2005

annual report

DATATEC
connecting minds™

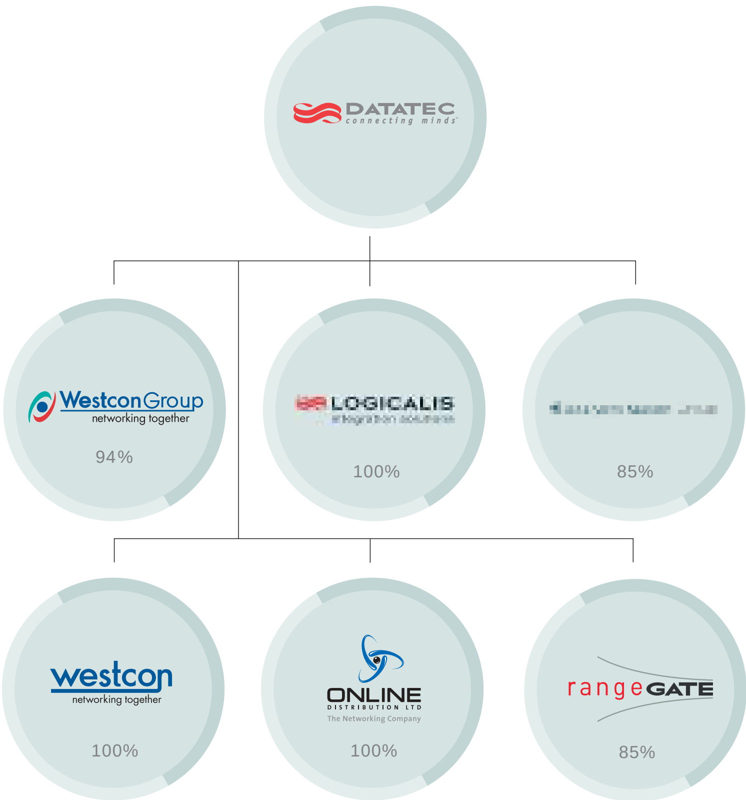
CONTENTS

Connecting minds
Connecting the world

VALUE DRIVERS

- TO ENHANCE AND PROTECT DATATEC SHAREHOLDER VALUE
- TO DELIVER LONG-TERM, SUSTAINABLE, ABOVE AVERAGE RETURNS THROUGH INVESTING, OPERATING AND VALUE REALISATION WITHIN THE BUSINESS
- TO PROVIDE A BEST-IN-CLASS PORTFOLIO OF ACTIVELY MANAGED BUSINESSES IN THE INTERNATIONAL INFORMATION TECHNOLOGY AND NETWORKING SECTOR
- TO BE AN EMPLOYER OF CHOICE, ATTRACTING, DEVELOPING AND RETAINING THE BEST AND KEY TALENTS
- TO BE ETHICAL, HONEST, SOCIALLY RESPONSIBLE AND ACCEPTABLE CORPORATE CITIZENS TO ALL OUR STAKEHOLDERS

GROUP STRUCTURE



CORPORATE PROFILE

Datatec and its subsidiaries ("the Group") is an international networking and IT services group with operations in Europe, North America, South America, Africa, Middle East and the Asia Pacific region. The Group generates more than 98% of its revenue in foreign currency outside South Africa ("SA").

The Group provides active management support in the strategic direction and operations of its subsidiaries and has three principal lines of business:

- Westcon, a global channel provider of advanced networking and communications convergence products, based in New York, United States of America ("US") and the largest focused distributor world-wide of equipment in this sector, with operations in fifteen countries;
- Logicalis, an international infrastructure solutions and IT network integration group headquartered in Slough, United Kingdom ("UK") and with operations in seven countries; and
- Analysys Mason, a strategic and technical telecommunications IT consultancy headquartered in Manchester in the UK and focusing on UK and European clients.

The Group also has similarly focused operations under Other Holdings. These are Westcon AME (operating in Africa), Online Distribution (operating in the Middle East) and RangeGate (operating in SA and the UK).

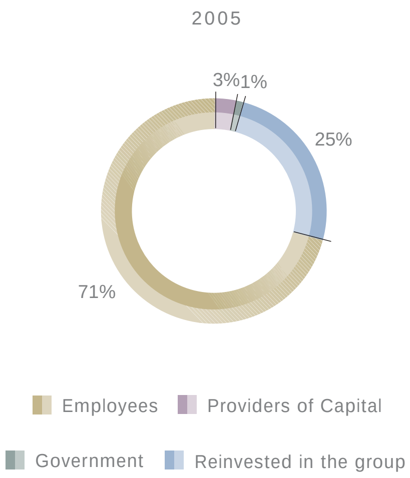
GLOBAL FOOTPRINT

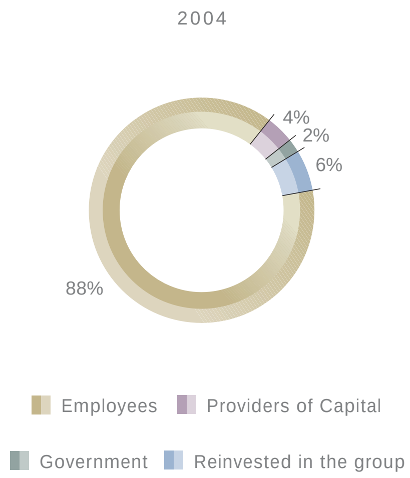
NOKIA
SurfControl
3com
BARRACUDA NETWORKS
Working with BT
AVAYA
activate
BRAXTEL COMMUNICATIONS
INTERQUARTZ
IRONPORT SYSTEMS
madge
EMC
Digi
mck part of CITEL Technologies
METRObility optical systems Simply Brilliant Optical Ethernet
MGE
NetComm
SIEMENS
Network Associates
MITEL
ITW Linx Communications Products Surge Protection Solutions
Novell
LeftHand NETWORKS
NETGEAR
POWERWARE
FORTINET
CiTRIX
netForensics
SOLSOFT
symbol
MAGTEK

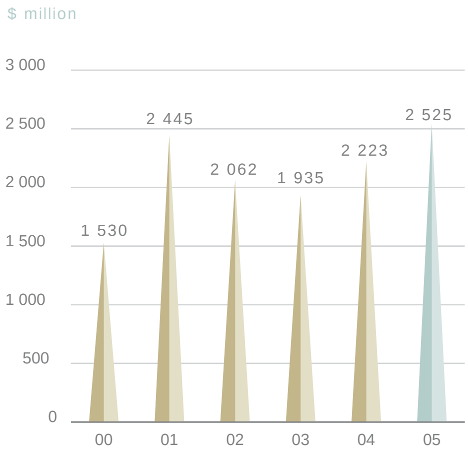
VALUE ADDED STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2005

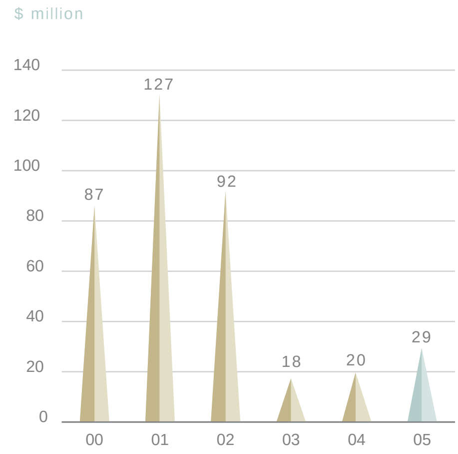
	2005 USD'000	2004 USD'000
Revenue	**2 537 963**	2 346 948
Other income not included in revenue:		
Interest received	**5 001**	5 150
Profit/(Loss) on disposal and closure of discontinued operations	**50 707**	(2 883)
Less: Paid to suppliers for materials and services	**(2 320 090)**	(2 129 763)
Total value added	**273 581**	219 452
Distributed as follows:		
Employees		
Salaries, wages and benefits	**193 223**	193 774
Providers of capital		
Financing costs	**8 832**	9 570
Government		
Taxation – current	**2 549**	3 462
Total value distributed	**204 604**	206 806
Portion of value reinvested to sustain and expand the business		
Depreciation and amortisation	**14 399**	22 727
Goodwill impairment	**3 315**	14 361
Deferred taxation	**(888)**	2 399
Outside shareholders	**(107)**	(229)
Retained earnings	**52 258**	(26 612)
Total value distributed and reinvested	**273 581**	219 452



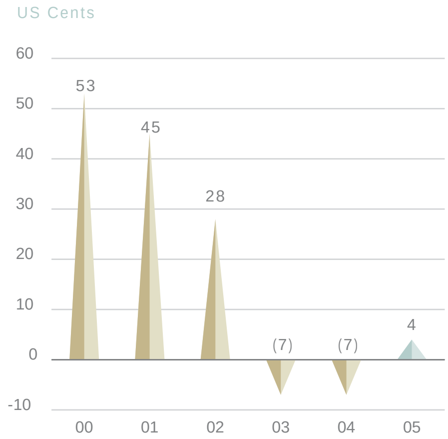




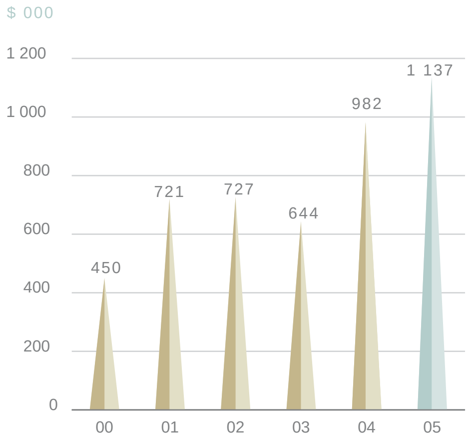
Revenue (ongoing operations)



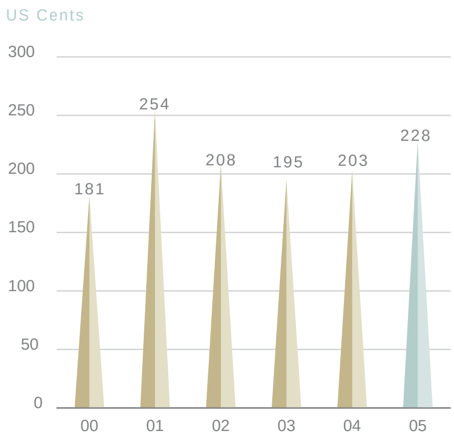
EBITDA (ongoing operations)



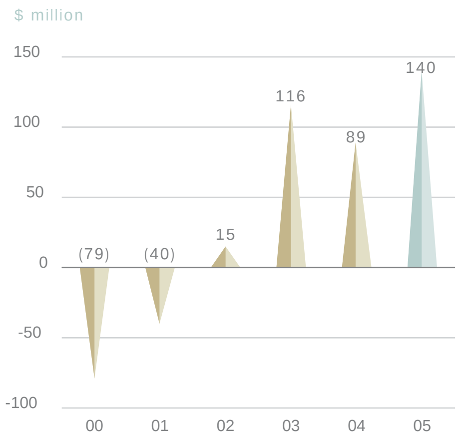
Headline earnings/(loss) per share



Revenue per employee



Net tangible asset value per share



Net cash/(borrowings)

SIX YEAR REVIEW

	2005	2004	2003*	2002	2001	2000
In US Dollars ($ 000's)						
Revenue	**2 537 963**	2 346 948	2 062 541	2 197 618	2 760 155	1 858 890
Continuing operations	**2 434 509**	2 223 237	1 831 356	2 040 453	2 238 033	1 170 137
Acquisitions	**90 260**	–	103 467	21 076	207 256	360 244
Discontinuing operations	**13 194**	123 711	127 718	136 089	314 866	328 509
Operating profit before finance costs, depreciation and amortisation (“EBITDA”)	**24 864**	23 788	18 250	89 926	145 050	114 061
Operating profit/(loss) before goodwill impairment and other income	**10 465**	1 061	(5 356)	68 811	110 661	89 132
Westcon	**15 420**	23 781	20 908	62 796	106 263	59 952
Logicalis	**6 214**	(6 811)	(7 390)	(4 199)	(1 937)	29 633
Analysys Mason	**3 007**	(1 400)	2 057	590	4 713	678
Other Holdings	**(4 318)**	(8 124)	(4 747)	(4 027)	(6 772)	(18 094)
Head Office foreign exchange (loss)/gain	**(5 602)**	(6 727)	(10 730)	15 501	11 784	271
Discontinuing operations	**(4 256)**	342	(5 454)	(1 850)	(3 390)	16 692
Operating profit/(loss)	**7 150**	(13 219)	(31 774)	2 665	100 029	89 133
Profit/(Loss) before taxation	**54 026**	(20 522)	(29 080)	(17 617)	180 192	87 060
Profit/(Loss) after taxation	**52 365**	(26 383)	(31 683)	(36 457)	138 937	62 633
Attributable profit/(loss)	**52 258**	(26 612)	(31 513)	(37 636)	131 211	61 220
Headline profit/(loss)	**5 459**	(9 213)	(9 842)	37 036	56 269	58 711
Non-current assets	**138 608**	118 028	144 326	141 229	169 240	114 566
Current assets	**841 778**	860 956	747 351	735 651	1 084 019	884 031
Ordinary shareholders' funds	**412 227**	344 283	337 886	353 570	412 799	214 889
Outside shareholders' interest	**24 089**	19 276	18 782	17 391	32 432	21 433
Non-current liabilities	**3 950**	7 643	23 682	6 782	10 039	99 207
Current liabilities	**540 120**	607 782	511 327	499 136	797 988	658 819
Net cash inflow/(outflow) from operating activities	**19 539**	(31 948)	124 701	118 873	(5 995)	35 338
Net cash inflow/(outflow) from investing activities	**24 469**	(3 365)	(32 594)	(54 601)	(746)	(326 012)
Net cash inflow/(outflow) from financing activities	**1 067**	(12 213)	2 274	(10 093)	19 461	218 377
Net cash/(borrowings)	**140 270**	88 703	115 604	14 650	(39 528)	(79 147)
In US cents						
Headline earnings/(loss) per share	**4**	(7)	(7)	28	45	53
Basic earnings/(loss) per share	**38**	(19)	(23)	(29)	104	55
Net tangible asset value per share	**228**	203	195	208	254	181

	2005	2004	2003*	2002	2001	2000
Summary of statistics						
Ratios						
Return on total assets	**1,1%**	0,1%	(0,6%)	7,8%	8,8%	8,9%
Return on capital employed	**2,4%**	0,3%	(1,4%)	18,2%	24,3%	26,6%
Return on ordinary shareholders' funds	**1,6%**	(1,0%)	(2,2%)	16,6%	23,3%	37,6%
Debt/equity ratio	**0,01:1**	0,02:1	0,07:1	0,02:1	0,02:1	0,46:1
Current ratio	**1,6:1**	1,4:1	1,5:1	1,5:1	1,4:1	1,3:1
Operating profit margin	**0,4%**	0,0%	(0,26%)	3,13%	4,01%	4,79%
Interest cover	**1,2**	0,1	–	3,8	3,3	3,8
Percentage change in SA Consumer Price Index	**1,4**	5,8	9,2	5,7	5,3	5,2
Stock exchange performance (R's)						
Total number of shares traded ('000)	**54 950**	58 790	90 719	130 566	127 537	79 297
Total number of shares traded as a percentage of total shares	**39,7%**	42,6%	65,9%	95,0%	99,1%	66,7%
Total value of shares traded (R'million)	**477**	484	1 027	2 199	6 212	7 405
Prices (cents)						
Closing	**959**	1 480	500	1 650	1 650	11 600
High	**1 515**	1 750	1 850	2 500	11 700	14 500
Low	**840**	370	470	880	1 450	5 530
Market capitalisation (R'million)	**1 328**	2 042	689	2 267	2 124	13 798
P:E ratio	**20**	(17)	4	5	5	32
Shares issued						
Issued (million)	**138**	138	138	137	128	119
Weighted average (million)	**138**	138	138	131	126	112
Employees						
Number of employees	**2 232**	2 389	3 202	3 023	3 830	4 135
Revenue per employee ($'000)	**1 137**	982	644	727	721	450
Assets per employee	**439,2**	409,8	278,5	290,1	327,2	241,5
Exchange rates						
Rand/$ income statement translation rate	**6,2**	7,2	9,7	9,6	7,3	6,2
Rand/$ balance sheet translation rate	**5,8**	6,6	8,1	11,4	8,0	6,6

Notes:

- *2003 represents an eleven-month period for all Group companies other than Westcon, which is included for a twelve-month period.
- Net tangible asset value per share is calculated on net asset value exclusive of intangible assets and capitalised development costs and the number of shares in issue at the end of the financial period.
- 2005 and 2004 numbers have been restated in accordance with IFRS. Years prior to 2004 are presented under the previously applicable SA GAAP.
- Detailed segmental information is set out in note 35 of the Annual Financial Statements on pages 88 and 89.
- Return on total assets is calculated utilising operating profit.
- Return on capital employed is calculated utilising profit before goodwill impairment and other income and total shareholders' funds and non-current liabilities.
- Return on ordinary shareholders' funds is calculated utilising profit before goodwill impairment and other income and after net finance costs.
- Debt includes all long-term liabilities including amounts due to vendors of a long-term nature.
- The SA Consumer Price Index is sourced from Standard Bank of South Africa Limited.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Jens Montanana
Chief Executive Officer, Age 44 (British)
Date of appointment 6 October 1994.

Jens is the founder and chief architect behind Datatec, which he established in 1986. Between 1989 and 1993 Jens served as managing director and vice-president of US Robotics (UK) operations, a wholly owned subsidiary of US Robotics, now 3Com. In 1993 he co-founded US start up Xedia Corporation in Boston, MA, an early pioneer of network switching and one of the market leaders in IP bandwidth management, which was subsequently sold to Lucent Corporation. In 1994 Jens returned to SA and listed Datatec on the JSE Limited. Jens is also CEO of the 100% owned subsidiary company Logicalis, a role he assumed in October 2002.

David Pfaff
Group Finance Director, Age 40 (South African)
Date of appointment 1 July 2001.

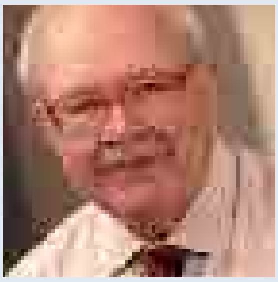
David was appointed the Group Finance Director on 1 June 2002. In addition to his Finance Director role, David is also responsible for Datatec's Africa and Middle East operations and for global investor relations and corporate communications. Prior to joining Datatec, David was a director of Anglo American Industrial Corporation and many of its subsidiaries.

NON-EXECUTIVE DIRECTORS

Cedric Savage
Independent non-executive Director, Age 66 (South African)
Date of appointment 6 December 2001.

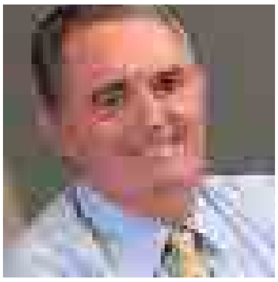
Cedric started his career as an engineer at Fairey Aviation in the UK. In 1963 he returned to SA to work as an engineer in the oil (Mobil) and textiles (Felt & Textiles) industries and subsequently as joint managing director of Rainbow Chickens. He joined the Tongaat Group in 1977 as managing director of Tongaat Foods and thereafter progressed to executive chairman of the building materials division and chief executive officer of the Tongaat-Hulett Group in 1991. In 2002 he retired from executive duties and is now non-executive chairman of the Tongaat-Hulett Group Limited and director of other JSE-listed companies, including Kumba Resources, Harmony Gold Mining and Nedbank Group.

Colin Brayshaw
Independent non-executive Director, Age 69 (South African)
Date of appointment 6 December 2001.



Colin is currently chairman of Freestone Properties and a non-executive director on the boards of a number of listed companies, including: Anglogold, Anglo Platinum Corporation, AECI, Johnnic Holdings, Johnnic Communications, Highveld Steel and Vanadium Corporation. Previously he was chairman and managing partner of Deloitte & Touche and various of its predecessor firms.

NON-EXECUTIVE DIRECTORS (continued)



Leslie Boyd
Independent non-executive Chairman, Age 68 (South African)
Date of appointment 6 December 2001.

In addition to his position as Chairman at Datatec, Leslie is chairman of Imperial Holdings. Leslie is also a director of a number of other companies including: ABSA Group, Aspen Pharmacare Holdings, Highveld Steel and Vanadium Corporation, Sun International and The Tongaat-Hulett Group. In the past, Leslie has also held chairman positions at several of these companies. Leslie retired as executive vice chairman of Anglo American plc in May 2001, having served as deputy chairman of Anglo American Corporation of South Africa from 1992. Leslie was the founding president of the South African Chamber of Business in 1990 and was president of the South African Foundation 1999/2000.

Chris Seabrooke
Independent non-executive Director, Age 52 (South African)
Date of appointment 6 October 1994.

Chris is CEO of Sabvest, a JSE-listed investment group. He is non-executive chairman of JSE-listed Massmart Holdings, Metrofile Holdings and Setpoint Technologies, a director of Primedia and a director of Net 1 UEPS Technologies Inc in the US, which is listing on NASDAQ later this year. He also sits on the boards of a number of unlisted companies including Mineworkers Investment Company and SA Bias Industries in SA.

Nick Temple
Independent non-executive Director, Age 57 (British)
Date of appointment 1 October 2002.

Nick has had a distinguished career at IBM, serving for thirty years in various positions around the world. He was one of IBM`s most senior international executives. He currently serves as a director of a number of LSE-listed companies including Electrocomponents and 4imprint, the latter as non-executive chairman.

Datatec is well placed to respond positively to the global economic challenges and to further improve its profitable recovery

LESLIE BOYD
Chairman

The improvement in the global economy forecast in last year's Chairman's Report, materialised during the past year with positive implications for the global IT industry.

Most major vendors reported improved results during the review period, supported by buoyant markets in the Asia Pacific region – notably China – and to a slightly lesser extent in the US. However, widespread growth was constrained by a faltering European economy, fuelled by ongoing economic woes in Germany, France and Italy.

A burgeoning oil price also managed to cast a shadow over the global economy from time to time; however the world's monetary authorities and intermediaries seemed to cope well with it, and it did not appear to dampen growth too significantly nor to fuel inflation inordinately.

Against this largely positive economic background, and after two consecutive years of disappointing financial results, it is pleasing to report a turnaround in the fortunes of Datatec. The first signs of this emerged at the announcement of the half-year results, and this improvement has gained momentum since then.

It should be noted that this turnaround was not based solely on an improvement in the world economy and in the global IT industry. It was spawned to a large degree out of management's efforts to achieve greater operating efficiencies, contain operating expenses, sharpen the focus on core business areas, dispose of non-core businesses, and strengthen the management team in key areas.

PERFORMANCE

Datatec is one of the first companies on the JSE Limited to report under International Financial Reporting Standards (“IFRS”).

While Group revenue grew from $2,3 billion in 2004 to $2,5 billion in the year under review, the Group’s gross margin came under pressure falling from 11,7% to 10,5%. This lower margin was offset to a large extent by a $10 million reduction in operating costs from $251,6 million in 2004 to $241,4 million in the year under review. As a result, operating profit before finance costs, depreciation and amortisation (“EBITDA”) rose from $23,8 million to $24,9 million. The once-off proceeds from the sale of Logicalis assets in Australia and New Zealand, which is dealt with in greater detail later on in this report, helped boost pre-tax income to $54,0 million, while a reduced tax rate arising out of utilisation of assessed tax losses in the previous financial year, resulted in attributable income of $52,3 million. This represents a $78,9 million turnaround when compared with the attributable loss of $26,6 million reported in the previous financial year.

As a consequence of this, the Group’s balance sheet remains robust with net cash reserves of over $140 million. This is more than adequate to fund budgeted growth in the new financial year, including possible acquisitions to bolster the Group’s IT services businesses.

STRATEGIC FOCUS

In last year’s report, the Board’s intention to list Westcon Group, Inc. on the NASDAQ was noted. It was expected that the listing would unlock considerable value for Datatec, however the market climate for an IPO has deteriorated significantly since then and the valuation ratios of Westcon’s listed competitors have reduced sharply. Against this background, as well as the disappointing trading performance of Westcon in Europe, it was decided not to pursue an IPO any further at this stage. This decision is disappointing; however the substantial costs of maintaining an S1 filing with the Securities Exchange Commission (“SEC”) under the current circumstances are clearly not in the interests of Datatec shareholders.

The Group will continue to look for opportunities to grow its IT services businesses during the year ahead, both organically and by acquisition. The margins in these businesses held up well over the past year and the annuity nature of this income adds a reassuring level of stability to the Group’s revenues. It is the intention to grow this component of the business relative to the distribution business.

While Datatec’s business interests lie largely offshore from SA, some 2% of revenue continues to be generated in the country. The Company is supportive of the South African government’s initiatives to encourage black participation in the national economy, and the finalisation of a black economic empowerment (“BEE”) charter for the local IT industry is awaited with interest.

In the interim, management is evaluating a number of opportunities to develop BEE partnerships for its South African business interests, and expects to announce a positive development in this regard in the current financial year.

CORPORATE GOVERNANCE

Corporate governance continued to receive the prominent attention of the Board and senior management within Datatec. The Group is compliant with the King II Report. A detailed report on corporate governance can be found on pages 32 to 37 of this report.

BOARD AND APPRECIATION

Membership of the Board has remained unchanged during the past year. I would like to express my sincere appreciation to my fellow Board members for their continued support, perfect attendance record and counsel. I would also like to thank Jens Montanana, his management colleagues and the entire staff of Datatec for their valuable contribution towards the turnaround of the Group over the past financial year.

PROSPECTS

Leading economists are at one that the global economy will continue to grow in the year ahead, albeit at a slightly slower pace. China will continue to be a major driving force behind this growth. In the US, growth could be curtailed somewhat by rising interest rates as the Federal Reserve moves to dampen any signs of rising inflation and to strengthen the US Dollar against major currencies. In Japan, the world’s second largest economy, concerns about the sustainability of its recent economic revival continue and Europe continues to disappoint. These considerations, together with the perennial uncertainties surrounding the price of oil, indicate that global economic growth will not be without its challenges. That said, Datatec is well placed to respond positively to these challenges and to sustain the Group’s welcome return to profitability in the 2005 financial year.

LESLIE BOYD
Chairman

Management will continue to seek improvements to profit margins within the business, through a combination of revenue growth, improved working capital utilisation and better productivity

JENS MONTANANA
Chief Executive Officer

The signs of a recovery in the global Information and Communication Technology ("ICT") industry that we noted in our 2004 Annual Report, gathered momentum in the year under review. This was reflected clearly in the meaningful – often double digit – growth reported by our major vendors during this period. However, this trend was muted to a large extent amongst the major integration and services intermediaries in the ICT industry, who continued to compete aggressively in the face of excess industry capacity, ongoing productivity improvements and more discerning corporate spending. Pressure on margins was unrelenting in some sectors and management had to remain focused on operating efficiencies to bring competitive products and services to market.

I am happy to say that against this challenging background, the encouraging performance we reported at the half-year continued to improve in the second six months. Despite the setbacks in our European distribution business, all divisions of our Group performed soundly, thereby helping to confirm and consolidate Datatec's return to profitability.

Clearly, an important factor in this encouraging performance has been the strategic spread of our interests across the distribution and services sectors of the global IT industry. The margin pressure that we continued to encounter in our distribution business during the past year was offset by the global turnaround in the IT services sector, particularly in solutions integration; the convergence of voice and data communications; and the roll-out of third generation ("3G") networks by the major mobile phone service providers.

We are firmly resolved to maintain this positive trend by improving the returns of our distribution businesses in Europe and increasing our operating profit margins throughout our distribution business. We expect to continue growing our services businesses through strategic acquisitions in the geographic markets we serve.

During the year under review, we announced the postponement of our plans to list our Westcon subsidiary in the US. We did so reluctantly; however with the NASDAQ market having declined significantly since we first announced our intention to list and the benefits of the executive management changes and restructuring in Europe still to be realised, we felt that a listing could dilute the interests of Datatec shareholders unnecessarily.

Furthermore, the rising costs of compliance with the regulatory requirements of a public listing in the US have diminished the benefits of this course of action. Under these circumstances, it was our firm belief that we should no longer continue to bear the substantial costs of maintaining an IPO filing with the Securities Exchange Commission ("SEC"), and we subsequently withdrew our filing. We may review our decision in this regard should circumstances change.

GROUP OPERATIONS – DISTRIBUTION

This sector of our business accounts for approximately 81% of Group revenue and is encompassed in the operations of Westcon Group, Inc., a specialist distributor to first tier integrators and resellers of networking and communications technology from leading vendors such as Cisco, Nortel, Avaya, Checkpoint and Nokia. Westcon group's major operations are in the US and Europe, with regional offices in Asia and South America.

Revenues remained stable during the review period in the face of heightened competition in the channel amongst resellers, particularly in the US. As a result, pressure on margins intensified, motivating management to focus their attention on streamlining operations and building greater supply chain efficiencies into the Westcon group's activities. This enabled the company to increase profitability across all its divisions and in all geographic regions.

Far reaching measures have been taken to remedy the situation in Europe. The senior management team has been strengthened, and the original founder of the Westcon group in the US, Tom Dolan, was appointed CEO of the company. The company's focus on the voice convergence market has been sharpened, operating costs pruned and processes streamlined with a view to improving operating profit as a percentage of revenue. The benefits of these actions are already becoming apparent and are expected to be reflected in the new financial year.

Management will continue to seek improvements to profit margins within this business, through a combination of revenue growth, improved working capital utilisation and better productivity.

