



Gary Morolo
Chairman

Chairman's Report

Once again the company is pleased to present a set of results that reflects a history of nine unbroken years of profitable growth since the company's listing in 1998.

Performance

Growth has been achieved in all indices normally reported on. Over these years growth has largely been organic, indicating exceptional operational performance. This year, as in the past, the cash balance has benefited from a high conversion ratio and the company's strict focus and discipline on working capital management.

The traditional business in the Infrastructure and Related Services division has performed according to expectations and the Solutions division continues to show great operational improvement and performance from the setbacks suffered in previous financial years. New areas of focus in outsourcing and other managed services are showing good promise and should lay a good foundation for continued growth.

Market Environment

Flowing from the country's strong economic growth and the acceleration in the country's infrastructural development, market conditions have been positive for the sector. The infrastructural spend and focus on service delivery by government has had a positive impact on the IT market.

Consolidation continues to be a dynamic of the sector. To date, Datacentrix has pursued organic growth and has not been an active participant in the various market consolidation initiatives. Throughout the year certain key shareholders of Datacentrix have been in discussions with various interested parties for merger or acquisition possibilities; however to date no proposals have

been presented to the board of Datacentrix for consideration. The board of Datacentrix will be guided by developments, if any, and give due consideration to opportunities that might present themselves.

Black Economic Empowerment

Datacentrix' empowerment credentials enable it to be an effective player in the market place. However, the competitive advantage that the company has enjoyed over the past few years has substantially been eroded as other companies have embarked on their own empowerment processes more aligned to the recently promulgated Department of Trade and Industry (DTI) codes of good practice. With certainty now attained on the key features of empowerment, companies such as Datacentrix are now able to review their current profiles and processes to better align themselves with the requirements of empowerment legislation. More important for Datacentrix however, has been to look beyond compliance and to continue to drive the underlying fundamental issues of transformation within the company. The company is encouraged by its progress to date.

Management and Board Changes

In the past few months there have been significant management and board changes that have been announced through the Johannesburg Securities Exchange News Service (SENS).

Klaas Lammers, a co-founder of the business and a key executive announced his retirement in November 2006, effective end of February 2007. Together with the other co-founder and Chief Executive Officer (CEO) of the company, Gerhard Uys, Klaas has been instrumental in charting the growth of the company and driving a successful business model for Datacentrix. The board of

Datacentrix wishes to express its thanks and appreciation for the value Klaas has added to the business over the years, and also to convey its best wishes.

The company took this opportunity to streamline its management structure and to do succession planning. Ahmed Mahomed, then Managing Director (MD) of the company's largest division, the Infrastructure and Related Services division, has been appointed group Chief Operations Officer. Ahmed has been instrumental in driving the strong growth of the Infrastructure and Related Services division over the last few years. Under the guidance and support of Gerhard Uys, Ahmed is gradually assuming operational responsibility for the whole business.

At the same time as the aforementioned changes, Charl Joubert, then an Executive Director of the company and MD of the Solutions division, elected to step down from the Datacentrix board to focus on rebuilding a division that had experienced significant operational and profitability set-backs. The board is pleased to note that this intensified focus has paid off and that the division has been restored to profitability and operational issues have been fully addressed.

In the past year, the board also had to regrettably accept the resignation of Christoff Botha from the board.

The board is pleased that Israel Skosana has agreed to join the board of Datacentrix as an independent, non-executive director. Israel, a chartered accountant and experienced businessman, is expected to contribute to the strengthening of corporate governance, commercial and strategic discipline, and other business processes.

Dividend

The directors are pleased to announce a final dividend of two times cover on HEPS, resulting in a dividend of 13.2 cents per share and an annual dividend of 20.2 cents per share.

Prospects

Prospects outlined in our last financial report continue to be relevant.

Large infrastructure roll-outs including rail, ports and electricity; the hosting of the 2010 World Cup; more accessible and cheaper broadband; and the push for South Africa as a destination for call-centre investment, all create on-going demand for products and services offered by Datacentrix.

As always, the prospects continue to look very promising in terms of direct government IT spend, especially in light of the aforesaid infrastructural spend and service delivery focus.

Datacentrix has been involved with some exciting initiatives in improving service delivery, which have attracted interest from other government departments and provincial governments.

The products and services offered in the Infrastructure and Related Services division have been moving up the value chain. The company has invested significantly in technical competencies. Other areas of growth include security, and a restructured and strengthened Microsoft focus to better tackle opportunities created with new Microsoft technologies.

While Datacentrix remains a strongly product-centric company supplying key IT infrastructure products, value-added services and a solutions-driven approach are increasing significantly, leading to substantially improved margins. The company anticipates that the solutions and services component of our offerings will continue to increase, contributing to Datacentrix' continued growth.

The company is particularly excited about its prospects in selective outsourcing. Early successes have been achieved in this area in both server and desktop outsourcing as well as in the more specialised managed print or output services, demonstrating Datacentrix' intent to become a significant player in this space.

The Solutions division has now regained its footing and is able to focus on growing its business once again, and being a significant contributor to the bottom-line.

Acknowledgements

Once again, I must extend the thanks of the board to management and employees of Datacentrix for their dedication, discipline and application towards Datacentrix' operational excellence and profitability.

For my part, I thank my colleagues on the board for their support, counsel and independence of mind in focusing on the best interests of Datacentrix.

Gary Morolo
Chairman

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**Gerhard Uys**

Chief Executive Officer (CEO)

CEO's Report

Financial Overview

Datacentrix achieved an increase in revenue of 16% to over R1.2 billion. The group recorded an increase in EBITDA of 40% to R124.6 million and generated strong operating cash flows from operations of R129 million, resulting in R173.8 million cash on hand. Headline earnings per share were up 41% to 40.4 cents and basic earnings per share increased by 57% to 40 cents. Net asset value improved 2% to 127 cents and tangible net asset value increased 2% to 119 cents.

