


Contents

Financial highlights

Revenue

$3,74 billion

(2009: $4,19 billion)

EBITDA

$109 million

(2009: $126 million)

Underlying* earnings per share

30,3 US cents

(2009: 33,1 US cents)

Second half underlying* earnings per share

up 77%

Net cash of

$186 million

(2009: $36 million)

Capital distribution per share

12 US cents

(2009: 12 US cents)

**Excluding goodwill and intangibles impairment, amortisation of acquired intangible assets, profit or loss on sale of assets and businesses, fair value movements on acquisition-related financial instruments and unrealised foreign exchange movements.*

www.datatec-group.com

Operational highlights



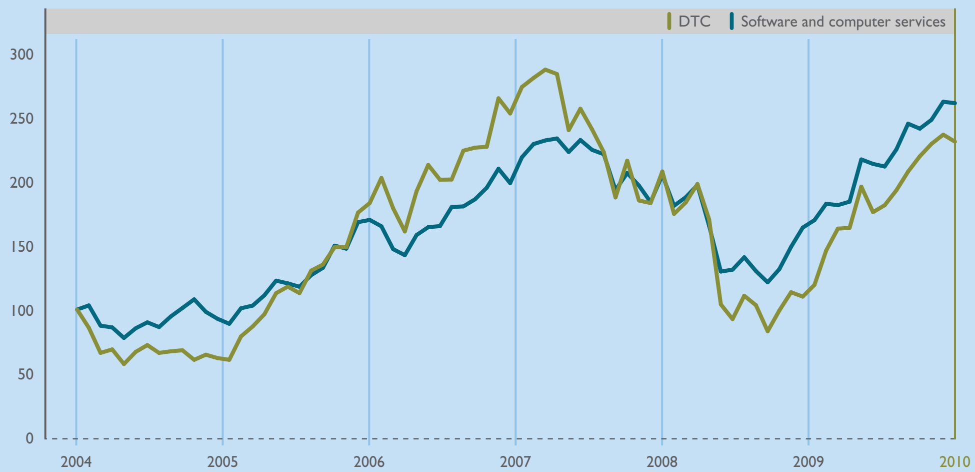

- Strong recovery in second half of financial year
- Group continues to benefit from international scale and business diversification
- All divisions have returned to revenue growth
- Very strong operational cash generation
- Continued geographic expansion; Logicalis establishes pan-Asian footprint
- Increased predictability and reduced volatility in financial performance

Financial results	2010 US$'000	2009 US$'000	2008 US$'000
Revenue	3 738 026	4 191 671	4 007 932
Underlying earnings	53 553	57 655	78 796
Distributable earnings	31 639	60 019	80 036
Total assets	1 902 044	1 675 999	1 884 319
Net cash/(debt)	185 998	36 220	(31 936)

Share performance on the JSE

Datatec vs Software and Computer Services Sector

Monthly 01/03/2004 – 15/03/2010 based at 100 at the start



Our profile

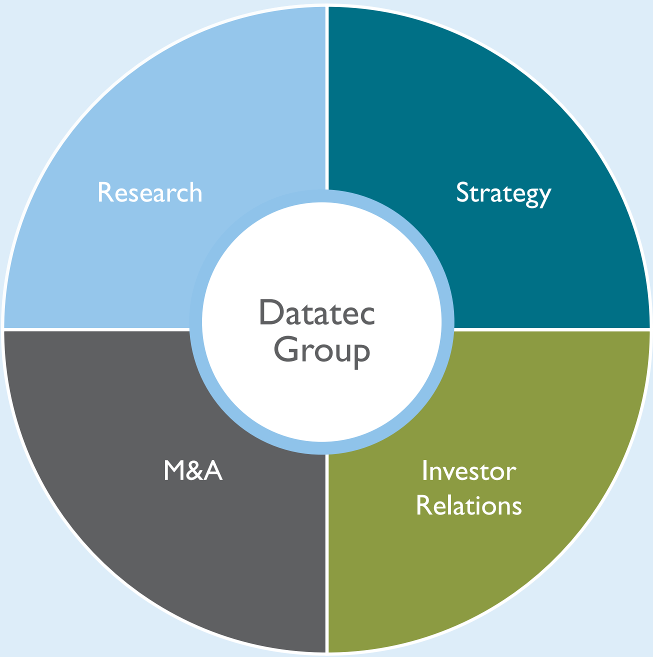
Datatec Group is a global provider of ICT products, solutions and services with operations in over 40 countries. With the industry's leading brands in its portfolio, the Group's main lines of business comprise:

- Distribution of networking and communications technologies (Westcon Group)
- ICT Solutions and Services (Logicalis)
- TMT Consulting (Analysys Mason and Intact).

Datatec has over 4 000 employees world-wide and its shares are listed on the JSE Limited and the AIM market of the London Stock Exchange.

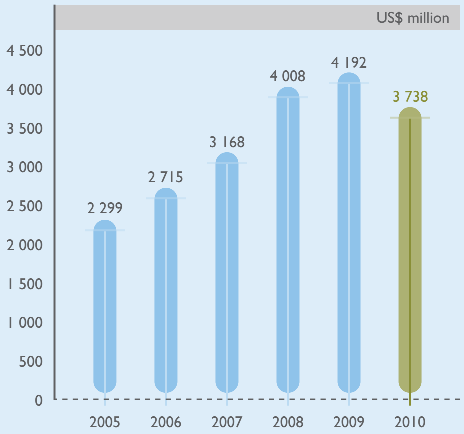
Positioning of the Group

Datatec is creating shareholder value through actively managing its complementary but standalone businesses. In addition to the allocation of capital and financing resources for each activity, the central team supports each division's growth strategies, providing corporate opportunities, market and sector intelligence plus geographical and industry expertise.

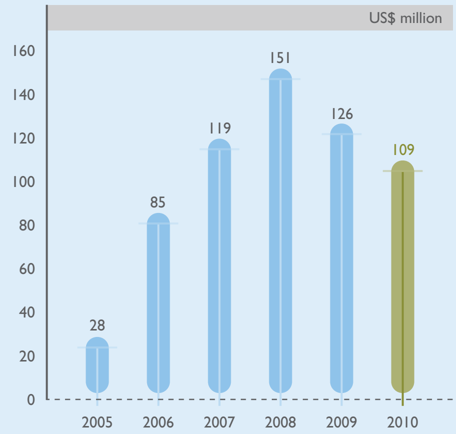


Key highlights

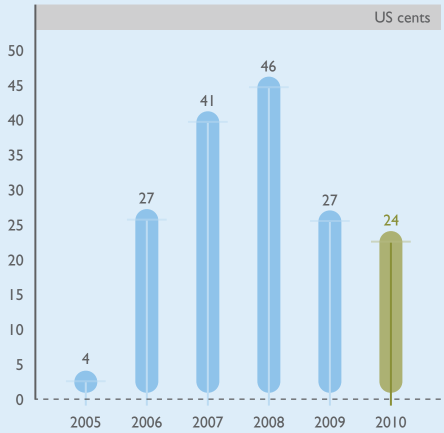
Revenue (ongoing operations)



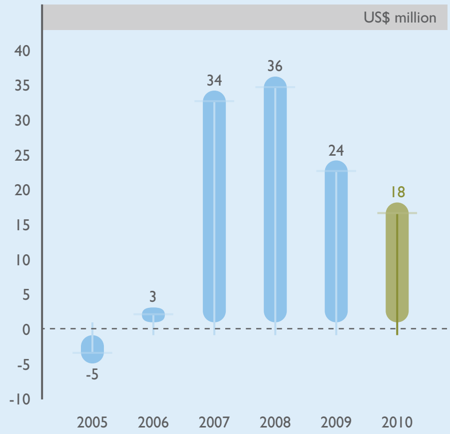
EBITDA (ongoing operations)



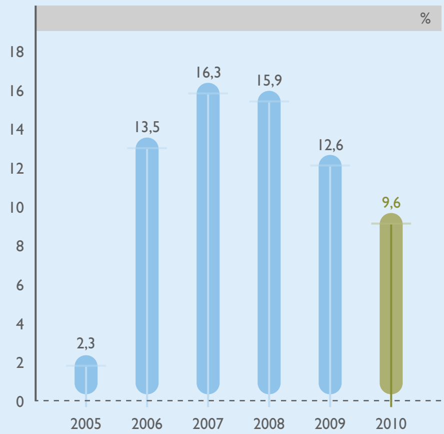
Headline earnings per share (excluding fair value movements on put options)



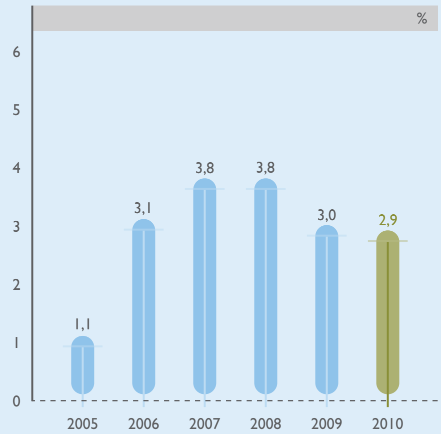
Operating profit per employee



Return on capital employed



EBITDA margin



Our investment case

Datatec offers shareholders an opportunity to invest in a leading international ICT group that is uniquely positioned to take advantage of advances in networking, information security and convergence technologies. The spread of business activities across distribution, ICT solutions and consulting services provides the Group with multiple points of entry to the global market, and acts as a defensive hedge against the decline of any one vendor, geography or technology in a fast consolidating and dynamic market. The Group has a strong operational management team, with considerable experience in the international ICT industry, and a successful track record of delivering organic and acquisition-led growth.

Our strategy

The Group's strategy is to deliver long-term, sustainable, above-average returns to shareholders through the development of its three principal operating divisions. These divisions are run as sector-focused standalone businesses to facilitate enhanced operational and financial performance as well as to react faster to technology change. The key elements of the Group's strategy include:

- continued focus on organic growth in the higher value, faster growing sectors of the ICT market;
- targeted geographical expansion;
- investment in higher margin services activities; and
- earnings-enhancing acquisitions.

The Group is not dependent on any key market, territory or technology sector and is continually improving supplier and customer diversification as a consequence of its scale and increasing globalisation.

Our business philosophy

Our business philosophy has its roots in an entrepreneurial culture. We strive to be ethical, honest, socially responsible and acceptable corporate citizens to all our stakeholders and to be an employer of choice, attracting, developing and retaining talented people. We value business partnerships and we work towards creating shareholder value by developing a best-in-class portfolio of actively managed businesses operating in the high-value, fast-growing sectors of the ICT market.