GROUP OPERATIONS – SERVICES

Our services sector is comprised largely of two major businesses – Logicalis, a provider of IT integration solutions, and the Analysys Mason group, a UK based strategic and technical telecommunications IT consultancy. Both these businesses employ direct-to-client business models and both performed strongly during the review period, with solid growth in revenue and profitability.

A significant move for Logicalis during the year was the disposal, at a significant profit against historical cost, of assets in Australia and New Zealand to IBM Corporation for $66 million. Part of these proceeds were used to make three important acquisitions, all aimed at enhancing the company's position as a strategic IBM partner in the US and the UK.

The first acquisition, Solutions Technology, Inc. ("STI"), a leading US based IBM business partner, was announced during the review period. The others, which are only effective in the current financial year, are Notability Solutions Limited, one of IBM's top business partners in the UK, and Eisco, a US based IBM Z-series mainframe solutions provider. All three acquisitions are expected to contribute positively to the results for the year ahead.

Together with Logicalis' existing relationships with Cisco and HP, these three acquisitions will significantly broaden the spread of the company's integration and services offering, enabling it to cater for a greater diversity of clients seeking an end-to-end solutions led approach to IT and networking integration.

Analysys Mason group was formed during the review period out of the merger of the Mason Group and Analysis Consulting and Research. The merger has been beneficial to both businesses, extending their global footprint and improving their combined repertoire of skills and services to take advantage of the burgeoning growth in mobile telephony.

Since Analysys Mason group's principal asset is its intellectual property, Datatec has secured the long-term tenure of its management and senior consultants via the introduction of an equity ownership scheme that enables them to acquire up to 25% of the equity in the business, and to share directly in the prosperity of the company going forward.

STRATEGIC ISSUES

Management attention during the year under review was firmly focused on restoring the Group to an acceptable and sustainable level of growth and profitability. The encouraging progress that was recorded at the half-year was not only maintained in the second six months but accelerated. Key contributors to this turn around were:

- The streamlining of operations and improving of expense controls within our distribution business;
- The strong growth of our services businesses through improved focus and execution, on the back of the increasing demand for integrated solutions and convergence driven consulting and implementation services;
- The growth of annuity type income as a proportion of our revenue, arising out of the growth of our services businesses; and
- The strengthening of our senior management team in key areas, notably Europe.

The termination of the Westcon IPO was a regrettable but necessary decision which, to some extent, overshadowed the impressive progress made in the above areas. Suffice to say that we expect the benefits of these actions to continue to flow through in the new financial year.

PEOPLE AND SKILLS

I mentioned that our senior management team was strengthened during the year with some key appointments. Chief amongst these was the appointment of Tom Dolan, the founder of Westcon Group, Inc., as CEO of Westcon. One of Tom's main focus areas is to improve profitability in Westcon's European operations based on the successful model established in the US. A new European CFO and COO have been appointed to support Tom in this task, together with new country managers in France, Spain, Sweden, Germany and the UK. I welcome these people to the Westcon European management team and look forward to their success in improving the performance of the company.

FINANCIAL RESULTS

Group revenue rose 8,1% to $2,5 billion during the review period, with EBITDA rising 4,5% to $24,9 million. All businesses within the Group contributed to this improved performance, with Logicalis and Analysys Mason group – the integration and consulting businesses – contributing close to half the EBITDA for the Group.

The tight margin conditions in the distribution business of Westcon in the US saw their overall gross margin fall by more than 1% to 7,7%, compared with 8,8% for the previous financial year. The 7,6% margin recorded in the first half of the year rose to 7,8% in the second six months.

The once-off proceeds from the sale of the Logicalis assets in Australia and New Zealand bolstered pre-tax income to $54,0 million, from a pre-tax loss of $20,5 million for the previous financial year. A number of assessed tax losses from the previous financial year held taxation for the review period to a modest $1,7 million, enabling the Group to post an attributable income of $52,3 million, compared with an attributable loss of $26,6 million for the previous year. Headline earnings per share improved to 4,0 cents from a loss of 6,7 cents in the previous year.

This performance is particularly pleasing given the challenging business conditions that prevailed in the past year, particularly in the US, and the difficulties encountered in Europe. It enables the Group to end the financial year with an even stronger balance sheet and more than adequate cash reserves of over $140 million to fund future growth.

PROSPECTS

We expect the benefits of the actions to restore the Group to profitability to continue to flow through into the current financial year. In particular, we expect our services businesses to continue to perform strongly as the full benefits of our recent acquisitions become apparent and the synergies of the Analysys Mason merger gather momentum. As a result, we anticipate a continued improvement in our overall net margins.

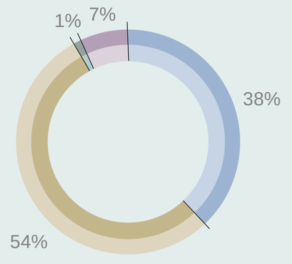
We will continue to focus our efforts on improving the margins in our distribution business and we expect to see a more positive contribution from Westcon Europe, as the actions we have taken there take effect. It is, however, difficult to accurately predict trading conditions in the US. Interest rates are likely to creep upwards as the Federal Reserve moves to support a limited strengthening of the US Dollar against other major currencies. Should this eventuate, the pressures on margins are unlikely to abate. That said, the measures we have taken to streamline our business processes and contain operating expenses, bode well for our ability to compete effectively.

Against this background and with the reassuring support of a strong balance sheet, we are optimistic that the growth trend in both revenue and operating profit will be sustained in the current financial year. We believe that we are well positioned to rise to challenges and to take advantage of the growth opportunities that present themselves in our core business areas in the year ahead.

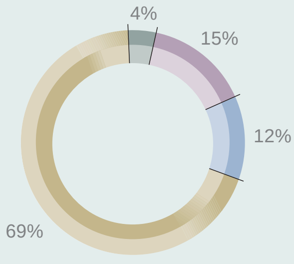
JENS MONTANANA
Chief Executive Officer

World class portfolio in the international IT networking sector

WESCON REVENUE BY REGION



WESCON EBITDA BY REGION



Westcon Group, Inc. ("Westcon") is a leading global specialty distributor of networking and communications equipment operating in North and South America, Europe and the Asia Pacific region.

Westcon is a sales and marketing channel for leading vendors of networking technology specialising in the security, convergence and mobility technology sectors. Its primary vendors are Cisco Systems, Nortel Networks and Avaya. Westcon adds value to its distribution activities by providing resources such as technical expertise, training, sales support and services.

Westcon targets sales opportunities that are solutions based, thereby requiring a high degree of specialisation and customisation. It has over 7 900 customers world-wide, which consist of value-added and general resellers, systems integrators and service providers that resell networking products and solutions to small and medium sized businesses, large enterprise organisations and governments around the world. These solutions include the design and configuration of convergence networks, network extensions such as video conferencing, network storage and unified messaging and network security.

Westcon's training and global services enable its customers to expand their technology offerings and geographic presence, enter new markets and offer a more comprehensive set of networking solutions.

STRUCTURE

Westcon operates its global distribution business via branded sales divisions under the Comstor, Voda One and Westcon brands. The company delivers value to its customers through highly trained sales staff and marketing personnel in 13 countries, supported by over 100 certified technical personnel.

The Comstor division distributes Cisco products in the US, Europe, Australia, and Singapore, while offering a host of complementary products centred on convergence, security and IP devices.

The US-based Voda One division distributes Avaya products for convergence, unified messaging, call centre applications, PBX and data networking solutions.

The Westcon division distributes Nortel Networks solutions and also provides a wide range of complementary voice and data networking equipment and security products in the US, Europe, Canada, Australia and Brazil. Westcon is the world's largest distributor of Check Point security solutions.

OVERVIEW

The year under review was one of challenges and changes at Westcon. The intended IPO was terminated due to unfavourable market conditions and management's desire to improve overall performance within the company prior to such a transaction. In May, Tom Dolan was appointed President and CEO of Westcon group following the departure of Alan Marc Smith. Tom is the original founder of Westcon and on his appointment completed a detailed examination of processes and business practices to produce a plan to improve the company's performance.

In the second half of the year, Westcon began to make changes to its management team, implement new marketing programmes, consolidate its facilities, centralise its operations, and apply Westcon's proven US model to Europe to improve overall control and efficiencies.

The company made significant changes to its management team. Brian Weisfeld joined the company as Senior Vice President, Corporate Operations and Duncan Potter was named Vice President of World-wide Marketing. Simon Minett, a former Comstor UK operational executive, was named Chief Operating Officer, Europe for Westcon and Paul Cunningham, former Comstor UK executive, was appointed Vice President of the Technology Solutions Group.

Westcon launched a number of new marketing initiatives including a multi-national small and medium business (SMB)-focused marketing campaign called SMBx, which includes regional programmes in Europe, the US and other areas. The company also rolled out branded programmes such as SecurityPoint and VoicePoint in different regions around the world. These programmes are designed to help customers become more successful in selling advanced technologies.

Westcon created The Technology Solutions Group to integrate Westcon group's strengths in technology solutions (convergence, security and mobility) with specific business methodologies and vertical market applications. By creating a standardised framework to define and deliver effective solutions for business requirements in its target markets, the company is able to draw more efficiently on its strategic manufacturer portfolio.

In the financial year 2005, Westcon continued to increase efficiencies by leveraging common logistics and back office functionality; consolidating redundant operations and facilities; and reassigning duplicate executive and management roles. These efforts, which are now nearing completion, have resulted in the company achieving a much stronger operational basis from which it can address business objectives in the coming year.

By creating Westcon Group European Operations Limited ("WGEO"), the company has effectively centralised back office and finance functions for all of its European subsidiaries and revitalised its European operating structure. The European financial organisation is now stronger, and as a result of this consolidation has significantly increased its ability to access capital when necessary. Through its efforts to become more efficient, WGEO achieved certification for ISO 9000: 2000 quality standards during financial year 2005.

During the past year, Westcon continued its focus on developing opportunities within the convergence and security markets, while enhancing its overall value proposition to customers.

Westcon expanded its international solution portfolio by announcing significant vendor partnerships with Symbol Technologies, Motorola Canopy and Redline Communications in the area of mobility and Crossbeam Systems, Ironport Systems, Barracuda Networks and Net6 in the area of security. Additionally, the company enhanced its IP applications portfolio by adding Stonevoice, Berbee and Litescape, increasing the strength of its world-wide convergence offering. Westcon enhanced its IQualify customer financing programme through a new agreement with American Express Corporation.

Westcon continues to support its product and services offerings through branded training sessions and customer-focused events. Last year, thousands of customers participated in Westcon events, with each division providing a host of Tele Tracks, Fast Tracks and Coffee Clubs. In addition, Comstor US launched the second rendition of its Layered Security programme, Comstor France launched its Cisco certified classroom training series, Voda One carried out a multi-city SMB sales training tour and Westcon Brazil launched a successful Convergence Symposium series. The purpose of these events was to provide technical information and sales strategies to resellers on a variety of product and service solutions.

MARKETS

Within the networking and communications industry, opportunities in the areas of convergence, security, mobility and radio frequency infrared device (RFID) continue to expand as Cisco, Nortel, Avaya and Symbol report a steady increase of market demand. Convergence technology has been embraced by both enterprise and SMB customers as a means of achieving increased productivity rather than simply cost savings. Continued well publicised reports of network threats and Internet viruses contribute to the ongoing demand trend in network security products and services.

FINANCIAL PERFORMANCE

During the year, Westcon's revenue increased 11,7% from $1,84 billion in 2004 to $2,06 billion. This reflects an increase across all divisions and geographic regions due to increased demand for all three foundation vendor products (Cisco, Nortel, Avaya) coupled with increased sales of security and other complementary products, and is enhanced by the translation of non US revenue at weaker dollar exchange rates.

Gross margins decreased from 8,8% in 2004 to 7,7% in the year under review resulting in a 2,3% decline in gross profit from $162 million to $158 million. The drop in gross margin was attributable to lower margins in Europe, coupled with continuing pressure on global channel margins. The decline in consolidated gross margin was not a global trend for the company as margins in the US increased slightly over 2004 levels.

Westcon's EBITDA decreased by 30,8% from $36 million to $25 million and the EBITDA margin declined from 2,0% to 1,2% as a result of the decreased gross margins in Europe and non-recurring costs of approximately $12 million relating to the consolidation of facilities, the separation costs of the former CEO, the expensing of previously capitalised IPO costs and a European restructuring programme which was carried out during the second half of the year.

During the year, Westcon's operating activities generated $6 million of cash as compared to using $32 million of cash in 2004, largely as a result of better cash management. The company achieved a $62 million aggregate decrease in accounts receivable, inventory, prepaid expenses and other current assets including a $28 million decrease in accounts receivable and a $33 million decrease in inventories.

For the year Cisco products made up 55% of Westcon's revenue followed by 11% for Nortel, 9% for Avaya, 10% for security and 15% for Development/Affinity vendors. From a geographic perspective, 55% of Westcon's revenue was generated in the Americas followed by 38% in Europe and 7% in Asia-Pacific.

PEOPLE

As the company's primary asset, Westcon continues to hire the most experienced and capable people in the markets in which it operates. The company recruits the best local talent from every part of the globe, including certified engineers, product specialists and sales representatives and invests in its employees through training and career development programmes.

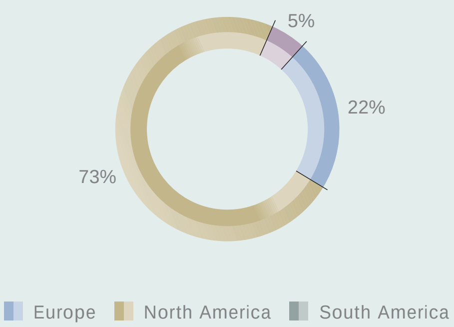
THE COMING YEAR

Westcon expects to improve the conditions for its success in Europe through centralisation and consolidation. It also continues to refine its management organisation on a multi-national basis, with the objective of driving market opportunities in its core areas of technological expertise. Specific goals for the coming year include:

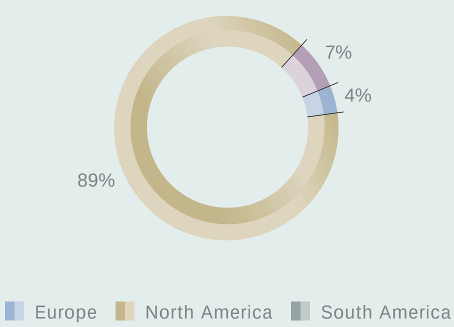
1. *Improving profitability of its European operations:* The company made numerous management changes in Europe and invested significant resources in improving its European performance and expects to see the results of these efforts in 2006.
2. *Establishing its Affinity Vendor Programme and refining the Technology Solutions Group:* The company has dedicated significant resources to helping identify and exploit opportunities in the market by offering highly targeted advanced technology solutions.
3. *International expansion:* There are opportunities for Westcon's further geographic expansion including regions such as Eastern Europe, Asia and Latin America which the company intends to pursue in 2006.
4. *Engaging its customers with focused marketing programmes:* The company is in the process of launching highly engaging programmes designed to increase customer opportunities in four areas: reseller recruitment and development, technology migration, advanced technology penetration and end user capture. These programmes are already underway with the recent launch of VoicePoint in Westcon Europe, SecurityPoint in Westcon US and SMBx across both Comstor Europe and Comstor US.
5. *Focus on financial efficiencies:* The company will continue to focus on working capital management to maintain and improve liquidity.

Client focused approach makes
us a dynamic solutions provider

LOGICALIS REVENUE BY REGION



LOGICALIS EBITDA BY REGION



Logicalis Group ("Logicalis") is an international provider of high-performance information and communication technology solutions, specialising in the provision and integration of enterprise solutions, intelligent networks and managed services.

With its international headquarters in the UK, Logicalis, after its recent acquisitions, has revenue in excess of $450 million with operations in the US, UK, Argentina, Uruguay, Germany, Paraguay and Brazil. (Logicalis' operations in Australia and New Zealand were sold in March 2004.)

Logicalis currently employs over 800 people world-wide, including highly-trained service specialists who design, specify, deploy and manage information and communication technology (ICT) infrastructure to meet the needs of over 5 000 corporate and public sector customers. Logicalis maintains strong partnerships with technology leaders such as IBM, HP and Cisco.

Following the disposal of the Australia and New Zealand businesses, Logicalis focused on its strategy to attain greater critical mass in its UK and US operations. The disposal provided the financial flexibility to enable Logicalis to achieve growth through tactical acquisitions. Since the half-year Logicalis has concluded three acquisitions, two of which were post year-end:

- On 1 September 2004, Logicalis acquired Solutions Technology, Inc ("STI"). STI is a leading IBM Infrastructure Solutions partner delivering solutions to over 500 customers principally in the Midwestern region of the US.
- On 1 March 2005 Logicalis acquired Notability Solutions Limited ("Notability"), a privately-held company and one of IBM's top business partners in the UK. With annual revenue in excess of $40 million, Notability is a premier IBM hardware and software partner serving a broad range of customers across a number of industries, with particular strength in the financial services and distribution sectors. Notability also has strong eServer, storage and e-business skills and has concentrated on developing a solutions-led sales approach – an approach which is closely aligned with Logicalis group's focus.
- On 17 March 2005 Logicalis acquired Eisco Technology, Inc., a $15 million revenue, privately-held US based IBM solution provider that focuses on high-end IBM zSeries mainframe solutions. The acquisition of Eisco completes the IBM Solutions portfolio in the US and allows Logicalis to service its customers' entire IBM requirements.

These acquisitions position Logicalis as a strategic IBM partner in both the UK and US markets.

STRATEGY

Logicalis has been progressively enhancing its business model by improving its strategic focus and operating efficiency. This has been achieved through aligning the cost base with lower revenue following the downturn in the sector, streamlining the businesses to improve efficiency, improving the quality of management and seeking ways to increase revenue both organically and through acquisition. The sale of the Logicalis operations in Australia and New Zealand for

$66 million in March 2004 represented a significant return on Datatec's original investment and provided the funds to enable Logicalis to strengthen its core operations.

Logicalis' strategic goal is to maximise profit generation and value by being a leading player in its chosen markets with strength in scale, efficiency and quality of execution both for its customers and internally by:

- Improving market recognition through clear, focused and complementary offerings and high quality vendor relationships;
- Gaining scale in core geographies and lines of business to improve competitiveness and profitability;
- Blending the responsiveness and personal service of a smaller value-add intermediary with the financial strength and efficiency of a large integrator to win against both niche and larger competitors;
- Concentrating its efforts on becoming more solution-led, focusing on meeting customers' business requirements;
- Increasing the volume of business in high demand growth technologies; and
- Improving the quality of customer engagement and sales organisation by implementing customer relationship management ("CRM") tools, improving sales support, investing in staff training and enhancing the sales management process to maximise the productivity of sales effort.

In terms of technology, Logicalis continues to focus on higher demand advanced technologies and the related services that deliver secure, converged computing and communications infrastructures. These technologies include wireless, IP communications, storage and data management, intelligent networking, data management and security. The group has established deep technical skills and vendor recognition in these areas and during the year ended 28 February 2005 achieved some significant success. Major customer wins during the period under review include:

- US – oil major – large IBM win ($1,5 million)
- US – insurance – new customer for IBM solutions ($1,5 million)
- US – local government – major local government investment in HP ($7,0 million)
- US – local state government – first major HP Itanium SuperDome and XP12000 installation demonstrating Logicalis' leadership in HP solutions ($5,5 million)
- UK – insurance – fully converged voice and data solution with planned expansion for video services and support services for 3,5 years ($1,3 million)
- UK – education sector – five year framework contract to supply equipment, services and bandwidth for five universities and twenty further education colleges ($4,8 million)
- South America – multi-country contract with major oil company ($1,6 million)

Logicalis' primary vendor partners are Cisco, HP and IBM and the group continues to broaden its partner base to improve solution offerings with complementary products and services that enhance the solutions that it offers customers.

Logicalis management is focused on building strong businesses that provide the core information and communication technologies that underpin customers' ICT infrastructures. In the UK the group is still looking to acquire a business that is a convergence specialist and which will increase the overall scale of the UK operation. In the US with its larger and broader business, the selection criteria for additional acquisitions are tactical, where the focus will be on skill enhancements or geographical infill opportunities.

Management will also continue to closely monitor the execution of plans and measure progress.

PEOPLE

A number of key new appointments were made during the past year, the benefits of which are already becoming apparent.

The group's focus on advanced technologies requires a high level of technical expertise and the group continues to work closely with vendor partners to ensure that its employees are trained appropriately, wherever possible taking full advantage of vendor-funded training schemes. Logicalis has also continued to invest in its processes, systems and organisation in order to improve productivity.

Logicalis in the UK has achieved independent triple certification for its integrated management system supporting computing and communications solutions, information security and IT service management offerings: ISO 9001/2000; BS7799 and BS15000 respectively. The Uruguay operation also achieved the ISO 9001/2000 accreditation during 2005.

ORGANISATION

Logicalis' business model has a decentralised structure to allow its operations to be flexible and responsive to local market conditions. A small head office function in the UK provides strategic direction, financial control and policy setting. The group aims to make its country operations part of an integrated network of businesses leveraging a common brand and marketing collateral, while creating synergies that enhance its overall value to its customers and shareholders.

MARKETS

There was a modest upturn in trading conditions during 2005 however, market conditions were variable from sector to sector. Strong demand for networking equipment at the beginning of the year slowed in the second half while in the high-end enterprise storage and servers market, year-on-year growth was of the mid single digit order and fluctuated quarterly between year-on-year decline and growth.

In South America improving economic conditions with relatively strong GDP growth rates helped drive investment in IT after a number of very difficult years. Logicalis enjoyed a 97% increase in product sales, mainly of Cisco equipment.

Even before the impact of the STI acquisition, the benefits of new core vendor partners such as IBM also started to contribute more significantly during 2005 and there was also an improvement in Sun equipment sales. The benefits of the improving market conditions was a year-on-year overall increase in product revenues of 11% (before the impact of acquisitions), and encouragingly product margins were kept stable.

At a macro level as the global economy continues to show signs of improvement, organisations are expected to increase their budgets for investment in new IT infrastructure and take advantage of both lower prices and faster and better technology. However, customers remain focused on their business needs and return on investment, often resulting in long customer procurement cycles and continuing pricing pressures.

Logicalis also increased professional and technical services revenue in 2005 by 8%. Growing annuity revenue continues to be a focus and growth of 13% was achieved in maintenance and managed services.

FINANCIAL PERFORMANCE

Total revenue was $352 million for the 12 months ended 28 February 2005. This included $8 million of revenue from one month of ownership of the disposed operations in Australia and New Zealand, $53 million from the acquisition of STI on 1 September 2004 and $4 million from the Vados division sold after the year-end. The total reported revenue for the 12 months ended 28 February 2004 was $363 million which included $104 million of revenue from discontinued operations. Excluding the impact of acquisitions and disposals, revenue increased 11% on a like-for-like basis during 2005.

Improved product sales generated additional demand for consulting and technical services and revenue from project based services was up by 8% on the corresponding period last year. The increased demand for these services resulted in a higher utilisation of staff and impacted favourably on the services gross margin which increased from 13% in 2004 to 23% in 2005.

The total gross margin for the year from continuing operations was 21,2%. This was down by 0,3% on the previous year mostly reflecting an increase in product based business.

Management continued to maintain a concerted focus on operating expenses which were down 1% compared with the 11% increase in revenue (on a like-for-like basis).

As stated above, in March 2004 Logicalis sold its Australian and New Zealand businesses to IBM for $66 million. The net proceeds substantially strengthened the Logicalis group balance sheet, as well as providing funding for organic growth and potential acquisitions in North America and the UK.

The EBITDA profit for the year was $8,1 million compared to $2,4 million last year, an increase of 237%. The STI acquisition and the leverage on the existing US operation contributed $3,4 million of the total EBITDA for the year. After charges for depreciation and amortisation the total operating profit ("EBIT") amounted to $4,4 million (2004: $5 million operating loss). Continuing operations, excluding Australia, France, New Zealand and the Vados division, produced revenue of $341 million (2004: $259 million) and EBITDA of $9,8 million for the year, compared with a loss of $0,8 million for the prior year.

Following a strategic review in February 2005 the Board of Logicalis decided to exit the design and manufacture of niche proprietary networking products. The Vados division, which had total revenue in 2005 of $4 million and an EBITDA loss of $2 million, was accordingly sold to management in April 2005.

Logicalis has continued to maintain a rigorous focus on cash and working capital management. However, the days sales outstanding for trade debtors at the year-end was 58 days (51 days excluding STI), compared with 43 days at the previous year end. The current year-end figure was impacted by the very high sales of IBM equipment in December by STI and the previous year end benefited from low days sales outstanding in Australia and New Zealand. At 28 February 2005 Logicalis' net cash position was $57 million (2004: $26 million). This net cash amount includes $32 million remaining from the sale of the Australian and New Zealand businesses and is after the acquisition of STI of $13 million and the repayment of Datatec loans of $23 million. On 1 March 2005 $18 million cash was used to purchase Notability Solutions Limited in the UK.

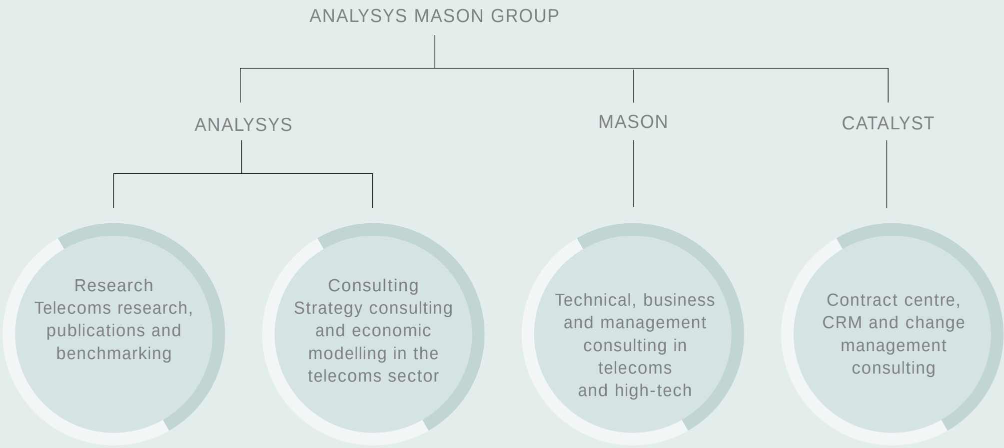
PROSPECTS FOR FISCAL YEAR 2006

The principal objective for the coming year is to ensure that the return to profitability is sustained. To achieve this the group will continue to focus on driving sales volumes by growing its customer base and selling more through the existing customer relationships by providing solutions complementary to its core offerings. A key objective will be to ensure that the acquisitions made are integrated successfully into the group and that the strategic benefits are realised.

The macro-economic conditions are likely to remain positive for 2006 and although corporate IT budgets are expanding corporate customers are expected to remain prudent in their approach to investing in IT. Logicalis' customers require solutions that deliver the desired quality of performance with a defined short-term payback on their investments. The emphasis will therefore continue to be on managing the business to ensure that it remains closely aligned to market needs.

While there is some optimism for the improved IT market conditions to continue, the trading environment remains challenging and competitive. However, the business propositions in both the UK and US are now much stronger and effective execution will remain the central objective for driving an improved and sustainable performance in 2006.

Quest for technological innovation driven by expertise



Analysys Mason group is a uniquely positioned specialist telecoms consultancy able to provide both strategy and implementation consultancy. Highly recommended globally for its expertise, impartiality and ability to get the best results for its clients, Analysys Mason group works with a growing range of regulators, public sector bodies, policy makers, financial institutions, private sector companies and operators. This breadth of experience gives the group a unique insight into all aspects of telecommunications, both wireless and fixed, and makes it an indispensable partner of any major telecoms initiative.

Analysys Mason group occupies a unique position in the global telecoms market offering via the trading subsidiaries listed above.

FINANCIAL PERFORMANCE

In the seven months since the formation of the Analysys Mason group in August 2004, management exceeded expectations by reporting turnover of £20,4 million and profit before tax ("PBT") of £1,7 million.

During the review period, the results of Mason have recovered strongly with a 26% growth in revenue to £20,4 million (2004: £16,2 million) and a return to profitability with EBITDA of £1,85 million (2004: (£470 000)) and profit before tax ("PBT") of £1,74 million (2004: (£909 000)).

The key contributor to this recovery has been the re-launch of a number of significant capital expenditure rollout programmes by the major UK telecommunications operators, particularly in relation to the launch of third generation technology. This is reflected in the growth of revenues in the telecommunications sector to £9,5 million in 2005 (£4,2 million in 2004).

Following the cost reduction programme at the end of 2004, Mason has worked hard to keep tight controls on the fixed costs and the majority of the resources allocated to these programmes have been either contractors or fixed-term staff. Analysys Mason group is therefore in a position to rapidly downsize its cost base when these programmes come to an end and maintain its current nimbleness.

The Analysys results for the seven months since acquisition have been impressive with revenue of £8 million and PBT of £990 000 reflecting a 12,5% margin. Analysys Consulting continues to deliver high value and high margin business and has exceeded the profit expectations set out at the time of the merger transaction.

Analysys Research has invested heavily in its business development team during the year and has ended the review period with two consecutive record sales months. It enters the new financial year with a very strong order pipeline and aggressive growth targets.

The excellent start for the newly merged group has allowed it to end the year with a net cash balance of £4,6 million. This figure is after making loan repayments to Datatec International Limited of £1,25 million during the year, leaving a loan balance of £2,55 million outstanding.

