



Gary Morolo
Executive
Chairman

Chairman's Review

Datacentrix proudly presents its annual financial results. Again Datacentrix reports profitable year-on-year growth. More importantly for seven straight years since its listing, Datacentrix has shown profit, boasting compound annual growth of around 30% and more on the important indices such as turnover, profitability and earnings per share. This has been achieved in an environment where the sector has generally shown poor profitability.

The sector has yet to show the full promise of the anticipated refreshment cycle. It is also evident that the sector continues to grapple with a number of non-operational issues such as poor or even stressed balance sheets, compliance with anticipated ICT Charter requirements and a generally deflationary environment.

These issues contribute to the consolidation still evident in the sector. This consolidation has created an opportunity for Datacentrix to entrench its position as the premier infrastructure supplier and even to advance its profile and market share. Not being a participant in the consolidation process, Datacentrix' management has had the advantage of being able to focus all their energies on operational issues instead of corporate action.

In essence Datacentrix has kept faith with its stated strategy and this continues to pay off. The group has demonstrated the maturity of its business model and its offering to the market-place. Focusing on basics and on products and services with an obvious, compelling, and immediate business rationale to customers has helped us achieve excellent results in environments where the Rand was either depreciating or strengthening.

Datacentrix departs from the premise that the infrastructure offering it provides to the market place approximates utility services: it cannot be done without; it is generally not postponed; it has proven usefulness; there is little risk to the purchaser and it is generally a low involvement purchase. Therefore the challenge for Datacentrix has been to ensure we have a proper understanding of the market space and that we position ourselves as the most effective and efficient channel for those products and services. This approach and

discipline we apply from our most commoditised products and services right up to the more value-added solutions in areas such as ERP implementation and integration, workflow design and implementation, managed output solutions, server consolidation and selective outsourcing.

By and large we achieved targets set for FY2005. We have secured participation as a key IT infrastructure supplier to government, we have consolidated our logistics, services and configuration centre in a new purpose-built facility in Midrand, we have consolidated our presence in the Johannesburg market, we have significantly strengthened our management component, especially in services, and we have refined and strengthened the management of some focus growth areas. A key focus area for this coming year will be to significantly grow our capacity in the solutions division and to achieve growth in the targeted focus areas.

Empowerment

Yet again Datacentrix has been recognised and rewarded for its early pioneering efforts in this sector at a holistic approach to empowerment. Datacentrix was judged as the most empowered IT company and the second most empowered ICT company on the JSE Securities Exchange by Financial Mail and Empowerdex in their annual Top Empowerment Companies ("TEC") Survey for 2005.

Becoming or even remaining compliant with the transformation policy as set out in the various charters is certain to become more challenging, particularly with the imminent DTI guidelines on empowerment. While admirable as social policy, the requirements, especially around equity ownership may prove quite onerous. Particular reference is made to the extent that encumbered or financed equity will be recognised.

Nonetheless, Datacentrix must address the looming requirements of the DTI guidelines on broad-based ownership, women ownership and see-through unencumbered ownership. Datacentrix and Aka Capital are currently addressing this issue to bring on board broad-based BEE and women ownership and are further committed to maintaining

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overall black equity at levels considered strategic by the company, i.e. above 30%. Datacentrix does not intend to dilute its current shareholders through an issue of new shares to achieve these objectives.

The route most likely will be Aka Capital diluting the shareholding under its control in favour of new black shareholders meeting the broad-based and gender criteria, thereby also achieving Aka Capital's objective of only remaining with a substantial portion of unencumbered shares in Datacentrix. Datacentrix intends to continue being at the forefront of corporate transformation in the sector.

1994

Establishment of Datacentrix.

1997

BEE status obtained with black owned CNI.

1998

Listed on the JSE Securities Exchange. Non-executive appointments to the holdings board included Joan Jaffe, Sam Nematswerani and Christoff Botha and Gary Morolo as chairman.

1999

Acquired Langraphix Cape and Network Architects, securing regional representation in Cape Town and Durban. Acquired Supported Software, Johannesburg-based mass storage and networking provider.

2000

Datacentrix Solutions division formed and Charl Joubert appointed MD of the division.