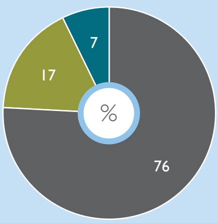
Revenue and gross profit by business stream

Revenue 2010

Distribution
US$2 828 million

ICT Solutions
US$645 million

Services
US$265 million

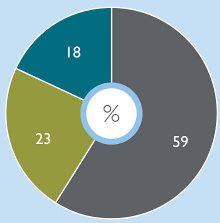


Gross profit 2010

Distribution
US$292 million

ICT Solutions
US$116 million

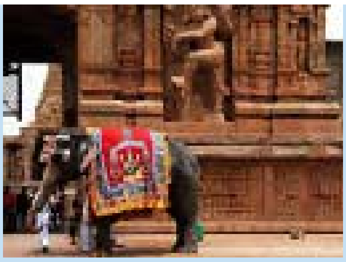
Services
US$90 million



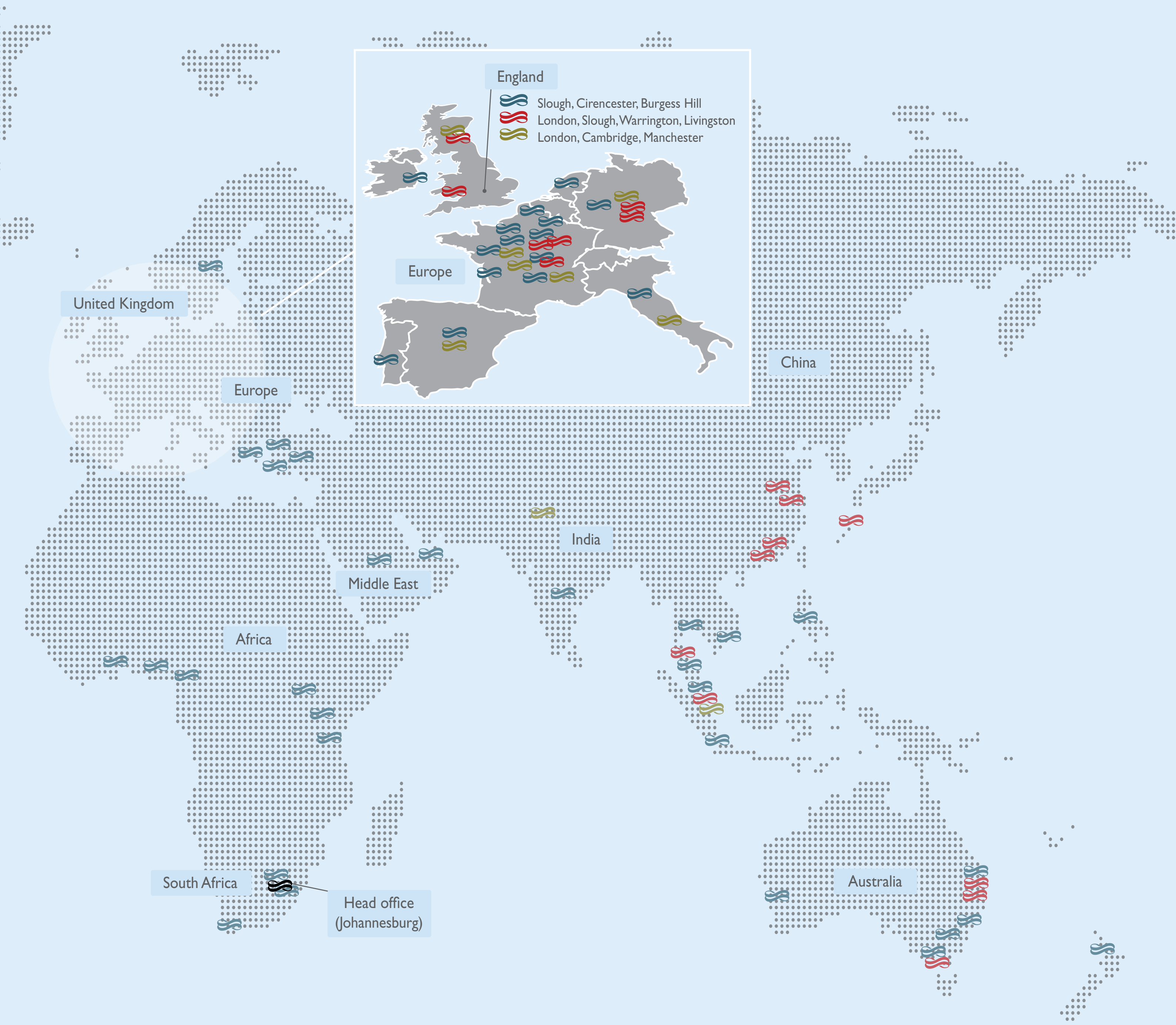
Vendor brands

Datatec has over 100 of the industry's leading brands in its portfolio

Our global presence


Over the past five years Datatec has made 17 strategic acquisitions which have significantly increased the Group's global footprint. The most recent acquisitions have been part of the Group's international strategy to increase its exposure to the world's major emerging and developing markets. Currently the Group has operations in over 40 countries.



Six-year review for the year ended 28 February 2010

	2010	2009	2008	2007	2006	2005
In US Dollars ($000s)						
Revenue	**3 738 026**	4 191 671	4 007 932	3 167 772	2 714 751	2 312 458
Continuing operations	**3 698 134**	3 980 830	3 623 024	3 075 344	2 609 497	2 213 636
Acquisitions	**39 892**	210 841	384 908	92 428	105 254	85 628
Discontinued operations	**–**	–	–	–	–	13 194
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	**108 536**	125 648	150 695	119 356	85 151	24 363
Operating profit before goodwill adjustment/impairment	**75 966**	91 186	123 890	100 284	69 394	9 964
Westcon	**61 972**	53 804	86 588	72 504	56 861	15 420
Westcon Emerging Markets	**4 068**	(487)	6 108	4 356	2 405	2 319
Logicalis	**25 203**	39 313	26 141	18 783	11 546	6 081
Consulting Services*	**790**	5 352	6 240	5 752	5 835	3 007
Corporate and other holdings	**(11 555)**	(8 951)	(7 746)	(10 272)	(8 148)	(7 005)
Head office foreign exchange gain/(loss)	**(4 512)**	2 155	6 559	9 161	895	(5 602)
Discontinued operations	**–**	–	–	–	–	(4 256)
Operating profit	**75 966**	84 811	123 469	99 142	68 969	6 649
Profit before taxation	**54 104**	85 512	108 282	89 433	63 795	53 525
Profit after taxation	**31 639**	60 019	80 036	62 152	39 187	51 864
Attributable profit	**29 974**	58 696	75 655	60 049	37 772	51 757
Headline profit	**29 978**	63 258	75 911	61 225	38 293	4 958
Capital distribution to shareholders	**(21 982)**	(20 485)	(16 775)	(6 589)	–	–
Non-current assets	**459 963**	429 998	421 074	242 096	189 959	138 608
Current assets	**1 442 081**	1 246 001	1 463 245	1 149 138	951 613	841 778
Equity attributable to equity holders of the parent	**667 879**	575 863	654 707	537 744	448 846	412 227
Minorities' interest	**50 900**	46 536	23 576	14 852	12 505	24 089
Non-current liabilities	**73 360**	102 547	83 258	65 518	50 880	3 950
Current liabilities	**1 109 905**	951 053	1 122 778	773 120	629 341	540 120
Net cash inflow/(outflow) from operating activities	**196 079**	151 670	32 298	(3 626)	52 207	19 539
Net cash (outflow)/inflow from investing activities	**(53 454)**	(63 834)	(208 384)	(60 334)	(54 382)	24 469
Net cash (outflow)/inflow from financing activities	**(13 391)**	(4 754)	53 799	24 896	40 740	1 067
Cash net of short-term borrowings	**239 834**	95 061	34 179	141 392	172 251	140 270
Cash net of short and long-term borrowings	**185 998**	36 220	(31 936)	98 014	129 356	138 820
In US cents						
Headline earnings per share	**17**	36	46	41	27	4
Underlying earnings per share**	**30**	33	47	39	**	**
Basic earnings per share	**17**	34	45	40	27	37
Net tangible asset value per share	**153**	113	177	220	207	228

	2010	2009	2008	2007	2006	2005
Summary of statistics						
Ratios						
Return on total assets	**4,0%**	5,4%	6,6%	7,2%	6,1%	1,0%
Return on capital employed	**9,6%**	12,6%	15,9%	16,3%	13,5%	2,3%
Return on ordinary shareholders' funds	**8,3%**	11,0%	16,6%	16,9%	14,3%	1,5%
Debt/equity ratio	**0,11:1**	0,18:1	0,13:1	0,12:1	0,11:1	0,01:1
Current ratio	**1,3:1**	1,3:1	1,3:1	1,5:1	1,5:1	1,6:1
EBITDA margin	**2,9%**	3,0%	3,8%	3,8%	3,1%	1,1%
Operating profit margin	**2,0%**	2,0%	3,1%	3,2%	2,6%	0,6%
Interest cover	**3,4**	4,0	4,6	5,2	6,0	1,6
Percentage change in SA consumer price index	**5,7**	8,6	6,1	4,6	3,4	1,4
Stock exchange performance						
Total number of shares traded ('000)	**113 195**	121 672	154 763	94 326	74 667	54 950
Total number of shares traded as a percentage of total shares	**64,2%**	69,3%	91,5%	60,7%	51,0%	39,7%
Total value of shares traded (R'million)	**2 422**	2 696	5 626	2 725	1 202	477
Prices (cents)						
Closing	**3 074**	1 230	3 200	3 360	2 200	959
High	**3 295**	3 250	4 495	3 675	2 350	1 515
Low	**1 042**	1 220	2 500	2 125	867	840
Market capitalisation (R'million)	**5 604**	2 159	5 415	5 208	3 220	1 328
P:E ratio	**23**	4	10	17	22	20
Shares issued						
Issued (million)	**182**	176	169	155	146	138
Weighted average (million)	**177**	174	166	150	142	138
Employees						
Number of employees at end of year	**4 126**	4 105	3 765	3 084	2 440	2 232
Average number of employees	**4 116**	3 595	3 425	2 954	2 336	2 311
Operating profit per average employee ($'000)	**18**	24	36	34	30	3
Gross assets per employee ($'000)	**461**	408	500	451	468	439
Exchange rates						
Rand/$ income statement translation rate	**7,9**	8,7	7,1	7,0	6,4	6,2
Rand/$ balance sheet translation rate	**7,6**	10,1	7,7	7,2	6,2	5,8

Notes:
**2010, 2009 include the results of Analysys Mason and Intact.*
***This has not been calculated for earlier years due to a lack of relevant information.*

– 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 numbers have been restated in accordance with IFRS.
– Detailed segmental information is set out in Note 31 of the annual financial statements on pages 138 to 141.
– Return on total assets is calculated utilising operating profit.
– Return on capital employed is calculated utilising profit before goodwill adjustment/impairment and total shareholders' funds and non-current liabilities.
– Return on ordinary shareholders' funds is calculated utilising profit before goodwill adjustment/impairment 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 The Standard Bank of South Africa Limited.

Board of directors

1.


2.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4.


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7.


EXECUTIVE DIRECTORS

1. Jens Montanana
Chief Executive Officer
Age: 49 (British)
Date of appointment: 6 October 1994

Jens is the founder and principal architect of Datatec, established in 1986. Between 1989 and 1993 Jens served as managing director and vice-president of US Robotics (UK) Limited, a wholly owned subsidiary of US Robotics Inc. which was acquired by 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 became Chairman and Chief Executive Officer ("CEO") of Datatec which listed on the JSE Limited in November 1994 and on the Alternative Investment Market of the London Stock Exchange in 2006. Jens is also Chairman of the 100% owned subsidiary company Logicalis, a role he assumed in March 2007. He has previously served on the boards and subcommittees of various public companies.

2. Ivan Dittrich
Chief Financial Officer
Age: 37 (South African)
Date of appointment: 1 March 2008

Ivan is a chartered accountant and has been with Datatec for the past 11 years. Ivan was appointed as Group Finance Director on 1 May 2008. Previously, he was Group Corporate Director and Group Company Secretary for five years, as well as Corporate Finance Manager. Ivan successfully managed the Group's dual listing in London during 2006. Prior to joining Datatec, Ivan worked for PricewaterhouseCoopers in London.

NON-EXECUTIVE DIRECTORS

3. Stephen Davidson

Independent non-executive chairman
Age: 54 (British)
Date of appointment: 1 February 2007

Stephen Davidson is Chairman of Datatec Limited, Enteraction TV Limited and Digital Marketing Group plc. He is also a non-executive director of Inmarsat plc, Mecom Group plc and EBT Mobile China plc. Stephen has held various positions in investment banking, most recently at WestLB Panmure where he was global head of Media and Telecoms, Investment Banking, then vice-chairman of Investment Banking. From 1993 to 1998 Stephen was finance director, then CEO of Telewest Communications plc. He was chairman of the Cable Communications Association from 1996 to 1998.

