



**Gerhard Uys**  
Chief Executive  
Officer

# CEO's Review

## Financial Overview

Datacentrix has announced solid results for the year ended 28 February 2005 and management maintains that the continued profitable growth can be attributed to the group's solid business fundamentals and its focus on technology "must haves".

The group recorded an increase in EBITDA of 40% to R80.2 million and generated strong operating cash flows of R97.5 million, resulting in R167 million cash on hand, with no interest-bearing debt.

Headline earnings per share ("HEPS") was up 31% to 27.1 cents and basic earnings per share ("EPS") increased by 40% to 22.8 cents. Net asset value improved 13% to 116 cents and tangible net asset value increased 22% to 104 cents. The group will maintain its dividend policy of three times cover on HEPS, with a proposed dividend of 9.0 cents per share.

Datacentrix conducts profitable, sustainable business through successful, long-term partnerships, which has been achieved in a deflationary environment where the price of technology has decreased in real terms and the Rand has continued to strengthen. Both these factors have had an impact on top line growth, but management is very pleased that the group has been able to maintain profit growth at an above average rate.

The group will continue to concentrate on the preservation of a strong balance sheet and tight working capital management to establish itself as a long-term strategic partner to vendors and customers.

## Overview

The past year has been successful for Datacentrix, with highlights including the achievement of financial objectives and superior performance, particularly within the coastal regions. The group also met its planned objective of increasing penetration within the Johannesburg market and has consolidated its presence by cultivating its relationships across a broad spectrum of current and potential customers. Datacentrix has strengthened both the

management structure and services capacity to allow for further significant growth.

In addition, the group improved its employment equity profile, made headway with direct overseas purchases, and despite the competition in a still overcrowded sector, increased its margins. Not only has Datacentrix retained all of its major customers, but the organisation was also acknowledged for its continued black economic empowerment ("BEE") transformation efforts, receiving recognition as the top ranked IT company on the JSE Securities Exchange ("JSE") for its BEE credentials.

## Infrastructure and Related Services

Datacentrix Infrastructure continues to be a dominant player in the supply, deployment, maintenance and support of IT infrastructure solutions and has once again produced healthy organic growth in the past financial year. The division experienced strong performance from all segments of the market, most notably from the coastal regions, government sector and software licensing business unit.

Datacentrix Infrastructure has had a number of significant wins during the period under review, including being awarded three new infrastructure supply and services government contracts, which will run over the next three years, increasing annuity income. Datacentrix has maintained a steady pace within the enterprise systems sector, building a deep level of skills allowing for the consultation on and proposal of appropriate solutions to customers.

The delivery capability of the group has been strengthened with the establishment of a consolidated hosting, logistics, service, and call centre in a purpose-built facility in Midrand. A highlight of the year was the seamless move to these new premises, completed in November 2004.

Effective 1 March 2005, Datacentrix acquired the 51% of its associate, Vukani Technologies (Proprietary) Limited, previously owned by majority shareholder and managing director, Andile Maqubela. Andile will now head up the newly formed consumables

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business unit within Datacentrix Infrastructure as a divisional director. Consumables comprise a significant portion of managed output solutions, a major new focus area for Datacentrix.

Datacentrix ensures that the group is accredited by its vendors at the highest possible technical level, with a continued strong focus on HP, IBM and Microsoft. This competency provides customers the peace of mind that Datacentrix is a cost effective partner for the supply, installation and maintenance of equipment for its entire lifecycle.

Datacentrix has embarked on a national drive to further align processes and procedures to international standards, such as ITIL, which provides a base for IT service delivery. This focus ensured that customers received exceptional service levels during the year under review and the group exceeded its commitments to its customers in this regard.

2003

Datacentrix Solutions received "Microsoft Business Solutions Partner of the Year 2003" award.

2004

Maiden capital distribution declared and paid.

2004

Company acknowledged as the most empowered IT company on the JSE Securities Exchange by Empowerdex and Financial Mail. Company awarded the "Board Effectiveness" award at the Deloitte/MoneyWeb Good Governance Awards.

2004

Acknowledge by SAB as "Supplier of the Year" in the category of non-production: general spend.

2004

New services and logistics centre completed in Samrand, Gauteng.

2004

Awarded the "Orion Award" for being the "Team of the Year" in the DNS project.