INTEGRATION ACTIVITES – OPERATIONS

Whilst maintaining a sharp focus on achieving its financial targets, Analysys Mason has also embarked on a programme of integrating divisions and processes within the two businesses where appropriate. The brands and identities of the individual divisions have been retained, so as not to confuse the client base whilst adopting a consistent marketing image across the group. Progress at the year-end included the following:

- Back office support and infrastructure:
  - full integration of Group Finance, HR and IT departments including centralising Finance in Manchester
  - move to one shared Analysys Mason group London office and sub-letting spare London and Cambridge office space
  - integration of some key external service providers.
- Management and organisational development:
  - CRM and knowledge management systems across the group
  - Harmonised branding
  - Key strategic hires – Catalyst, Enterprise, Asia, Regulatory Economics, Marketing
  - Secondments between divisions.

PEOPLE STRATEGY

The past year has been one of significant change for many Analysys Mason employees, and as anticipated, the changes have been embraced and have enabled the company to drive the business forward. Cross company integration strategies have worked well with all business support functions now providing unified support across the business.

Mason employees in particular had an unsteady end to the previous year, but through strong leadership and increased investment in training and development and a greater emphasis on sports and social events, the culture has stabilised, reflected by the company featuring in the top 100 UK “Best Companies to work for”. Recruitment has been limited with focus on personal development of current staff, which has resulted in a pleasing number of promotions across the company.

STRATEGIC PERFORMANCE TO DATE

In the five months since the merger with Analysys, market reaction has been very encouraging, including:

- A total of 42 joint bids have been sent out
- Of these, 29 joint projects have been won
- The conversion rate on joint bids has risen from 35% to 58%
- The average size of projects has increased from £60 000 to £113 000

The merged group has now worked on a number of notable joint projects that have included:

- Working with IT infrastructure providers in the Middle East to develop their start up operator strategy and business and implementation plans;
- CEO “dashboard” development and mobile virtual network operator (MVNO) strategy formulation for a leading international telecommunications operators; and
- Wireless and spectrum regulatory analysis for government and national communications regulators.

CURRENT MARKET ENVIRONMENT AND PROSPECTS

The overall telecom market continues to be viewed cautiously; however, current market predictions indicate a forecasted growth at a compound annual growth rate of 6,0% over the next five years, with the Asian and Middle Eastern markets expected to expand at a faster rate than their European and US equivalents.

Radical changes will continue in the global telecom industry with additional consolidation (clients and competitors) and outsourcing forecasted. Operators will be seeking to launch more products with the specific focus on business customers and broadband and content offerings. Their aim will be to improve the customer experience and maximise network efficiencies. Based on these industry drivers, demand for telecom consulting services is likely to focus on:

- Fixed/mobile convergence
- Wireless and Internet based offerings
- Regulatory change
- Solutions that enhance client revenue and provide a return on investment
- IP and next generation network investments
- Business Process and Network Outsourcing

As Analysys Mason operates across the entire spectrum of telecoms, it is able to work with a wide cross section of clients to maximise their competitive advantage and thus ensure long-term sustainable business.

FUTURE PLANS

The Analysys Mason group is emerging as a leading IT and telecommunications consultancy capable of providing both strategy and implementation as its service offerings. Analysys Mason group is investing in corporate marketing in the coming year to ensure that this unique selling point is articulated within the industry and that its brand is developed accordingly. From a growth perspective, Analysys Mason will be exploring the Middle East and South East Asia markets. As a result of the leverage gained by the merger, Mason will also be targeting European markets. Similarly, Analysys will be exploring the Irish and Scottish market potential via the Mason presence in these areas.

This year will also see focus on Analysys Mason developing and deploying a joint service offering to focus primarily on the opportunities presented by developments with network operators. This will result in a concerted effort to grow joint account development. These initiatives will underpin the company’s growth objectives and raise its profile within the marketplace.

The success already demonstrated with joint bids and the investment in marketing, provides a backdrop to an optimistic outlook for our prospects in the 2006 financial year.

Datatec's other operations are focused on two core areas:

- Westcon AME and Online Distribution, value added networking distributors whose operations mirror those of the Westcon group; and
- RangeGate, a mobile technology systems integrator.

WESTCON AME AND ONLINE DISTRIBUTION

Westcon AME and Online Distribution are value-added networking equipment distributors, in SA and the Middle East, respectively, whose operations mirror those of the Westcon group. Revenue for the combined entities amounted to $69,9 million (2004: $94,2 million from continuing operations).

Westcon AME's EBITDA amounted to $1,3 million (2004: loss of $2,0 million). This turnaround was achieved as a result of the re-organisation and the disposal of non-core assets which took place in the prior year. A key initiative for the coming year, which should further consolidate this turnaround and provide impetus for growth, is the conclusion of a Black Economic Empowerment transaction.

Online Distribution's EBITDA amounted to $1,4 million (2004: loss of $0,5 million).

RANGEGATE

RangeGate, located in SA and the UK, represents the Group's wireless mobile technology systems integration business, and provides mobile supply chain solutions to sectors such as retail, industrial, manufacturing, transport and logistics.

RangeGate achieved revenue of $8,8 million (2004: $6,4 million) and an EBITDA loss of $2,4 million (2004: $2,1 million), mostly arising in the UK.

With effect from March 2005, Datatec decreased its holding in the UK company to 19,9%, with management increasing its shareholding.

GROUP ACCOUNTING POLICIES

The Annual Financial Statements have been prepared in accordance with the Group's published accounting policies, which comply with International Financial Reporting Standards ("IFRS"). Datatec is one of the first companies on the JSE Limited to report under IFRS. The accounting policies were changed with effect from 1 March 2004 to comply with IFRS1. The transition to IFRS is accounted for in accordance with IFRS1 (First-time Adoption of International Financial Reporting Standards) with 1 March 2003 as the date of transition. Comparative numbers have accordingly been restated.

REVENUE

The Group's financial results for the year ended 28 February 2005 reflected revenue of $2,5 billion compared with revenue in the previous period of $2,3 billion, an increase of 8,1%. Revenue per division is as follows:

Revenue (million)	2005 $	2004 $
Westcon	**2 055**	1 841
Logicalis	**352**	363
Analysys Mason	**52**	27
Other Holdings	**79**	116
Total	**2 538**	2 347

Westcon achieved revenue of $2,1 billion in 2005 compared to revenue of $1,8 billion in 2004, an increase of 11,7%. This reflects an increase across all divisions and geographic regions due to increased demand for all three foundation vendor products (Cisco, Nortel, Avaya) coupled with increased sales of security and other complementary products. Gross margins decreased from 8,8% in 2004 to 7,7% in this financial year, resulting in a 2,3% decrease in gross profit from $162 million to $158 million.

Logicalis achieved revenue of $352,2 million in 2005 compared to revenue of $362,9 million in 2004, a decrease of 2,9% resulting from the effects of the disposal of the Australia/New Zealand businesses at the beginning of the financial year 2005. Excluding the impact of acquisitions and disposals, revenue increased 11% on a like-for-like basis during 2005. The total gross margin for the year from continuing operations remained steady at over 21%.

Analysys Mason achieved revenue of $52,1 million in 2005 compared to $27,4 million in 2004, attributable to the purchase of Analysys Limited and a recovery in the Telecoms sector.

OPERATING PROFIT BEFORE FINANCE COSTS, DEPRECIATION AND AMORTISATION ("EBITDA")

EBITDA amounted to $24,9 million compared with the prior period of $23,8 million. This increase is largely as a result of improved performances in Logicalis and Analysys Mason, which offset decreased gross margins in Westcon Europe and non-recurring costs of approximately $12 million relating to the consolidation of facilities, the separation costs of the former CEO, the expensing of previously capitalised IPO costs and a European restructuring programme which was carried out during the second half of the year.

EBITDA per division is as follows:

EBITDA (million)	2005 $	2004 $
Westcon	**25**	36
Logicalis	**8**	2
Analysys Mason	**3**	(1)
Other Holdings	**(6)**	(6)
EBITDA before foreign exchange loss below	**30**	31
Head Office foreign exchange loss	**(5)**	(7)
EBITDA after foreign exchange	**25**	24
EBITDA margin	**1,0%**	1,0%

GOODWILL IMPAIRMENT

Goodwill is no longer amortised in the Group's financial statements. The Group reviewed the value of goodwill carried on its balance sheet and goodwill relating to Mason and to certain of the former Landis subsidiaries in the Westcon group were considered to be impaired, with an amount of $3,8 million accordingly being written off.

PROFIT/(LOSS) ON DISPOSAL AND CLOSURE OF DISCONTINUED OPERATIONS

The following items were recorded during the year under review:

($ 000's)	**2005**	2004
Net profit / (loss) on disposal and closure of discontinued operations	**50 707**	(2 883)
Taxation	**2**	–
Attributable to outside shareholders	**–**	(5)
Net effect	**50 709**	(2 888)

TAXATION

The tax charge has decreased to $1,7 million from $5,9 million in 2004. The effective rate of tax on operating profit before exceptional items and goodwill charges is disproportionately low at 25%. This is mainly due to the utilisation of brought forward losses and the recognition of deferred tax assets in respect of carried forward tax losses in subsidiaries which have become profitable and are therefore expected to utilise these losses in future periods. Certain other subsidiaries have incurred losses in this period which have not been recognised as deferred tax assets.

The effective rate of tax on profit before taxation is 3%. This is lower than the statutory rates generally applicable because of the factors noted above as well as the fact that there is no tax charge on the gain on disposal of the Logicalis subsidiaries in Australia and New Zealand.

MINORITY INTERESTS

Minority interests relate to the 6,5% in Westcon, 25,0% in Logical Softnet (in Argentina), 15,5% in Analysys Mason and 15% in RangeGate SA not owned by the Group.

HEADLINE EARNINGS PER SHARE

Headline earnings per share increased from a loss of 6,69 cents in 2004 to earnings of 3,95 cents in 2005. Basic earnings per share increased from a loss of 19,32 cents in 2004 to earnings of 37,84 cents in 2005. Diluted headline earnings per share of 3,88 cents in 2005 was higher than the loss of 6,69 cents in 2004 and diluted earnings per share of 37,18 cents compared to a loss of 19,32 cents in 2004.

The weighted average number of shares in issue for the year was 138,1 million which increased from last year's 137,8 million due to the additional shares issued on the exercise of share options under the Datatec Share Option Scheme.

DIVIDEND POLICY

At the present time the Board is continuing with its current policy of not declaring dividends.

BALANCE SHEET

Ordinary shareholders' funds at the reporting date were $412,2 million, representing a $68 million increase from the $344,3 million in 2004. This amounts to a net tangible asset value per share of $2,28 (2004: $2,03).

BORROWINGS

The Group is dependent on its bank overdrafts, working capital line of credit and trade finance facilities to operate. These facilities generally consist of either a fixed term or fixed period but repayable on demand, are secured against the assets of the company to which the facility is made available and contain certain covenants which include financial covenants such as minimum liquidity, maximum leverage and pre-tax earnings coverage. If these covenants are breached and a waiver is not obtained for such violation, this may, amongst other things, result in that breached facility becoming repayable on demand. No covenants were breached during the year.

Datatec has no restrictions on its borrowing powers in terms of its Memorandum and Articles of Association.

CAPITALISED DEVELOPMENT EXPENDITURE

Westcon

Westcon has implemented an enterprise resource planning system known as Compass. The system is based on a J D Edwards application running on an Oracle platform and has been customised by the company to meet its specific requirements. Compass has been installed in substantially all of the companies, which operations amount to 97,9% of Westcon's total 2005 revenue. Westcon will, over the next 12 months, implement this system in certain remaining operations, which comprised 1,2% of revenue in 2005. Further costs of approximately $3,3 million will be capitalised over the next 12 months.

Development costs are amortised over a maximum of seven years with $2,68 million amortised in the year under review.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of the relevant profit warranties. The amounts owing are interest free and will be settled within the next year. Any additional amounts payable to vendors will be allocated to intangibles or the goodwill arising on acquisition and will have no effect on the income statement. This represents a change in accounting policy with effect from 1 March 2004.

Amounts owing to vendors increased during the year from $0,4 million included in the balance sheet and $1 million reflected as the maximum contingent liability in 2004 to $3 million included in the balance sheet in 2005.

CASH FLOW

Cash generated from operations of $19,5 million, relative to cash utilised in 2004 of $31,9 million, was driven by an improvement in working capital as a result of decreased accounts receivable and inventory levels, partially offset by a reduction in payables as the Group took advantage of prompt payment opportunities with certain vendors. At financial year-end the Group's balance sheet reflected a net cash position of $140,3 million compared with $88,7 million in the prior year.

OPERATING LEASE COMMITMENTS

Operating lease commitments have decreased from $127,2 million in 2004 to $109,3 million in 2005, the decrease arising mainly in Logicalis.

Operating lease commitments are made up per division as follows:

Million	**2005 $**	2004 $
Westcon	**55**	56
Logicalis	**44**	64
Analysys Mason	**9**	6
Other Holdings	**1**	1
Total	**109**	127

More detail on operating lease commitments can be found in note 22 of the Group Annual Financial Statements.

The operating lease commitments in Westcon relate mainly to future property rentals of warehouses and office properties. The balance relates to future rentals in respect of office equipment and computer equipment.

The majority of the operating lease commitments in Logicalis relate to property rentals. Included in these rentals is an amount of $37,4 million which relates to the Logicalis group and Logicalis UK premises in Slough, where a twenty-five year lease was entered into in April 2000. Approximately 30% of the building has been sublet for a period of five years (with annual break clauses) from January 2005. The balance of the operating lease commitments relate to future rentals on computer equipment and vehicles.

The operating lease commitments for Analysys Mason and Other Holdings relate predominantly to future property rentals of warehouses and office properties.

FOREIGN CURRENCY

The Group earns over 56% of its revenue in US Dollars and approximately 98% of its revenue is denominated in US Dollars as Westcon, Logicalis and Online report their consolidated results in US Dollars. As a result a similar amount of the Group's balance sheet, including net debt and cash deposits, is denominated in US Dollars.

The Group conducts business in many foreign currencies and, as a result, it is subject to currency risks owing to exchange rate movements which will affect its costs and translation of the profits of subsidiaries whose functional currency is not the South African Rand or the US Dollar. The most significant other currencies in which the Group trades are Pound Sterling, the Euro and the Australian Dollar.

The following table reflects the average and year-end exchange rates against the US Dollar

	Year ended 28 February 2005		Year ended 29 February 2004	
	Average	**Closing**	Average	Closing
ZAR	**6,2130**	**5,7853**	7,1569	6,6453
Sterling	**1,8468**	**1,9222**	1,6814	1,8607

POST-RETIREMENT BENEFITS

The Group's retirement benefit funds comprise a number of defined contribution funds throughout the world. The Group has no liability to these funds other than the monthly payment of staff contributions. The Group has no liability in terms of post retirement medical aid contributions for staff.

CORPORATE GOVERNANCE

The Group and its directors are fully committed to good corporate governance and to the principles of openness, integrity and accountability in dealing with shareholders and all other stakeholders. All directors endorse the Code of Corporate Practices and Conduct recommended in the King Report on Corporate Governance in South Africa 2002 ("King II Report"). The directors are of the opinion that all the principles articulated in the King II Report have been adhered to.

BOARD OF DIRECTORS

The Board currently consists of seven directors, five of whom are non-executive and independent. The non-executive directors, drawing on their experience, skills and business acumen, ensure impartial and objective viewpoints in decision making processes and standards of conduct. The directors consider the mix of technical, entrepreneurial, financial and business skills of the directors to be balanced, thus enhancing the effectiveness of the Board.

The roles of the Chairman and the Chief Executive Officer do not vest in the same person. Leslie Boyd is the independent non-executive Chairman of the Group and Jens Montanana is the Chief Executive Officer. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making.

The Board retains full and effective control over the Group and monitors the executive management and decisions in the subsidiary companies. The Board is responsible for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the Group's risk management and internal controls, communications policy, and director selection, orientation and evaluation. These responsibilities are set out in the approved Board Charter. Please refer to pages 38 and 39 for a copy of the Board Charter. The directors are of the opinion that they have adhered to the terms of reference as articulated in the Board Charter for the financial year ended 28 February 2005.

To adequately fulfil their responsibilities, directors have unrestricted access to timely financial information, all Group information, records and documents. Directors are provided with guidelines regarding their duties and responsibilities as directors and a formal orientation programme has been established to familiarise incoming directors with information about the Group's business, competitive posture and strategic plans and objectives.

The Board meets at least four times a calendar year and additional meetings are held when non-scheduled matters arise. At all Board meetings directors declare their interests in contracts where applicable. Full details of the directorate are set out on pages 8 and 9 and page 112.

Formal appraisal processes are in place to monitor Board performance. A Board self-assessment review is performed annually. At the same time assessments are performed on the committees of the Board, as well as the performance of the Chairman and individual directors.

Directors' attendance at Board meetings – 2005 financial year and subsequent meetings to the date of this report

	26 May 2004	3 August 2004	26 October 2004	15 February 2005	17 May 2005
L Boyd	P	P	P	P	P
C B Brayshaw	P	P	P	P	P
J P Montanana	P	P	P	P	P
D B Pfaff	P	P	P	P	P
C M L Savage	P	P	P	P	P
C S Seabrooke	P	P	P	P	P
N J Temple	P	P	P	P	P

P = Present

The Board has the following committees to assist it with its duties:

- Audit, Compliance and Risk Committee
- Remuneration and Nomination Committee

AUDIT, COMPLIANCE AND RISK COMMITTEE

The Audit, Compliance and Risk Committee consists of the following independent non-executive directors:

- Colin Brayshaw (Chairman)
- Cedric Savage
- Chris Seabrooke

The Committee operates within defined terms of reference as set out in its charter, and authority granted to it by the Board and meets at least three times a year, when the external auditors, the Chief Executive Officer and the Group Finance Director are invited to attend. The external and internal auditors have unrestricted access to the Audit, Compliance and Risk Committee and meet with the Committee members, without management present, at least once a year.

The Committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference.

The principal functions of the Committee are to review the Annual Financial Statements, the half yearly results announcement, monitor the effectiveness of internal controls, assess the risks facing the business, discuss the findings and recommendations of the internal and external auditors, review the internal and external audit plans and to review the effectiveness of the internal and external auditors. The Chairman of the Committee reports on the Committee's activities at each Board meeting.

Datatec's operating subsidiary companies have separate Audit Committees. Full reports from these sub-committees are submitted to and form part of the documentation made available to the Datatec Audit, Compliance and Risk Committee.

The Audit, Compliance and Risk Committee ensures that there is appropriate independence relating to non-audit services provided by the external auditors. Pre-approved permissible non-audit services performed by the external auditors include taxation and due diligence services.

The Committee assists the Board in reviewing the risk management process and significant risks facing the Group. The Committee sets the Group's risk strategy in liaison with the executive directors and senior management, making use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control. The Committee identifies and monitors, at least annually, key performance indicators and key risks, including operational, physical, human resources, technology, continuity, credit, market and compliance risks.

Management is accountable to the Board for designing, implementing, monitoring and integrating the process of risk management into the day-to-day activities. The Board however, retains overall accountability for risk management. The Board views risk management in a positive light as it may also identify business opportunities.

A formal strategic risk assessment for Datatec and its major operating subsidiaries has previously been completed. Risk mitigation strategies have been identified for all key risks both at a Group and an operating entity level. The output of the risk assessment process formed the basis for the internal audit coverage plan. Identified risks are reviewed on an annual basis.

The Chairman of the Audit, Compliance and Risk Committee will be available at the Annual General Meeting to answer queries about the work of the Committee.

Directors' attendance at Audit, Compliance and Risk Committee meetings – 2005 financial year and subsequent meetings to the date of this report

	20 May 2004	20 October 2004	27 January 2005	12 May 2005
C B Brayshaw	P	P	P	P
C M L Savage	P	P	P	P
C S Seabrooke	P	P	P	P

P = Present

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee currently consists of the following independent non-executive directors:

- Leslie Boyd (Chairman)
- Chris Seabrooke
- Nick Temple

The Committee operates within defined terms of reference as set out in its charter, and authority granted to it by the Board and meets at least three times a year. The Chief Executive Officer and Group Finance Director may be invited to attend these meetings, but neither may take any part in decisions regarding their own remuneration.

The Committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference.

The Committee is responsible for making recommendations to the Board on the Group’s framework of executive remuneration and to determine specific remuneration packages for each of the executive directors and certain senior managers of the Group. The Committee is also responsible for the Group's remuneration policies and the allocation of share options in terms of the Datatec Share Option Scheme. The Committee makes recommendations to the Board regarding the appointment of new executive and non-executive directors and makes recommendations on the composition of the Board generally. Director appointments are formal and transparent. The Chairman of the Committee reports on the Committee’s activities at each Board meeting.

Fees payable to non-executive directors are recommended by the Board and ratified by shareholders at the Annual General Meeting. Full disclosure of individual directors’ remuneration appears on page 46 and 47.

The Chairman of the Committee will be available at the Annual General Meeting to answer queries about the Committee's work.

Directors' attendance at Remuneration and Nomination Committee meetings – 2005 financial year and subsequent meetings to date of this report

	25 May 2004	3 August 2004	26 October 2004	15 February 2005	17 May 2005
L Boyd	P	P	P	P	P
C S Seabrooke	P	P	P	P	P
N J Temple	P	P	P	P	P

P = Present

Refer to Remuneration Report on pages 42 to 49.

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary and are entitled and authorised to seek independent and professional advice about affairs of the Group at the Group’s expense. The Company Secretary is responsible for the duties set out in Section 268G of the Companies Act. The certificate required to be signed in terms of subsection (d) of the Act appears on page 56.

FINANCIAL AND INTERNAL CONTROL

The Group’s internal control and accounting systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard, verify and maintain accountability of its revenues and assets. These controls are implemented by skilled company personnel.

The Group has implemented a system of control self-assessment across all Group companies. Local management is required to complete and submit control self-assessments bi-annually. Local management is monitored against internal control norms in other Group companies and action is taken where ratings are considered to be inadequate. Ratings are also reviewed by the Audit, Compliance and Risk Committee.

Nothing came to the attention of the directors or arose out of the internal control self-assessment process, internal audits or year-end external audits to indicate that any material breakdown in the functioning of the Group's internal controls, procedures and systems had occurred during the course of the year.

In addition, there are documented and tested procedures in some of the subsidiaries which will allow these subsidiaries to continue their critical business processes in the event of a disastrous incident impacting their activities. Where such documented procedures currently do not exist, the relevant subsidiaries are in the process of implementing them.

INTERNAL AUDIT

Internal audit, which is outsourced to Ernst & Young, is an independent appraisal function, which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes. Internal Audit operates within defined terms of reference as set out in its charter and authority granted to it by the Audit, Compliance and Risk Committee and the Board. The Audit, Compliance and Risk Committee is satisfied that Internal Audit has met its responsibilities for the year with respect to its terms of reference.

Internal Audit reports to the Company Secretary on day-to-day matters and to the Chairman of the Audit, Compliance and Risk Committee. Audit plans are presented in advance to the Audit, Compliance and Risk Committee and are based on an assessment of risk areas. Internal Audit attend and present their findings to the Audit, Compliance and Risk Committee.

The objective of Internal Audit is to assist the Board in the effective discharge of their responsibilities.

MANAGEMENT REPORTING

The Group has established management reporting disciplines which include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against approved budgets. Profit projections and cash flow forecasts are reviewed regularly, while working capital and borrowing levels are monitored on an ongoing basis.

EMPOWERMENT AND EMPLOYMENT EQUITY

Datatec places particularly high value on the abilities and contributions made by employees in the development and achievements of its businesses.

Around the globe, the Group is an equal opportunities employer. The Group strives to afford all staff members opportunities to realise their full potential and advance their careers. The Group is committed to a working environment that is free from any discrimination and seeks to develop skills and talent inherent in its work force.

The Group is open to new partnerships that will increase shareholder value as well as plough back skills and resources into the South African community.

All the South African operations have committed themselves to a transformation process designed to minimise barriers to employment equity. Significant progress has been made to achieving the employment equity plan goals. Since most of our business interests exist outside SA, employment equity plans are established on an individual entity basis. Discussions are currently underway with various Black Economic Empowerment partners to empower the South African operating entities.

The Group's social responsibility activities are detailed on pages 40 to 41.

ORGANISATIONAL INTEGRITY

The Group operates on a basis of decentralised management across numerous countries. All employees are required to maintain the highest level of ethical standards in ensuring that the Group's business practices are conducted in a manner that, in all circumstances, is above reproach. The code of ethics has been approved by the directors and has been rolled out through the Group. The directors believe that the required ethical standards have been met during the year under review.

Datatec is actively enhancing its performance-driven culture of full disclosure and transparency in which individual employees assume responsibility for the actions of the business. The integrity of new appointees in the selection and promotion process is continuously assessed. The basis of ethical conduct is entrenched in the company culture.

WHISTLEBLOWING HOTLINE

Datatec has implemented a whistleblowing hotline in SA. This hotline will be rolled out to other subsidiaries in the Group. The hotline provides a facility whereby employees are able to anonymously provide tip-offs of potential frauds or unethical conduct.

SAFETY, HEALTH AND ENVIRONMENT

A formal safety, health and environmental policy has been implemented and approved by the Board.

Datatec recognises its obligation to reduce the risk of injury in the working environment and to supply a clean and safe workplace. The Group undertakes to comply with health and safety regulations as set in the jurisdictions in which the Group operates around the world. To this extent, where applicable, operating subsidiaries have individual health and safety policies.

Although the Group operates in a predominantly office and warehouse based environment the Group recognises its responsibility to safeguard the environment in the course of conducting business operations. Where applicable each operating subsidiary has its own environmental policy.

Datatec has set the following environmental objectives to be applied across the Group using best practice in environmental management. The Group will:

- Comply with legal environmental requirements
- Seek to maximise our understanding of environmental issues
- Purchase environmentally sensitive products wherever possible
- Seek to minimise waste
- Seek to minimise energy use
- Seek to minimise transportation impacts
- Support community and other environmental initiatives by active involvement

SHARE DEALINGS

No Group director or employee may deal, directly or indirectly, in Datatec shares or warrants on the basis of previously unpublished, price-sensitive information.

Restrictions are imposed upon directors and senior management in the trading of Datatec shares and warrants and upon all employees regarding the exercising of Datatec share options during certain "closed periods". In light of the JSE Listing Requirements, the insider trading laws and good corporate governance, the Datatec Remuneration and Nomination Committee has advised that employees are not permitted to exercise their share options during closed periods or when in possession of unpublished price-sensitive or inside information relating to Datatec. The closed periods include the periods between Datatec's interim and financial year end reporting times and the dates on which the relevant results are published, and any time when Datatec is trading under a cautionary announcement.

Employees may nonetheless on application, and at the sole discretion of the directors, be allowed to exercise their share options while Datatec is trading under a cautionary announcement provided that the JSE Listing Requirements and the relevant insider trading laws permit the exercise of options at the relevant point in time. Employees exercising their options in these circumstances will be required to sign a declaration confirming that they are not in possession of unpublished price-sensitive or inside information relating to Datatec.

In respect of the closed periods preceding the publication of results, employees whose option exercise date falls within such a closed period will be permitted to exercise their options during a period of one month prior to the starting date of such a closed period. This concession has been made in accordance with clause 5.8.1 of the Datatec Share Option Scheme whereby "the directors shall be entitled if in their opinion special circumstances exist and in consequence of which they consider it reasonable to permit the exercise of the option (in whole or in part) prior to the date on which it could be otherwise exercised, to permit such exercise." No employee shall however be permitted to exercise an option when in possession of unpublished price-sensitive or inside information relating to Datatec.

SHAREHOLDER RELATIONS

Datatec's investor relations programme includes communications with shareholders through interim and annual reports, meetings and presentations.

Datatec's daily investor relations activities are carried out by an investor relations team comprising designated spokespeople mandated by the Board. Datatec is committed to providing transparent, generous and regular disclosure to its shareholders.

Datatec reports financial results to shareholders, institutional investors and the media twice a year; interim results in October and annual results in May. The Company's website (www.datatec.co.za) provides the latest and historical financial and other information on the Group including formal announcements, presentations and webcasts. Individuals, shareholders and interested parties can subscribe to Datatec's investor relations programme on the website. Press releases and information already in the public domain are sent via e-mail communication.

GOING CONCERN

The directors' assessment on the Group as a going concern is set out on pages 56 and page 58 to 59.

CONSTITUTION

The primary objective of the Company's Board Charter is to set out the responsibilities of the Board of Directors ("the Board").

MEMBERSHIP

The number of directors shall not be less than four directors nor more than fifteen. The appointment of directors shall be recommended by the Remuneration and Nomination Committee and approved by the Board as a whole.

The Chairman shall be a non-executive director, preferably independent, and the roles of the Chairman and Chief Executive Officer shall be separated. Hence the running of the Board and the executive function of the management of the Company's business will be the responsibilities of the Chairman and the Chief Executive Officer respectively.

Unless varied by these terms of reference, the appointment of directors will be governed by the Articles of Association of the Company.