4. Wiseman Nkuhlu

Independent non-executive director
Age: 66 (South African)
Date of appointment: 1 September 2006

Wiseman, who was trained as a chartered accountant and who served articles with PricewaterhouseCoopers, currently serves on the board of AngloGold Ashanti. Between October 2000 and July 2005 he served as economic adviser to President Thabo Mbeki and chief executive of the Secretariat of New Partnership for Africa's development NEPAD. Wiseman also serves as president of the International Organisation of Employers.

5. John McCartney

Independent non-executive director
Age: 57 (American)
Date of appointment: 16 July 2007

John was previously a non-executive director of Datatec from 11 May 1998 to 30 September 2002 and was reappointed in July 2007. John was formerly president and chief operating officer for US Robotics which he joined in 1984, as well as president of 3Com Corporation's Client Access Unit. John serves on the boards of Huron Consulting Group (chairman), AM Castle Corporation and Covance, Inc.

6. Nick Temple

Independent non-executive director
Age: 62 (British)
Date of appointment: 1 October 2002

Nick has had a distinguished career at IBM, serving for 30 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 DataCash and 4imprint. Nick is also the chairman of a number of privately owned companies.

7. Chris Seabrooke

Independent non-executive director
Age: 57 (South African)
Date of appointment: 6 October 1994

Chris has over the years been a director of over 20 stock exchange-listed companies. He is currently CEO of Sabvest Limited, chairman of Setpoint Group Limited and Metrofile Holdings Limited and deputy chairman of Massmart Holdings Limited. He is also a director of Net1 UEPS Technologies Inc. (Nasdaq/JSE) and Brait SA (Luxembourg/JSE). He is a former chairman of the South African State Theatre and former deputy chairman of the inaugural Board of the National Arts Council of South Africa.

Chairman's statement continued

Stephen Davidson, Chairman

"Datatec's performance improved in the traditionally stronger second half of the year, which was both sequentially and comparatively better on both a revenue and profit basis, as the Group benefited from a combination of improving market conditions and high operational gearing."

I am pleased to report on another solid year for the Group, marked by very strong operational cash generation and steady margins, despite tough trading conditions which impacted revenues, particularly in the first half of the year.

Whilst full year revenue, earnings and EBITDA were down on the previous year, there was a marked improvement in performance in the second half which was both sequentially and comparatively better on both a revenue and profit basis. All of Datatec's main businesses returned to growth during the second half of the year.

Datatec's revenues for the year were $3,74 billion (2009: $4,19 billion), with second half revenues of $1,94 billion up on the second half of the previous financial year (H2 2009: $1,92 billion). Overall gross margins remained stable at 13,3% (2009: 13,5%).

This relatively robust performance, in an extremely challenging global market, highlights the importance of the Group's geographic diversity, global presence and improving mix of business which are continuing to help mitigate the impact of the global economic crisis. Conditions in South America, the Middle East and Asia-Pacific remained robust, helping to compensate for the softer business conditions experienced in the USA and Europe, particularly in the first half of the year.

38% of the Group's revenue was generated from North America, 39% from Europe, 9% from Asia-Pacific, 8% from South America and 6% from the Middle East and Africa. Gross profit derived from outside North America and Europe now accounts for 30% of the total, reflecting the growing contribution from developing and emerging markets. Four years ago our operations in Asia-Pacific, South America, the Middle East and Africa accounted for just 10% of gross profit.

As part of the further internationalisation of our business, during the year the Group embarked upon a number of initiatives to improve the Group's exposure to Asia through a combination of acquisition and organic investment. We remain confident that the major Asian economies and other emerging and developing markets (such as Brazil) will continue to grow strongly.

The Group achieved very strong operating cash generation and ended the year with a net cash position of $186 million (2009: $36,2 million).

Strategic focus

Despite the economic downturn, Datatec continues to pursue its long-term strategy to deliver sustainable above-average returns to shareholders by focusing on a combination of organic growth in the faster growing sectors of the ICT market, geographic expansion and earnings-enhancing acquisitions. The Group is now in a much stronger position having successfully pursued a policy of diversification to reduce dependency on any single market, territory or technology sector, as well as improving supplier and customer diversification.

During the year the Board has primarily focused on improving operational performance and cash generation, whilst at the same time reviewing a number of acquisition opportunities to enhance margins, facilitate consolidation in proven markets and extend the Group's geographical reach. Having put in place the structural changes that should ensure consistent delivery across all Datatec's operations, the Group is now actively pursuing a number of these acquisition opportunities and completed its first significant deal for some time, the $19,8 million acquisition of NetStar Holding, at the end of the year.

"Datatec continues to pursue its long-term strategy to deliver sustainable above-average returns to shareholders by focusing on a combination of organic growth in the faster growing sectors of the ICT market, geographic expansion and earnings-enhancing acquisitions."

In one transaction the acquisition of NetStar established a sizeable presence for Logicalis across South East Asia and Australia and, significantly includes an operation in mainland China, one of the most important developing markets. Other M&A opportunities in Asia and Latin America are also now being reviewed, particularly in China, India and Brazil, which the Board sees as key market opportunities for the Group.

Capital distribution

Following our robust performance and exceptional cash generation for the year, I am pleased to say that the Board has decided to maintain its capital distribution for 2010, and will distribute to shareholders a capital reduction out of share premium, in lieu of a dividend, of 90 RSA cents per share (approximately 12 US cents per share) for the year ended 28 February 2010.

The Group's dividend/capital distribution policy of paying an annual dividend/capital distribution, which will provide cover of at least three times relative to underlying earnings, remains unchanged.

Corporate governance

Datatec 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. We endorse the Code of Corporate Practices and Conduct recommended in the King Report on Corporate Governance in South Africa 2002 ("King II Report"). In addition, we have adopted the principles of corporate governance contained in the Combined Code on Corporate Governance issued in 2006 by the Financial Reporting Council (the "Combined Code") for UK companies. The Code of Governance Principles for South Africa 2009, known as King III, was released in September 2009 and will be applicable to Datatec for the financial year beginning 1 March 2010. The Board believes that the Group is already compliant with most of the King III recommendations and will work to implement them in areas which are not currently compliant.

Board and appreciation

During the year we announced the retirement from the Board of Cedric Savage, one of our independent non-executive directors. Cedric joined the Board in December 2001 and has given many years service to the Group, most recently serving on the Audit, Risk and Compliance Committee. I would like to take this opportunity to thank him for his considerable contribution to Datatec's development over the last nine years.

On behalf of the Board I would like to thank my fellow directors for their continued contribution and support. I would like to express my sincere appreciation to all Datatec employees around the world for their splendid efforts throughout the year in increasingly difficult trading conditions. I would also like to extend a special thank you to all our customers, partners and stakeholders; we value your support.

Prospects

The Board's focus during the last financial year has been to ensure that the Group's performance was sound and predictable, with management taking a very prudent approach in response to the global economic crisis. The Group achieved very strong operating cash generation as a result of continued effective working capital management and extended credit terms received from major suppliers, and ended the year with a net cash position of $186 million, compared to $36 million in the prior year.

Although we remain cautious about the pace of any global economic recovery and trading conditions for the current financial year, the Board expects profitability across all divisions to improve, as the business continues to benefit from improved operational gearing. The year ahead should deliver solid sequential and comparative growth in all main businesses.

We remain committed to our multi-divisional business model which we believe has proven to be very defensive. Each of the Group's divisions is well positioned to take advantage of advances in ICT in sectors adjacent to networking, such as data centre virtualisation and shared computer infrastructure (often referred to as cloud computing), fourth generation (LTM) wireless networking and increased networking security.

During the last few years we have considerably improved the geographic diversification of the Group, and we expect to continue this policy, focusing especially on emerging and developing markets and on Brazil, India and China in particular. The Group also expects to continue making further investments to support its business structure and management. The current environment presents a good opportunity to recruit excellent people and ensure that the Group's businesses have the best foundations for future scalability.

Stephen Davidson
Chairman

Chief Executive Officer's report

Jens Montanana, Chief Executive Officer

"Strong operational management, coupled with an expanding international footprint for the Group's businesses, has positioned us well to take advantage of improving market conditions and the early signs of recovery that we have seen in our major geographies."

I am delighted to report on a year in which Datatec delivered another solid financial and operational performance, against the backdrop of a continuing global economic downturn and continued difficult trading conditions in many countries.

Overall full year revenue fell 11% when compared to the previous year, but most of this was attributable to the first half of the year as many economies continued to contract during this period. As expected, there was a strong rebound in Datatec's performance in the traditionally stronger second half of the year, during which time the Group benefited from a combination of an improvement in trading conditions and high operational gearing, as a result of the significantly reduced cost base reflecting the actions taken by the management team in the previous year. Revenues, EBITDA and underlying earnings per share were all up on a sequential and comparative basis during the second half of the year and the Group returned to revenue growth in all its divisions.

Westcon performed particularly well, with gross and EBITDA margin improvement and increased profitability. As anticipated, Logicalis' recovery lagged that of Westcon by several months, but appears to be now well underway, with UK operations enjoying a very strong year-end and the business in the US recovering in the latter part of the second half. After a difficult first half, consulting services improved in the second half of the year, as a result of cost reductions, demand stabilisation and better profitability.

The Group maintained gross margins at 13,3%, even as our revenues fell we managed to reduce costs in proportion, the decline in underlying earnings per share of 9% was less than the decline on overall revenues of 11%. Underlying earnings were 30,3 cents per share (2009: 33,1 cents), with 18,8 cents per share of this coming in the second half, an improvement of 77,4% over the 10,6 cents per share achieved in the second half of the previous financial year.

Cash generation was exceptional as a result of continued effective working capital management and extended credit terms received from major suppliers. The Group ended the year with a net cash position of $186 million, compared to $36 million in the prior year.

Of the $3,74 billion revenues generated during 2010, some 76% came from distribution reflecting the strong performance by Westcon during the financial year. Encouragingly the revenue and gross profit contribution from consulting and services grew during the year. The spread of activities across these three business activities not only provides the Group with multiple points of leverage in the ICT market, but also offers industry diversification with no particular vendor, technology, geography or industry sector dependency.

"Cash generation was exceptional as a result of continued effective working capital management and extended credit terms received from major suppliers. The Group ended the year with a net cash position of $186 million, compared to $36 million in the prior year."

Analysis by business stream

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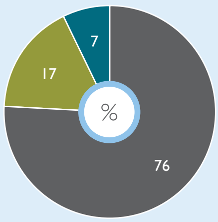

Gross profit 2010

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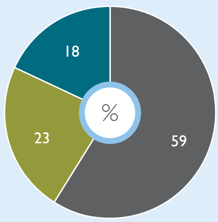
Services
US$90 million



Market backdrop

While the last year has seen a severe macro-economic downturn globally, the impact on IT has been much less than after the dotcom and TMT crisis of a decade ago. The reduction in revenues last year was less impactful on the Group's profitability than the previous downturn due largely to our improved business mix and geographical diversification. This defensive performance supported by our very strong cash position has allowed us to gain market share in many areas and continue consolidation in difficult conditions. Overall, we believe we are in a better relative position now, than we were going into this downturn some 18 months ago.

Having very tightly managed the Group's business while expanding footprint globally over the last few years, Datatec is well positioned to take advantage of improving market conditions and the early signs of recovery that have been seen in our major geographies. We now have operations in over 40 countries. Markets in South America, Asia and the Middle East have remained robust throughout the downturn and recent corporate earnings show strong recovery in many sectors in more developed markets. The US in particular, appears to be undergoing a broad-based recovery in many parts of the economy, as evidenced by the strength of the Dollar.

