% compared to the corresponding period, mainly due to the change in value of the Rand (the equivalent revenue in US dollars shows growth of more than 30% for hardware and software sales, which are all imported). As a consequence, EBITDA, earnings and headline earnings per share were down 2%, 16% and 10% respectively. Net asset value per share increased 17% to 97 cents compared to the corresponding period and tangible net asset value per share increased 27% to 81 cents.

Cash generated from operating activities was R28 million, resulting in R131 million cash on hand with no interest-bearing

Fortunately, Datacentrix' foresight in the early 1990s of the importance of implementing proper transformation and its commitment to this process, has ensured the company's sound empowerment profile. The "A" rating accredited by Empowerdex, an economic empowerment rating and research agency, provides independent confirmation of the group's progress in this area.

The group has grown across all regions to 453 employees from 390 in the corresponding period. 45% of the workforce represents black employees and 66% employees are designated. The advancement of Datacentrix' empowerment and employment equity policies is ongoing and the organisation will continue to



Gerhard Uys
Chief Executive Officer

Over **450** employees
45% black employees
66% designated employees