RESPONSIBILITIES OF THE BOARD

The Board will be responsible for, *inter alia*:

- Adoption of strategic plans
- Giving strategic direction to the Company, appointing the Chief Executive Officer and ensuring that succession is planned
- Retaining full and effective control over the Company and monitoring management in implementing Board plans and strategies
- Monitoring operational performance and management
- Preparation and integrity of the Annual Financial Statements and all related information
- Recording the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead or why it will not, and in that case, what steps the Board will take to remedy the situation
- Defining levels of materiality, reserving specific power to itself and delegating other matters with the necessary written authority to management
- Maintenance of adequate accounting records
- Adequately safeguarding, verifying and maintaining accountability of assets
- Preventing and detecting material misstatement and loss
- Determination of policy and processes to ensure the integrity of the Company's risk management and internal control procedures
- Implementing proper systems of internal control which are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements
- Ensuring that the Company complies with all relevant laws, regulations and codes of business practice, and that it communicates with its shareholders and relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form
- Developing a corporate code of conduct that addresses conflicts of interest, particularly relating to directors and management
- Assessing its composition to consider whether its size, diversity and demographics makes it effective
- The communications policy of the Company
- Director selection, orientation and evaluation
- Ensuring that there is an appropriate balance of power and authority on the Board, such that no individual or block of individuals can dominate the Board's decision taking

- Ensuring that each item of special business included in the notice of the Annual General Meeting, or any other shareholder meeting, is accompanied by a full explanation of the effects of the proposed resolution
- Encouraging shareholders to attend Annual General Meetings and other Company meetings, at which the directors should be present
- Defining and monitoring the information needs of the Board. The Board should have unrestricted access to all Company information, documents, records and property
- Identification and monitoring of the non-financial aspects relevant to the business of the Company
- Ensuring that the duties of directors as prescribed by the Companies Act (No 61 of 1973, as amended) are carried out
- Risk management

The Board may delegate any of its responsibilities to committees of the Board.

MEETINGS

- Meetings of the Board will be held as frequently as the Board considers appropriate, but it will normally not meet less than four times a year. Any Board member may call further meetings if required
- Reasonable notice of meetings and the business to be conducted shall be given to members of the Board
- The chairperson, at his discretion, may invite other executives to attend and to be heard at meetings of the Board.

PROCEEDINGS AT MEETINGS

- Unless varied by these terms of reference, meetings and proceedings of the Board will be governed by the Company's Articles of Association
- The Company Secretary shall take minutes of the meetings. These shall be reviewed and approved by the members of the Board.

GENERAL

- The Board, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties
- The Board will ensure that members of the Board will have access to professional advice both inside and outside the Company in order for it to properly perform its duties
- These terms of reference may be amended as required, subject to the approval of the Board
- These terms of reference will be subject to annual review by the Board.

DATATEC

The Datatec Education and Technology Trust was established in March 2000 with an initial grant allocation from the company. The principal ideal of the Trust is to grow SA's mathematics, science and technology talent, with a primary focus on providing sustainable infrastructure dedicated to developing these skills. The Group believes that this development, at grassroots level, provides a platform from which SA can build its expertise in fields such as mathematics, science and technology.

To date, the Trust has invested in four community-based projects:

- The Centre for Innovation, established at Hilton College in the KwaZulu-Natal Midlands, provides the surrounding community with mathematics, science, entrepreneurship and computer skills training and is utilised by many schools as well as Protec, a national organisation involved in technology skills training within disadvantaged communities.
- The Maths Centre, a national organisation dedicated to the upliftment of the standard of mathematics, science and technology teaching in government schools. The Maths Centre has put together a vibrant and practical hub for learning these three disciplines using ICT resources. It serves as a resource base for the empowerment of teachers of mathematics, science and technology and all the courses are accredited with several universities ensuring professional development of teachers.
- The Siyakhula Bridging School, situated in an economically depressed area between Ivory Park and Ebony Park, teaches basic computer literacy skills to local area residents from a refurbished property that has been turned into an Education and Community Centre. Many of the residents who were previously unemployed have been able to find employment as a result of their newly acquired skills.
- Digital Hope is a non-profit benefit organisation that has been formed in order to raise funds and manage projects focused on bridging the digital divide in disadvantaged South African schools. Digital Hope has developed a model for implementing such projects called the DigiTainer. DigiTainers are 12 metre shipping containers that have been converted into either single or double IT laboratories providing space for 15 to 30 networked PCs. Datatec has funded the building and deployment of two DigiTainers, one in Gauteng and the other in KwaZulu-Natal, which work in conjunction with the Vula outreach programme of which Datatec is already a sponsor. Not only does the DigiTainer serve the surrounding disadvantaged schools, it also serves as a training facility for teachers as well as an adult education centre for the various upliftment projects rolled out in the area.

WESTCON

Westcon's policy is to make charitable donations in support of various causes for those in need. During the 2005 financial year, Westcon supported the advancement of treatments for medical conditions such as Parkinson's disease, autism, breast cancer and cystic fibrosis. Additionally, Westcon continues to support its local police and firefighting departments through regular contributions.

Among the charities Westcon supported were The American Parkinson Disease Association, Cure Autism Now, The Cystic Fibrosis Foundation, The Susan G Komen Breast Cancer Foundation, NY Families of Autistic Children and a Community Fund.

LOGICALIS

Consistent with the Logicalis group's decentralised structure, the policy is to encourage its operations to make their own contribution to the communities within which they work. Not only does this approach ensure operational buy-in at a local level, but it also means that monies are fed directly into the community and the causes that might otherwise be overlooked directly benefit. All employees are encouraged to bring suitable opportunities to local management for review. The following is a list of just some of these initiatives:

US: Donations and volunteers for fund raising events for the following: Jack's Place (charitable organisation supporting autistic children), American Leukemia & Lymphoma Society, Arby's Foundation (Big Brothers, Big Sisters of America) which provides help to children who have lost a parent, Susan G Komen Breast Cancer Foundation and People to People International Student Ambassador Programme.

UK: Logicalis UK has recently committed to making annual donations for five years to the Berkshire Community Foundation, an independent charity supported by a number of major companies, which provides grants to small local voluntary groups that tackle needs at the grassroots of the community. For example the Foundation supports children and young people with special needs, people with a long-term disability, elderly people, the homeless and people with mental health needs.

ANALYSYS MASON GROUP

Analysys Mason group focuses on local charities, many of which have personal connections to members of staff, for example Save the Children and Francis House/Rainbow Trust. Recent events have included a sponsored football tournament, swimathon, quiz nights and Analysys Mason's own on-line auction. Analysys Mason group also sponsors national charity events such as Comic Relief and Jeans for Genes.

As a medium sized employer in Greater Manchester, Mason provides work experience and placement opportunities to a handful of school leavers and university students each year and Analysys Mason also provides a bursary to a local university. Analysys offers internships to a number of university students.

Analysys Mason encourages its employees to "put something back" into the community and many work with local charities and children's sporting clubs.

REMUNERATION AND NOMINATION COMMITTEE ("REMUNERATION COMMITTEE")

The Board has delegated responsibility for the remuneration policy to the Remuneration Committee. The role of the Remuneration Committee is to establish the overall principles that determine the remuneration of the Group's management and to determine the remuneration of the Group's executive directors. In compiling this report, the Committee has taken into account the provisions and recommendations outlined in the King II Report.

The Remuneration Committee operates under defined terms in the Remuneration Committee Charter, which has been approved by the Board.

The composition of the Remuneration Committee during the 2005 financial year was as follows:

- L Boyd *(Chairman)*
- C S Seabrooke
- N J Temple

The Chief Executive Officer and the Group Finance Director may be invited to attend meetings of the Remuneration Committee but neither may take part in any discussions regarding their own remuneration. External advisers are used to provide information and advice as required.

REMUNERATION PHILOSOPHY

The Remuneration Committee operates a framework of policies, within which it has set the remuneration package for each executive director.

The overall strategy of the Remuneration Committee is to ensure that executive directors and senior managers are rewarded for their contribution to the Group's operating and financial performance at levels which take account of the international IT industry, market and country benchmarks. In order to promote a common interest with shareholders, performance linked share incentives are considered to be an important element of executive incentive policy.

The basic objective of the policies is that the executive directors should receive remuneration which is appropriate to their scale of responsibility and performance and which will attract, motivate and retain individuals of the necessary calibre. The underlying philosophy of the Remuneration Committee is to provide base pay at median levels by comparison with relevant comparator companies and to provide the potential for upper quartile earnings when corporate and individual performance justify it. In the application of its policy, the Remuneration Committee has regard to the necessity of being competitive in the different parts of the world in which the Group operates, particularly the US and the UK.

SUMMARY OF REMUNERATION

The remuneration of the executive directors currently consists of three main ingredients designed to balance long- and short-term objectives: a base salary, annual bonus plan with performance targets and a long-term incentive in the form of an executive share option scheme. The last two elements are designed to encourage and reward superior performance and to align the interests of the executive directors as closely as possible with the interests of the shareholders. In addition to these main ingredients, the executive directors also receive retirement and other benefits as outlined below.

BASE SALARY

The base salary of the executive directors is subject to annual review and is set with reference to external market data relating to comparable international companies based in the US and the UK. Individual performance is also taken into consideration.

ANNUAL BONUS PLAN

All executive directors are eligible to participate in an annual bonus plan based on the achievement of short-term performance targets set for each executive director. These targets include measures of corporate performance (HEPS, PBT and operating cash flow), share price performance, divisional objectives (where applicable) and the achievement of individual objectives. These targets are reviewed annually by the Remuneration Committee with the Chief Executive Officer. The bonus will not normally exceed 100% of the base salary.

OTHER BENEFITS

Executive directors are entitled to pensions, the provision of car allowances or a fully-maintained car, medical insurance and death and disability insurance. The total value of benefits received by each director is shown on pages 46 and 47.

From 1 November 2004, the Group contributes an amount of 12,5% of the executive directors' base salary and bonus for J P Montanana and D B Pfaff towards retirement funding contributions, with the individuals contributing 2,5% of their salary package.

SHARE OPTION SCHEMES

The Group currently operates a number of share option schemes as follows:

- The Datatec Share Option Scheme
- The Westcon Group, Inc. Stock Option Plan
- The Logicalis Group Senior Management Share Option Scheme
- The Analysys Mason Group Performance Warrants and Shadow Option Schemes

The Remuneration Committee recommends that a number of new Datatec incentive schemes be adopted to replace future grants under the existing Datatec Share Option Scheme. Refer pages 50 to 54 for salient features of these schemes and to the Notice to Members on page 108.

THE DATATEC SHARE OPTION SCHEME (“THE DATATEC SCHEME”)

The Datatec Scheme is available to all employees and directors of the Group. The Remuneration Committee, with the approval of the Board, grants options to employees and directors of Group companies at a price equal to the 30 day closing market price prior to the date of such grant (always subject to a minimum price of 200 cents).

The number of options available in terms of the Datatec Scheme amounts to 15% of the issued share capital (20 766 556 shares at 28 February 2005), with the maximum number of share options available to any one participant being limited to 1,5% of the issued share capital (2 076 656 shares as at 28 February 2005). Options vest over a period of four years from the date on which the option is granted at the rate of 25% per annum at each anniversary of the date of grant. Options are eligible to be exercised within ten years of being granted, unless such option lapses through the death or termination of employment of the option holder.

As at 28 February 2005, 5 741 266 (2004: 5 295 866) share options had been exercised since the original grants and 9 608 737 (2004: 9 833 444) share options had been granted but not yet exercised as follows:

Number of holders	Number of options	Option price per share
169	3 585 818	R5 – R10
677	4 443 800	R10 – R20
41	220 200	R20 – R30
138	650 423	R30 – R40
142	620 446	R40 – R50
9	20 500	R50 – R60
2	2 700	R60 – R70
1	29 700	R70 – R80
1	35 150	R80 – R90
1 180	**9 608 737**	

WESTCON GROUP, INC. STOCK OPTION PLAN ("THE PLAN")

The Plan was adopted by the Westcon board of directors on 10 January 2001 and approved by the Westcon shareholders on 31 January 2001. The Plan, as amended and restated in June 2002, provides for grants of incentive stock options and non-qualified stock options for the purchase of up to 23 300 shares of Westcon ordinary shares to employees, directors (other than directors who serve on the compensation committee), consultants and other advisors to Westcon. Westcon's board of directors has authorised the compensation committee to administer the Plan. The compensation committee determines the exercise price, the vesting period of, and the period in which to exercise, the stock options. The exercise price of a stock option is equal to at least the fair value of a Westcon ordinary share on the date of grant. Stock options granted under the Plan are generally exercisable for twelve months after termination of employment due to death or total disability, and for three months after other terminations of employment. All stock options expire ten years from the date of grant.

As of 28 February 2005, stock options to purchase an aggregate of 14 338 ordinary shares were outstanding, and 8 962 shares were available for future grant.

The Plan provides that in the event of a merger, consolidation, or sale of all or substantially all of the assets of Westcon, or upon a dividend or other distribution, recapitalisation, stock split or other similar corporate transaction, as more fully described in the Plan, the compensation committee may adjust:

- the number and type of shares (or other securities) that may be issued upon the exercise of stock options yet to be granted;
- the exercise price per share to be paid for each outstanding stock option; and
- the number and type of shares (or other securities) covered by each outstanding stock option.

The Westcon board of directors may suspend, amend or terminate the Plan at any time. However, unless approved by a majority of stockholders, no amendment will increase the total number of shares. In addition, no termination of the Plan or action by the Westcon board of directors in amending or suspending the Plan will affect or impair the rights of an option holder under any stock option previously granted.

THE LOGICALIS GROUP SENIOR MANAGEMENT SHARE OPTION SCHEME ("THE LOGICALIS SCHEME")

As noted in previous Annual Reports, an executive share incentive scheme is in place in Logicalis. This scheme is an Employee Benefit Trust which was established on 5 November 2002 and is administered by independent trustees in Jersey.

Under the original terms agreed for the Logicalis Scheme, Logicalis Group Limited ("LGL") has granted to the Trust an option to subscribe for 7 200 000 shares in LGL (equal to 10% of the current issued share capital of Logicalis) at $1,39 per share on the basis of a valuation of Logicalis of $100 million. The scheme provided for the granting of options to senior managers with the Datatec Remuneration Committee recommending to the Trustees the identities of the grantees and the prices at which options are exercisable.

Options were initially granted at an exercise price of $1,39 and were re-priced at $0,90 on 1 November 2003, for those option holders who were still employees, to reflect a revised valuation of the Logicalis group of $64,8 million.

In January 2004, the Logicalis Scheme was closed to new members and currently has 27 participants with 4 886 000 options outstanding. Options vest over a period of two years from the date of grant, with 33,33% vesting on the date of grant and a further 33,33% vesting on each of the two subsequent anniversaries of such date of grant. Options lapse through the cessation of employment of the relevant option holder. Vested options may be exercised by a personal representative in the case of the death of the option holder.

Exercise of options is conditional upon one of the following events occurring: a trade sale of the Logicalis business; the public flotation of LGL shares; the sale by Datatec of the majority of its shares in LGL (with the options exercisable only in a similar proportion as the shares sold by Datatec); the occurrence of certain statutory events in relation to Logicalis; or a long-stop date being reached (31 December 2005). In the event that the long-stop date is reached, the options are to be exercised and subsequently converted into Datatec shares according to a pre-determined formula (subject to the approval of, *inter alia*, the JSE Limited and Datatec shareholders in general meeting, to the extent required). This pre-determined formula is based on an independent valuation of Logicalis, for which the valuation is capped by the Price:Earnings multiple of Datatec at the time. In the event that the Price:Earnings multiple of Datatec is zero or less than zero, an independent valuation of Datatec will be performed.

To date, no trigger event has occurred to allow the Trust to exercise its options.

THE ANALYSYS MASON GROUP PERFORMANCE WARRANTS SCHEME

Analysys Mason group managers who are shareholders participate in a performance warrants scheme, whereby the equivalent value of 1,25% of the Analysys Mason group share capital (as per annual external valuations) could be paid annually in cash to participants of this scheme if profit growth of at least 15% year-on-year has been achieved. No warrants have yet been issued under this scheme. It is intended that performance warrants to the equivalent value of 1,25% of the Analysys Mason group share capital will be issued as a result of the 2005 financial performance.

THE ANALYSYS MASON GROUP SHADOW OPTION SCHEME

A shadow option scheme is in place which after a vesting period of four years will pay a cash bonus based on the growth in the Analysys Mason group share price during this period. Options amounting to an equivalent value of a maximum of 1,25% of Analysys Mason group's equity could be issued annually.

At present 12 500 shadow options have been issued (equivalent to 0,625% of equity) at a price of £11,86 per share and there are plans to issue a further 12 500 options at the updated annual valuation price. These options have been issued to a senior group of 30 employees as an incentive to remain with the company through a period when significant growth in shareholder value is expected. It is envisaged that these shadow options will be cash settled and not converted to ordinary shares.

NON-EXECUTIVE DIRECTORS

L Boyd is the Group's independent non-executive Chairman and received total fees of $80 000 during the 2005 financial year, including committee fees.

Each other non-executive director is paid a base fee of $40 000 per annum. Non-executive directors, who are members of a committee of the Board are paid an additional sum of $5 000 per annum in respect of each committee of which they are members.

In addition, non-executive directors also receive fees if they are members of the Audit Committees or on the boards of subsidiary companies.

The remuneration of the non-executive directors is subject to ratification at the Annual General Meeting.

The Board would like to recommend an increase of 10% in non-executive directors' fees with effect from 1 March 2005. Non-executive directors' fees were last adjusted during the 2002 financial year. Please refer to the Notice to Members on page 106.

EXTERNAL APPOINTMENTS

Subject to the approval of the Board, executive directors are permitted to hold a directorship in one non-Group listed company and to retain the fees payable from this appointment.

DIRECTORS' SERVICE CONTRACTS

In order to properly reflect their spread of responsibilities, J P Montanana and D B Pfaff have contracts with Datatec International Holdings Limited and Datatec Limited. Other than is set out here, the employment contracts of all executive directors are terminable at six months' notice by either party.

All the non-executive directors have letters of appointment with Datatec and/or Datatec International Holdings. Under these contracts, non-executive directors retire in accordance with the Articles of Association of the Company, which is every three years. Retiring directors may offer themselves for re-election.

DIRECTORS' EMOLUMENTS

The following tables set out an analysis of the pre-tax remuneration, including bonuses, for individual directors who held office during the financial years ended 28 February 2005 and 29 February 2004. The Remuneration Committee has approved the executive directors' emoluments. The external auditors have independently confirmed the emoluments disclosed below. Please refer to pages 48 and 49 for details of directors' share options.

	2005 – $					
	Basic salary	Bonus	Fees	Pension contributions	Other benefits	Total
Executive directors						
J P Montanana*	755 612	559 692	–	152 242	53 195	1 520 741
D B Pfaff	326 889	200 000	–	57 602	8 225	592 716
Total executive directors	**1 082 501**	**759 692**	**–**	**209 844**	**61 420**	**2 113 457**
Non-executive directors						
L Boyd	–	–	80 000	–	–	80 000
C B Brayshaw	–	–	60 000	–	–	60 000
C M L Savage	–	–	45 000	–	–	45 000
C S Seabrooke	–	–	57 820	–	–	57 820
N J Temple	–	–	45 000	–	–	45 000
Total non-executive directors	**–**	**–**	**287 820**	**–**	**–**	**287 820**
Total directors' emoluments	**1 082 501**	**759 692**	**287 820**	**209 844**	**61 420**	**2 401 277**

** The Remuneration Committee agreed that $99 126 be paid to J P Montanana in respect of accrued leave, over a period of three years. The third payment of $33 042 was paid to him during the financial year under review. This amount is not included in the table of emoluments above.*

$374 912 of the emoluments referred to above have been paid by Datatec Limited and $2 026 365 have been paid by subsidiaries of Datatec Limited.

A M Smith resigned as a Datatec director with effect from 3 March 2004. His emoluments for the three days to 3 March 2005 have not been included in the table above.

	2004 - $					
	Basic salary	Bonus	Fees	Pension contributions	Other benefits	Total
Executive directors						
J P Montanana #	663 899	304 158	–	93 955	51 445	1 113 457
D B Pfaff	302 758	129 360	–	41 052	4 001	477 171
R S Rindel	12 576	4 235	–	452	806	18 069
A M Smith **	625 000	227 500	–	–	8 925	861 425
Total executive directors	**1 604 233**	**665 253**	**–**	**135 459**	**65 177**	**2 470 122**
Non-executive directors						
L Boyd	–	–	81 250	–	–	81 250
C B Brayshaw	–	–	57 500	–	–	57 500
M Karpul ^	–	–	41 685	–	–	41 685
J F McCartney	–	–	75 500	–	–	75 500
C M L Savage	–	–	48 750	–	–	48 750
C S Seabrooke	–	–	55 000	–	–	55 000
N J Temple	–	–	72 850	–	–	72 850
Total non-executive directors	**–**	**–**	**432 535**	**–**	**–**	**432 535**
Total directors' emoluments	**1 604 233**	**665 253**	**432 535**	**135 459**	**65 177**	**2 902 657**

 # The Remuneration Committee agreed that $99 126 be paid to J P Montanana in respect of accrued leave, over a period of three years. The second payment of $33 042 was paid to him during the 2004 financial year. This amount is not included in the table of emoluments above.

***As disclosed in the 2002 and 2003 Annual Reports, Westcon entered into a restraint of trade with A M Smith on 1 July 2001. In terms of this agreement the restraint was for a period of twelve months after the last day of A M Smith's employment with Westcon and an amount of $2 million was to be paid to him over a period of time, as follows: the first payment of $500 000 was made during July 2001. Thereafter payments of $214 286 were to be made to him in March and September each year, with the last payment due on 1 September 2004. The amount of $428 572 paid to him in this regard during the 2004 financial year is not included in the table of emoluments above.*

^ $31 685 of the fees paid to M Karpul were paid to Korbitec (Pty) Limited.

Where a director was a director for part of the financial year, only the portion of his salary or fees for the time that he has been a director has been included in the table above. R Rindel and M Karpul resigned on 14 March 2003 and 31 August 2003 respectively.

DIRECTORS' SHARE INTERESTS

The interests of directors who held office at 28 February 2005 in ordinary shares of the Company were as follows:

2005	Direct Beneficial	Indirect Beneficial	Indirect Non-beneficial	**Total**
Executive directors				
J P Montanana	5 369 955	2 789 098	–	**8 159 053**
D B Pfaff	23 000	–	65 000	**88 000**
Non-executive directors				
L Boyd	2 000	–	–	**2 000**
C B Brayshaw	–	–	–	**–**
C M L Savage	–	–	–	**–**
C S Seabrooke	–	–	–	**–**
N J Temple	–	–	–	**–**
Total	**5 394 955**	**2 789 098**	**65 000**	**8 249 053**

On 28 February 2005, J P Montanana purchased 800 000 1-year American call options with a strike price of R9,48 at a premium of R2,59 per option and 300 000 3-year American call options with a strike price of R9,48 per option at a premium of R4,32 per option.

2004	Direct Beneficial	Indirect Beneficial	Indirect Non-beneficial	**Total**
Executive directors				
J P Montanana	5 249 955	2 025 093	–	**7 275 048**
D B Pfaff	–	–	–	**–**
A M Smith	–	–	–	**–**
Non-executive directors				
L Boyd	2 000	–	–	**2 000**
C B Brayshaw	–	–	–	**–**
J F McCartney	233 000	–	–	**233 000**
C M L Savage	–	–	–	**–**
C S Seabrooke	–	–	–	**–**
N J Temple	–	–	–	**–**
Total	**5 484 955**	**2 025 093**	**–**	**7 510 048**

Since 28 February 2005 to the date of this Report, the following changes to directors’ share interests occurred:

- L Boyd purchased 10 000 additional shares (direct beneficial)
- C S Seabrooke purchased 200 000 additional shares (indirect beneficial and non-beneficial)
- J P Montanana purchased 566 000 additional shares (indirect beneficial)

DIRECTORS' SHARE OPTIONS

Directors holding office at 28 February 2005 held the following Datatec share options:

	Issue date	Options held at beginning of year	Granted during the year	Exercised during the year	Price	Options held at year end
J P Montanana	2000-12-11	200 000	–	–	35,46	200 000
	2001-12-10	700 000	–	–	10,96	700 000
	2002-11-21	808 369	–	(404 000)	7,44	404 369
	2003-11-24	350 000	–	–	8,88	350 000
	2004-12-10	–	350 000	–	9,69	350 000
Total		**2 058 369**	**350 000**	**(404 000)**		**2 004 369**
D B Pfaff	2001-12-10	200 000	–	–	10,96	200 000
	2002-11-21	312 639	–	–	7,44	312 639
	2003-11-24	175 000	–	–	8,88	175 000
	2004-12-10	–	175 000	–	9,69	175 000
Total		**687 639**	**175 000**	–		**862 639**
C S Seabrooke	1997-10-29	40 000	–	–	14,25	40 000
	2002-03-14	80 000	–	–	18,06	80 000
Total		**120 000**	**–**	**–**		**120 000**
		2 866 008	**525 000**	**(404 000)**		**2 987 008**

It is no longer the Company's policy to grant options to non-executive directors but options granted prior to the implementation of this policy remain in place.

SALIENT FEATURES OF THE PROPOSED NEW DATATEC SHARE BASED INCENTIVE SCHEMES

SALIENT FEATURES OF THE PROPOSED NEW SHARE BASED INCENTIVE SCHEMES INCLUDING DATATEC LIMITED SHARE APPRECIATION RIGHT SCHEME 2005, DATATEC LIMITED LONG-TERM INCENTIVE PLAN 2005 AND DATATEC LIMITED DEFERRED BONUS PLAN 2005

Recent developments in the regulatory environment and best practice in local and global share schemes have required a review of the Company's existing Share Options Scheme. The Company's Remuneration and Nomination Committee ("Remuneration Committee"), with the assistance of independent advisors, has determined that the current scheme is no longer effective.

In line with global best practice, and emerging South African practice, the Remuneration Committee and the Board of the Company recommend the adoption of the following share schemes, based on equity settled share appreciation rights, conditional shares, and a deferred annual bonus plan. The recommended schemes are in line with practice in FTSE 100 and FTSE 250 companies in the UK and with several recently adopted schemes for large JSE listed or dual listed companies. The existing Share Option Scheme will remain in place for options granted under this scheme, until such time as these options are exercised or lapse. No new options will be granted under the existing Share Option Scheme.

The Datatec Limited Share Appreciation Right Scheme 2005 ("SARS"), Datatec Limited Long-Term Incentive Plan 2005 ("LTIP") and Datatec Limited Deferred Bonus Plan 2005 ("DBP") (together "the Schemes") will be established by the Company under which executive directors and selected employees of the Company and its subsidiaries and associates will be awarded rights to receive shares in the Company based on the value of these awards (after the deduction of Employee Tax as applicable) when Performance Conditions have been met, the awards have vested, and, in the case of the SARS, the Share Appreciation Right ("SAR") has been exercised.

The Schemes are structured to optimise the Company's taxation position, and the reflection of the accounting charges that are required under the new standard (IFRS 2/AC 139), while providing a benefit that will assist in the attraction, retention and reward of executives, directors and selected employees.

The primary intent of the Schemes will be to purchase shares in the market to settle the Scheme benefits, so the Schemes will not be as dilutive as normal Share Option Schemes. The Company will retain the right to issue new shares at its election to mitigate the risk of a spike in the share price which could expose the Company to liquidity risk. In any case, the Company will be limited to issuing 15% of the Company's ordinary shares in settlement of benefits of all Company Share Schemes over any ten year period.

The Schemes also support the principle of alignment of management and shareholder interests – performance conditions governing the vesting of the scheme instruments are related to, *inter alia*, growth in earnings and total shareholder return relative to targets that are intended to be stretching but achievable. Targets are linked where applicable to the Company's medium-term business plan, over rolling three year performance periods.

The term "Face Value of the Award" when used in the context of setting limits (overall and individual) in the Salient Features and the Scheme Rules refers to the face value of the shares associated with the SARS, LTIP or DBP award. This should not be confused with the "Expected Value of the Award" which is used when establishing the accounting cost of the award for reflection in the Company's financial statements, and the value of the benefit of awards for Scheme members used by the Remuneration Committee to establish appropriate variable remuneration levels relative to benchmarks.

The limits on the face value of the awards are maximum caps designed to protect shareholders and should not raise expectations of an entitlement by Scheme members, nor intent to award grants at these levels. The individual limits for the SARS and the LTIP are set so that each plan could be used separately, in the case that regulatory developments preclude the use of any of the plans. Actual grants will be set each year considering the job level of the member, his/her individual performance, and appropriate benchmarks of expected combined value of awards.

A summary of the main terms of the schemes and the Performance Conditions that will be applied to the initial grant is set out below. Performance Conditions for subsequent awards may utilise different performance measures and targets, but will be no less challenging in the context of the prevailing business environment.

AN INTRODUCTION TO THE OPERATION OF THE SARS, LTIP AND DBP

The SARS

Eligible employees will receive annual grants of Share Appreciation Rights ("SARs"), which are rights to receive shares equal to the value of the difference between the Exercise Price and the Grant Price, less income tax payable on such difference.

Vesting of the SAR is subject to Performance Conditions. The duration and specific nature of the Performance Conditions and Performance Period will be stated in the Letter of Grant. The Conditions that will be imposed for the first year is that HEPS must increase by two per cent per annum above inflation over a three year Performance Period. Retesting of the Performance Conditions is permitted on the first and second anniversary of the end of the Performance Period.

After vesting, the SAR will become exercisable. Upon exercise by a participant the Company will settle the value of the difference between the Exercise Price and the Grant Price, less income tax, by delivering shares (in most cases). SARs not exercised within the SAR Period will lapse.

The LTIP

Eligible employees will receive annual grants of Conditional Shares.

The Conditional award will vest after the Performance Period if, and to the extent that the Performance Conditions have been satisfied. The duration and specifics of the Performance Condition and Performance Period will be stated in the Letter of Grant. The intended Performance Period is three years. The Performance Condition that will be imposed for the first year will be related to the Company Total Shareholder Return ("TSR") over a three year period, relative to the TSR of a peer group. No retesting of the Performance Condition will be allowed.

The Performance Condition will determine if, and to what extent, the conditional award will vest. Upon vesting of the conditional award the Company will procure the delivery of shares to settle the after tax value of the vested portion of the award. The conditional awards which do not vest at the end of the three year Performance Period will lapse.