In our industry we see the highest growth technology segments being those associated with connecting data, voice and video over IP networks (unified communications) and growing demand in data centres for security, storage and virtualisation. These are all network-attached applications, within which our key vendor partners such as Cisco, HP and IBM are playing a key role. This plays well to our key strengths across all our businesses and we expect to benefit from any growth in the market.

Divisional review

Westcon

Westcon accounted for 69% of the Group's revenues and 60% of EBITDA. Westcon is the world's leading specialty distributor of networking, security, mobility and convergence products for leading technology vendors, including Cisco, Avaya-Nortel, Juniper, Check Point and Polycom.

Westcon's revenue for the year was $2,6 billion (2009: $2,8 billion) of which 46% was generated in the Americas, 43% in Europe and 11% in Asia Pacific. Cisco products made up 56% of Westcon's revenue, Avaya-Nortel 17%, security products 17% and Development/Affinity vendors 10%.

Gross margins increased slightly to 10,2% and gross profit was $263 million.

Cost reduction initiatives begun in the second half of 2009, helped to drive a 12% reduction in operating expenses in 2010. As a result,

Chief Executive Officer's report continued

Westcon's EBITDA increased 10% to $74,7 million while EBITDA margins increased from 2,4% in 2009 to 2,9% in 2010.

Westcon's operating cash generation was outstanding once again, generating $125 million of cash (2009: $126 million) as effective working capital management resulted in favourable changes in inventory and accounts payable balances.

In April 2009 Westcon became Cisco's first global distributor, signing a partnership that increased both organisations' ability to develop new market opportunities, particularly in emerging markets. As a result, Westcon is opening new offices in the Philippines, Thailand and Vietnam in Asia, and the Czech Republic in Europe. To build on this momentum Westcon created, in September 2009, a single management structure for its Cisco-focused "Comstor" worldwide division, which accounts for over 50% of Westcon's total revenues.

On 1 October 2009 Westcon acquired Datastor (NZ), a New Zealand ICT distribution business, for cash. The acquisition provides Westcon with the opportunity to add an additional operation in New Zealand to help consolidate its existing business and create a market-leading position that is complementary to Westcon's Asia-Pacific distribution business.

Westcon Emerging Markets ("WEM")

Datatec's WEM operations made up 7% of the Group's revenue and 4% of EBITDA. WEM represents Datatec's distribution subsidiaries operating in 12 countries across Africa, the Middle East and the Indian subcontinent.

WEM started the year in a stronger position following an extensive restructuring programme in Africa and South Africa. Trading conditions were difficult in South Africa for much of the year. The Middle East region continued to perform strongly.

WEM's financial performance improved throughout the year, achieving revenues of $245,7 million (2009: $283,3 million) and EBITDA jumping to $5,4 million from $0,6 million in 2009, following the restructuring initiatives of the prior year.

On 24 April 2009 Datatec increased its shareholding in Westcon SA from 55% to 74,9%.

WEM is expected to be fully integrated into Westcon Group during the second half of the 2011 financial year.

Logicalis

Logicalis accounted for 22% of the Group's revenues and 34% of EBITDA. Logicalis is an international provider of ICT solutions and services with broad expertise in IT infrastructure and networking solutions, communications and collaboration, data centre and professional and managed services.

Trading was affected with the global economic slowdown and recessionary conditions prevailing in most of the markets in which Logicalis operates. Demand for technology products contracted and Logicalis' main vendor partners, Cisco, HP and IBM, experienced double-digit declines in product revenues. In addition, telecommunications operators and services providers in South America, an important customer segment for Logicalis in this region, cut capital expenditure significantly. Despite this economic backdrop, the UK had a good performance and the contribution from the South America region remained strong as services improved.

Revenue for the year was $838,5 million (2009: $1 005,4 million), including a $19,0 million contribution from two acquisitions. Revenues from product sales were down 21% with declines across all main vendor categories. However, revenues from services were more resilient and there was particularly encouraging growth in annuity revenues of 17%. Product margins were under some pressure, particularly in the US, but services margins were maintained and an improved services mix kept the overall margin similar to last year.

In May 2009 Logicalis acquired Minters GmbH, a German Cisco Systems Partner. The enlarged Logicalis German operation is a mid-market-focused ICT integrator and provides a platform for further growth in Germany.

On 15 January 2010 the acquisition of NetStar was completed. NetStar is a leading network infrastructure solutions and managed services provider in the Asia-Pacific region with operations in Australia, Singapore, Malaysia, Taiwan, Hong Kong and China. This acquisition marked an important strategic development for Logicalis as NetStar, with its regional footprint and dedicated network operations centre in Malaysia, provides the capabilities to support the needs of multinational corporations.

Consulting services

The Group's Consulting Services division, consisting of Analysys Mason and Intact, accounted for 2% of Group revenues and 2% of EBITDA.

Consulting Services had a difficult year and performance improved during the second half as reduced operating costs helped underpin profitability. The overall performance was significantly impacted by spending reductions by telecommunications operators and service providers in discretionary areas throughout 2009.

Analysys Mason provides management consulting advice and market intelligence services to the telecoms, IT and digital media industries. Analysys Mason reported revenues of $44,4 million (2009: $55,8 million) and EBITDA of $0,9 million (2009: $4,6 million).

On 9 April 2010 Analysys Mason acquired BDA Connect (Pvt) Limited ("BDA India"), a small management consultancy business with 15 employees, based in New Delhi, which provides Analysys Mason with a platform to develop its consulting business in India and to support its existing operations in Singapore and Dubai.

Intact is a networking services, project management and support consultancy business focused on providing high-end professional services and augmenting the technical staff of its customers. Intact reported revenues of $19,5 million (2009: $17,1 million) and EBITDA of $1,0 million (2009: $2,0 million).

Corporate and other holdings

Corporate and other encompasses the operating costs of the Datatec head office entities of $10,4 million (2009: $10,2 million) and unrealised and realised foreign exchange losses of $3,6 million and $0,9 million respectively (2009: gains of $1,3 million and $0,8 million) incurred by the Datatec head office entities.

This segment also includes two months' trading for the Group's 55% holding in the South African ICT business, ALI, which was sold effective 24 April 2009. During the two months ALI generated revenues of $7,4 million (2009: $50,7 million) and an EBITDA loss of $0,9 million (2009: profit of $1,8 million).

Current trading and prospects

The prudent and prompt actions taken early by management at the start of the global economic crisis should allow Datatec to emerge from this downturn with an improved business structure and in a better relative position, able to take advantage of any recovery.

We are encouraged by early signs of a broad-based recovery in many parts of the US economy and the continued resilience in many emerging and developing markets. We remain cautious about the UK and growth in continental Europe in the medium term, which is reflected in our business planning. Overall we are seeing signs of improved confidence and gradual recovery across all our divisions and markets.

The Group is strategically well placed in all of its operations. The vendors, technologies, partners and clients we work with intersect some of the most exciting developments and trends in our industry, and our diversity, scale and geographical reach give the Group resilience as well as exposure to some of the world's fastest growing economies.

As a result, the Board expects the coming year to deliver solid growth in each of our main lines of business, with improving profitability across all divisions, as the business continues to benefit from improved operational gearing.

Based on current trading conditions and prevailing exchange rates, the Board expects revenues for the 2011 financial year to be between $4,1 and $4,4 billion, with some margin expansion. The Board expects underlying earnings per share to be approximately 35 US cents and both earnings per share and headline earnings per share to be approximately 30 US cents.*

Jens Montanana
Chief Executive Officer

**The financial information on which this forecast is based has not been reviewed and reported on by Datatec's auditors. Earnings per share and headline earnings per share do not take into account any fair value gains or losses on acquisition-related financial instruments, which are required under IFRS.*




WestconGroup

Highlights

Revenue

US$2,6 billion

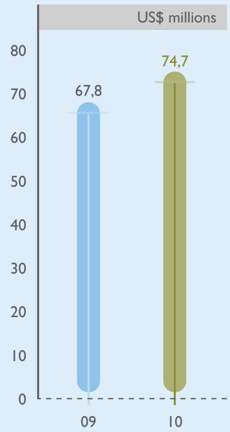
(2009: US$2,8 billion)

Cash generation

US$125 million

(2009: US$126 million)

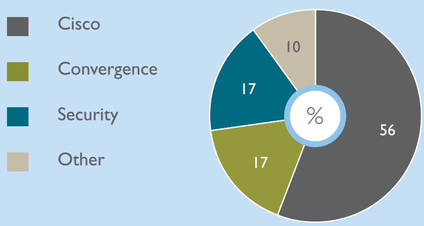
EBITDA



Westcon Group, Inc.™ ("Westcon") is the world's leading specialty distributor in networking, security, mobility and convergence for a portfolio of leading technology vendors, including Cisco, Avaya, Check Point, Bluecoat, Juniper and a range of other complementary manufacturers.

Westcon's customers consist of value added resellers, systems integrators and service providers that resell networking products and solutions to small and medium-sized businesses, enterprise organisations and governments around the world. These customers benefit from Westcon's particular expertise in the convergence of voice, data and video applications and technologies including voice-over Internet Protocol ("VoIP"), security for networking and communications systems, data centre technologies, videoconferencing and wireless connectivity.

Revenue % by vendor



Westcon adds value to its distribution activities by providing value added services and resources to its customers around the world. This includes solutions for the design and configuration of convergence, mobility and data centre networks, as well as network extensions such as video conferencing, network storage, unified messaging and network security. Westcon also offers a comprehensive range of reseller-orientated programmes including technical and managed services, sales and product training, engineering support and global procurement and logistics.

"Westcon's customers consist of value added resellers, systems integrators and service providers that resell networking products and solutions to small and medium-sized businesses, enterprise organisations and governments around the world."

Structure

Westcon operates its multinational distribution business through three branded business units:

- Comstor, which is focused on delivering Cisco-orientated networking and advanced technology solutions and operates in the Americas, Europe, Australia, Asia and the Middle East.
- Westcon Convergence, which operates in the Americas and Europe, delivers Avaya-orientated convergence and unified communications solutions as well as a broad range of complementary VoIP solutions from manufacturers including Microsoft, Meru, 3Com, Extreme, Siemens and many others.
- Westcon Security, which operates in the Americas, Europe and Asia, offers security solutions from vendors like Blue Coat, Radware, Trend Micro, Check Point, RSA, F5 Networks, Brocade, LogLogic and many others.

2010 Summary

Westcon emerged stronger from a difficult economic climate that permeated global markets during 2009. Westcon's overall revenues experienced a decrease of 7% year-over-year, but a combination of higher gross margins and lower operating costs resulted in a 10% increase in EBITDA compared to the previous financial year. Westcon continues to maintain strong relationships with its international banking partners and has sufficient lines of credit to support continued growth in the business.

Executive team

During 2010 Westcon made several changes within its senior executive team. At the beginning of the year Dean Douglas, formerly Chief Operating Officer, was named President and Chief Executive Officer, following a succession plan adopted in 2009. Tom Dolan, former President and CEO, was appointed Chairman of the Board of Directors. William Hurley, who joined Westcon Group as Chief Information Officer in 2009, was promoted to Executive Vice-President and Chief Technology Officer.

Westcon made several other key appointments to its senior executive team during 2010. Bob Clinton, who spent over 25 years in key executive roles at Codex Corporation, Motorola, Inc. and CA, Inc., was appointed as Senior Vice-President and Chief Marketing Officer. Wendy O'Keeffe, formerly Westcon Group's Managing Director for Australian and New Zealand-based operations, was promoted to Executive Vice-President, Asia-Pacific.