In line with the stated objective of increasing selective outsourcing agreements, a number of new customers were obtained during the year and, although sales cycles tend to be lengthy, the pipeline of opportunities is good. In response to the market, which is showing a desire to purchase computing capacity as opposed to its individual components, Datacentrix has branded a product/service offering called Workspace, which is a cost effective packaged solution for enterprise customers.

The division's strategic focus remains unchanged with expected growth areas encompassing managed output solutions, enterprise solutions, networking, government spending, selective outsourcing and infrastructure refresh projects.

**Solutions**

The growth within the Datacentrix Solutions division has been fuelled by the market's need for Enterprise Resource Planning ("ERP"), archiving of data and documents, integration of dissimilar applications, document management and workflow, business intelligence and the move towards outsourcing of business applications. The result has been a number of contracts awarded during the year.

The division has also strengthened its Microsoft Business Solutions application offering with the addition of Axapta ERP solutions to its range, which already includes Great Plains. At the same time, the collaboration business unit has maintained solid partnerships with Sterling Commerce, IXOS/Open Text and has also closed its first deal with Princeton Softech.

Datacentrix Solutions was again named Microsoft Business Solutions Partner of the Year for 2004/2005, the only partner locally to garner this award for two consecutive years.

Datacentrix Solutions has been selected as a member of the elite Microsoft Business Solutions Inner Circle, an accomplishment earned

by organisations whose sales achievement ranks them at the top echelon of the Microsoft Business Solutions global network of value-added reselling partners. The division was also accredited as a Microsoft Gold Certified Partner, reinforcing Datacentrix' expertise and position in the local market.

**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 staff headcount increase from 453 to 567 employees, resulting in Datacentrix being one of few local IT companies to grow at such a high rate. Half of the staff complement comprises black individuals, and previously disadvantaged individuals, as defined in EE regulation, make up two-thirds.

The advancement of Datacentrix' empowerment and employment equity policies is ongoing and the organisation will continue to focus on upliftment and development, both internally and externally, with particular focus on further augmenting empowerment supplier purchases, enterprise development, and corporate social investment.

**Prospects**

Looking at the local IT industry in general, the previous year has seen the continued consolidation and shake-out of the channel, the levelling of the BEE playing field with the bar being raised by various charters and growth within the selective outsourcing market.

2005 will mark an increase in refreshment cycles post the Y2K boom and growth within the middleware sector as well as within the security, collaboration, integration and management arenas. Further development areas will include VoIP and the mobile and wireless sectors.

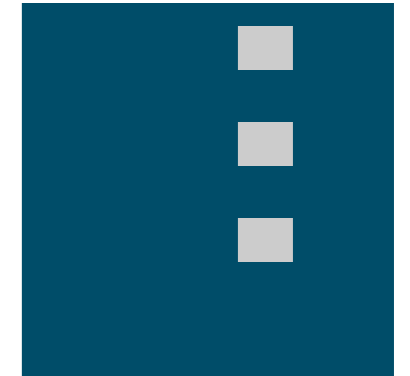
For the new year, Datacentrix will continue to centre its attention on its services, software licensing and enterprise solutions offerings. The structure of the group has been refined to also focus on specialist solutions such as networking and managed output solutions to provide business-led rather than technology-led solutions.

Critical success factors for 2005 include improving the employment equity profile of management, growing the selected outsourcing business and enhancing appropriate internal systems, including financial systems, to cater for the group's growth.

Finally, the organisation will continue to execute on projects falling within the Solutions division, maintain strong vendor relationships and develop and retain human capital.



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Chief Executive Officer



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2004

Independent, non-executive director, Joan Joffe, received the acclaimed "Fellowship Award" for her contributions to the IT industry.

2004

First local partner to garner the "Microsoft Business Solutions Partner of the Year" award for the second year consecutively.

2005

Dividend proposed.

2005

Acquired associate company and supplier of IT consumables, Vukani Technologies (Pty) Ltd. Established new consumables business unit within Datacentrix Infrastructure division.

2005

IBM acknowledged the company as "Intel growth as an authorised business partner 2004/2005".

2005

Company acknowledged as the most empowered IT company on the JSE by Empowerdex and Financial Mail for the second consecutive year.