The DBP

Eligible employees will be permitted to use a portion of the after tax component of their annual bonus to acquire shares (Pledged Shares). A Matching Award will be made to the participant after a three year pledge period on the condition that he/she remains in the employ of the Company and retains the Pledged Shares over the period.

The participant remains the full owner of the Pledged Shares for the duration of the Pledge Period and will enjoy all shareholder rights in respect of the Pledged Shares. Pledged Shares can be withdrawn from the pledge at any stage, but the Matching Award is forfeited in this case.

1. GLOSSARY OF TERMS

"Base Pay"	the basic cash salary (the cash element excluding all employer medical aid and retirement fund contributions);
"Business Day"	a day on which the JSE is open for the transaction of business;
"Committee"	the Remuneration and Nomination Committee of the Board of Directors of the Company or any other duly authorised committee;
"Company"	Datatec Limited (Registration Number 1994/005004/06);
"Consumer Price Index"	the US Consumer Price Index (US Dollar CPI);
"Date of Offer"	the date with effect from which an Award is granted to an Employee as is specified in the Letter of Grant;
"Employee"	any person holding full-time salaried employment or office (including any executive director) of the Group;
"Exercise Price"	the closing price of a Share as quoted on the JSE on the Business Day immediately preceding the SAR Exercise Date;
"Face Value of Grant"	the Market Value of the Shares related to Grants determined as at the Grant Date;
"Letter of Grant"	a document prepared by the Company which details the name of the participant to whom the SARs or Conditional Awards are granted, the number of shares in respect of which the SARs or Conditional Awards are granted, the Grant Price for the SARs and any applicable Performance Conditions;
"Market Value"	the 30 day weighted average price of a Share as quoted on the JSE on the Business Day immediately preceding the applicable day;

1. GLOSSARY OF TERMS (continued)

“Matching Awards”	an award of Shares made to a Participant under the DBP equal in value to the Market Value of the Pledged Shares on the Vesting Date, after the deduction of Employee Tax;
“Offer to Participate”	a document prepared by the Company inviting a participant to participate in the DBP which details the name of the participant, the number of Pledged Shares and matching shares relating to each Pledged Share, the Release Date and any applicable conditions pertaining thereto;
“Participating Company”	the Company, its subsidiaries (as contemplated in the Act) and its associated organisations (as designated from time to time by the Board, in its discretion);
“Performance Condition”	the condition specified in the Letter of Grant, to which a Grant is subject;
“Performance Period”	the period in respect of which a Performance Condition is to be satisfied;
“Pledged Shares”	a number of Shares acquired by a participant with a portion of the after tax component of his annual bonus in terms of the DBP;
“Release Date”	the date on which the settlement for the Vested Matching Award is made and the Pledged Shares are released from the pledge, in terms of the DBP;
“Shares”	ordinary shares of 1 cent each in the capital of the Company and includes any shares or securities acquired as a result of a reconstruction or takeover and which are attributable to such ordinary shares following a reconstruction or takeover;
“Share Appreciation Right” or “SAR”	a right to receive Shares granted in terms of the Scheme on the value of the difference between the Exercise Price and the Grant Price less income tax payable on such difference;
“Trust”	means the person or entity appointed by the Committee from time to time to hold Pledged Shares in trust on behalf of participants;
“Total Shareholder Return”	means the compound annual growth rate (“CAGR”) on a portfolio of Company ordinary shares to shareholders from the change in the share price and the payment of dividends and other distributions; and
“Vesting Date”	the date on which a SAR becomes exercisable on fulfilment of the Performance Conditions or the date on which a participant becomes entitled to receive settlement due to the fulfilment of Performance Conditions under the LTIP and the date on which the Participant becomes entitled to the Matching Award in terms of the DBP.

2. ELIGIBILITY

Any executive Director or Employee of a Participating Company may be selected by the Remuneration Committee to be participants in the share based incentive sheme.

3. PERFORMANCE CONDITIONS

For the SARs:

3.1 The vesting of SARs will be conditional upon the achievement of Company performance levels (established by the Remuneration Committee) over a performance period of three years (“SARs Performance Period”), as set out in the Letter of Grant.

3.2 The application of a condition of HEPS growth of US Dollar CPI+6% over the three year period before the SARs vest will be applied for the initial award. If the condition is not met for a given tranche of SARs, retesting of the condition from the fixed base year in year 4 and year 5 against HEPS targets of US Dollar CPI+8% and US Dollar CPI+10% will be permitted.

For the LTIP

3.3 The vesting of LTIP awards will be conditional upon the achievement of Group performance levels (established by the Remuneration Committee) over a performance period of three years (“LTIP Performance Period”), as set out in the Letter of Grant.

3.4 The performance conditions referred to above will be set as of the date of grant of the LTIP Award. The Total Shareholder Return (“TRS”) Performance Condition will be imposed for the initial grant.

3.6 The grant of all LTIP awards will be conditional upon the participant remaining employed within the Group for a minimum employment period of three years as set out in the Letter of Grant.

3.7 The Total Shareholder Return will be compared to the TSR of a peer group over the LTIP Performance Period. The TSR of the Company relative to the TSR of a peer group will be used for the initial award.

3.8 The TSR for the purposes of this Plan is defined to be the CAGR on a portfolio of Company ordinary shares purchased on 28 February 2005, holding the Shares, and reinvesting the dividends received from the portfolio in Company Shares, until 28 February 2008, and then selling the portfolio on that day. The TSR calculation will be performed using the Company daily ZAR TSR Index, as provided by Datastream (a UK based information provider), on the nearest trading day following 28 February 2008, and computing the compound annual growth rate between these values.

3.9 This TSR will be smoothed by computing the TSR in the same manner for the three year period following each trading day for the six months preceding the date referred to in 3.8 and computing the average of the TSRs computed in this manner.

3.10 Subject to the participant remaining in the employment of the Group for the LTIP minimum employment period, if the TSR over the LTIP Performance Period:

3.10.1 ranks within the upper quartile of the peer group, then the whole LTIP award, which is subject to the TSR Condition will become unconditional and will vest;

3.10.2 ranks at the median TSR of the peer group, then thirty per cent of the LTIP award, will become unconditional and will vest. The remainder of the LTIP award subject to the TSR Condition will lapse and will be of no further force or effect;

3.10.3 ranks less than the upper quartile rank of the peer group and ranks greater than the median of the peer group, then the percentage of the LTIP award, subject to the TSR Condition, which becomes unconditional and will vest, will be linearly apportioned as the ranking of the TSR increases. The remainder of the LTIP award, subject to the TSR Condition will lapse and will be of no further force or effect;

3.10.4 ranks less than the median TSR of the peer group then the whole of the LTIP award, subject to the TSR Condition will lapse and will be of no force or effect whatsoever.

4. LIMITS

4.1 Shares available for the Plan

The aggregate number of Shares which may be allocated under the SARS, the LTIP and DBP on any day, when added to the total number of unexercised SARs, unvested conditional awards and unvested Matching Awards which have been allocated under the SARS, LTIP and DBP and any other employee share scheme operated by the Company, shall not exceed 15% of the number of issued ordinary shares of the Company from time to time.

4.2 Individual limit

The face value of the grants made to an Employee in any financial year under the SARS should not exceed two times his/her Base Pay at the Date of Offer.

The face value of the grants made to an Employee in any financial year under the LTIP should not exceed two times his/her Base Pay at the Date of Offer.

The face value of the matching shares in any financial year made under an award under the DBP may not exceed thirty per cent of his/her Base Pay at the Date of Offer.

5. TERMINATION OF EMPLOYMENT

If a participant ceases to be a director or an employee of a Participating Company for any reason other than as set out below, all vested and unvested SARs will lapse and a participant will have no further entitlement under the LTIP and DBP.

5.1 Retrenchment, ill health, disability or any other circumstances which the Company may consider appropriate

If a participant's employment with any company in the Group terminates before the Release Date due to his/her redundancy, ill health, disability or any other circumstances which the Company may consider appropriate, a pro-rata portion of the SARs granted to the participant may be exercised within one year (or such extended period as the Committee regard as appropriate), a pro-rata portion of the LTIP and Matching Award will vest on the date of cessation of employment. The Committee will take into consideration the extent to which the Performance Conditions have been satisfied and the proportion of the Performance Period that has expired to compute the portion of the award that vests.

SALIENT FEATURES OF THE PROPOSED NEW SHARE BASED INCENTIVE SCHEMES (continued)

5. TERMINATION OF EMPLOYMENT (continued)

5.2 Death

If a participant's employment with any company in the Group terminates by reason of his death, the executor of his/her estate may exercise his/her SARs within one year of his/her death irrespective of the extent to which the SARs have Vested or the satisfaction of any Performance Condition. A proportion of the LTIP Grant and Matching Award Grant Vests on the date of death. The Committee will take into consideration the extent to which the Performance Conditions have been satisfied and the proportion of the Performance Period that has expired to compute the portion of the award that vests.

5.3 Retirement

If a participant's employment with any company in the Group terminates by reason of his/her retirement, the participant will continue to participate in the schemes under the same conditions had he/she still been employed by the company.

6. SETTLEMENT METHOD

The primary intent of the new Schemes will be to purchase shares in the market via a third party to settle the Scheme benefits, so the Schemes will not be as dilutive as the current share option scheme. The Company will retain the right to issue new shares at its election to mitigate the risk of a spike in the share price which could expose the Company to liquidity risk.

Notwithstanding the foregoing, the Committee may determine in its discretion that any participant shall be paid an equivalent amount in cash in lieu of any Shares under the SARS and LTIP.

7. RECONSTRUCTION OR TAKEOVER

In the event of a reconstruction or takeover of the Company before the Vesting Date, the Performance Condition will be reviewed by the Remuneration Committee and determine the extent to which it has been satisfied up to the date of the reconstruction or takeover, to determine the number of SARs (under the SARS) and Shares (under the LTIP) which will Vest. In the case of the DBP the participant shall be entitled to receive the Pledged Shares and the Matching Award forthwith.

8. VARIATION IN SHARE CAPITAL

In the event of a rights issue, capitalisation issue or other event affecting the share capital of the Company, before the Vesting Date, the Committee may make such adjustment to the number of SARs (under the SARS) and Shares (under the LTIP) comprised in the relevant Grants, or the Grant Price of such SAR grants as it deems appropriate. The following provisions are relevant in the case of the DBP:

Pledged Shares

The participant shall be entitled to give instructions to the Trust as to the choice to be made in respect of Pledged Shares held by the Trust on his behalf. The Trust shall transfer to the participant any proceeds on the sale of rights, and any securities issued on the take up of rights, at the participant's request.

Matching Awards

The Committee may vary the amount of shares comprised in the Matching Award to take account of any variation in the share capital of the Company, or a special or extraordinary distribution including a distribution *in specie* or a payment in terms of section 90 of the Act (other than a dividend paid in the ordinary course of business out of distributable reserves) or other transaction which might adversely affect the value of Shares, to ensure that the participant is not disadvantaged.

INDEX TO THE ANNUAL FINANCIAL STATEMENTS

BOARD APPROVAL

The Group Annual Financial Statements for the year ended 28 February 2005 are prepared in accordance with International Financial Reporting Standards and incorporate appropriate and responsible disclosure together with appropriate accounting policies.

The directors are responsible for the maintenance of adequate accounting records, the preparation and integrity of the Group Annual Financial Statements and all related information. The directors are also responsible for the systems of internal control which are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss.

The directors believe that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The Group Annual Financial Statements which appear on pages 58 to 104 were approved by the Board of Directors on 17 May 2005 and are signed on its behalf by:

J P Montanana
Chief Executive Officer

D B Pfaff
Group Finance Director

CERTIFICATE BY SECRETARY

FOR THE YEAR ENDED 28 FEBRUARY 2005

In terms of section 268G(d) of the Companies Act (Act 61 of 1973), as amended (“Act”), I certify that for the year ended 28 February 2005, Datatec Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act.

Further, that such returns are true, correct and up to date.

I P Dittrich
Secretary

TO THE MEMBERS OF DATATEC LIMITED

We have audited the Annual Financial Statements and Group Annual Financial Statements of Datatec Limited, set out on pages 58 to 104, for the year ended 28 February 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe thar our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the Annual Financial Statements fairly present, in all material respects, the financial position of the Company and the Group at 28 February 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
17 May 2005

NATURE OF THE BUSINESS

PROFILE AND GROUP STRUCTURE

Datatec and its subsidiaries ("the Group") is an international IT networking and services group with operations in many of the world's leading economies. The Group's main lines of business comprise the global distribution of advanced networking and communication products ("Westcon"), professional services and IT network integration ("Logicalis") and strategic telecommunications consulting ("Analysys Mason"). The Group also has other interests, which are included with the Group Head Office under Other Holdings. These interests include the subsidiaries Westcon AME (operating in Africa), Online Distribution (operating in the Middle East) and RangeGate (operating in SA and the UK).

GROUP FINANCIAL RESULTS

Commentary on the Group financial results is given in the Finance Report on pages 28 to 31. Full details of the financial position and financial results of the Group are set out in the Financial Statements on pages 58 to 104.

SHARE CAPITAL

Authorised share capital

The authorised share capital of the Company is made up of R2 000 000,00, divided into 200 000 000 ordinary shares of one cent each.

Issued share capital

As at 28 February 2005, the issued share capital is made up of R1 384 437,06 divided into 138 443 706 ordinary shares of one cent each (2004: R1 379 983,06 made up of 137 998 306 ordinary shares).

Share capital issued during the year ended 28 February 2005

During the year, 445 400 shares were issued to settle obligations in terms of The Datatec Share Option Scheme.

The authorised and issued share capital of the Company, and full details of the movement in share capital have been reflected in the Company Statement of Changes in Equity on page 96 in the Annual Financial Statements.

DIRECTORS

Full details of the current Board of Directors appear on pages 8 and 9. Messrs. A Smith and J McCartney resigned with effect from 3 March 2004 in anticipation of the proposed initial public offering of common stock of Westcon in the US. There were no other changes in the composition of the Board.

All directors, including non-executive directors, are required, in terms of the Company's Articles of Association, to retire but may offer themselves for re-election at least every three years. All directors are subject to re-election by shareholders at the first opportunity after their appointment in addition to re-election at least every three years.

L Boyd, C Savage and C Brayshaw retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election. Refer pages 8 and 9 for brief curriculum vitaes of directors.

More details on the directors and their interests are provided in the Remuneration Report set out on pages 42 to 49.

GOING CONCERN

The directors believe that the Datatec Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The following factors support the going concern assumption:

The Group is solvent and has access to sufficient cash resources. Shareholders' funds of $436,3 million are considered adequate to meet the Group's operations and obligations. Working capital remains well controlled. Receivables and inventory are of sound quality and adequate provisions are held against both. The Group has sufficient liquidity and borrowing capacity to meet its ongoing operating needs, including approved capital expenditure.

The Group has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any new material changes that may adversely impact the Group relative to customers, suppliers, services or markets. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business. The Board is not aware of any pending changes in legislation in any of the major countries in which it operates, that may affect the Group.

INVESTMENTS, ASSOCIATES AND SUBSIDIARIES

Financial information relating to the Group's investments and interests in subsidiaries and investments is contained in note 12 as well as Annexure 1 of the Group Financial Statements and note 5 of the Company Financial Statements.

WESTCON IPO

It was announced on 27 October 2004 that the Westcon and Datatec Boards had decided to terminate the Westcon IPO process. The reasons for this decision by the Boards were due to the NASDAQ market having declined by approximately 10% and the valuation ratios of Westcon's major listed competitors had compressed sharply since the Westcon IPO was first announced in January 2004. The financial performance of Westcon was also below expectations. The rising cost of compliance with the regulatory requirements of a public listing in the US have diminished the benefits of listing. Under these conditions it was deemed that shareholders would be unlikely to obtain maximum value if the IPO was pursued.

The Board decided not to maintain Westcon's IPO filing with the Securities and Exchange Commission, and accordingly suspended the process.

ACQUISITIONS

The following significant acquisitions were concluded during the year under review:

Effective 1 September 2004, the Logicalis group, through its wholly-owned subsidiary, Logicalis US Holdings Incorporated ("Logicalis US"), acquired 100% of Solution Technology Incorporated's ("STI") issued share capital. The consideration is a maximum of $15,7 million of which $2,7 million relates to a profit warranty for the year to 31 December 2004. $13,0 million of the consideration was paid in cash on completion. The profit warranty consideration, of a maximum of $2,7 million has been provided for and will be settled, at Datatec's option, in cash or through the issue of new Datatec ordinary shares.

Datatec International, through its wholly-owned subsidiary, Analysys Mason Group Limited ("Analysys Mason"), formed for the purpose of this transaction, acquired 100% of Analysys Limited's ("Analysys") issued share capital with effect from 1 August 2004. Datatec International transferred its entire shareholding in Mason Group Limited ("Mason") to Analysys Mason, to facilitate management acquiring a stake in the combined business, as part of a leveraged management buy-in, in terms of which the management of Analysys and Mason can participate in Analysys Mason at an initial equity level of 15%, with the ability to purchase up to 25% over a period of time. The consideration for the acquisition amounted to cash of £12,8 million, funded using part of the proceeds from the sale of the Logicalis operations in Australia and New Zealand.

DISPOSALS AND DISCONTINUED OPERATIONS

On 27 March 2004, Logicalis disposed of its Australian and New Zealand operations ("Logicalis A/NZ") to IBM for $66 million in cash, inclusive of working capital adjustments. The transaction comprises a cash consideration of $46 million for the shares and a repayment of inter-company loans and payables amounting to $20 million. There are no conditions precedent in the sale agreement. The sale agreement contains warranties that are considered normal for disposals of this nature.

SPECIAL RESOLUTIONS OF THE GROUP

On 22 September 2004 the Company registered a special resolution after receiving shareholder approval at the AGM to repurchase its own securities.

On 28 October 2004 Westcon Group, Inc. affected a 1 for 200 reverse stock split of its common and preferred stock.

CORPORATE GOVERANCE COMPLIANCE STATEMENTS

A statement on the Group's Corporate Governance policies and procedures is set out on pages 32 to 37.

SHARE OPTION AND MANAGEMENT INCENTIVE SCHEMES

Details of the Group's share option and other management incentive schemes are set out in the Remuneration Report on pages 42 to 49. Salient features of the proposed new Datatec share based incentive schemes are set out on pages 50 to 54.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR END

Effective 1 March 2005, Logicalis Group Limited (“Logicalis”), a wholly-owned subsidiary of Datatec International Limited, acquired 100% of the issued share capital of Notability Solutions Limited (“Notability”) for $18 million in cash and $2 million in shares plus an additional deferred consideration of a maximum of $2 million payable if certain profit targets are met in the year to 31 December 2005.

On 17 March 2005 Logicalis acquired Eisco Technology, Inc., a $15 million revenue US IBM solution provider that focuses on high-end IBM zSeries mainframe solutions and completes the IBM Solutions portfolio in the US.

Following a strategic review, in February 2005 the board of Logicalis decided to exit the design and manufacture of niche proprietary networking products (Vados division). The UK business, which had total revenues in 2005 of $4 million and an EBITDA loss of $2 million, was sold to the management in April 2005. This resulted in an exceptional loss of $4 million.

Datatec Mobile Solutions Limited (a wholly-owned subsidiary of Datatec International Limited) disposed of 80,1% of the shares in RangeGate Mobile Solutions Limited to a share trust for the benefit of current employees and past employees for a total consideration of £8 010. All the conditions precedent in the agreement have been met. No further losses will accrue to the Group in respect of this UK company.

ANNUAL GENERAL MEETING (”AGM”)

The AGM will be held at 14h00 on 16 August 2005 in the auditorium of Rand Merchant Bank at 1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton. In addition to the ordinary business of the meeting, as special business, shareholder consent will be sought to authorise directors to repurchase the Company shares from time to time according to certain guidelines. Refer to the notice to the AGM on pages 106 to 111 of this report.

BASIS OF ACCOUNTING AND REPORTING

The financial statements as set out on pages 58 to 91 have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time. The disclosures required by IFRS concerning the transition from Generally Accepted Accounting Practice as applied in the Republic of South Africa to IFRS are given on pages 69 and 70. The comparative figures in respect of 2004 were restated to reflect these adjustments.

BASIS OF CONSOLIDATION

The Group reports in US Dollars in order to be consistent with the economic substance of the underlying events and circumstances of the Group's businesses. The US Dollar is the functional currency in which the major part of the Group's trading is conducted. Reporting in US Dollars reduces the distorting effects of changes in currency exchange rates, simplifies financial analysis and enhances the transparency of the financial results. Presenting financial information in US Dollars is also more meaningful to global investors and for international benchmarking.

The translation for reporting purposes into US Dollars is done as follows:

- assets and liabilities for balance sheets (including comparatives) are translated at the closing rate ruling at the date of each balance sheet; and
- income and expense items for all periods presented (including comparatives) are translated at an average rate that approximates the actual exchange rates at the dates of the transactions.

The consolidated Group financial statements incorporate the financial statements of the Company and enterprises controlled by the Company up to 28 February each year. Control is achieved where the Group has the power to govern the financial and operating policies of an enterprise so as to obtain economic benefits from its activities.

The operating results of these entities have been included from the effective dates of acquisition to the effective dates of disposal. All significant inter-company transactions and balances have been eliminated.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair value at the date of acquisition. To the extent that the cost of the acquisition in excess of the fair value of the monetary net asset value can be classified as being the value of a non-monetary asset that the entity holds for its own use of or for rental to others, this value is recognised as an intangible asset. Any additional difference between the cost of acquisition and total net asset value of the entity is recognised as goodwill. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the reporting currency are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement except for profits and losses on exchange arising from equity loans which are taken directly to equity until the entity to which the loan was made has been disposed of, at which time they are recognised as income or expenses.

Where appropriate, in order to minimise its exposure to foreign exchange risks, the Group enters into forward exchange contracts.

Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period during which disposals are recorded.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly warehouses and offices. All property, plant and equipment have been stated at cost less accumulated depreciation and impairment except land which is shown at cost less impairment. Depreciation is calculated based on cost using the straight-line method over the estimated useful lives of the assets.

The basis of depreciation provided on property, plant and equipment is as follows:

	Useful lives (years)
Office furniture and equipment	2 – 6
Motor vehicles	2 - 4
Computer equipment and software	2 – 6
Buildings	20
Leasehold improvements	Period of the lease

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

LEASED ASSETS

Assets leased in terms of agreements, which are considered to be finance leases, are capitalised. Capitalised leased assets are depreciated at the same rate and on the same basis as equivalent owned assets or over the term of the lease if this is shorter. The liability to the lessor is included in the balance sheet as a finance lease obligation. Lease finance charges are amortised over the duration of the leases, using the effective interest rate method.

Operating leases, mainly for the rental of premises, office furniture, computer equipment and motor vehicles are not capitalised and rentals are expensed on a straight-line basis over the lease term.

CAPITALISED DEVELOPMENT EXPENDITURE

An intangible asset arising from internal development (or from the development phase of an internal project) is recognised only if the Group can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset, and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits, including the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset; and

(f) its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development costs are amortised using the straight-line method over their useful lives, which generally do not exceed seven years.

OTHER INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance that an entity holds for its own use or for rental to others and include technology based items like patents, copyrights and databases; customer based items, research and development and contract based items.

An intangible asset is recognised when it meets the following criteria:

(a) is identifiable;

(b) the entity has control over the asset;

(c) it is probable that economic benefits will flow to the entity; and

(d) the cost of the asset can be measured reliably.

Intangible assets are amortised using the straight-line method over their useful lives, which generally do not exceed seven years.

GOODWILL

Goodwill represents the excess cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In computing the gains and losses on the disposal of an entity or part thereof included it is the carrying amount of goodwill relating to the entity or part thereof.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately and are reflected in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but will never exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

INVENTORIES

Inventories, comprising merchandise for resale and raw materials, are stated at the lower of cost and net realisable value and are mainly valued on the average cost basis.

Provision is made for obsolete and slow-moving inventory.

Contract work-in-progress is recognised on the percentage of completion method by reference to the milestones for each contract.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments, other than investments in subsidiaries, are recognised on a trade-date basis and are initially measured at cost, including transaction costs. These investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, gains or losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Fair value of listed investments is calculated by reference to the quoted selling price at the close of business on the balance sheet date. Unlisted investments are shown at fair value or at cost where fair value cannot be reliably measured.

Trade receivables

Trade receivables are recognised initially at cost, which approximates fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowings

Borrowings are initially recorded at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Non-current provisions are adjusted to reflect the time value of money.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of the relevant profit warranties. The amounts owing are interest free and will be settled within the next year. Any additional amounts payable to vendors will be allocated to intangibles or the goodwill arising on acquisition and will have no effect on the income statement.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax uses tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences which arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. The carrying value of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for temporary taxable differences arising on investments in subsidiaries.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

REVENUE

Revenue is measured at fair value of the consideration received or receivable and represents the invoiced value of sales and services rendered, excluding value added and sales taxes, in respect of trading operations and is recognised at the date on which goods are delivered to customers or services are provided.

Revenue and profits from long-term and fixed-price contracts are recognised on the percentage of completion method, after providing for contingencies and once the outcome of the contract can be assessed with reasonable assurance. The percentage of completion is measured by reference to milestones set out in each contract. As soon as losses on individual contracts become evident, they are provided for in full.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Within the Group, inter-company and inter-divisional revenue is eliminated on consolidation.

PENSION SCHEME ARRANGEMENTS

Certain subsidiaries of the Group make contributions to various defined contribution retirement plans on behalf of employees, in accordance with the local practice in the country of operation. These contributions are charged against income as incurred.

The Group has no liability to these defined contribution retirement plans other than the payment of its share of the contribution in terms of the agreement with the funds and employees concerned, which differs from country to country.

EXCEPTIONAL ITEMS

Exceptional items are those items of income and expenditure from ordinary activities that are of such size and nature of incidence that their separate disclosure is relevant to explain the performance of the Group.

DISCONTINUING OPERATIONS

Discontinuing operations are significant, distinguishable components of the Group that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. Any operation disposed of subsequent to year-end is considered to be a discontinuing operation for disclosure purposes.

Once an operation has been identified as discontinuing, comparative information is restated.