Manufacturer relationships and operational expansion

In April 2009 Westcon became the first distributor to sign a global distribution agreement with Cisco, enabling more efficient cross-border transactions. The agreement also increased Westcon's ability to access emerging market opportunities in Africa, Latin America, Asia and Eastern Europe. In November Westcon also signed a significant agreement with Cisco for the worldwide distribution of its unified computing system ("UCS") data centre solutions.

Following these agreements, Comstor was established as a standalone global business unit, focused solely on Cisco solutions. Led by long-time Comstor executives Jon Pritchard and William Corbin, Comstor has a clearly defined, separate operational structure.

During the year Westcon also signed new agreements with both Microsoft and Brocade, and extended its geographic coverage with existing partners such as Avaya, Fortinet, Extreme, Blue Coat and Meru. In addition, with the acquisition of New Zealand-based Datastor, Westcon increased its presence in Asia-Pacific while gaining access to a robust storage and virtualisation portfolio. Westcon also strengthened its warehousing operations in both North and South America by adding new distribution centres in these locations.

As the largest global distributor of Avaya and Nortel solutions, Westcon played an integral role following Avaya's acquisition of Nortel by mitigating the process of partner transition. Immediately following the acquisition, Westcon Convergence launched RapidRamp, a programme to help resellers become fully accredited to sell Avaya programmes and services.

Westcon divisional report continued


From left:
Dean Douglas, Chief Executive Officer
John O'Malley, Chief Financial Officer

Operational structure and accolades

As was the case in previous years, Westcon received a number of awards from both its vendor partners and media during the year.

Significantly, Westcon Brazil was recognised by two prominent South American IT publications *(Info2000* and *Anuario Informatica Hoje)* as the fastest growing company in Brazil. At the Cisco Partner Summit, Westcon Brazil won 'Cisco New Distributor of the Year' as well as 'Distributor of the Year, Brazil' award. Comstor France was recognised by Cisco as its 'Distributor of the Year' for the third year in a row, also picking up the 'Distributor of the Year, European Markets' award. Westcon was also named Extreme Networks' 'International Distributor of the Year'.

People

The key to Westcon Group's success around the world is the strength of its employees, who are diverse, knowledgeable and highly experienced. Westcon has more than 1 500 employees around the world, and an employee retention rate of 40% for employees with five years' seniority.

Westcon recruits the most experienced and capable employees locally in each of the markets in which it operates. The Company continually invests in its employees through internal training and development. Initiatives, such as Westcon University, provide employees with education, training and career development programmes, and Westcon continues to strengthen its new hire orientation programme on an ongoing basis.

In response to feedback from its employee survey, Westcon has developed internal committees, designed to improve the overall Westcon employee experience. These committees set specific objectives and communicate progress to the rest of the Company on a regular basis.

Operational highlights

- Gross margin % increases from 10,1% to 10,2%
- Strong working capital management drives significant cash generation of $125 million
- Acquired Datastor, Asia-Pacific distributor of storage and virtualisation technology
- Authorised to distribute Cisco's Unified Computing System ("UCS") product line

Focus on advanced technology, global offerings and services

Westcon's focus on advanced technologies is a key differentiator from its broad-line multinational competitors. Management believes that its core vendors – Cisco, Avaya, Check Point, Bluecoat and Juniper – will continue to develop new technology categories for which Westcon can offer solutions based on a combination of these core vendors plus complementary manufacturers.

As one of Cisco's authorised UCS distributors, Westcon is establishing itself as a major player in the distribution of data centre and virtualisation technology. Westcon itself is an early adopter of the technology, having integrated the Cisco UCS platform into its own global data infrastructure.

As customers increasingly rely on global business to remain successful, Westcon's ability to facilitate multinational transactions for its customers is an important additional differentiator. Westcon's global logistics capabilities help its customers conduct international business with greater efficiency while mitigating many of the risks associated with trading internationally.

Westcon is actively pursuing more power-efficient and sustainable technology solutions within its own technology infrastructure, as well as making ecologically responsible solutions available to its resellers on a global basis. In North America and the United

Westcon's focus on advanced technologies is a key differentiator from its broad-line multinational competitors.

Kingdom, Westcon has developed logistics capabilities that enable companies to dispose of networking equipment in an ecologically responsible fashion.

Markets

While financial markets contracted on a global basis during last year's global recession, most technology sectors, including IT networking, began to show signs of growth during 2010.

As international markets continue to rebound, Westcon expects solid IT growth in emerging markets such as Africa, Latin America, Asia and Eastern Europe. In North and South America and Western Europe, the Company expects moderate growth, primarily due to IT refresh cycles and the willingness of companies to make investments in technology infrastructure to increase efficiencies.

As demand for more efficient technology increases across all sizes of business and geographies around the world, we expect the adoption of VoIP, unified communications and data centre technology to increase as well. Additionally, as IT security threats continue to evolve and disrupt businesses on a global basis, Westcon expects demand for security hardware and software applications to remain strong.

Financial performance

During the year Westcon's revenue decreased 7% from $2,779 billion in fiscal 2009 to $2,588 billion with decreases in the Americas and Europe offset by an increase in Asia-Pacific. Gross margins increased from 10,1% in 2009 to 10,2% in 2010 due to increased margins in Europe and Asia-Pacific being offset by lower margins in the Americas. Gross profit decreased 7% from $281 million to $263 million.

Cost reduction initiatives begun in the second half of 2009 helped to drive a $25 million or 12% reduction in operating expenses in 2010. As a result, Westcon's EBITDA increased 10% from $68 million to $74 million, while EBITDA margins increased from 2,4% in 2009 to 2,9% in 2010, with increased margins in all operating regions.

During the year Westcon's operating activities generated $125 million of cash (compared to $126 million of cash generated in 2009) as effective working capital management resulted in favourable changes in inventory and accounts payable balances.

Westcon used $3,5 million for investing activities primarily for capital expenditures and repaid $82 million of debt during the fiscal year.

For the year Cisco products made up 56% of Westcon's revenue followed by 17% for Avaya/Nortel, 17% for security and 10% for Development/Affinity vendors. From a geographic perspective, 46% of Westcon's revenue was generated in the Americas followed by 43% in Europe and 11% in Asia-Pacific.

Future prospects

Westcon's strong working capital management in 2010 will allow it to take advantage of improving market conditions. Westcon will continue the globalisation of its business as its customers and vendors look to grow their regional market presence. Westcon will deploy cash toward margin-enhancing acquisitions and organic initiatives. This includes a broader presence in Asia. In addition, Westcon will continue to invest in its service offerings and strengthen its management team on a global basis. Westcon will expand its offerings into data centre server, storage and middleware software products. Westcon is well positioned to take advantage of the trend toward network-based cloud computing.

Westcon divisional report continued

Westcon Emerging Markets

Highlights

Revenue

US$245,7 million

(2009: US$283,3 million)

EBITDA

US$5,4 million

(2009: US$0,6 million)

Overview

Westcon Emerging Markets Group ("WEM") is the holding company for Datatec Limited's distribution subsidiaries operating in Africa, India and the Middle East. The division provides value added distribution activities for leading technology vendors including Cisco, Motorola, Juniper, Zebra and Net App. WEM's activities are closely aligned with those of Westcon and the WEM business will be folded into Westcon during the second half of the current financial year. Accordingly, WEM's financial performance will be included with Westcon's figures from the second half of the current financial year.

Organisational structure

This division comprises the following operations:

- Westcon South Africa ("Westcon SA") is a long-established South African networking, mobility and security distribution business in which WEM holds a 74,9% stake (55,0% as at 28 February 2009).
- Westcon Africa FZCo and Westcon Africa SADC (collectively "Westcon Africa") distribute networking, infrastructure, security and mobility products throughout sub-Saharan Africa. The Group holds a 67,0% stake in the business (51,0% as at 28 February 2009).
- Westcon and Comstor Middle East (collectively "Westcon ME") distribute networking, infrastructure, security and mobility products and services in the Middle East, Western Asia and North Africa. These businesses are wholly owned subsidiaries of WEM.
- Inflow Technologies ("Inflow") is a networking, security and storage distribution business operating throughout India. WEM holds a 50,01% stake in the business (50,01% as at 28 February 2009). Westcon India was formed as a wholly owned subsidiary of Inflow in 2009.

The year under review

This was the first year in which these businesses operated under a common management umbrella and the year was a successful one. As a division WEM reported substantial gross margin improvement, strong cash generation and an overall significant improvement in EBITDA over the prior year.

Westcon Africa was turned around and Comstor Middle East delivered a strong revenue performance to consolidate its position as the leading Cisco distributor in its nominated territories.

Expanding the coverage of existing vendors is a key strategic focus area for the WEM Group which benefits from more than 60 vendor relationships. In addition to Cisco in India, several other vendor franchises were expanded within the territory during 2010 and more are planned for 2011.

The formation of Westcon India in the first calendar quarter of 2009 is allowing WEM to leverage global vendor relations that are integral to the Westcon Group's worldwide growth strategy. Success in securing the extension of the Cisco relationship into India means that WEM is now developing the Comstor brand across all territories.

Market conditions were soft for much of the year, particularly in South Africa, and vendor product supply constraints also adversely affected revenue volumes. In this environment management attention in all units was centred on improving overall business shape and positioning the businesses for growth during the years ahead. Restructuring exercises, commenced in both Westcon Africa and Westcon SA during the first calendar quarter of 2009, were successfully completed and margin improvement initiatives were established across all operating units.

Leveraging the experience, knowledge and relationships of Westcon's and WEM's local management teams is another key focus area for the business. Important progress was made during 2010 to strengthen the links within the region and the wider Westcon Group. Cross-border collaboration is strong and will serve the Group well in the years ahead.

During 2010 vendors continued to recognise the strong advance technology-focused market development work done by WEM's subsidiaries. Westcon Africa and South Africa were awarded Cisco Africa Distributor of the Year. Westcon Africa was also recognised by Symantec as Africa Distribution Partner of the Year and by VMWare as Best Distributor in Northern EMEA. Comstor Middle East was awarded the Cisco Worldwide Channels Award for Market Acceleration. Westcon Middle East was awarded Motorola EMS Best Distributor of 2009 for the Indian subcontinent and was also recognised by the industry media as Networking Distributor of the Year 2010 by Reseller Middle East.

On 24 April 2009 WEM's shareholding in Westcon SA increased from 55% to 74,9% as part of Datatec's disposal of its 55% stake in African Legend Indigo. The Group also increased its stake in Westcon Africa by 15,9% to 66,9% on 2 February 2010.

Markets

WEM is focused on the distribution of higher growth advanced technology products within the networking, convergence, security, mobility and storage arenas.

The global slowdown has had a less pronounced impact on the developing economies and current market dynamics are presenting opportunities for technology intermediaries including:

- Demand from corporate end users for cost savings through technology deployment
- Government investment programmes to stimulate activity
- Vendor initiatives to develop new markets
- Development and consolidation of data centres
- Virtualisation and cloud computing.

WEM's geographical footprint aligned with its proven channel development track record positions the business for strong and sustainable growth in the years ahead.

Strategy

Like the rest of the Datatec Group, WEM's strategy is to focus on a combination of organic growth in the fastest growing sectors of the ICT market, geographical expansion and earnings-enhancing acquisitions.

The entrepreneurial outlook, local market experience and vendor relationships within WEM's constituent businesses, aligned with the strong Westcon global brand and depth of distribution expertise, present a significant organic growth opportunity for WEM.

Critical to the success of the businesses within WEM is the identification and leveraging of profitable commercial relationships, successful market engagement methodologies and best operational practices.