Share Capital

The authorised share capital of the company remained unchanged.

Operational Review

From an operational perspective, Datacentrix has seen exceptionally positive growth across the business, with all divisions performing well over the past year. The company has seen strong performance in the identified areas of opportunity and believes that its model remains solid and continues to deliver healthy organic growth.

At the end of 2006, the organisation announced the immediate promotion of Ahmed Mahomed to group Chief Operations Officer. Ahmed has been in the IT industry for over nine years and the Managing Director of the largest division, Datacentrix Infrastructure and Related Services, for the last four years.

We also regretfully announced the retirement of Executive Director and co-founder of Datacentrix, Klaas Lammers. I would like to thank Klaas for his contribution and wish him well in his future endeavours. At the same time, I would like to congratulate Ahmed on his new position and believe that he is without doubt the best person to take Datacentrix into the future.

People Investment

As part of Datacentrix' organic growth strategy, the company increased its cost base by investing in technical, sales and managerial resources. The skills shortage within the local industry has become an issue of focus for Datacentrix, with top-level professionals becoming increasingly difficult to recruit and retain. With this in mind, the company is taking the necessary steps to retain its top performers and employees with key skills to ensure that clients continue to receive quality service and support. The staff complement expanded to 670 staff members during the year under review.

Infrastructure and Related Services

The Infrastructure and Related Services division has had a spectacular year all round, resulting in the division ending the financial year with healthy organic growth. As the largest segment of the group, this division contributed R1.1 billion to revenue and R74 million to profit for the year. The division continues to be a leading provider for the supply, deployment, maintenance and support of IT infrastructure solutions.

Over the year, the division retained its major clients, renewed existing contracts, gained noteworthy wins and strengthened technology partner accreditations. Partner awards won by the division over the year include the Partner of the Year award for HP's Technology Solutions Group (TSG) for the International Sales Europe (ISE) region. The division garnered the title for Enterprise Reseller with the Highest Revenue across all business units at HP's annual channel awards ceremony, where it also claimed top position as the reseller holding the most certifications and showed the best growth of enterprise resellers in the Personal Systems group, Industry Standard Servers, Business Critical

Systems and Imaging and Printing group categories.

Geographically, the Infrastructure and Related Services division saw superb performance from all regions, including Johannesburg, Pretoria, Cape Town and Durban, as well as within the vertical sectors of enterprise, government, Managed Output Services (MOS) and selective outsourcing. The company also recently introduced a Microsoft business unit within this division, merging its existing Microsoft licensing and services concerns to enable the division to focus on the anticipated increase in volumes following the launch of new Microsoft operating systems such as Vista.

Datacentrix continues to ensure that the group is accredited by its vendors at the highest possible technical level. These competencies provide clients with the reassurance that the organisation is the most cost effective partner for the supply, installation and maintenance of equipment over its entire lifecycle.

The group achieved the objectives set for client Service Level Agreements (SLAs). Datacentrix' focus on assisting clients throughout the steps of the product lifecycle - from needs determination, product evaluation, configuration and installation, to the support of the infrastructure thereafter - has ensured that a high level of client satisfaction is constantly maintained.

The Infrastructure and Related Services division has also made a significant investment in its service desk and spares holding, recruiting additional technical resources and retaining additional spares in both metropolitan and outlying areas.

Solutions

Management is confident that the corrective actions taken towards the end of the last financial year to improve efficiencies and profitability within the Solutions division's enterprise resource planning business unit have paid off, turning around the financial contributions of this unit to the group. The business unit has retained all existing clients over the past year and added new wins to its portfolio.

The development and integration business unit continues to focus strongly on the areas of workflow and data mining, reinforced at a recent SourceCode event, where the company was named as K2.net Partner of the Year. Datacentrix also received an award as the top Value-Added Reseller (VAR) of the K2.net workflow software product.

The optimisation business unit has also performed credibly and has entered the Enterprise Content Management (ECM) space successfully within the government sector.

Clients

Datacentrix believes that its enviable client base and strong client loyalty can be attributed to the group's value proposition, driven by expertise and the ability to integrate offerings across all lines of the business.

Quality Management

In order to bolster clients' confidence in structured quality assurance, Datacentrix Infrastructure obtained a Process Control Release (PCR) accreditation as determined by Telkom in December 2005. PCR is a quality management system based on ISO 9001:2001. Telkom conducted a maintenance audit on 20 November 2006, with the result that Datacentrix' achieved annual PCR certification.

The system is intended to compel Datacentrix to concentrate on client expectations, ensuring all pre-determined deliverables around quality are met. It also standardises company communication through the use of documented policies, procedures and work instructions.

Industry Review

Datacentrix continues to closely monitor a number of trends within the general IT industry. These include deflation in the cost of technology, commoditisation of IT infrastructure, an increase in government infrastructure investment, awareness of the necessity of compliance and consolidation. The group has also identified potential growth areas such as selective outsourcing, the new wave of Microsoft technology, security and storage.

Prospects

Datacentrix' growth strategy for the new year is to concentrate on extending business with existing clients, with particular focus on growing the selective outsourcing, managed output solutions, enterprise, government, enterprise systems management (ESM), Microsoft services and networking segments. The group will also look at providing a turn-key solution by bundling products together with services, to clients, while investing in its traditional services infrastructure of people, systems and spares.

Future growth will be primarily organic, not acquisitive, although the organisation may look at small acquisitions to jump-start targeted new growth areas.

Gerhard Uys
Chief Executive Officer

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