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2005

	Notes	2005 USD'000	2004 USD'000
Revenue	1	**2 537 963**	2 346 948
Continuing operations		**2 434 509**	2 223 237
Acquisitions		**90 260**	–
Ongoing operations		**2 524 769**	2 223 237
Discontinuing operations		**13 194**	123 711
Cost of sales		**(2 271 709)**	(2 071 528)
Gross margin		**266 254**	275 420
Operating costs		**(241 390)**	(251 632)
Operating profit before finance costs, depreciation and amortisation (“EBITDA”)		**24 864**	23 788
Ongoing operations		**28 917**	19 698
Discontinuing operations		**(4 053)**	4 090
Depreciation and amortisation	2	**(14 399)**	(22 727)
Operating profit before goodwill impairment and other income		**10 465**	1 061
Goodwill impairment	10	**(3 315)**	(14 361)
Other income		**–**	81
Operating profit/(loss)	2	**7 150**	(13 219)
Profit/(Loss) on disposal and closure of discontinued operations	3	**50 707**	(2 883)
Interest received		**5 001**	5 150
Financing costs	4	**(8 832)**	(9 570)
Profit/(Loss) before taxation		**54 026**	(20 522)
Taxation	5	(1 661)	(5 861)
Profit/(Loss) after taxation		**52 365**	(26 383)
Profit attributable to outside shareholders		**(107)**	(229)
Attributable profit/(loss)	6	**52 258**	(26 612)
Number of shares issued (millions)			
– Issued		**138**	138
– Weighted average		**138**	138
– Diluted weighted average		**141**	140
Headline profit/(loss)	6	**5 459**	(9 213)
Profit/(Loss) per share (cents)	6		
– Headline		**3,95**	(6,69)
– Diluted headline		**3,88**	(6,69)
– Basic		**37,84**	(19,32)
– Diluted		**37,18**	(19,32)

GROUP BALANCE SHEET

AS AT 28 FEBRUARY 2005

	Notes	2005 USD'000	2004 USD'000
ASSETS			
Non-current assets		**138 608**	118 028
Property, plant and equipment	8	**20 251**	27 726
Capitalised development expenditure	9	**12 506**	11 769
Goodwill	10	**81 925**	52 024
Other intangible assets	11	**1 842**	–
Investments	12	**–**	920
Deferred tax assets	13	**22 084**	25 589
Current assets		**841 778**	860 956
Inventories	14	**205 771**	247 045
Accounts receivable	15	**362 396**	368 031
Other receivables		**55 065**	60 779
Cash and cash equivalents		**218 546**	185 101
Total assets		**980 386**	978 984
EQUITY AND LIABILITIES			
Ordinary shareholders' funds		**412 227**	344 283
Share capital and premium	16	**208 102**	180 672
Non-distributable reserves		**(11 913)**	(169)
Distributable reserves		**216 038**	163 780
Outside shareholders' interest		**24 089**	19 276
Total shareholders' funds		**436 316**	363 559
Non-current liabilities		**3 950**	7 643
Long-term liabilities	17	**1 450**	3 656
Deferred tax liabilities	13	**2 500**	3 987
Current liabilities		**540 120**	607 782
Accounts payable	18	**427 333**	485 657
Provisions	19	**19 616**	11 685
Amounts owing to vendors	20	**3 048**	438
Taxation		**11 847**	13 604
Bank overdrafts	21	**78 276**	96 398
Total equity and liabilities		**980 386**	978 984

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2005

	USD'000					
	Share capital	Share premium	Non-distributable reserves	Distri-butable reserves	Outside share-holders	Total
Balance at 1 March 2003 – as restated	169	146 932	–	190 785	18 782	356 668
Prior year adjustment - adoption of IAS39	–	–	–	(393)		(393)
New share issues	–*	341	–	–	–	341
Acquisitions/Disposals	–	–	–	–	584	584
Translation difference arising on translation into USD	39	33 191	(204)		(319)	32 707
Translation difference on equity loans	–	–	(579)	–	–	(579)
Tax effect of equity loans translation	–	–	(245)	–	–	(245)
Deferred tax on goodwill previously charged directly to equity	–	–	859	–	–	859
Attributable loss for the year	–	–	–	(26 612)	229	(26 383)
Balance at 29 February 2004	208	180 464	(169)	163 780	19 276	363 559
New share issues	1	573	–	–	–	574
Acquisitions/Disposals	–	–	–	–	1 745	1 745
Translation difference arising on translation into USD	30	26 826	(8 588)	–	2 961	21 229
Translation difference on equity loans	–	–	(2 841)	–	–	(2 841)
Tax effect of equity loans translation	–	–	(315)	–	–	(315)
Attributable profit for the year	–	–	–	52 258	107	52 365
Balance at 28 February 2005	**239**	**207 863**	**(11 913)**	**216 038**	**24 089**	**436 316**

*Less than USD 1 million

USD'000	Audited year ended 29 February 2004			Audited year ended 28 February 2003		
	Previous SA GAAP	Effect of transition to IFRS	IFRS	Previous SA GAAP	Effect of transition to IFRS	IFRS
Revenue	2 346 948	–	2 346 948	2 062 541	–	2 062 541
Cost of sales	(2 071 528)	–	(2 071 528)	(1 810 326)	–	(1 810 326)
Gross margin	275 420	–	275 420	252 215	–	252 215
Operating costs	(251 632)	–	(251 632)	(233 965)	–	(233 965)
Operating profit before finance costs, depreciation and amortisation	23 788	–	23 788	18 250	–	18 250
Depreciation and other amortisation	(22 727)	–	(22 727)	(23 606)	–	(23 606)
Operating profit before goodwill impairment and other income	1 061	–	1 061	(5 356)	–	(5 356)
Goodwill amortisation	(12 091)	12 091	–	(11 662)	–	(11 662)
Goodwill impairment	(14 361)	–	(14 361)	(14 883)	–	(14 883)
Other income	81	–	81	127	–	127
Operating loss	(25 310)	12 091	(13 219)	(31 774)	–	(31 774)
Profit/(Loss) on disposal and closure of discontinued operations	(6 438)	3 555	(2 883)	4 730	–	4 730
Interest received	5 150	–	5 150	6 950	–	6 950
Finance costs	(9 570)	–	(9 570)	(8 994)	–	(8 994)
Share of associate company earnings	–	–	–	8	–	8
Loss before taxation	(36 168)	15 646	(20 522)	(29 080)	–	(29 080)
Taxation	(5 336)	(525)	(5 861)	(2 603)	–	(2 603)
Loss after taxation	(41 504)	15 121	(26 383)	(31 683)	–	(31 683)
(Loss)/Profit attributable to outside shareholders	521	(750)	(229)	170	–	170
Attributable loss	(40 983)	14 371	(26 612)	(31 513)	–	(31 513)

RECONCILIATION BETWEEN PREVIOUS SA GAAP AND IFRS (continued)

FOR THE YEAR ENDED 28 FEBRUARY 2005

USD'000	Audited year ended 29 February 2004			Audited year ended 28 February 2003		
	Previous SA GAAP	Effect of transition to IFRS	IFRS	Previous SA GAAP	Effect of transition to IFRS	IFRS
ASSETS						
Non-current assets	105 439	12 589	118 028	144 326	–	144 326
Property, plant and equipment	27 726	–	27 726	45 400	–	45 400
Capitalised development expenditure	11 769	–	11 769	11 079	–	11 079
Goodwill	38 923	13 101	52 024	57 165	–	57 165
Investments	920	–	920	2 022	–	2 022
Deferred tax assets	26 101	(512)	25 589	28 660	–	28 660
Current assets	860 956	–	860 956	747 351	–	747 351
Inventories	247 045	–	247 045	204 837	–	204 837
Receivables	428 810	–	428 810	346 848	–	346 848
Cash and cash equivalents	185 101	–	185 101	195 666	–	195 666
Total assets	966 395	12 589	978 984	891 677	–	891 677
EQUITY AND LIABILITIES						
Share capital and premium	180 672	–	180 672	147 101	–	147 101
Non-distributable reserves	14 915	(15 084)	(169)	12 490	(12 490)	–
Distributable reserves	136 919	26 861	163 780	178 295	12 490	190 785
Outside shareholders' interest	18 464	812	19 276	18 782	–	18 782
Total shareholders' funds	350 970	12 589	363 559	356 668	–	356 668
Non-current liabilities	7 643	–	7 643	23 682	–	23 682
Long-term liabilities	3 656	–	3 656	14 168	–	14 168
Deferred tax liabilities	3 987	–	3 987	9 514	–	9 514
Current liabilities	607 782	–	607 782	511 327	–	511 327
Payables	497 342	–	497 342	420 103	–	420 103
Amounts owing to vendors	438	–	438	7 571	–	7 571
Taxation	13 604	–	13 604	3 591	–	3 591
Bank overdrafts	96 398	–	96 398	80 062	–	80 062
Total equity and liabilities	966 395	12 589	978 984	891 677	–	891 677

As a result of adopting IFRS3, combined with IFRS 1, the following material adjustments were recorded:

- Goodwill is no longer amortised and no additional impairment losses were considered necessary.
- As a result of goodwill no longer being amortised, deferred tax on goodwill that can be claimed for tax purposes was impacted.
- Foreign currency translation reserves have been transferred to distributable reserves.
- Exceptional items were affected by the reclassification from currency translation reserve to distributable reserves at the date of transition.
- Minorities were affected by the above adjustments.

There was no change in net equity at the date of adoption of IFRS1.

	Notes	2005 USD'000	2004 USD'000
Cash flow from operating activities			
Cash generated from/(utilised in) operations	27	**28 843**	(29 022)
Interest received		**5 001**	5 150
Financing costs		**(8 832)**	(9 570)
Taxation (paid)/refunded	28	**(5 473)**	1 494
Net cash inflow/(outflow) from operating activities		**19 539**	(31 948)
Cash flow from investing activities			
Acquisition of subsidiary companies	29	**(33 566)**	–
Proceeds on disposal of businesses and investments	30	**66 721**	4 878
Additions to property, plant and equipment	31	**(9 031)**	(10 245)
Additions to capitalised development expenditure		**(3 396)**	(4 490)
Proceeds on disposal of property, plant and equipment		**3 741**	6 492
Net cash inflow/(outflow) from investing activities		**24 469**	(3 365)
Cash flow from financing activities			
Net proceeds from issue of shares	32	**574**	341
Increase/(Decrease) in amounts owing to vendors		**2 699**	(8 616)
Repayment of long-term liabilities		**(5 563)**	(5 282)
Funding received from long-term liabilities		**3 357**	1 344
Net cash inflow/(outflow) from financing activities		**1 067**	(12 213)
Net increase/(decrease) in cash and cash equivalents		**45 075**	(47 526)
Cash and cash equivalents at the beginning of year		**88 703**	115 604
Translation difference on opening cash position	33	**6 492**	20 625
Cash and cash equivalents at end of year	34	**140 270**	88 703

	2005 USD'000	2004 USD'000
1. Revenue		
Sale of goods	**2 382 293**	2 176 793
Services rendered	**155 670**	170 155
	2 537 963	2 346 948
2. Operating profit/(loss)		
Operating profit/(loss) is arrived at after taking into account the following items:		
Auditors' remuneration		
Audit fees – current year	**1 737**	1 837
– prior year	**381**	709
Other services	**741**	1 368
– Consulting services	**145**	327
– Advisory services	**295**	59
– Taxation services	**301**	862
– Accounting services	**–**	120
	2 859	3 914
Depreciation		
Office furniture, equipment and motor vehicles	**1 922**	3 406
Computer equipment and software	**8 038**	13 827
Buildings	**76**	77
Leasehold improvements	**1 180**	2 132
	11 216	19 442
Amortisation of capitalised development expenditure	**2 815**	3 285
Amortisation of other intangible assets	**368**	–
Total depreciation and amortisation	**14 399**	22 727
Foreign exchange losses		
Realised	**(6 118)**	(3 106)
Unrealised	**(12 498)**	(6 198)
	(18 616)	(9 304)
Fees for services		
Administrative	**1 040**	1 609
Managerial	**723**	487
Technical	**3 339**	4 794
	5 102	6 890
Operating lease rentals		
Premises	**16 750**	20 378
Computer equipment	**2 517**	2 413
Office furniture, equipment and motor vehicles	**1 530**	3 915
	20 797	26 706
Net loss on disposal of property, plant and equipment		
Computer equipment	**71**	327
Office furniture, equipment and motor vehicles	**524**	25
	595	352
Research and development costs	**950**	957
Retirement benefit contributions	**4 117**	4 170
Staff costs	**193 223**	193 774

	2005 USD'000	2004 USD'000
2. Operating profit/(loss) (continued)		
Directors' emoluments		
Executive directors		
Salaries	**1 082**	1 583
Incentive bonuses	**760**	665
Benefits	**271**	222
	2 113	2 470
Non-executive directors' fees	**288**	433
	2 401	2 903
Full details are provided on directors' emoluments in the Remuneration Report on pages 42 to 49.		
3. Profit/(Loss) on disposal and closure of discontinued operations		
Profit/(Loss) on disposal and closure of discontinued operations	**50 707**	(2 883)
Taxation	**2**	–
Attributable to outside shareholders	**–**	(5)
Net effect	**50 709**	(2 888)
4. Financing costs		
Interest paid		
Finance leases	**30**	180
Bank overdraft and trade finance interest	**8 802**	9 390
	8 832	9 570
5. Taxation		
5.1 Taxation charge		
South African normal taxation:		
Current taxation – current year	**60**	229
– prior year	**(36)**	25
Deferred taxation – current year	**615**	843
– change in rates	**13**	–
– prior year	**142**	28
	794	1 125
Foreign taxation:		
Current taxation – current year	**1 436**	4 642
– prior year	**1 089**	(1 434)
Deferred taxation – current year	**1 553**	1 023
– prior year	**(3 211)**	505
	867	4 736
Total taxation charge	**1 661**	5 861

	2005 USD'000	2004 USD'000
5. Taxation (continued)		
5.2 Reconciliation of taxation rate to profit/(loss) before taxation		
South African normal taxation rate	**30,0%**	30,0%
Non-taxable capital gain	**(27,8%)**	–
Tax losses (utilised)/created	**(5,8%)**	4,7%
Permanent differences	**(0,5%)**	(10,9%)
Goodwill impairment	**1,8%**	(21,0%)
Foreign taxation rate differential	**2,7%**	(6,0%)
Tax losses and other deferred tax assets not recognised	**6,4%**	(29,6%)
Prior year adjustment	**(3,7%)**	4,3%
Effective taxation rate	**3,1%**	(28,5%)
Certain subsidiaries had tax losses at the end of the financial year that are available to reduce the future taxable income of the Group estimated to be:	**102 502**	124 568
Estimated future tax relief at an estimated tax rate of 32,4% (2004: 33,2%) inclusive of the tax benefit already accounted for in the deferred tax asset of $11,6 million (2004: $7,4 million) as set out in note 13.	**33 159**	41 307
6. Earnings per share		
Reconciliation of attributable profit/(loss) to headline profit/(loss):		
Attributable profit/(loss) per the income statement	**52 258**	(26 612)
Headline earnings adjustments:	**(46 799)**	17 399
Goodwill impairment	**3 315**	14 361
(Profit)/Loss on disposal and closure of discontinued operations	**(50 707)**	2 883
Net loss on disposal of property, plant and equipment	**595**	352
Other income	**–**	(81)
	(46 797)	17 515
Tax effect	**(2)**	(102)
Outside shareholders' interest	**–**	(14)
Headline profit/(loss)	**5 459**	(9 213)

Basic earnings per share of 37,84 cents (2004: loss of 19,32 cents) is calculated on the weighted average number of shares in issue during the year of 138 101 728 (2004: 137 777 622), based on earnings attributable to ordinary shareholders.

Headline earnings per share of 3,95 cents (2004: loss of 6,69 cents) is calculated on the weighted average number of shares in issue during the year, based on the headline earnings or loss attributable to ordinary shareholders.

Diluted eanings per share of 37,18 cents (2004: loss of 19,32 cents) is calculated on the diluted weighted average number of shares in issue during the year of 140 566 808 (2004: 140 276 062), after taking into account the difference between the number of shares issued and the number of shares that would have been issued at fair value in respect of the 9 608 737 (2004: 9 833 444) options granted, but not exercised.

Diluted headline earnings per share of 3,88 cents (2004: loss of 6,69 cents) is based on headline earnings or loss attributable to ordinary shareholders and the diluted weighted average number of shares in issue.

	2005 USD'000	2004 USD'000
7. Interest in profits and losses of subsidiaries		
Interest in the aggregate amount of profits and losses of subsidiaries after taxation		
Profits – continuing operations	**24 495**	398
– discontinuing operations	**36 929**	895
Losses – continuing operations	**(3 617)**	(30 916)
– discontinuing operations	**(1 945)**	(222)

8. Property, plant and equipment	**2005 USD'000 Cost**	**2005 USD'000 Accumulated depreciation**	**2005 USD'000 Net book value**	2004 USD'000 Cost	2004 USD'000 Accumulated depreciation	2004 USD'000 Net book value
Office furniture, equipment and motor vehicles	**13 361**	**10 360**	**3 001**	21 666	14 537	7 129
Computer equipment and software	**66 250**	**54 622**	**11 628**	65 996	51 820	14 176
Leasehold improvements	**10 090**	**6 038**	**4 052**	12 306	7 531	4 775
Land and buildings	**1 905**	**335**	**1 570**	1 905	259	1 646
	91 606	**71 355**	**20 251**	101 873	74 147	27 726

Included in property, plant and equipment are assets held under finance lease agreements with a book value of $808 000 (2004: $877 000) which are encumbered as security for liabilities under these agreements as stated in note 17. A register of land and buildings is maintained at the Company's registered office and may be inspected by members of the public or their duly authorised agents.

Movement of property, plant and equipment – 2005	**Office furniture, equipment and motor vehicles**	**Computer equipment and software**	**Leasehold improve-ments**	**Land and buildings**	**Total**
Net book value at beginning of year	**7 129**	**14 176**	**4 775**	**1 646**	**27 726**
Subsidiaries acquired	**251**	**574**	**153**	**–**	**978**
Additions	**1 277**	**6 530**	**1 224**	**–**	**9 031**
Translation differences	**10**	**1 466**	**307**	**–**	**1 783**
	8 667	**22 746**	**6 459**	**1 646**	**39 518**
Subsidiaries disposed of	**(1 743)**	**(1 677)**	**(295)**	**–**	**(3 715)**
Disposals	**(2 001)**	**(1 403)**	**(932)**	**–**	**(4 336)**
Depreciation	**(1 922)**	**(8 038)**	**(1 180)**	**(76)**	**(11 216)**
Net book value at end of year	**3 001**	**11 628**	**4 052**	**1 570**	**20 251**

Movement of property, plant and equipment – 2004	Office furniture, equipment and motor vehicles	Computer equipment and software	Leasehold improve-ments	Land and buildings	Total
Net book value at beginning of year	9 283	28 867	5 498	1 752	45 400
Additions	1 179	7 980	1 086	–	10 245
Translation differences	1 434	1 114	672	6	3 226
	11 896	37 961	7 256	1 758	58 871
Subsidiaries disposed of	(559)	(4 072)	(228)	–	(4 859)
Disposals	(802)	(5 886)	(121)	(35)	(6 844)
Depreciation	(3 406)	(13 827)	(2 132)	(77)	(19 442)
Net book value at end of year	7 129	14 176	4 775	1 646	27 726

	2005 USD'000	2004 USD'000
9. Capitalised development expenditure		
Cost	**27 403**	24 321
Accumulated amortisation	**(12 082)**	(9 267)
Net book value	**15 321**	15 054
At beginning of year	**11 769**	11 079
Amounts capitalised	**3 396**	4 490
Subsidiaries disposed of	**–**	(340)
Other	**156**	(175)
Amounts amortised	**(2 815)**	(3 285)
Balance at end of year	**12 506**	11 769
Capitalised development expenditure at cost	**27 403**	24 321
Accumulated amortisation and impairment	**(14 897)**	(12 552)
10. Goodwill		
Goodwill at cost	**201 913**	168 697
Accumulated amortisation and impairment	**(116 673)**	(102 312)
Net book value	**85 240**	66 385
At beginning of year	**52 024**	57 165
Arising on acquisition of subsidiaries	**31 554**	–
Other	**1 662**	9 220
Impairment	**(3 315)**	(14 361)
Balance at end of year	**81 925**	52 024
Goodwill at cost	**201 913**	168 697
Accumulated amortisation and impairment	**(119 988)**	(116 673)
11. Other intangible assets		
Intangibles at cost	**2 210**	–
Accumulated amortisation	**(368)**	–
Net book value	**1 842**	–
12. Investments		
Investments at beginning of year	**920**	2 022
Disposals	**(920)**	–
Impairment of investments to fair value	**–**	(1 102)
Balance at end of year	**–**	920

	2005 USD'000	2004 USD'000
13. Deferred tax assets/(liabilities)		
13.1 Movement of deferred tax assets		
Balance at beginning of year	**25 589**	28 660
Reversing on disposal of subsidiaries	**(2 202)**	(324)
Charged to income statement	**956**	(2 309)
Other movements	**(2 259)**	(438)
	22 084	25 589
Analysis of deferred tax assets		
Capital allowances	**3 889**	2 186
Provisions	**2 533**	5 426
Effect of tax losses	**11 644**	7 360
Other temporary differences	**4 018**	10 617
	22 084	25 589
13.2 Movement of deferred tax liabilities		
Balance at beginning of year	**(3 987)**	(9 514)
Charged to income statement	**(68)**	(90)
Other movements	**1 555**	5 617
	(2 500)	(3 987)
Analysis of deferred tax liabilities		
Capital allowances	**(19)**	(16)
Other temporary differences	**(2 481)**	(3 971)
	(2 500)	(3 987)
14. Inventories		
At cost:		
Merchandise for resale	**219 179**	272 154
Inventory provisions	**(13 408)**	(25 109)
	205 771	247 045
The Group has established certain limited return policies with its major vendors to reduce risk of technological obsolescence of inventories. $196,3 million (2004: $204 million) inventories are encumbered as set out in note 21. The value of inventory written down to net realisable value remaining in the Group financial statements amounted to $3,8 million.		
15. Accounts receivable		
Trade receivables	**373 361**	383 436
Receivables provisions	**(10 965)**	(15 405)
	362 396	368 031
$272 million (2004: $205 million) of trade receivables are encumbered as set out in note 21. The carrying value of receivables balances approximates the fair value.		

	2005 USD'000	2004 USD'000
16. Share capital and premium		
Authorised share capital		
200 000 000 (2004: 200 000 000) ordinary shares of R0,01 each		
Issued share capital		
138 443 706 (2004: 137 998 306) ordinary shares of R0,01 each		

During the year the following shares were issued in respect of share options exercised:

number of shares	price
3 000	10,96
7 400	6,95
900	7,12
3 100	10,96
2 000	6,95
25 000	7,44
404 000	7,44

20 766 556 (2004: 20 699 746) of the unissued shares equivalent to 15% (2004:15%) of the issued share capital, have been set aside for the purpose of granting options to any officer or employee of the Company, including any director, in terms of the Datatec Share Option Scheme. At the balance sheet date 5 741 266 (2004: 5 295 866) of the shares set aside for the Share Option Scheme had been exercised.

The remaining unissued ordinary shares of 61 556 294 (2004: 62 001 694) are under the control of the directors until the next general meeting, subject to the provisions of section 221 and 222 of the Companies Act and the requirements of the JSE Securities Exchange South Africa.

	2005 USD'000	2004 USD'000
17. Long-term liabilities		
Liabilities under capitalised finance leases	**496**	1 959
Minimum lease payments	**500**	2 180
Future finance charges	**(4)**	(221)
Secured loans	**–**	3 212
Unsecured loans	**1 303**	191
	1 799	5 362
Less: Current portion included in accounts payable (note 18)	**(349)**	(1 706)
Long-term portion	**1 450**	3 656
Repayable within 2 years	**1 199**	3 564
Repayable within 3 years	**20**	15
Repayable within 4 years	**20**	–
Repayable within 5 years	**50**	–
Repayable after 5 years	**161**	77
	1 450	3 656

The long-term liabilities are reflected at amortised cost. Liabilities under capitalised finance lease agreements are repayable in monthly installments of $75 000 (2004: $142 000), at rates linked to the prime interest rates. The liabilities relate to assets included under property, plant and equipment in note 8, with a net book value of $808 000 (2004: $877 000). The final repayment date is June 2006.

	2005 USD'000	2004 USD'000
18. Accounts payable		
18.1 Trade accounts payable	**348 698**	420 619
Other payables	**78 286**	63 332
Current portion of long-term liabilities (note 17)	**349**	1 706
	427 333	485 657
The carrying value of liabilities approximates the fair value. Trade accounts payable will be settled in normal trade operations.		
18.2 Foreign liabilities		
Uncovered foreign liabilities at the balance sheet date:		
Trade accounts payable		
US Dollars	**3 434**	4 315
Pounds Sterling	**3 259**	–

The Group's operations minimise their exposure to exchange rate fluctuations, where appropriate, through entering into forward exchange contracts ("FECs") with major commercial banks. The Group's foreign currency FECs were all bought FECs at 28 February 2005 of which the contract amount is $63 million (2004: $96 million) which approximates fair value.

Westcon

Certain of Westcon's European subsidiaries have arrangements with a financial institution to provide up to an aggregate of $170 million of vendor inventory purchase financing, which effectively enables Westcon to obtain extended payment terms (normally 60 days from receipt of product) on inventory it purchases from Cisco for these subsidiaries. The financial institution may, at any time upon the occurrence of certain events, including late payments under the arrangements and a cross-default to non-payment of other debt, terminate the financing. Obligations under these financings are guaranteed by Westcon Group, Inc. and several of Westcon's European subsidiaries and are secured by inventory and inter-company accounts receivable relating to the sale of Cisco products in Europe. Westcon's subsidiaries that are party to these financings must also comply with financial covenants that establish minimum liquidity and a minimum net profit before tax to revenue percentage and maximum leverage for these subsidiaries. These arrangements also prohibit Westcon's European subsidiaries from paying dividends to Westcon. As part of this arrangement, Westcon is required to maintain cash on deposit with the financial institution to be used as security. Such deposits are classified as cash collateral deposits. These deposits earn interest at the 30 day LIBOR rate. As of 29 February 2004 and 28 February 2005, $140,8 million and $138,1 million, respectively, were outstanding under these arrangements and are included in accounts payable.

One of the Westcon's subsidiaries in Australia has an arrangement with a financial institution to provide up to $14,4 million of accounts receivable, foreign currency settlement and other financing. Advances under the accounts receivable arrangement are generally available for up to 85% of the subsidiary's eligible accounts receivable and bear interest at the financial institution's base rate plus 0,5%, currently 9,1% per annum (2004: 9,1% per annum). This arrangement contains financial covenants setting forth requirements for minimum earnings before interest and taxes to a fixed charge coverage ratio, minimum after tax retained earnings and minimum net inventory value to the amount outstanding under the arrangement. This arrangement expires in September 2008. There were no amounts outstanding at 29 February 2004 and at 28 February 2005.

	Onerous contract provisions	Other
19. Provisions		
Balance at 1 March 2003	3 934	5 328
Amounts added	4 503	–
Amounts utilised	(2 489)	(1 081)
Foreign exchange effects	411	1 079
Balance at 1 March 2004	6 359	5 326
Amounts added	2 006	11 396
Amounts utilised	(2 695)	(1 985)
Foreign exchange effects	(184)	(607)
Balance at 28 February 2005	5 486	14 130
Total provisions at 28 February 2005	**19 616**	

Onerous contract provisions relate to building rentals where the costs of the rentals exceed the economic benefits expected to be received therefrom. Other provisions are an accumulation of expected legal costs and similar expenses where work on these items has commenced.

These provisions are exclusive of accounts receivable and inventory provisions.

	2005 USD'000	2004 USD'000
20. Amounts owing to vendors		
Purchase considerations owing	**3 048**	438

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of the relevant profit warranties. The amounts owing are interest free and will be settled within the next year. Any additional amounts payable to vendors will be allocated to the goodwill arising on acquisition and will have no effect on the income statement.

	2005	2004
21. Bank overdrafts		
Borrowings at year-end	**80 075**	101 760
Long-term liabilities (note 17)	**(1 799)**	(5 362)
	78 276	96 398

South Africa and Other Holdings

The Group has general short-term banking facilities amounting to R24 million (2004: R24 million) with the Standard Bank of South Africa Limited, bearing interest at the South African prime interest rate (11% as at 28 February 2005 and 11,5% as at 29 February 2004). In terms of the cash management system operated in SA, various cross guarantees have been put in place to restrict the overall exposure to the amount of the banking facility.

Online Distribution has a facility of $1,5 million with HSBC Bank in the Middle East (2004: $5 million), backed by a lien on a deposit of $0,5 million by Online Distribution. The facility bears interest at 6,5% (2004: 6,5%) with inventory and accounts receivable balances pledged as collateral.

21. Bank overdrafts (continued)

Westcon

Westcon has a three-year $175 million syndicated revolving credit facility for its US and Canadian subsidiaries with various US and Canadian lenders, including HSBC Bank USA, General Electric Capital Corporation, LaSalle Business Credit, LLC and ABN Amro Bank N.V. (the "Revolving Facility"). Advances under the Revolving Facility (including letters of credit) may not exceed the lesser of $175 million or the sum of 85% of Westcon's eligible accounts receivable plus the lesser of up to 65% of Westcon's eligible inventory and 85% of the orderly liquidation value of the inventory at certain subsidiaries. The Revolving Facility also allows for the issuance of irrevocable commercial or standby letters of credit of up to $10 million. As at 28 February 2005, $450 000 in letters of credit was outstanding, which reduced the amount available under the Revolving Facility (2004: nil). The Revolving Facility bears interest at the US prime rate plus a margin that ranges from 0,25% to 0,75% or LIBOR plus a margin that ranges from 2,25% to 2,75%, at Westcon's option, and requires a commitment fee that ranges from 0,25% to 0,50% on the unutilised portion. The interest rate margins and commitment fee are determined by reference to Westcon's utilisation of the Revolving Facility. The margin and fee increase as utilisation increases. Borrowings under the Revolving Facility are collateralised by: (i) a pledge of 100% of the stock of Westcon's subsidiaries in the US and a pledge of 66,66% of the stock of Westcon's subsidiaries in Canada and (ii) a security interest in substantially all of the assets of Westcon and its subsidiaries in the US and Canada, subject to certain exceptions in the case of Westcon's cash and cash equivalents as well as its interests in subsidiaries outside of North America. The Revolving Facility contains certain affirmative and negative covenants including, but not limited to, financial covenants establishing minimum fixed charge coverage and tangible net worth and covenants that restrict Westcon's ability to incur debt, create liens, make acquisitions and investments, sell assets and the ability of Westcon's US and Canadian subsidiaries to pay dividends to Westcon. The US prime rate and LIBOR were 5,5% and 2,9%, respectively, at 28 February 2005 and 4,0% and 1,1%, respectively, at 29 February 2004. As of 29 February 2004 and 28 February 2005, $71,9 million and $61,8 million was outstanding under the Revolving Facility, respectively.

Effective 28 January 2004, one of Westcon's United Kingdom subsidiaries entered into a new accounts receivable financing arrangement with a financial institution. Advances under this arrangement are generally available for up to 85% of the subsidiary's eligible accounts receivable and bear interest at a rate of 1,2% above the UK base rate (4,75% as of 28 February 2005 and 4% as of 29 February 2004) or if the account is kept in a currency other than Sterling, its equivalent for that currency quoted from time to time by HSBC Bank Plc (or its successors) for London based accounts. This agreement, whose initial term expired on 29 February 2004, is subject to automatic renewal on a monthly basis unless terminated by either party on one month's notice. As of 29 February 2004 and 28 February 2005, $4,6 million and $5,1 million, respectively, was outstanding under this arrangement.

Westcon has several accounts receivable financing arrangements with financial institutions relating to certain Landis subsidiaries to provide up to an aggregate $27 million of accounts receivable financing. Advances under the arrangements are generally available for up to 85% of the subsidiaries' eligible accounts receivable and bear interest at rates based upon the respective bank's base borrowing rates plus 0,85% to 1,5%. As of 29 February 2004 and 28 February 2005, $7,9 million and $8,7 million, respectively, were outstanding under these arrangements.

Logicalis

Logicalis operates a treasury management system with Barclays Bank Plc in the UK and has an overdraft facility, subject to an accounts receivable security covenant, to a maximum of £2 million (2004: £2 million). During the year cross guarantees were in place between the UK operating companies in order for them to benefit from pooling their financial resources by using the treasury management system. The overdraft facility is repayable on demand and bears interest at the UK base rate plus 1,75%. At 28 February 2005 the UK base rate was 4,75% (2004: 4,0%). Logicalis US has overdraft facilities amounting to $17 million (2004: $20 million) with Comerica Bank, with its accounts receivable book as security for the facility. The facility bears interest at the US prime rate less 0,5%. At 28 February 2005 the US prime rate was 5,5% (2004: 4,0%). In Argentina and Uruguay, Logicalis subsidiaries have invoice discounting facilities of $0,75 million in total with several local banks. These facilities carry interest rates in the range 9% to 13%.