There are 10 key foundations to WEM's strategy:

- Focus on advanced technologies within networking, convergence, security, mobility and storage
- Extension of strong multi-territory vendor relationships into new WEM territories
- Identification and leverage of effective market engagement strategies
- Alignment with global Westcon strategy and branding
- Identification and replication of operational best practice, both regionally and globally
- Standardised internal reporting delivering clear and consistent operational visibility
- Strong decentralised local management of the constituent businesses
- Clear accountability and role definitions at every level of each business
- Recruitment, development and retention of talented staff
- An ethical and compliant approach to business.

Successful execution of the strategy depends on having the best people. The management of WEM is committed to securing the best talent and to making Westcon Emerging Markets a stimulating, challenging and rewarding place to work.

Financial performance

WEM's financial performance improved throughout the year, generating EBITDA of $5,4 million, up from 0,6 million in 2009. All units were EBITDA positive including Africa which reported a significant turnaround.

Revenues declined during the year to $245,7 million (2009: $283,3 million) with decreases in the African units due to the exiting of lower margin franchises, vendor product supply constraints and, in South Africa, soft market conditions. Revenue increases were reported in the Middle East, driven by the Comstor business, and India.

Franchise exits in sub-Saharan Africa and regional margin improvement initiatives drove overall gross margins up from 8,9% to 11,9%. All units reported double-digit gross margins and overall gross profit increased by 16% to $29,2 million.

The division closed the year with a net cash balance of $20,8 million after generating net cash of $10,2 million through improved trading performance and a focus on working capital management.

Future prospects

Medium-term prospects are positive as the developing markets grow and as the coverage of existing vendors is expanded within the region.

Inflow's presence in nine key Indian cities is providing an excellent entry point and initial footprint in India and is an important step in the Group's international strategy to increase its exposure to the world's major emerging and developing markets. India is fully expected to experience strong growth once global economic conditions improve, and the laying of fibre cables into and within sub-Saharan Africa is also expected to be another driver of growth.

The current year outlook is for revenue growth in WEM as product supply constraints ease and the global economy recovers, delivering a continued improvement, albeit at a more modest rate, in profitability.

Westcon divisional report continued

Westcon helps a leading telecommunications provider expand its business with credit, finance, logistics and technical services.

Case study Eclipse Technology Solutions, Canada

The challenge
In 2006, Eclipse, a leading telecommunications provider based in Canada, decided to open a reseller integrator organisation that would specialise in Unified Communications capabilities, specifically around the Nortel platform. Eclipse decided to enlist Westcon's help with credit, finance and technical services in order to accelerate the roll-out of this new business and to enhance its go-to-market strategy.

The solution
From day one, Eclipse was able to pursue large opportunities, through utilising Westcon's presales, design and support capabilities as well as its ability to extend substantial lines of credit.

Westcon helped Eclipse to win a contract for the national roll-out and support of the Business Communication Manager ("BCM") network for one of Eclipse's large retail customers across North America. Using Westcon's staging and integration facility in Virginia, USA, the project was fully staged, designed, configured and tested prior to being shipped directly to the end-user sites.

"From the very start there was an understanding of our business and vision. Westcon has assisted us every step of the way and we've developed a very strong relationship over the last two years.

"We need someone who is able to really deliver what they say they will do and we know we can rely on Westcon to do just that. Westcon's culture and 'can do' attitude fits with our people and we see them as an extension of our team."

Rob Smith, Co-founder and Owner, Eclipse Technology Solutions.

Westcon's Global Procurement System and Cisco's Global Partner Network have enabled a US-based service provider to successfully and cost-effectively conduct international business. The project was centrally designed and purchased, but fulfilled on a local basis which also allowed substantial local VAT to be recovered.

Case study NEC Unified Solutions, USA

The challenge

NEC Unified, a leading telecommunications solutions provider, has maintained a local relationship with a US-based service provider over the past six years. So, when the service provider ("SP") decided to extend its reach into Europe by building a data centre in the Netherlands, it naturally asked NEC to help with the design and procurement of the necessary equipment. In turn, NEC turned to Westcon for its assistance in fulfilling this substantial international deal.

The solution

Using Westcon's global procurement system ("GPS") and the Cisco Global Partner Network programme, Westcon supplied US$2 million of equipment for the fit-out of the Dutch data centre. Significantly, the deal was fulfilled on a local basis and created as a local transaction, which allowed the SP to recover US$380 000 of VAT (value added tax).

The transaction worked so well that when the SP subsequently decided to build a data centre in Singapore, it once again enlisted NEC's help who in turn asked Westcon to provide local fulfilment. As before, a local transaction was executed on the US$2,1 million deal and the SP was able to recover US$147 000 of local VAT (value added tax).

A third data centre is now in the planning stages for South America and once again Westcon will use the GPS programme to create a local transaction and execute in a manner which will allow the SP to recover the VAT.

Westcon's GPS programme makes it easy for partners to assist their customers who are looking to make centralised design and purchasing decisions, but who want to work with their trusted partner to manage the global product and services delivery.

"Westcon worked extremely closely with NEC during the entire process, followed up on all logistics and administrative issues and provided excellent support in order for us to successfully consummate the transaction and meet customer expectations," commented R Vijayasarathi, Account Manager, NEC Corporation of America.

Logicalis divisional report continued




Highlights

Revenue

US$838,5 million

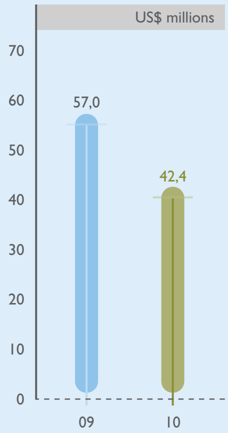
(2009: US$1 005,4 million)

Gross profit

US$186,4 million

(2009: US$221,7 million)

EBITDA



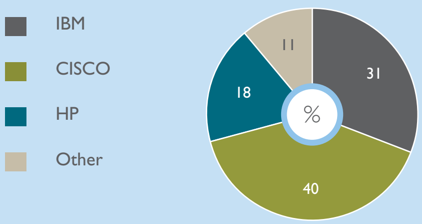
Overview

Logicalis Group ("Logicalis") is an international provider of integrated information and communication technology ("ICT") solutions and services with particular expertise in ICT infrastructure and networking solutions, communications and collaboration, data centre and professional and managed services.

With its international headquarters in the UK, and operations in the US, Germany, South America and the Asia-Pacific region, Logicalis employs over 1 800 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of over 5 000 corporate and public sector customers. The Group has annualised revenues of approximately $1 billion.

Logicalis' main vendor partners include Cisco, HP, IBM and Microsoft for all of which the Group operates on an international basis. Logicalis provides integrated technology solutions for enterprise and medium-sized companies across a wide range of vertical markets (including financial services, retail, manufacturing and professional services) and for the public sector, with the objective of helping these customers optimise the use of cutting-edge technologies in a pragmatic and cost-effective way.

Revenue product vendor mix (%)



"Logicalis' management is focused on building a strong business through organic growth and acquisition and delivered a solid performance in a challenging economic climate."

In addition to its increasing international footprint, Logicalis can provide 'follow the sun' 24 x 7 support from managed service centres in the USA, UK, South America and the Asia-Pacific.

The year in review

Logicalis' management is focused on building a strong business through organic growth and acquisition and delivered a solid performance in a challenging economic climate.

Trading conditions were very difficult in the first half of the year but the second half showed a marked improvement in both trading conditions and performance. Revenues were down 27% year-on-year in the first half, but only 4% year-on-year in the second half. Encouragingly, revenues increased for both Europe and South America in the second half of the year, with a particularly strong performance in the UK which achieved double-digit growth. Trading in the US however remained subdued, although there was year-on-year growth in the final quarter of the year. As a result of a continued close attention to the cost base an improvement in operating performance and ratios was achieved in the second half.

Revenue from product sales was down 21% with declines across all main vendor categories, with IBM product sales down the least at 7%. However, services revenues were more resilient and were flat year-on-year, although there was a particularly encouraging growth in annuity revenues of 17%.

Despite this economic backdrop, the UK had a good performance and the contribution from the South America region was strong. Lower than expected customer demand in the US was partially offset by effective cost management, although activity did increase towards the end of the year.

Revenue for the year, excluding sales to other Datatec companies, decreased by 17% to $838,5 million (2009: $1 005,4 million), including a $19,0 million contribution from acquisitions. Excluding the impact of acquisitions made in 2009 and 2010, organic revenue decreased by 17% on a constant currency basis.

In May 2009 Logicalis acquired Minters GmbH, a German Cisco Systems Partner, which enhanced the Group's position in Europe's largest IT market. The enlarged Logicalis Germany operation is a mid-market-focused ICT integrator and provides a platform for further growth in Germany.

On 15 January 2010 Logicalis completed the acquisition of NetStar Group Holding Limited ("NetStar"), a leading IP network infrastructure services provider in the Asia-Pacific region with capabilities and expertise across data, voice and security infrastructure and a strong focus on Cisco network integration and data centre solutions. NetStar has over 300 employees across three main units, centred in Australia, Singapore and Taiwan, with further operations in Malaysia, Hong Kong and China. The acquisition of NetStar marks an important strategic development for Logicalis as NetStar, with its network of offices and a network operations centre in Malaysia, establishes a footprint in Asia-Pacific for Logicalis and provides the capabilities to support the needs of multinational corporations in the Asia-Pacific region.

Markets

Trading was very difficult throughout the year, with the global economic slowdown and recessionary conditions prevailing in most

Logicalis divisional report continued

From left:
Ian Cook, Chief Executive Officer
Nigel Drakeford-Lewis, Chief Financial Officer

of the markets in which Logicalis operates. Demand for technology products contracted and Logicalis' main vendor partners, Cisco, HP and IBM, experienced double-digit declines in product revenues. In addition, telecommunication operators and service providers in South America, an important customer segment for Logicalis in this region, cut capital expenditure significantly. However, there was evidence of a general recovery to growth towards the end of the financial year.

Overall, the outlook for ICT investment is looking more positive. Market commentators are predicting a recovery in investment in calendar year 2010, with continued investment growth in calendar year 2011. Double-digit growth is expected for Cisco network infrastructure while more modest growth is forecast for HP and IBM servers and storage. Strong growth is also expected from investment in data centres, convergence and unified communications with industry analysts continuing to forecast strong growth in outsourced managed services. Geographically, the South America and Asia-Pacific regions are expected to grow at a faster rate than the more developed economies.

One important trend currently affecting the ICT market is that buying decisions are increasingly being made by functional and business unit managers, rather than IT functions. In addition, the boundaries separating communications, computing platforms and applications are becoming increasingly blurred and therefore more complex. As a result, value added integrators such as Logicalis increasingly need to engage with customers on a business level to understand the issues for which solutions will be designed, in order to be able to provide appropriate multi-vendor solutions.

Operational highlights

– Annuity service revenues up 17%
– Gross margins steady at 22%
– Cost base reduced by 13%
– Presence in Asia-Pacific region after acquisition of NetStar

In a low-growth market, competition is also expected to remain intense, with customers seeking the best deal. To meet these challenges, Logicalis will continue to focus on new sales and partnering models, developing and maintaining deep skills across a broad spectrum of technologies and applications. The Group will also seek to deliver innovative services, employ better marketing, leverage vendor and distributor relationships, and retain its focus on strong financial and business management.

Strategy

Logicalis' strategy is built around three central technology themes – communications and collaboration, the data centre and professional and managed services – with a portfolio of solutions underpinning each theme. Each of these themes helps the Group's customers to use technology to embrace, support and drive their strategic business processes. Logicalis helps them to manage and de-risk technology complexity through its extensive skills, world-class products and proven experience.

Logicalis' strategy is based on three key strategic principles:

- Technical excellence in advanced and emerging technologies
- Business know-how and understanding of the customers' business challenges
- Delivery of innovative ICT solutions to enable more flexible, responsive and productive ways of working.

