



Gary Morolo
Chairman

Chairman's Report

Datacentrix emerges yet again from another tough year a stronger bigger player with decent organic growth, both at revenue and bottom-line levels. This has been achieved in spite of the continuing challenges of poor spending in the public sector as well as the general pressures experienced by the IT sector. This past year has seen a contraction in the number of both listed and unlisted IT companies through mergers and acquisitions as well as insolvencies.

Datacentrix on the other hand, has done a lot to reposition itself strategically over the last few years and anticipates to substantially complete this repositioning in the course of this financial year. The percentage contribution to the bottom line has moved decidedly in favour of services and solutions, the reliance on public sector contribution to the bottom-line has substantially reduced, a growing proportion of the revenue is now annuity income and significant investment in high-level specialist skills is already showing better than hoped for results. Most importantly a few years ago the company outlined three key corporate objectives: improving the company's black shareholding, enhancing the company's executive incentivisation and retention by facilitating significant management share ownership, and

addressing the issue of the company's excess capital. The company has better than reasonable prospects in putting everything in place to achieve all these during the course of this year.

In spite of what may seem or have seemed to be relatively easy pickings in the acquisitions space, Datacentrix has stayed focussed on its strategy of building a solid company and increasing shareholder wealth, albeit at the possible expense of growing at a faster pace. Datacentrix continues to evaluate a number of acquisitions, however, value-enhancing and strategically compelling acquisitions have remained elusive. On the other hand, while acquisitions that call for the deployment of the company's balance sheet have been elusive, the company has made significant investment using the income statement to bring on board high-level skills and building new products and offerings. While these investments will have significant medium- and long-term benefit, there has been obvious immediate short-term impact on the company's bottom-line as the cost of the investment is fully absorbed without immediate top-line impact.

This strategy, which has been implemented over the last few years, has had the cumulative impact of substantially repositioning Datacentrix in the competitive landscape. The company's reliance on infrastructure business has substantially reduced. Datacentrix not only derives a significant portion of its income from solutions and services, principally managed services or outsourcing business, but it is now a first tier competitor in this arena, with pleasing wins in the year under review.

The company has consolidated its position as one of the topmost providers of skills and expertise in the data centre space and is building much sought after intellectual property. As part of the migration up the value chain, Datacentrix is evaluating its options as a solutions provider in the cloud computing space. The company's current approach is to explore crafting solutions in partnership with leading telecoms and data centre infrastructure providers.

As much as the company's reliance on infrastructure related business has reduced, so has the company's reliance on government business reduced. Income from government business now accounts for marginally more than a tenth of Datacentrix current

bottom-line. In the last few years the company has more than replaced foregone revenues from the public sector with growth in the private sector. Having said that the company has taken the view that the government sector cannot be written off and the capacity to serve this sector has been maintained in anticipation of a return to normal spending patterns.

Datacentrix is currently finalising details of a transaction to improve its black shareholding in line with requirements of the mooted ICT Charter as well as the requirements from most public sector entities. These entities require at least 30% black shareholding in ICT companies wishing to do business with public sector entities. Given Datacentrix' current EmpowerDex rating, the transaction will likely improve and consolidate Datacentrix' empowerment rating to an AA and possibly better. This transaction should bring to a successful end Datacentrix' long quest to secure sustainable empowerment that also helps to achieve simultaneously other important corporate goals. These goals include the ability, through this transaction, to bring management into a position of significant equity ownership to address long-standing challenges of executive incentivisation and retention.

The company is currently busy with efforts to improve its compliance with newly introduced corporate governance requirements as per the new King III and the new Companies Act. Various compliance audits have been completed or are still underway and various measures are being taken to bring the company in line with the new requirements.

In line with implementing the pertinent aspects of King III and the new Companies Act, an additional independent non-executive director has been appointed to the Datacentrix board. The appointment will provide the board with a greater balance of skills. The board is pleased to announce the appointment of Troy Dyer as an independent non-executive director effective 23 March 2011. This is one of two appointments the board anticipates making in this financial year. Troy's qualifications include a CA (SA), CFA, and an MBA. He brings a wealth of experience in consulting, particularly in strategy and the board believes he

will bring much needed skills as well as new insights to assist the board take the company on a new growth path. The board warmly welcomes him and looks forward to a rewarding relationship.

The company looks to the coming financial year with much anticipation. By and large our repositioning strategies have been successfully put in place, the skills base of the company has been significantly enhanced and our competitive positioning has improved, there are fewer competitors, and importantly, there is a flicker of life in public sector IT spending. Our offerings in outsourcing, data centre engagements, and key niche areas such as security, are all maturing. All of the above put us in a position where the board feels quietly confident about the company's future and its potential to outperform in coming years.

The board recognises that people are the cornerstone of its business and would like to acknowledge that the results achieved would not have been possible without the commitment of its entire staff. The Datacentrix team has been unwavering in its commitment to deliver to its clients and to meet market expectations. I take this opportunity on behalf of the board, to thank the staff for putting in a sterling effort in a challenging year and producing creditable results. I also convey the appreciation of the board to management for committing to challenging targets and the courage to pursue strategies, which unfortunately had a short-term punitive effect on the bottom-line but, which will assist in achieving sustainable organic growth. Lastly I want to thank my colleagues on the board who have provided counsel and support to management and importantly, have ensured that the highest standards of corporate governance continue to be maintained at Datacentrix.

With the company's future positioning largely in place, the board will be able to reassess the cash requirements of the company and therefore to review its dividend policy. Shareholders will be kept apprised of developments in this regard.

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