Analysys Mason Group

Analysys Mason group has access to general overdraft facilities amounting to £2 million (2004: £2 million), bearing interest at the UK base rate plus 1%.

Covenants

There were no breaches of covenants during the year.

During the year, Logicalis' Argentinean subsidiary, Soft Net SA, settled in full the $1,3 million US$ denominated bank loan which was outstanding at 29 February 2004.

	2005 USD'000	2004 USD'000
22. Commitments		
22.1 Capital commitments		
Capital expenditure authorised and contracted for	**7 311**	366
Capital expenditure authorised but not yet contracted for	**2 887**	8 901
Total capital commitments	**10 198**	9 267
This expenditure will be incurred in the ensuing year and will be financed from existing cash resources and available borrowing facilities.		
22.2 Operating lease commitments		
Due within one year:		
Property	**14 260**	16 513
Office furniture, equipment and motor vehicles	**1 016**	2 586
Computer equipment	**1 958**	3 256
Total operating lease commitments due within one year	**17 234**	22 355
Due between one and two years:		
Property	**11 795**	14 047
Office furniture, equipment and motor vehicles	**469**	1 628
Computer equipment	**157**	1 815
Total operating lease commitments due between one and two years	**12 421**	17 490
Due between two and three years:		
Property	**9 799**	12 346
Office furniture, equipment and motor vehicles	**288**	478
Computer equipment	**49**	165
Total operating lease commitments due between two and three years	**10 136**	12 989
Due between three and four years:		
Property	**9 087**	10 592
Office furniture, equipment and motor vehicles	**39**	61
Total operating lease commitments due between three and four years	**9 126**	10 653
Due between four and five years:		
Property	**7 979**	9 208
Office furniture, equipment and motor vehicles	**2**	44
Total operating lease commitments due between four and five years	**7 981**	9 252
Due after five years:		
Property	**52 388**	54 455
Office furniture, equipment and motor vehicles	**–**	2
Total operating lease commitments due after five years	**52 388**	54 457
Total operating lease commitments	**109 286**	127 196

22.3 Other commitments

In the event of a change of control of Westcon, should Datatec International Limited directly own less than 51% of the issued share capital of Westcon, Datatec International has committed to pay an amount of $4,5 million to Mirado Corp, whose shareholders include Philip Raffiani, Tom Dolan and Roman Michalowski. This obligation was previously an obligation by Datatec Limited to Mirado Corp, but Datatec Limited has assigned this obligation to Datatec International Limited. This obligation expires upon the commencement of trading of Westcon common stock on the NASDAQ, New York, or London Stock Exchanges.

23. Contingent liabilities, guarantees and litigation

In July 2001, Westcon commenced litigation against Lucent Technologies ("Lucent') with regard to the return of certain inventory to Lucent and payment of vendor credits owed to Westcon by Lucent. Westcon believes that it has a meritorious case against Lucent, however, currently, Westcon cannot predict the eventual outcome of this litigation. Full provision has been made against the Lucent inventory.

As set out in previous years' Annual Reports, the Group disposed of UUNET SA (Pty) Limited ("UUNET") to WorldCom, Inc. The disposal agreement was drawn up under South African law and contains warranties and conditions required by the purchaser for its protection that were considered normal for disposals of this nature. The warranties expired after eighteen months from February 2001 with tax warranties expiring after thirty-six months from the date of assessment by the South African Revenue Service of UUNET's income tax returns for the period ended 31 December 2000. In addition, in the normal course of business, Datatec had provided guarantees to certain suppliers and customers of UUNET SA. UUNET International Limited (a subsidiary of WorldCom, Inc.) indemnified Datatec in respect of these guarantees and agreed to procure that Datatec is released from these guarantees. These include a $2 million guarantee to Nedcor Group Limited.

Datatec has issued, in the ordinary course of business, guarantees and letters of comfort to third parties in respect of trading facilities and lease commitments.

Westcon has issued, in the ordinary course of business, guarantees and letters of comfort to suppliers and financial institutions on behalf of its subsidiaries. The trade financing referred to in note 21 is generally guaranteed by Westcon.

Logicalis has issued, in the ordinary course of business, guarantees to third parties in respect of trading facilities and lease commitments.

The Group has certain other contingent liabilities resulting from litigation and claims including breach of warranties where operations have been acquired or disposed of, generally involving commercial and employment matters, which are incidental to the ordinary conduct of its business. Management believes, after taking legal advice where appropriate on the probable outcome of these contingencies, that none of these contingencies will materially affect the financial position or the results of operations of the Group.

24. Financial instruments

The Group's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivative instruments in the form of forward exchange contracts.

The Group's funding, liquidity and exposure to interest rate and foreign exchange rate risks are managed by each subsidiary's treasury operations.

The Group has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. Such transaction exposures are generally hedged once they are known mainly through the use of forward foreign exchange contracts. Refer to note 18.

The Group conducts business in many foreign currencies and, as a result, it is subject to currency risks owing to exchange rate movements which will affect its costs and translation of the profits of subsidiaries whose reporting currency is not the US Dollar. The most significant other currencies in which the Group trades are the South African Rand, Pound Sterling, the Euro and the Australian Dollar.

The Group is dependent on its bank overdrafts and trade finance facilities to operate. These facilities generally consist of either a fixed term or fixed period but repayable on demand, are secured against the assets of the company to which the facility is made available and contain certain covenants which include financial covenants such as minimum liquidity, maximum leverage and pre-tax earnings coverage. If these covenants are violated and a waiver is not obtained for such violation, this may, amongst other things, mean that the facility may be repayable on demand.

24. Financial instruments (continued)

Risk management objectives and policies

The principal market risks that the Group is exposed to through financial instruments are:

– Interest rates on non-current borrowings;

– Foreign exchange rates, generating translation and exchange gains and losses; and

– Credit risk.

Interest rate risk

Interest rate risk is the possibility that the Group may suffer financial loss if either a fluctuating interest rate or fixed interest rate position is entered into and interest rates move adversely. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign exchange risk

The majority of the borrowings in each country is made in the currency of that country.

The Group operates in the global business environment and transactions are priced in various currencies. The Group is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure through the use of derivative instruments. These instruments typically comprise forward exchange contracts. Forward contracts are the primary instruments used to manage currency risk and require a future purchase or sale of foreign currency at a specified price.

Credit risk

Credit risk arises from the possibility that a counterparty may default or not meet its obligations timeously. The Group minimises credit risk by ensuring that counterparties are institutions of the highest quality.

Trade receivables comprise a large widespread customer base. Ongoing credit evaluations on the financial condition of customers are performed, and where appropriate, credit guarantee insurance cover is purchased or provisions made.

The Group does not consider there to be any significant credit risk, which has not been adequately provided for at the balance sheet date.

25. Related party transactions

Sales and purchases between Group companies are concluded at arm's length in th ordinary course of business. For the year ended 28 February 2005, the intergroup sales of goods and provision of services amounted to $25,3 million (2004: $45,7 million).

During the 2002 financial year, Westcon entered into a $2 million non-compete agreement with A M Smith relating to the twelve month period which commenced following the completion of his employment term. During the 2002 financial period, Westcon and its former CEO, A M Smith, entered into a put option agreement giving the CEO the right to require Westcon to purchase, at fair market value, 474 624 shares of Westcon's common stock held by the CEO. On 28 October 2004 Westcon Group, Inc. effected a 1 for 200 reverse stock split of its common and preferred stock. After the share split, A M Smith put his 2 373 shares to Westcon at a value of $2,2 million.

Datatec International Limited has a commitment to pay Mirado Corp, of which Tom Dolan is a shareholder, $4,5 million in the event of a change in control in Westcon. Refer note 22.

	2005 USD'000
26. Disposal and discontinuance of subsidiaries	
A description of the subsidiaries disposed of can be found in the Directors' Report on page 59.	
Financial details relating to the subsidiaries disposed of are as follows:	
Revenue	**13 194**
Cost of sales	**(10 388)**
Gross margin	**2 806**
Operating costs	**(6 859)**
Depreciation	**(203)**
Operating loss before goodwill impairment	**(4 256)**
Profit on disposal and closure of discontinued operations	**40 377**
Operating profit	**36 121**
Financing costs	**(22)**
Profit before taxation	**36 099**
Taxation	**830**
Profit after taxation	**36 929**
Net operating cash outflow	**2 100**
Investing activities outflow	**22**
Financing activities outflow	**1 710**
The net assets/(liabilities) at date of disposal were as follows:	
Property, plant and equipment	**25**
Inventories	**1 226**
Accounts receivable	**815**
Net cash balances	**228**
Taxation	**599**
Holding company and fellow subsidiary companies	**(158)**
Accounts payable	**(1 035)**
	1 700

	2005 USD'000	2004 USD'000
27. Cash generated from/(utilised in) operations		
Profit/(Loss) before taxation	**54 026**	(20 522)
Adjustments for:		
Unrealised foreign exchange losses	**12 498**	6 198
Non-cash movement on investments	**–**	(365)
Other income	**–**	(81)
Depreciation and amortisation	**14 399**	22 727
Loss on disposal of property, plant and equipment	**595**	352
Interest received	**(5 001)**	(5 150)
Financing costs	**8 832**	9 570
(Profit)/Loss on disposal and closure of discontinued operations	**(50 707)**	2 883
Goodwill impairment	**3 315**	14 361
Operating profit before working capital changes	**37 957**	29 973
Working capital changes:		
Decrease/(Increase) in inventories	**41 439**	(41 457)
Decrease/(Increase) in accounts receivable	**21 950**	(84 494)
(Decrease)/Increase in accounts payable	**(72 503)**	66 956
	28 843	(29 022)

	2005 USD'000	2004 USD'000
28. Taxation (paid)/refunded		
Amounts unpaid at beginning of year	**(13 604)**	(3 591)
Amounts charged to the income statement excluding deferred tax	**(2 549)**	(3 462)
Other movements and translation differences	**(1 167)**	(5 057)
Amount unpaid at end of year	**11 847**	13 604
	(5 473)	1 494
29. Acquisition of subsidiary companies		
Cost of investment in acquired subsidiary companies		
The fair value of assets acquired and the liabilities assumed on the acquisition of subsidiary companies, net of cash acquired, is as follows:	**33 566**	–
Property, plant and equipment	**978**	–
Intangibles	**2 210**	–
Goodwill arising on acquisitions	**31 554**	–
Accounts receivable	**19 614**	–
Inventories	**3 477**	–
Accounts payable	**(24 267)**	–
	33 566	–
30. Proceeds on disposal of businesses and investments		
Property, plant and equipment	**3 715**	4 859
Capitalised development expenditure	**–**	340
Investments	**920**	–
Accounts receivable	**13 713**	5 102
Inventories	**7 080**	2 087
Accounts payable	**(16 379)**	(11 263)
Holding company and fellow subsidiary companies	**–**	(4 174)
Long-term liabilities	**(1 432)**	(7 811)
Deferred tax	**1 707**	324
Reserves	**2 228**	–
Net cash balances	**170**	17 719
Profit/(Loss) on disposal	**54 999**	(2 305)
	66 721	4 878
31. Additions to property, plant and equipment		
Maintenance of operations:		
Office furniture, equipment and motor vehicles	**1 026**	1 179
Computer equipment and software	**5 956**	7 980
Leasehold improvements	**1 071**	1 086
Expansion of operations:		
Office furniture, equipment and motor vehicles	**251**	–
Computer equipment and software	**574**	–
Leasehold improvements	**153**	–
	9 031	10 245

	2005 USD'000	2004 USD'000
32. Net proceeds from issue of shares		
Ordinary shares issued, including share premium	**574**	341
33. Translation difference on opening cash position		
The translation difference on the opening cash position is calculated on opening cash balances of companies that hold cash in currencies other than the USD and not on the net cash and cash equivalents included on the balance sheet at the beginning of the year, which is inclusive of cash held in USD.	**6 492**	20 625
34. Cash and cash equivalents at end of year		
Cash resources	**218 546**	185 101
Bank overdrafts	**(78 276)**	(96 398)
	140 270	88 703

35. Segmental report

For management purposes the Group is currently organised into four operating divisions which are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

Westcon – Global distribution of advanced networking and communication products

Logicalis – Provision of professional services and IT network integration

Analysys Mason group – Strategic and technical telecommunications IT consultancy

Other Holdings – Other distribution and service orientated interests in SA and the Group Head Office including the Group unrealised foreign exchange gains/losses.

	Westcon		Logicalis		Analysys Mason group		Other Holdings		Intergroup Eliminations		Total	
Abridged Income Statement	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000
Revenue	**2 055 015**	1 840 500	**352 209**	362 919	**52 058**	27 352	**78 681**	116 177	**–**	–	**2 537 963**	2 346 948
– North America	**1 107 990**	1 030 135	**248 678**	180 718	**–**	–	**–**	–	**(4 066)**	(4 078)	**1 352 602**	1 206 775
– South America	**17 537**	9 168	**16 578**	10 244	**–**	–	**–**	–	**–**	–	**34 115**	19 412
– UK and Europe	**797 653**	728 547	**79 413**	73 800	**52 058**	27 352	**1 860**	2 968	**(16 223)**	(25 428)	**914 761**	807 239
– Asia Pacific	**154 283**	116 958	**7 594**	98 175	**–**	–	**–**	–	**(2 213)**	(14 820)	**159 664**	200 313
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**79 571**	114 625	**(2 750)**	(1 416)	**76 821**	113 209
– Intersegmental	**(22 448)**	(44 308)	**(54)**	(18)	**–**	–	**(2 750)**	(1 416)	**25 252**	45 742	**–**	–
EBITDA	**25 043**	36 171	**8 109**	2 379	**3 340**	(723)	**(11 628)**	(14 039)	**–**	–	**24 864**	23 788
– North America	**16 786**	11 922	**10 952**	2 325	**–**	–	**–**	–	**–**	–	**27 738**	14 247
– South America	**1 069**	1 307	**1 313**	574	**–**	–	**–**	–	**–**	–	**2 382**	1 881
– UK and Europe	**3 096**	21 190	**(4 414)**	(4 506)	**3 340**	(723)	**(6 346)**	(3 361)	**–**	–	**(4 324)**	12 600
– Asia Pacific	**3 600**	1 752	**258**	3 986	**–**	–	**–**	–	**–**	–	**3 858**	5 738
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**(5 282)**	(10 678)	**–**	–	**(5 282)**	(10 678)
– Intersegmental	**492**	–	**–**	–	**–**	–	**–**	–	**–**	–	**492**	–
Depreciation and amortisation	**(9 623)**	(12 390)	**(3 742)**	(7 382)	**(333)**	(677)	**(701)**	(2 278)	**–**	–	**(14 399)**	(22 727)
Operating profit/(loss) before goodwill impairment	**15 420**	23 781	**4 367**	(5 003)	**3 007**	(1 400)	**(12 329)**	(16 317)	**–**	–	**10 465**	1 061
Goodwill impairment	**(1 764)**	–	**–**	–	**(1 246)**	(9 384)	**(305)**	(4 977)	**–**	–	**(3 315)**	(14 361)
Other income	**–**	–	**–**	–	**–**	81	**–**	–	**–**	–	**–**	81
Operating profit/(loss)	**13 656**	23 781	**4 367**	(5 003)	**1 761**	(10 703)	**(12 634)**	(21 294)	**–**	–	**7 150**	(13 219)
Profit/(Loss) on disposal and closure of discontinued operations	**–**	–	**50 707**	(635)	**–**	–	**–**	(2 248)	**–**	–	**50 707**	(2 883)
Financing costs	**(6 940)**	(5 447)	**(563)**	(1 188)	**(2)**	(24)	**(1 327)**	(2 911)	**–**	–	**(8 832)**	(9 570)
Interest received	**1 612**	1 039	**1 286**	514	**120**	24	**1 983**	3 573	**–**	–	**5 001**	5 150
Profit/(Loss) before taxation	**8 328**	19 373	**55 797**	(6 312)	**1 879**	(10 703)	**(11 978)**	(22 880)	**–**	–	**54 026**	(20 522)
Taxation	**(4 152)**	(6 533)	**387**	951	**(1 340)**	439	**3 444**	(718)	**–**	–	**(1 661)**	(5 861)
Profit/(Loss) after taxation	**4 176**	12 840	**56 184**	(5 361)	**539**	(10 264)	**(8 534)**	(23 598)	**–**	–	**52 365**	(26 383)

35. Segmental report (continued)

	Westcon		Logicalis		Analysys Mason group		Other Holdings		Intergroup Eliminations		Total	
Abridged Balance Sheet	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000	**2005 USD'000**	2004 USD'000
Gross assets	**724 605**	797 849	**163 943**	124 430	**43 027**	9 780	**48 811**	46 925	**–**	–	**980 386**	978 984
– North America	**336 475**	372 038	**91 729**	62 168	**–**	–	**–**	–	**–**	–	**428 204**	434 206
– South America	**13 265**	12 611	**11 631**	7 109	**–**	–	**–**	–	**–**	–	**24 896**	19 720
– UK and Europe	**329 603**	356 085	**60 583**	18 134	**43 027**	9 780	**1 220**	3 831	**–**	–	**434 433**	387 830
– Asia Pacific	**45 262**	57 115	**–**	37 019	**–**	–	**–**	–	**–**	–	**45 262**	94 134
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**47 591**	43 094	**–**	–	**47 591**	43 094
Property, plant, equipment and capitalised development costs	**25 607**	28 212	**5 719**	9 916	**726**	340	**705**	1 027	**–**	–	**32 757**	39 495
– North America	**20 201**	21 380	**2 286**	2 281	**–**	–	**–**	–	**–**	–	**22 487**	23 661
– South America	**1 719**	2 202	**624**	642	**–**	–	**–**	–	**–**	–	**2 343**	2 844
– UK and Europe	**3 321**	4 155	**2 809**	3 212	**726**	340	**25**	19	**–**	–	**6 881**	7 726
– Asia Pacific	**366**	475	**–**	3 781	**–**	–	**–**	–	**–**	–	**366**	4 256
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**680**	1 008	**–**	–	**680**	1 008
Investments and associated companies	**–**	920	**–**	–	**–**	–	**1 109 013**	1 118 303	**(1 109 013)**	(1 118 303)	**–**	920
– North America	**–**	920	**–**	–	**–**	–	**–**	–	**–**	–	**–**	920
– South America	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
– UK and Europe	**–**	–	**–**	–	**–**	–	**554 010**	530 947	**(554 010)**	(530 947)	**–**	–
– Asia Pacific	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**555 003**	587 356	**(555 003)**	(587 356)	**–**	–
Net cash resources	**49 949**	41 468	**56 879**	25 797	**9 111**	2 537	**24 331**	18 901	**–**	–	**140 270**	88 703
– North America	**(15 619)**	(14 314)	**11 154**	13 401	**–**	–	**–**	–	**–**	–	**(4 465)**	(913)
– South America	**3 028**	2 094	**317**	728	**–**	–	**–**	–	**–**	–	**3 345**	2 822
– UK and Europe	**56 463**	42 357	**45 408**	8 685	**9 111**	2 537	**5 999**	2 313	**–**	–	**116 981**	55 892
– Asia Pacific	**6 077**	11 331	**–**	2 983	**–**	–	**–**	–	**–**	–	**6 077**	14 314
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**18 332**	16 588	**–**	–	**18 332**	16 588
Inventories	**189 256**	221 901	**9 805**	16 766	**230**	(165)	**6 480**	8 543	**–**	–	**205 771**	247 045
– North America	**83 334**	94 106	**5 984**	5 240	**–**	–	**–**	–	**–**	–	**89 318**	99 346
– South America	**2 592**	2 329	**680**	987	**–**	–	**–**	–	**–**	–	**3 272**	3 316
– UK and Europe	**87 419**	109 153	**3 141**	3 529	**230**	(165)	**–**	–	**–**	–	**90 790**	112 517
– Asia Pacific	**15 911**	16 313	**–**	7 010	**–**	–	**–**	–	**–**	–	**15 911**	23 323
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**6 480**	8 543	**–**	–	**6 480**	8 543
Trade accounts receivable	**280 328**	302 070	**56 938**	48 098	**13 147**	5 946	**11 983**	11 917	**–**	–	**362 396**	368 031
– North America	**125 098**	132 104	**40 576**	23 389	**–**	–	**–**	–	**–**	–	**165 674**	155 493
– South America	**2 093**	3 078	**5 515**	3 148	**–**	–	**–**	–	**–**	–	**7 608**	6 226
– UK and Europe	**132 147**	145 696	**10 847**	8 219	**13 147**	5 946	**264**	164	**–**	–	**156 405**	160 025
– Asia Pacific	**20 990**	21 192	**–**	13 342	**–**	–	**–**	–	**–**	–	**20 990**	34 534
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**11 719**	11 753	**–**	–	**11 719**	11 753
Liabilities	**(330 108)**	(400 480)	**(90 296)**	(82 455)	**(11 932)**	(4 490)	**(33 458)**	(31 602)	**–**	–	**(465 794)**	(519 027)
– North America	**(150 075)**	(177 142)	**(49 917)**	(52 973)	**–**	–	**–**	–	**–**	–	**(199 992)**	(230 115)
– South America	**(3 851)**	(7 248)	**(5 422)**	(7 128)	**–**	–	**–**	–	**–**	–	**(9 273)**	(14 376)
– UK and Europe	**(149 826)**	(171 047)	**(34 957)**	23 192	**(11 932)**	(4 490)	**(2 333)**	(1 736)	**–**	–	**(199 048)**	(154 081)
– Asia Pacific	**(26 356)**	(45 043)	**–**	(45 546)	**–**	–	**–**	–	**–**	–	**(26 356)**	(90 589)
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**(31 125)**	(29 866)	**–**	–	**(31 125)**	(29 866)
Trade accounts payable	**(282 969)**	(361 726)	**(50 065)**	(42 569)	**(2 250)**	(1 182)	**(13 414)**	(15 142)	**–**	–	**(348 698)**	(420 619)
– North America	**(116 772)**	(165 252)	**(41 171)**	(26 559)	**–**	–	**–**	–	**–**	–	**(157 943)**	(191 811)
– South America	**(1 453)**	(452)	**(4 090)**	(2 224)	**–**	–	**–**	–	**–**	–	**(5 543)**	(2 676)
– UK and Europe	**(142 800)**	(160 966)	**(4 804)**	(6 954)	**(2 250)**	(1 182)	**(189)**	(692)	**–**	–	**(150 043)**	(169 794)
– Asia Pacific	**(21 944)**	(35 056)	**–**	(6 832)	**–**	–	**–**	–	**–**	–	**(21 944)**	(41 888)
– Africa and Middle East	**–**	–	**–**	–	**–**	–	**(13 225)**	(14 450)	**–**	–	**(13 225)**	(14 450)
The number of employees for the year for each of the Group's principal divisions was as follows:	**1 048**	1 065	**742**	983	**264**	147	**178**	194	**–**	–	**2 232**	2 389

ANNEXURE 1

SUBSIDIARY COMPANIES

	Number of business	Issued ordinary capital	Effective holding 2005 %	2004 %
Active subsidiaries				
INCORPORATED IN SOUTH AFRICA				
RangeGate (Pty) Limited	O	10 000	**85,0**	84,2
Westcon AME (Pty) Limited	O	2	**100,0**	100,0
INCORPORATED IN UK AND EUROPE				
Comstor Belgium NV	W	620	**93,5**	92,5
Comstor Group Limited	W	2 010 000	**93,5**	92,5
Comstor Limited	W	50 000	**93,5**	92,5
Comstor Networks GmbH	W	1	**93,5**	92,5
Comstor Netherlands, B.V.	W	180	**93,5**	92,5
Comstor Networking S.L.	W	3 006	**93,5**	92,5
Comstor Norway AS	W	14 707	**93,5**	92,5
Comstor Sweden AB	W	1 000	**93,5**	92,5
Westcon (UK) Limited	W	2	**93,5**	92,5
Westcon Communication Trading GmbH	W	19 545	**93,5**	92,5
Westcon Belgium BVBA	W	6 494	**93,5**	92,5
Westcon Netherlands B.V.	W	180	**93,5**	92,5
Westcon Group European Facilities B.V.	W	180	**93,5**	92,5
Westcon France SAS	W	4 000	**93,5**	92,5
Westcon Deutschland GmbH	W	1	**93,5**	92,5
Westcon Denmark ApS	W	1 250	**93,5**	92,5
Westcon Group European Operations Limited	W	1	**93,5**	92,5
Westcon Group European Holdings Limited	W	1	**93,5**	92,5
Explicit Marketing Limited	W	100	**93,5**	92,5
Comstor France SAS	W	4 000	**93,5**	92,5
Logicalis Limited (UK)	L	1 583 885	**100,0**	100,0
Logicalis Deutschland GmbH (formerly Logical GmbH)	L	255 646	**100,0**	100,0
Logicalis Group Limited (formerly Logical Group Limited)	L	72 000 000	**100,0**	100,0
Logicalis Group Services Limited (formerly Logical Group Limited)	L	2	**100,0**	100,0
Logicalis GmbH	L	25 565	**100,0**	100,0
Regreb BV	L	40 001	**100,0**	100,0
Satelcom Limited	L	59 380	**100,0**	100,0
Analysys Mason Group Limited	M	2 000 000	**84,5**	–
Catalyst IT Partners Limited	M	441 810	**84,5**	81,3
Mason Group Limited	M	11 044 800	**84,5**	81,3
Mason Communications Limited	M	121 426	**84,5**	81,3
Mason Communications Ireland Limited	M	2	**84,5**	81,3
Datatec International Limited	O	1 000	**100,0**	100,0
Datatec UK Holdings Limited	O	50 000	**100,0**	100,0
INCORPORATED IN US AND CANADA				
Westcon Group North America, Inc. (formerly Business Operation Services Corp.)	W	82	**93,5**	92,5
Eastpro Services, Inc.	W	10	**93,5**	92,5
Westcon Canada Systems (WCS), Inc.	W	173 228	**93,5**	92,5
Westcon Group, Inc.	W	232 241	**93,5**	92,5
Logicalis, Inc. (formerly Logical Networks, Inc.)	L	54	**100,0**	100,0
Logicalis US Holdings, Inc. (formerly Logical US Holdings, Inc.)	L	340 000	**100,0**	100,0
Logicalis Managed Services, Inc. (formerly Network I US, Inc.)	L	1 000	**100,0**	100,0

	Nature of business	Issued ordinary capital	Effective holding 2005 %	Effective holding 2004 %
Active subsidiaries (continued)				
INCORPORATED IN SOUTH AMERICA				
Westcon Brazil Ltda	W	987 748	**93,5**	92,5
Softnet SA	L	400 000	**75,0**	75,0
Softnet - Logical Paraguay S.A.	L	110	**75,0**	75,0
Softnet Uruguay S.A.	L	130 000	**75,0**	75,0
Softnet-Logical Comercial Importadora, Exportadora e de Servicos Ltda	L	480 000	**75,0**	75,0
X-Net Cuyo S.A.	L	2 000 000	**75,0**	75,0
INCORPORATED IN AUSTRALIA				
LAN Systems (Pty) Limited	W	100 000	**93,5**	92,5
INCORPORATED IN SINGAPORE				
Comstor Pte Limited (formerly RBR Networks Pte Limited)	W	8 500 000	**93,5**	92,5
INCORPORATED IN BRITISH VIRGIN ISLANDS				
Datatec International Holdings Limited	O	50 000	**100,0**	100,0
Online Distribution Limited	O	1 350 000	**100,0**	100,0
Companies sold				
Logical CSI Limited	L	1 000	**100,0**	100,0
Logical Networks Limited	L	500 000	**100,0**	100,0
Logical Secure Limited	L	100	**100,0**	100,0
Logicalis Australia (Pty) Limited (formerly Logical Australia (Pty) Limited)	L	10 000	**100,0**	100,0
Logicalis Ltd (Australia) (formerly Logical Networks Limited)	L	7 762 280	**100,0**	100,0
Rangegate Mobile Solutions Limited	O	100	**19,9**	84,2

W: Westcon L: Logicalis M: Analysys Mason O: Other Holdings

BASIS OF ACCOUNTING

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. There are no effects concerning the transition from Generally Accepted Accounting Practice as applied in the Republic of South Africa to IFRS.

The Annual Financial Statements set out on pages 92 to 104 have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value, and incorporate the principal accounting policies set out below.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured as set out below.

Trade receivables

Trade receivables are recognised initially at cost, which approximates fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. Bank overdraft are shown within borrowings in current liabilities on the balance sheet.

Borrowings

Borrowings are initially recorded at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Non-current provisions are adjusted to reflect the time value of money.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax uses tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. The carrying value of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for temporary taxable differences arising on investments in subsidiaries.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

REVENUE

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the interest rate applicable.

Management fees are charged to related parties in terms of stipulated agreements and this revenue is recorded as and when it accrues.

PENSION SCHEME ARRANGEMENTS

The Company makes contributions to a defined contribution retirement plan, on behalf of employees. These contributions are charged against income as incurred.

The Company has no liability to these defined contribution retirement plans other than the payment of its share of the contribution in terms of the agreement with the funds and employees concerned.