Logicalis' strategic goal remains the maximisation of growth in profit and value by gaining strength, capability and market share in our key markets and establishing Logicalis as the ICT partner of choice for customers. The Group's key strategic objectives include the following:

- Achieve above industry average EBITDA ratios and cash conversion
- Continued balanced growth – organic and through acquisition
- Offer end-to-end ICT solutions in all operating territories
- Increase annuity revenues
- Focus on customer business needs at all management levels
- Leverage knowledge and best practice processes in all territories
- Attract and retain high-calibre employees.

To achieve these strategic objectives, Logicalis continues to focus on building long-term corporate relationships by:

- Engaging with customers at all levels
- Selling on business value, not technology nor price
- Positioning ourselves as a single source and trusted partner for our entire portfolio
- Expanding our portfolio of products, solutions and services capability through investment in resources and expertise, partnerships and acquisitions
- Closing any gaps in our portfolio through which our competitors can gain entry.

In terms of technology, Logicalis' focus remains on higher demand advanced technologies that deliver secure, converged computing and communications infrastructures. Notably, these include the business areas of data centre solutions, communications and collaboration, storage and data management, virtualisation and consolidation, cloud solutions, intelligent networking and security.

During the year Logicalis technology focus and technical expertise was recognised by its key vendor partners, with Logicalis winning a number of significant partnership awards.

In 2010 Logicalis was presented with eight awards from Cisco including Global Technology Excellence Partner of the Year (awarded to PromonLogicalis Brazil) and a further seven awards spanning Latin America and Europe.

Cisco Partner Summit awards are presented at three levels: regional, theatre and global, honouring partners for outstanding performance within its geographic region. The following awards were presented to PromonLogicalis and Logicalis Group:

- Global Technology Excellence Partner of the Year (Emerging Markets)
- Emerging West – LATAM Technology Excellence Partner of the Year – Virtualisation
- Emerging West – LATAM Enterprise Partner of the Year
- Emerging West – Brazil Technology Excellence Partner of the Year – Virtualisation
- Emerging West – Brazil Service Provider Partner of the Year
- Emerging West – Southern Cone Enterprise Partner of the Year
- United Kingdom – Data Centre and Virtualisation Partner of the Year
- European Markets Data Centre and Virtualisation Partner of the Year.

In addition, Logicalis UK and Ireland operations were recognised by HP as its 'Data Centre Specialist of the Year', whilst Logicalis US received IBM's 2010 'Beacon Award for the Outstanding Power Systems Solution in the Major Markets category'.

In common with the rest of the Datatec Group, Logicalis will seek to make further acquisitions that extend its geographic reach, scale and services portfolio. Asia and South America in particular offer new opportunities for growth and further acquisitions.

Logicalis divisional report continued

Financial performance

Revenue was $838,5 million (2009: $1 005,4 million), including a $19,0 million contribution from the two acquisitions made during the year. In 2009 the performance in South America was boosted by an extraordinarily large project with a telecommunications company. Excluding the impact of acquisitions made in 2009 and 2010, revenue decreased by 17% on a constant currency basis. Revenue from product sales was down 21% year-on-year with declines across all main vendor categories, with IBM product sales down the least at 7%. However, revenues from services were more resilient and were flat year-on-year, with particularly encouraging growth in annuity revenues of 17%.

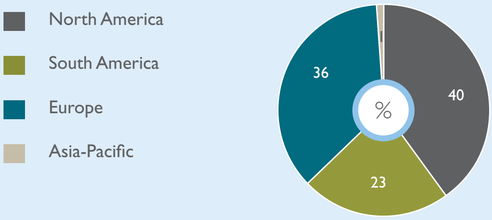
The gross margin was 22,2% (2009: 22,1%). Product margins were under pressure, particularly in the US for both HP and IBM products, but services margins were maintained and an improved services mix kept the overall margin similar to last year. The gross profit was $186,4 million (2009: $221,7 million).

The decline in activity was largely anticipated and close attention to the cost base resulted in operating expenses being 13% lower. EBITDA was $42,4 million (2009: $57,0 million) and the EBITDA margin 5,1% (2009: 5,7%).

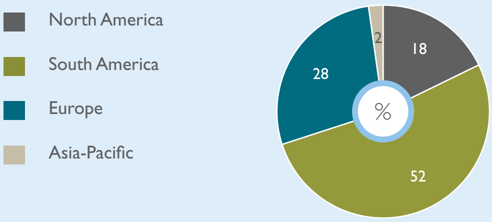
After charges for depreciation and amortisation of intangible assets, operating profit was $25,2 million (2009: $39,3 million).

The days' sales outstanding for accounts receivable of 44 days, was a significant improvement on the 60 days achieved at 28 February 2009, mostly due to the unwinding of the longer credit terms provided to its major customers by the PromonLogicalis business in Brazil. Net cash was $76,4 million, an increase on the $40,9 million at 28 February 2009, with strong cash generation in the year from trading and effective working capital management.

Revenue % by geography



EBITDA % by geography



People

In a customer-led and services-based business, success is dependent upon the quality of our employees. In Logicalis, the focus on advanced technologies requires a high level of technical expertise, and management works closely with its vendors to ensure that employees are trained appropriately, taking full advantage of vendor-funded training schemes wherever possible. We are committed to building an environment where each employee can fulfil his or her potential.

Future prospects

The operational priorities for the coming year are to continue to demonstrate the value of ICT to our customers through our solution sales, to continue developing a multi-vendor portfolio in South America, and to closely manage operating costs and maximise the customer opportunities provided by the recent acquisition of NetStar in the Asia-Pacific region. In addition, Logicalis will continue to invest in and develop new data centre and cloud computing services in order to grow its annuity-based managed services.

The two main financial goals for the coming year are to achieve a revenue growth rate in excess of the market, and maintain our operating margins in a very difficult trading environment, by continuing to focus on increasing the services and annuity revenue mix and ensuring our cost base is optimised. To achieve this, management will continue to focus on three main areas of growth – data centre solutions, communications and collaboration, and professional and managed services.

The macro-economic recovery is more certain than a year ago and our customers are better positioned to invest. Management is more optimistic about the outlook for the next financial year but is conservatively planning for only low-revenue growth. Should the economic recovery be better than expected, Logicalis is well placed to benefit from the operational leverage that will arise from higher revenues.

Logicalis divisional report continued

Logicalis saves a leading global media and marketing organisation US$ millions by redesigning and re-engineering their data centre to cope with future business requirements.

Case study Valassis

The challenge

Michigan-based Valassis is a leading global organisation offering media and marketing services to more than 15 000 advertisers.

Through a series of mergers and acquisitions and changing business requirements, the proliferation of data centres at Valassis was creating problems: spiralling costs, inefficiencies and the risks of a disparate IT configuration. Valassis needed an expert partner to help evaluate requirements, options and technology and one that could understand future business requirements.

The solution

After a thorough evaluation of Valassis' existing IT infrastructure, Logicalis was able to develop a deep understanding of present and future requirements in order to apply its innovative thinking to developing the right environment.

Logicalis has consolidated Valassis' data centre into a re-engineered and redesigned dynamic environment. This critical and complex operation has set Valassis up to improve efficiencies, cope with future requirements and realise annualised cost savings of around $4,5 million in 2008.

"We expect to begin realising annualised cost savings of approximately $4,5 million in the fourth quarter of 2008."
Alan F Schultz, Valassis Chairman, President and CEO.

Logicalis enters a strategic seven-year partnership to build and operate a countrywide public sector broadband network on behalf of the Welsh Assembly Government.

Case study Welsh Assembly

The challenge
In 2007, the Welsh Assembly Government went out to tender to appoint a strategic ICT partner to help them design, build and manage a connected broadband network across the whole of Wales, to ultimately link up all the 10 000 public sector sites.

The solution
Logicalis was appointed their strategic partner and awarded a seven-year public sector broadband aggregation ("PSBA") contract. They designed a network built on Cisco Borderless Networks2 platforms and managed by solutions from CA technologies.

Initially connecting over 1 000 sites within healthcare, local government and higher education, the network is growing rapidly, and new organisations, including blue-light emergency services, are now using this world-leading public sector communications service to lower the total cost of government communications in Wales and enable the country to move into a new era of shared public services.

This seven-year PSBA contract is a flagship government project for Logicalis.

Consulting Services divisional report continued

Highlights

Revenue

US$63,9 million

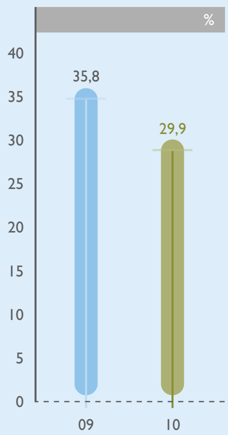
(2009: US$72,9 million)

Gross profit

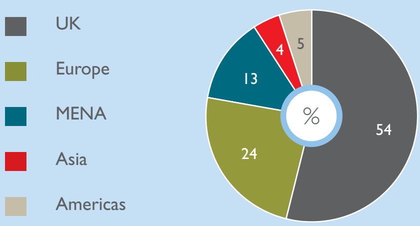
US$19,1 million

(2009: US$26,1 million)

Gross profit (%)



Revenue % by geography



Overview

The Group's Consulting Services division, consisting of Analysys Mason and Intact, accounted for 2% of Group revenues and 2% of EBITDA.

Analysys Mason is a trusted adviser on telecoms, technology and media and works with its clients, including operators, regulators and end users, to:

- design winning strategies that deliver measurable results
- make informed decisions based on market intelligence and analytical rigour
- develop innovative propositions to gain competitive advantage
- implement operational solutions to improve business efficiency.

With over 230 staff in 12 offices, Analysys Mason is respected worldwide for exceptional quality of work, independence and flexibility in responding to client needs. For nearly 25 years, Analysys Mason has been helping clients in more than 100 countries to maximise their opportunities.

Intact is a networking services and support consultancy business focused on providing high-end professional services to its customers. Intact's services are offered exclusively through its partner network, which include value add resellers, systems integrators, network integrators and service providers. Intact's technology focus is on advanced networking, unified communications, security, wireless and data centre, and although its technical expertise has a strong bias towards Cisco, the Intact service delivery system is entirely vendor agnostic.

The year under review

Consulting services had a difficult start to the year but improved in the second half as a result of additional cost reductions being made

"Growth ambitions will continue to be balanced against the prevailing market conditions and the speed at which the Group is able to attract, recruit and retain the right talent to maintain the quality of work."

to improve profitability. Overall performance has been significantly impacted by telecommunications operators and service providers reducing discretionary spend significantly throughout much of 2009, resulting in lower strategy consulting revenues.

During 2010 Analysys Mason continued to win industry-leading projects and to grow its global client base. Analysys Mason won 67 new clients in 11 new countries, accounting for 14% of the value of its sales in the year. Non-UK revenues now contribute 61% (2009: 66%) of total revenues, albeit that the UK remains Analysys Mason's single largest market. In common with a trend from the previous two years, revenues from mainland Europe remained steady. The MENA ("Middle East and North Africa") region experienced difficult trading conditions during the year, and revenue in the region fell by 47% to $8,4 million (2009: $15,9 million).

Intact demonstrated significant organic revenue growth, despite challenging market conditions affecting many of its channel customers. The Intact customer base continued to evolve to include more large-scale clients from the telecoms and service provider sectors, while engagement with the Cisco SMB sector channel also showed signs of strong growth toward the latter part of the year. Intact made significant investments during the year in bolstering internal processes and systems, in sales and marketing capabilities, and in geographic expansion into Asia-Pacific, with new regional headquarters in Singapore and the US.