2001

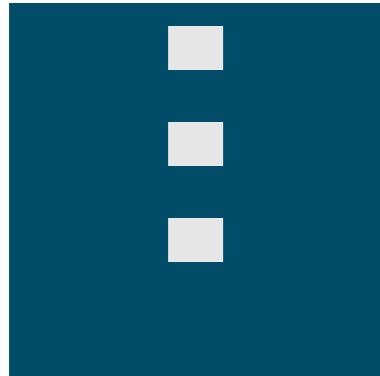
Independent, non executive director, Imogen Mkhize appointed to the board of directors.

2001

Gary Morolo appointed executive chairman and CEO. Stewart Barker appointed MD of Services.

2002

Acquired Johannesburg-based S M NetworX, IT infrastructure and related services provider. Ahmed Mahomed appointed MD of Infrastructure.



Datacentrix has also refined its focus areas by adding and/or repackaging solutions offerings and adding skills resources.



Corporate Governance

A key challenge has been to strengthen the non-executive and preferably independent component of the board to enhance compliance with good corporate governance expectations. In particular, efforts have been directed at appointing an independent non-executive chairman of the Audit Committee. Progress has been made in this regard and announcements will be made shortly.

The roles of chairman and of the CEO were separated last year. For the purposes of continued Aka Capital involvement in the day to day running and control of Datacentrix, Datacentrix will continue to retain the position of executive chairman. This is in keeping with the imposed BEE imperative that black shareholders show active involvement and control of their investee companies.

In all other respects the company substantially complies with the requirements of the King II Code of Good Corporate Governance and supports the broad principles espoused in the code.

The board has remained committed, engaged and appropriately supportive of management. In addition to board meetings and the board committees, members of the board have been available for regular consultation.

The board remains satisfied that the highest standards of business ethics are being upheld and that all of the company's business dealings and processes reflect the letter and also the spirit of corporate governance. We are encouraged and honoured in this effort by being the recipient of the Board Effectiveness Category Award of the 2004 Good Governance Awards sponsored by Deloitte and MoneyWeb.

Prospects

The consolidation in the sector has improved the competitive landscape for Datacentrix in an environment that has been quite fragmented in the last few years.

SITA has now awarded the long-awaited term contracts that would enable government to procure IT infrastructure and related services. Datacentrix is a selected participant in three such term contracts focusing respectively on servers, desktop computing and IT security. Accordingly we expect to participate significantly in satisfying this long pent up demand from government departments.

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Similarly in the private sector the long awaited IT infrastructure refreshment cycle has begun to be felt in the market place and Datacentrix is confident that it is well positioned to benefit significantly from this upturn.

Our stated strategy remains to grow primarily organically instead of through acquisitions. The company's current strategy is to identify and acquire pockets of excellence. We have been meeting with success in attracting highly skilled technical and managerial people to grow and consolidate desired target areas. A particular focus will be to grow and mature our processes and capacity in the ERP implementation and integration business unit.

Dividend Policy

There is a responsibility by the board to determine an appropriate level of cash holding and to explore the best way of returning the

determined excess cash to shareholders. Over and above this, the company remains firmly committed to a dividend paying policy.

Conclusion

Once again I have been privileged to work with a dedicated, resolute, yet supportive board and a management team that has again single-mindedly focused on delivering on the agreed strategy and business model. I reflect with thanks and pride on the performance of the staff in delivering sustainable and excellent results. Lastly I would like to thank our customers and our technology partners for their confidence in doing business with Datacentrix.

Gary Morolo
Executive Chairman

2002

Acquired a broad range of content and network security solutions as well as software development and integration skills.

2002

Elizabeth Naidoo appointed Chief Financial Officer.

2003

Ahmed Mahomed and Elizabeth Naidoo appointed as executive directors to the holdings board.

2003

Acknowledged as most empowered company on the JSE by Empowerdex and received "A-Rating" for its BEE credentials.

2003

Elizabeth Naidoo, CFO, received first runner up Louise Chain award for "Business Woman of the Year 2003".

2003

Cape Town director, Neville Naaidoo appointed chairman of BIT4M (formerly Black IT Forum). Attained HP Platinum Partner of the Year Award.

2003

Employee recognition programme launched to acknowledge staff members who portray the group values on a daily basis.