EXCEPTIONAL ITEMS

Exceptional items are those items of income and expenditure from ordinary activities that are of such size and nature of incidence that their separate disclosure is relevant to explain the performance of the Company.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2005

	Notes	2005 R million	2004 R million
Revenue – management fee income		**25**	8
Operating costs excluding depreciation		**(72)**	(61)
Operating loss	1	**(47)**	(53)
Exceptional items	2	**(15)**	2 574
Interest received	3	**21**	24
Interest paid		**(3)**	(1)
(Loss)/Profit before taxation		**(44)**	2 544
Taxation	4	**–**	31
Attributable (loss)/profit		**(44)**	2 575

COMPANY BALANCE SHEET

AS AT 28 FEBRUARY 2005

	Notes	2005 R million	2004 R million
ASSETS			
Non-current assets		**3 666**	3 726
Subsidiary companies	5	**3 666**	3 725
Deferred tax asset	6	**–**	1
Current assets		**386**	400
Accounts receivable		**3**	2
Subsidiary company loans	5	**288**	253
Cash and cash equivalents		**93**	140
Taxation		**2**	5
Total assets		**4 052**	4 126
EQUITY AND LIABILITIES			
Ordinary shareholders' funds		**4 010**	4 066
Share capital and premium	7	**1 203**	1 201
Non-distributable reserves		**187**	201
Distributable reserves		**2 620**	2 664
Non-current liabilities		**13**	16
Long-term subsidiary loans	5	**13**	16
Current liabilities		**29**	44
Accounts payable	8	**6**	4
Provisions	9	**19**	33
Subsidiary company loans	5	**–**	3
Bank overdraft	10	**4**	4
Total equity and liabilities		**4 052**	4 126

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2005

	R million				
	Capital	Share premium	Non-distributable reserves	Distributable reserves	Total
Balance at 1 March 2003	1	1 198	392	89	1 680
New share issues	–*	2	–	–	2
Translation difference on equity loans	–	–	(24)	–	(24)
Tax effect of equity loans translation	–	–	19	–	19
Realisation of foreign exchange on disposal of businesses	–	–	(186)	–	(186)
Attributable profit for the year	–	–	–	2 575	2 575
Balance at 29 February 2004	**1**	**1 200**	**201**	**2 664**	**4 066**
New share issues	–	2	–	–	2
Translation difference on equity loans	–	–	(23)	–	(23)
Realisation of vendor non-distributable reserve	–	–	9	–	9
Attributable loss for the year	–	–	–	(44)	(44)
Balance at 28 February 2005	**1**	**1 202**	**187**	**2 620**	**4 010**

*Less than R1 million

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2005

	Notes	**2005 R million**	2004 R million
Cash flow from operating activities			
Cash utilised in operations	14	**(82)**	(9)
Interest received		**21**	24
Interest paid		**(3)**	(1)
Taxation refunded	15	**3**	9
Net cash (outflow)/inflow from operating activities		**(61)**	23
Cash flow from investing activities			
Acquisition of subsidiary companies	16	**–**	(40)
Acquistion of business	17	**–**	33
Loans repaid by subsidiaries		**15**	35
Proceeds on disposal of subsidiary	18	**–**	19
Net cash inflow from investing activities		**15**	47
Cash flow from financing activities			
Net proceeds from issue of shares	19	**2**	2
Decrease in amounts due to vendors		**–**	(10)
(Decrease)/Increase in long-term loans to subsidiaries		**(3)**	43
Net cash (outflow)/inflow from financing activities		**(1)**	35
Net (decrease)/increase in cash and cash equivalents		**(47)**	105
Cash and cash equivalents at the beginning of year		**136**	31
Cash and cash equivalents at end of year	20	**89**	136

	2005 R million	2004 R million
1. Operating loss		
Operating loss is arrived at after taking into account the following items:		
Auditors' remuneration		
Audit services and expenses	**–***	1
*less than R1 million		
Foreign exchange losses/(gains)		
Realised	**24**	(8)
Unrealised	**18**	(40)
	42	(48)
Fees for services		
Administrative	**1**	–
Operating lease rentals		
Premises, office furniture, equipment and motor vehicles	**3**	1
Retirement benefit contributions	**1**	–
Staff costs	**7**	1
Full details on directors' emoluments are provided in the Remuneration Report on pages 42 to 49.		
2. Exceptional items		
Recoupment of goodwill and trademarks previously charged to equity	**–**	325
Recoupment of carrying value of investments and loan accounts	**–**	853
Impairment of intercompany loans	**(6)**	–
Profit on sale of business including foreign exchange movements previously recorded in equity	**–**	1 396
Release from non-distributable reserves	**(9)**	–
	(15)	2 574
3. Interest received		
Interest received		
From subsidiary companies	**11**	17
Other investments	**10**	7
	21	24
4. Taxation		
4.1 Taxation charge/(credit)		
South African normal taxation:		
Current taxation – current year	**–**	–
– prior year	**–**	(31)
	–	(31)

	2005 R million	2004 R million
4. Taxation (continued)		
4.2 Reconciliation of taxation rate to (loss)/profit before taxation		
South African normal tax rate	**30,0%**	30,0%
Permanent differences	**(11,9%)**	(30,3%)
Tax losses not recognised	**(18,1%)**	0,3%
Prior year adjustment	**2,0%**	(1,2%)
Effective taxation rate	**2,0%**	(1,2%)
Datatec Limited had an estimated tax loss at the end of the financial year of R93 million (2004: R85 million) that is available to reduce the future taxable income of the Company. No deferred tax asset has been raised in this regard.		
5. Subsidiary companies		
Unlisted shares		
Datatec International Limited	**3 420**	3 213
Westcon AME (Pty) Limited	**40**	40
Online Distribution Limited	**52**	52
Other dormant subsidiaries	**5**	4
Unlisted shares at cost	**3 517**	3 309
Impairment of unlisted shares	**(5)**	(4)
Unlisted shares at written down value	**3 512**	3 305
Net amounts owing by subsidiaries	**429**	654
Total investment	**3 941**	3 959
Presented as follows:		
Shares at cost and long-term portion of loans receivable	**3 666**	3 725
Long-term loans payable	**(13)**	(16)
Current portion of loans	**288**	250
Current assets	**288**	253
Current liabilities	**–**	(3)
	3 941	3 959

Directors' valuation of unlisted investments is R3,5 billion (2004: R3,3 billion). In 2004 the value was based on an independent valuation performed by Ernst & Young. The directors have reviewed the valuations and believe that the carrying value of the investment is reasonable, despite the fact that this amount is in excess of the Company's market capitalisation.

	2005 R million	2004 R million
5. Subsidiary companies (continued)		
Amounts due to/(by) Group companies		
Loans		
RAND DENOMINATED LOANS		
Choice Communications (Pty) Limited	**–**	1
Guinam Shelf Holdings (Pty) Limited	**4**	4
Datatec Management Services (Pty) Limited*	**15**	15
PC Multimedia Limited	**–**	–
Rangegate (Pty) Limited *	**35**	47
Scantec (Pty) Limited	**7**	7
Scantec (Pty) Limited	**(12)**	(12)
Westcon AME (Pty) Limited *	**37**	41
Westcon Network Suppliers (Pty) Limited	**22**	22
EURO DENOMINATED LOANS		
Datatec International Limited	**2**	15
USD DENOMINATED LOANS		
Logicalis Group Limited	**13**	7
Online Distribution Limited	**(1)**	(1)
Datatec International Holdings Limited	**2**	4
Datatec International Limited	**163**	226
Westcon Group, Inc.	**25**	14
GBP DENOMINATED LOANS		
Datatec International Holdings Limited	**2**	–
Datatec International Limited	**224**	372
Datatec UK Holdings Limited	**(3)**	(3)
Diffel Limited	**–**	(3)
Diffel Limited	**–**	8
Analysys Mason Group Limited	**1**	–
Rangegate Mobile Solutions Limited	**29**	23
	565	787
Impairment provisions	**(136)**	(133)
Net amounts owing by subsidiaries	**429**	654

Loans amounting to R168 million are subject to interest at the UK base rate and there are no fixed repayment terms. The remainder of the loans are subject to no interest and there are no fixed repayment terms.

*These loan balances have been subordinated.

Details of investment in subsidiaries detailing the number of shares held are recorded in Annexure 1 of the Group Annual Financial Statements.

	2005 R million	2004 R million
6. Deferred tax asset		
Movement of deferred tax assets		
Balance at beginning of year	**1**	(18)
Amount released from equity	**(1)**	19
	–	1
Analysis of deferred tax assets		
Deferred tax on equity loan balances	**–**	1

7. Share capital and premium

Authorised share capital

200 000 000 (2004: 200 000 000) ordinary shares of R0,01 each

Issued share capital

138 443 706 (2004: 137 998 306) ordinary shares of R0,01 each

During the year the following shares were issued in respect of share options exercised:

number of shares	price
3 000	10,96
7 400	6,95
900	7,12
3 100	10,96
2 000	6,95
25 000	7,44
404 000	7,44

20 766 556 (2004: 20 699 746) of the unissued shares equivalent to 15% (2004: 15%) of the issued share capital, have been set aside for the purpose of granting options to any officer or employee of the Company, including any director, in terms of the Datatec Share Option Scheme. At the balance sheet date 5 741 266 (2004: 5 295 866) of the shares set aside for the Share Option Scheme had been exercised.

The remaining unissued ordinary shares of 61 556 294 (2004: 62 001 694) are under the control of the directors until the next general meeting, subject to the provisions of section 221 and 222 of the Companies Act and the requirements of the JSE Securities Exchange South Africa.

	2005 R million	2004 R million
8. Accounts payable		
Other payables	**6**	4
The carrying value of other accounts payable approximates the fair value.		

	Onerous contract provisions	Other
9. Provisions		
Balance at 1 March 2003	14	22
Amounts added	–	3
Amounts utilised	(5)	–
Amounts reversed unused	–	(1)
Balance at 1 March 2004	9	24
Amounts utilised	(6)	(8)
Balance at 28 February 2005	3	16
Total provisions at 28 February 2005	**19**	

Onerous contract provisions relate to building rentals where the costs of the rentals exceed the economic benefits expected to be recieved therefrom. Other provisions are expected legal costs and similar expenses where work on these items has occurred.

	2005 R million	2004 R million
10. Bank overdraft		
Total borrowings at year end:		
Bank overdraft	**4**	4
Datatec Limited has general short-term banking facilities amounting to R24 million (2004: R24 million) with the Standard Bank of South Africa Limited. In terms of the cash management system operated in SA, various cross guarantees have been put in place to restrict the overall exposure to the amount of the banking facility.		
11. Commitments		
Operating lease commitments		
Due within one year:		
Property	**1**	1
The total operating lease commitement on the premises over the following five years amounts to R3 million (2004: Nil).		
Datatec Limited has issued in the ordinary course of business, guarantees and letters of comfort to third parties in South Africa in respect of trading facilities and lease commitments.		
12. Guarantees		
A guarantee has been issued to Strahavon 11 (Pty) Limited for R2,8 million (2004: R3,9 million) for an onerous lease contract. The guarantee expires on 30 June 2005.		
Online Distribution has a facility of $1,5 million with HSBC Bank in the Middle East (2004: $5 million), backed by a lien on a deposit of $0,5 million by Online Distribution. The facility bears interest at 6,5% (2004: 6,5%) and inventory and accounts receivable balances have been pledged as collateral.		

13. Financial instruments

The Company's financial instruments consist mainly of cash at bank, cash on deposit, bank overdraft, other receivables, payables and intercompany loans.

13.1 Risk management objectives and policies

The principal risks to which the Company is exposed through financial instruments are:

– foreign exchange rates, generating translation and exchange gains and losses; and
– credit risk on other receivables.

Currency risk

The Company is exposed to currency risk on the loan balances with subsidiary companies. No forward exchange contracts are taken on these items as they are part of the equity funding of those businesses. Should specific foreign expenditures arise, the policy is to use financial instruments, mainly forward exchange contracts, to manage the currency risk. No forward exchange contracts had been entered into at year end.

13.2 Fair values

The carrying amounts for cash at bank and on deposit, bank overdraft, other receivables, payables and intercompany loans approximate fair value due to the nature of these instruments.

	2005 R million	2004 R million
14. Cash utilised from operations		
(Loss)/Profit before taxation	**44**	(2 544)
Adjustments for:		
Unrealised foreign exchange (losses)/gains	**18**	(40)
Interest received	**21**	24
Interest paid	**(3)**	(1)
Exceptional items	**(11)**	2 574
Operating loss before working capital changes	**69**	13
Working capital changes:		
Increase/(Decrease) in accounts receivable	**1**	(11)
Decrease in accounts payable and provisions	**12**	7
	82	9
15. Taxation refunded		
Amounts (due)/unpaid at beginning of year	**5**	(17)
Amounts charged to the income statement excluding deferred tax	**–**	31
Amount refundable at end of year	**(2)**	(5)
	3	9
16. Acquisition of subsidiary companies		
Cost of investment acquired in subsidiary companies	**–**	40

	2005 R million	2004 R million
17. Acquisition of business		
The Company acquired the assets and liablities of Datatec Management Services (Pty) Limited on 30 November 2003. These net assets were acquired at book value and through the settlement of outstanding loans. No goodwill arose as a result of the acquisition.		
On 27 February 2004 the Company purchased all the shares of Online Distribution Limited through the settlement of outstanding loans, goodwill of R13,1 million arose on the acquisition.		
Accounts receivable	**–**	(4)
Accounts payable	**–**	3
Subsidiary loans	**–**	(43)
	–	(44)
Settled via intercompany loans	**–**	77
Net cash received on acquisition of business	**–**	33
18. Proceeds on disposal of subsidiaries		
Proceeds on disposal	**–**	19
19. Net proceeds from issue of shares		
Ordinary shares issued, including share premium	**2**	2
20. Cash and cash equivalents at end of year		
Cash resources	**93**	140
Bank overdraft	**(4)**	(4)
	89	136

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 28 February 2005:

	1 March 2004 to 28 February 2005	1 March 2003 to 29 February 2004	1 April 2002 to 28 February 2003
Stock exchange performance			
Total number of shares traded ('000)	54 950	58 790	90 719
Total number of shares traded as a percentage of total shares	39,7%	42,6%	65,9%
Total value of shares traded (R'million)	477	484	1 027
Prices (cents)			
Closing	959	1 480	500
High	1 515	1 750	1 850
Low	840	370	470
Percentage of shares held by non-public shareholders	27,5%	22,8%	25,8%
Percentage of shares held by public shareholders	72,5%	77,2%	74,2%

The following are the principal beneficial shareholders whose holdings directly or indirectly in the Company total more than 5% of the issued share capital as at 28 February 2005:

Old Mutual Life Assurance Co Limited (SA)	29 876 946	21,6%
Public Investment Commissioners (SA)	10 493 839	7,6%
Liberty Life Association of Africa (SA)	8 370 337	6,0%
Jens Montanana (director)	8 159 053	5,9%

Shareholder type	No of shareholders in SA		No of shareholders other than in SA		Total shareholders	
	Nominal number	Percentage	Nominal number	Percentage	Nominal number	Percentage
Public	4 130	64,1%	210	8,4%	4 340	72,5%
Directors	1	–	2	5,9%	3	5,9%
Old Mutual Life Assurance Co Limited (SA)	1	21,6%	–	–	1	21,6%
Total	4 132	85,7%	212	14,3%	4 344	100,0%

SHAREHOLDERS' DIARY

Annual General Meeting		**16 August 2005**
Reports		
Interim half-year to August 2005	Published	26 October 2005
Announcement of 2006 annual results	Published	May 2006
2006 Annual Report	Published	July 2006

DATATEC LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1994/005004/06

Share Code: DTC ISIN: ZAE000017745

("Datatec" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Datatec Limited will be held in the auditorium of Rand Merchant Bank, 1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, Republic of South Africa at 14:00 on 16 August 2005 for the purpose of transacting the following business:

1. CONSIDERATION OF ANNUAL FINANCIAL STATEMENTS

Ordinary Resolution Number 1

"**Resolved that** the audited Annual Financial Statements and Group Annual Financial Statements for the year ended 28 February 2005 be and are hereby accepted."

2. RE-ELECTION OF DIRECTORS

Ordinary Resolution Number 2

"**Resolved that** Mr L Boyd who retires in terms of the Company's Articles of Association ("the Articles") and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 9 for Mr Boyd's brief Curriculum Vitae.

3. RE-ELECTION OF DIRECTORS

Ordinary Resolution Number 3

"**Resolved that** Mr C B Brayshaw who retires in terms of the Articles and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 8 for Mr Brayshaw's brief Curriculum Vitae.

4. RE-ELECTION OF DIRECTORS

Ordinary Resolution Number 4

"**Resolved that** Mr C M L Savage who retires in terms of the Articles and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 8 for Mr Savage's brief Curriculum Vitae.

5. APPROVAL OF AUDITORS' REMUNERATION

Ordinary Resolution Number 5

"**Resolved that** the directors of the Company be and are hereby authorised to fix and pay the auditors' remuneration for the year ended 28 February 2005."

6. RATIFICATION OF DIRECTORS' REMUNERATION

Ordinary Resolution Number 6

"**Resolved that** the remuneration of the directors of the Company for the past financial year as reflected on page 46 of the Annual Report of which this notice forms part be and is hereby ratified."

7. INCREASE TO NON-EXECUTIVE DIRECTORS' FEES

Ordinary Resolution Number 7

"**Resolved that** the non-executive directors' fees be increased by 10% with effect from 1 March 2005."

8. PLACE UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

Ordinary Resolution Number 8

"**Resolved that** the authorised but unissued ordinary shares in the Company be and are hereby placed under the control of the Board of Directors of the Company until the next Annual General Meeting and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such unissued ordinary shares as they may deem fit subject always to the Companies Act (Act 61 of 1973), as amended, ("the Act"), the Articles and the JSE Limited ("JSE") Listings Requirements ("the Listings Requirements") where applicable."

9. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

Ordinary Resolution Number 9

"**Resolved that** in terms of the Listing Requirements, the Board of Directors of the Company be and are hereby given the general authority to issue all or any of the authorised, but unissued ordinary shares of one cent each in the share capital of the Company for cash as and when they in their discretion deem fit, subject to the Act, the Articles and the following limitations:

- that the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- that this authority shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting or the date of the next Annual General Meeting, whichever is the earlier date;
- that the issue may only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listing Requirements of the JSE and not to related companies, unless the JSE otherwise agrees;
- that a paid press announcement giving full details, including the impact on net tangible asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares of that class in issue prior to the issue;
- that issues in the aggregate in any one financial year may not exceed 5% of the number of shares of that class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class;
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted be 10% of the weighted average traded price on the JSE of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of Datatec; and
- any other conditions that the JSE may stipulate."

The approval of 75% of votes cast by shareholders present or represented by proxy at this Annual General Meeting is required for this ordinary resolution to become effective.

10. AUTHORITY TO MAKE GENERAL PAYMENT TO SECURITIES HOLDERS

Ordinary Resolution Number 10

"**Resolved that** as contemplated in section 90 of the Act the Board of Directors of the Company shall, subject to the provisions of the Act and the Listings Requirements, be entitled to make a pro-rata payment to shareholders of the Company by way of a general payment from the Company's share capital or share premium, subject to the Act, the Listings Requirements and the following limitations:

- that this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next Annual General Meeting, whichever is the earlier date;
- that the maximum amount by which the share capital or share premium shall be reduced in terms of this authority, shall not exceed the Rand value of 20% (twenty per cent) of the Company's issued share capital at the date of this meeting, but excluding minority interests and re-valuations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and
- that any general payment be made pro-rata to all shareholders.

10. AUTHORITY TO MAKE GENERAL PAYMENT TO SECURITIES HOLDERS (continued)

Ordinary Resolution Number 10 (continued)

The directors of the Company undertake that they shall not implement the proposed general payment, unless for a period of 12 (twelve) months following the date of the Annual General Meeting:

- the Company and the subsidiaries of the Company ("the Group") are able to repay their debts as such debts become due in the ordinary course of business;
- the consolidated assets of the Company and the Group, fairly valued according to Statements of Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the Company, exceed the consolidated liabilities of the Company and the Group;
- the Company and the Group have adequate share capital and reserves for ordinary business purposes;
- the Company and the Group have sufficient working capital for ordinary business purposes; and
- the Sponsor of the Company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the Listings Requirements.

The directors of the Company intend to utilise the authority in terms of this Ordinary Resolution Number 10 in order to make a general payment to the shareholders of the Company, by way of a general payment from the Company's share capital or share premium.

Although the Board has no immediate intention to use this authority to make general payments to shareholders by way of a general payment from the Company's share capital or share premium, the Board is of the opinion that this authority should be in place should it become appropriate to make such a payment.

Announcements will be published on SENS and in the press setting out the terms and date of the general payment, the financial effects of the general payment prior to such payment being effected and complying with Schedule 24 of the JSE Listings Requirements.

In compliance with section 11.28 of the JSE Listings Requirements the following information is furnished:

- Directors' details: refer page 8 and 9 of this report;
- Major shareholders: refer page 105 of this report;
- Material changes: refer material changes statement per paragraph 13 below;
- Directors' interests in shares: refer page 48 of this report;
- Share capital: refer page 78 of this report;
- Directors' responsibility statement: refer statement per paragraph 13 below; and
- Litigation statement: refer litigation statement per paragraph 13 below.

11. NEW SHARE BASED INCENTIVE SCHEMES

Ordinary Resolution Number 11

"Resolved that:

- The Company adopts and approves the Datatec Limited Share Appreciation Right Scheme 2005, as contained in the Scheme Rules prepared by PricewaterhouseCoopers, a copy of which was made available for inspection at least 14 (fourteen) days prior to the Annual General Meeting;
- the Company adopts and approves the Datatec Limited Long-Term Incentive Plan 2005, as contained in the Scheme Rules and prepared by PricewaterhouseCoopers, a copy of which was made available for inspection at least 14 (fourteen) days prior to the Annual General Meeting; and
- the Company adopts and approves the Datatec Limited Deferred Bonus Plan 2005, as contained in the Scheme Rules prepared by PricewaterhouseCoopers, a copy of which was made available for inspection at least 14 (fourteen) days prior to the Annual General Meeting."

The approval of the above Schemes is subject to the necessary regulatory approvals, including approval by the JSE and the South African Reserve Bank, as applicable.

Refer to pages 50 to 54 of the Report for the salient features of the new schemes.

12. AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

Ordinary Resolution Number 12

"**Resolved that** subject to the passing of terms of the Ordinary Resolutions 1 to 11, any director of the Company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such Ordinary Resolutions number 1 to 11 passed at the Annual General Meeting."

To consider and if deemed fit, to pass the following special resolution:

13. GENERAL AUTHORITY TO REPURCHASE SHARES

Special Resolution Number 1

"**Resolved that** the Board of Directors of the Company be authorised by way of a general authority to facilitate the acquisition by the Company or a subsidiary of the Company of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles, the provisions of the Act and the JSE Listings Requirements, when applicable and provided that -

- a paid press release giving such details as may be required in terms of the Listings Requirements of the JSE be published when the Company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the shares of the Company in issue as at the time the general authority was granted and for each 3% in aggregate of the initial number of shares acquired thereafter;
- the authorisation granted above shall remain in force from the date of passing of this special resolution for a period of 15 (fifteen) months or until the next Annual General Meeting, whichever period is shorter;
- the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiary shall not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements;
- the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- the repurchase by the Company of its own securities above may not exceed 20% of the Company's issued ordinary share capital in the aggregate in any one financial year or, in the case of acquisition by any of the Company's subsidiaries, 10% of such issued ordinary share capital in the aggregate if such shares are to be held as treasury stock;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company or a subsidiary of the Company;
- the Sponsor to the Company provides a letter of confirmation on the adequacy of working capital in terms of section 2.12 of the Listings Requirements prior to any repurchases being implemented on the open market of the JSE; and
- such repurchase shall be subject to the Act, the Articles and the applicable provisions of the Listings Requirements.

As at the date of this report, the Company's directors undertake that they will not implement any such repurchase in the 12 (twelve) months following the date of this Annual General Meeting or for the period of the general authority, whichever is the longer, unless:

- the Company and the Group would, after payment for such maximum repurchase, be able to repay its debts as they become due in the ordinary course of business for the following year;
- the Company's and the Group's consolidated assets, fairly valued according to International Financial Reporting Standards and on a basis consistent with the last financial year of the Company, would, after such payment, exceed their consolidated liabilities for the following year;

13. GENERAL AUTHORITY TO REPURCHASE SHARES (continued)

Special Resolution Number 1 (continued)

- the Company's and the Group's ordinary share capital and reserves would, after such payment, be sufficient to meet their needs in the following year; and
- the Company and the Group would, after such payment, have sufficient working capital to meet its needs in the following year."

Reason for and effect of the Special Resolution

The reason for and the effect of the special resolution are to grant to the directors of the Company a general authority, up to and including the date of the next Annual General Meeting of the Company or the expiration date of the period commencing on the date of passing of the special resolution and expiring on the date 15 (fifteen) months thereafter, to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company.

The Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase.

For purposes of considering the special resolution for the Company or a subsidiary of the Company to repurchase shares issued by the Company, the information below has been included in the Annual Report, in which this notice of Annual General Meeting is included, at the places indicated:

- Directors and management (refer page 102 of this report);
- Major shareholders (refer page 105 of this report);
- Directors' interest in securities (refer page 48 of this report); and
- Share capital of the Company (refer page 101 of this report).

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 117 of the Annual Report of which this notice forms part , are not aware of any legal or arbitration proceedings, other than such proceedings disclosed on page 89, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 102 of the Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by Law and the Listings Requirements.

Material change

Other than the facts and developments reported on in the Annual Report, there have been no material changes in the affairs or financial position of the Company and/or the Group since the date of signature of the Audit Report and the date of this notice.

14. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

Voting and proxies

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be forwarded to reach the registered office of the Company or the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, so as to be received by them by no later than 14:00 on Friday, 12 August 2005.

14. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING (continued)

Voting and proxies (continued)

Proxy forms must only be completed by members who have dematerialised their shares with "own name" registration or who have not dematerialised their shares.

On a show of hands, every member of the Company present in person or represented by proxy shall have one vote only. On a poll, every member of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, who are unable to attend the AGM but wish to be represented thereat, should contact their Central Securities Depository Participant ("CSDP") or broker (as the case may be) in the manner and time stipulated in their agreement entered into by such member and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such members wish to attend the meeting, to obtain the necessary authority to do so. Such shareholders who wish to attend the AGM in person must obtain the necessary letter of representation from their CSDP or broker.

By order of the Board

I P Dittrich
Company Secretary

Sandton
13 July 2005

ADMINISTRATION

Name	Date of appointment	Date of resignation	Position held at 28 February 2005
Executive directors			
J P Montanana (British)	6 October 1994		Chief Executive Officer
D B Pfaff	1 July 2001		Group Finance Director
Non-executive directors			
L Boyd ^	6 December 2001		Chairman
C B Brayshaw *	6 December 2001		Director
C M L Savage *	6 December 2001		Director
C S Seabrooke *^	6 October 1994		Director
N Temple (British) ^	1 October 2002		Director
Resignations			
A M Smith (American)	17 July 2001	3 March 2004	
J F McCartney (American)	11 May 1998	3 March 2004	

*Audit, Compliance and Risk Committee ^ Remuneration and Nomination Committee

Registered office

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Sandown Village
16 Maude Street
Sandown
South Africa
Telephone +27 (0)11 233 1000
Telefax +27 (0) 11 233 3300

Registration number

1994/005004/06

Secretary

I P Dittrich

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520 White Plains Road
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New York 10591
USA
Telephone +1 914 829 7170
Telefax +1 914 829 7184

Sponsors

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
South Africa

Transfer Secretaries

Computershare Investor Services 2004 (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa

Corporate law advisors and consultants

Bowman Gilfillan (Pty) Limited
165 West Street
Sandton, 2196
South Africa

External auditors

Deloitte & Touche
The Woodlands
Woodlands Drive
Woodmead
Sandton, 2148
South Africa

Principal Bankers – SA

The Standard Bank of South Africa Limited
Commercial Banking Division
7th Floor, 3 Simmonds Street
Johannesburg, 2000

Principal Bankers – UK

Barclays Bank PLC
PO Box 544
54 Lombard Street
London
EC3V 9EX

Principal Bankers – US

HSBC Bank US
452 Fifth Avenue
New York, NY 10018
USA

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www.westcon.com
www.logicalis.com
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Datatec Limited

("the Company")
(Incorporated in the Republic of South Africa)
Registration number: 1994/005004/06
JSE Code: DTC
ISIN: ZAE000017745

Please note that this proxy form is only for use by members who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares and registered them with own name registration.

I/We ______________________________

Of ______________________________

being a member/members of the abovementioned Company, hereby appoint: ______________________________

or failing him/her, ______________________________

or failing him/her, the chairperson of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 14:00 on 16 August 2005 and at any adjournment of that meeting.

Signed at ______________ this ______ day of ______________ 2005

Signature ______________________________

Please indicate with an "X" in the appropriate space on the right how you wish your votes to be cast. If you return this form duly signed, without any specific direction, the proxy shall be entitled to vote as he/she thinks fit.

	In favour of resolution	Against resolution	Abstain from voting
ORDINARY RESOLUTIONS			
1. Acceptance of Annual Financial Statements			
2. Re-election of L Boyd			
3. Re-election of C B Brayshaw			
4. Re-election of C M L Savage			
5. Authorisation of the auditors' remuneration			
6. Ratifying directors' remuneration for the past financial year			
7. Increase to non-executive directors' fees			
8. Placing the un-issued shares under the control of the directors			
9. General authority to issue shares for cash			
10. Authority to make general payment to securities holders			
11. Approval of new share based incentive schemes			
12. Authority to sign all documents required			
SPECIAL RESOLUTION			
1. General authority to repurchase shares			

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. Proxy forms must be forwarded to reach the registered office of the Company or the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, so as to be received by them by no later than 14:00 on Friday, 12 August 2005.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the general meeting in person.