Intact was also successful in achieving the Cisco Advanced Unified Communications Specialisation, and being invited onto the Cisco Advanced Technology Partner programmes for both Unified Contact Centre Enterprise ("UCCE") and Customer Voice Portal ("CVP"). In addition, Intact's expertise was recognised by Cisco by being awarded the 'European Services Innovation Partner 2009'. Intact retained its quality standard accreditations in the areas of integrated management systems, information security and IT service delivery, and, in addition, achieved the ISO 14001 environmental standard.

Markets

Throughout the first quarter of 2010, the market for consultancy services in the telecoms sector was significantly affected by the global recession. The second and third quarter saw a bottoming out, followed by a bounce-back in the fourth quarter.

The market continues to be difficult to predict but management at Analysys Mason expects that a number of key industry drivers will continue to provide opportunities for the business in the near term. These include:

- International regulatory developments and growth in emerging markets
- Broadband stimulation, roll-out of next-generation networks
- Maximising revenue from content, applications and advertising-driven business models
- Mobile broadband/4G
- Spectrum and digital dividend policies and utilisation
- M&A and licence acquisition opportunities
- Green IT and energy strategies
- Wholesale and managed services
- Strategies for telecoms software.

Intact saw clear indications amongst its channel partner customers of the impact of the global economic slowdown. As an example, the five top customers in Germany, who accounted for approximately 80% of revenues in 2009, delivered only 20% of their previous year's spend in 2010. This was countered by heavy investment in sales capability delivering a much broader customer base, and a clear focus on larger partners delivering very large-scale, global transformation projects on behalf of multinational end users.

Intact also further developed its service offerings, particularly around global project delivery and the INconTACT technical and managed services facility, in order to take advantage of a more open stance on the part of many partners to outsource non-core activities.

Strategy

Analysys Mason's reputation is built upon the sector-specific knowledge, intellectual rigour and operational experience of its consultants, whose expertise provides industry-leading insight into issues facing the convergent industries of telecoms, IT and media. Analysys Mason's service portfolio is clearly defined into strategy, implementation, planning and review, with specialist sector market intelligence at the centre of its work.

Management will continue to push ahead with the globalisation of the businesses' entire portfolio, and deeper penetration in those markets where it is already well known, supported by excellence in management and professional development.

Growth ambitions will continue to be balanced against the prevailing market conditions and the speed at which the Group is able to attract, recruit and retain the right talent to maintain the quality of work.

Consulting Services divisional report continued

Rob Evans, Chief Operating Officer, Datatec Consulting Services division

Organisational priorities for 2011 include:

- Integration of the recently acquired New Delhi office of BDA India
- Further strengthening of the office in Singapore
- Leverage the expertise of the newly appointed HR and Sales and Marketing Directors whose appointments further strengthen the management team
- Targeting improved gross and net margins in the medium term while positioning for upturn to deliver growth when market conditions allow
- Diversifying consulting offering to include telecoms software vendors/users and energy companies.

The early and rapid success of Intact's new operations in the US and Singapore indicates that further investment in these key regions will be well founded. Intact will utilise its greater geographic presence to both open up new markets and improve delivery capabilities on a global basis. The Company will continue to assess opportunities to expand that geographic presence further during the year, either by organic growth in a new region or acquisition.

Sales and marketing will continue to be a key focus and investment area in the coming year, with significant progress already being seen in developing joint solutions with key vendor and channel partners. Intact will continue to strengthen its position as the channel-enablement partner of choice for Cisco unified communications, with an additional focus in data centre technologies including security and virtualisation.

Financial performance

Analysys Mason reported revenues of \$44,4 million (2009: \$55,8 million) and EBITDA of \$0,9 million (2009: \$4,6 million).

Intact delivered sound financial performance in 2010, with revenues of \$19,5 million (2009: \$17,1 million) and EBITDA of \$1,0 million (2009: \$2,0 million).

People

As a specialist telecoms, IT and media adviser, Analysys Mason's success depends largely upon the quality of its people. Attracting and retaining the best people in the sector to maintain the Company's leadership in the markets it serves remains a key strategic objective for the business. Analysys Mason currently employs 236 people across its businesses.

Operational highlights

– Cost reductions resulted in improved profitability in the second half of the year

– Newly established presence in the US, Singapore and India for Analysys Mason and Intact

Intact employs approximately 150 people in the UK, Germany, Singapore and the US, serving over 120 channel customers worldwide. In addition, Intact has access to over 10 000 qualified technical specialists via its global INspan Partner community.

Future prospects

Management at Analysys Mason expects a significant improvement on the last 12 months, although near-term prospects may be affected by continued caution on the part of clients. In the short term, Analysys Mason will continue to focus on proposition development and sales optimisation.

On 31 March 2010 Analysys Mason completed the acquisition of BDA India, a telecommunications and technology consultancy based in New Delhi. This is an important step in Analysys Mason's ongoing strategy to expand its international footprint and strengthen its leading position as strategic and operational adviser to the telecoms, digital media and technology industry. The fundamentals of the sector remain strong for the medium to long term in terms of global subscriber growth, usage volumes and the rate of technological advancements, which bodes well for financial performance over the coming year.

Intact's focused offerings and service propositions are well placed to both support channel partner customers during the recession, and to power recovery in the market on behalf of those same customers. As a result of the businesses' expansion into new territories now coming online, management is expecting growth over the coming year, despite continued challenging market conditions.

Analysys Mason provides expert advice to the Norwegian government agency leading the national roll-out of TETRA-enhanced data services for emergency and public safety services.

Case study Directorate for Emergency Communication, Norway

The challenge

The Norwegian government wanted to upgrade the communications systems used by the emergency services within the country. The new solution needed to be carefully planned due to Norway's varied topology and climatic conditions. The Directorate for Emergency Communication required expertise in mobile radio communications to ensure that the chosen system would meet its mission-critical requirements. In addition, the new system needed to be linked to state-of-the-art control room facilities, to allow improved information sharing between police, fire and ambulance units and with emergency call takers.

The solution

Analysys Mason has supported the Directorate in developing a new solution since 2002, and continues to play a key role in managing the implementation eight years later. Our radio communications experts supported the design and technical specification of the radio network, control room systems and a limited number of radio terminals. All specifications were written in a technology-neutral format, and Analysys Mason conducted a thorough assessment of all technical aspects of the tender submissions through to contract negotiation.

When the Norwegian Ministry of Justice awarded a contract to Nokia Siemens Networks for a nationwide public safety network at the end of 2006, it made history as the first network contract to include high-speed data using TETRA-enhanced data service ("TEDS"). The contract includes the supply and operation of a nationwide Motorola TETRA network, as well as associated control room equipment from Frequentis.

Analysys Mason's consultants have delivered extensive in-country technical advice, guidance and support, with one of our leading TETRA specialists working as a fully integrated member of the Directorate's team. The process has benefited from Analysys Mason's specialist knowledge and extensive experience of public-safety radio, identifying technical and strategic issues and providing advice on mitigating risks to this important national project.

Finance report continued

Ivan Dittrich, Chief Finance Officer

"Underlying earnings per share were 30,3 US cents (2009: 33,1 US cents), with 18,8 US cents in the second half of the financial year, compared to 10,6 US cents in the second half of the prior financial year, a 77,4% increase."

This review provides further insight into the performance and financial position of the Group for the year to 28 February 2010 and, except where otherwise indicated, focuses primarily on continuing operations. This review is not comprehensive and should be read in conjunction with the annual financial statements presented on pages 92 to 159. The annual financial statements have been prepared in accordance with the Group's published accounting policies, which comply with International Financial Reporting Standards ("IFRS").

Performance

The Group has delivered a sound financial and operational performance, marked by very strong operational cash generation and steady margins, despite tough trading conditions in many of the Group's geographic areas. Group revenues were $3,74 billion (2009: $4,19 billion). In the second half, revenues were $1,94 billion compared to $1,92 billion in the second half of the previous year.

Of the Group's $3,74 billion revenue in the period, 38% was generated from North America (2009: 35%), 39% from Europe (2009: 41%), 9% from Asia-Pacific (2009: 7%), 8% from South America (2009: 9%) and 6% from the Middle East and Africa (2009: 8%).

Gross margins remained stable at 13,3% (2009: 13,5%). Gross profit was $498,4 million (2009: 563,8 million), while operating costs reduced by 11% to $389,8 million (2009: $438,2 million) as a result of significant cost reduction activities across the Group.

EBITDA was $108,5 million (2009: $125,6 million), which includes unrealised foreign exchange losses of $2,1 million (2009: gains of $0,4 million). The Group achieved $63,9 million EBITDA in the second half of the financial year, compared to $54,2 million in the second half of the prior financial year. Amortisation of intangible fixed assets arising from acquisitions was $15,4 million (2009: $17,7 million) as a result of intangible assets recognised on the acquisitions made during the past and prior years.

Operating profit was $76,0 million (2009: $84,8 million). The net interest charge in the period was $9,6 million (2009: $16,6 million). The net interest charge reduced as a result of working capital leverage, strong cash flow generation and decreased debt levels.

Profit before tax was $54,1 million (2009: $108,3 million), after fair value movements on put option liabilities.

The Group's reported effective tax rate increased to 42% from 30% in 2009. If the fair value movements on put option liabilities are excluded from profit before tax, the effective tax rate would have been 34% (2009: 37%). The Group's effective tax rate is higher than the South African statutory tax rate of 28%, primarily due to profits being realised for a number of business units in jurisdictions with higher statutory tax rates, most notably North and South America. The effective tax rate for the financial year ended 28 February 2011 is expected to be approximately 34%.

"Following the increased cash generation for the current year, the Group plans to maintain its cash distribution in lieu of a dividend of approximately 12 US cents per share out of share premium."

Underlying* earnings per share were 30,3 US cents (2009: 33,1 US cents), with 18,8 US cents in the second half of the financial year, compared to 10,6 US cents in the second half of the prior financial year, a 77,4% increase.

Headline earnings per share ("HEPS") were 17,0 US cents (2009: 36,3 US cents). This includes the effects of the fair value adjustments of the put option liabilities detailed below. HEPS, excluding the effect of these put option fair value adjustments, is 23,8 US cents (2009: 26,6 US cents).

The Group issued 6,7 million new shares during the year with 6,2 million shares issued as part of acquisitions completed, while 0,5 million shares were issued for exercised share options.

The Group spent approximately $29,7 million on acquisitions (net of cash acquired). As a result, goodwill and intangible assets increased by $16,3 million and $6,1 million, respectively. The revenue and EBITDA included from these acquisitions in 2010 were $39,9 million and $2,2 million respectively. Had the acquisition date been 1 March 2009, the pro forma revenue would have been approximately $126 million. It is not practical to establish the EBITDA that would have been contributed by the acquisitions in 2010 if they had been included for the entire year.

Gains of $77,5 million (2009: losses of $109,3 million) arising on translation of non-USD-denominated subsidiaries are included in comprehensive income of $100,4 million (2009: losses of $88,1 million). Under previous accounting standards, these figures were included in the statement of changes to equity.

Dividend policy

The Group paid $22 million to shareholders as a capital distribution in July 2009. Following the increased cash generation for the current year, the Group plans to maintain its cash distribution in lieu of a dividend of approximately 12 US cents per share (2009: 12 US cents per share) out of share premium.

The Group's dividend/capital distribution policy of paying an annual dividend/capital distribution, which will provide cover of at least three times relative to underlying* earnings, remains unchanged.

Financial position

Ordinary shareholders' funds at the reporting date were $667,9 million, representing a $92,0 million increase from $575,9 million in 2009. The change is due primarily to the weakening of the US$ against many of the Group's functional currencies. Net asset value per share was $3,66 (2008: $3,28).

Working capital remained tightly controlled, resulting in $225 million cash being generated from operations (2009: $195 million). The Group continues to enjoy comfortable headroom in terms of its working capital lines.

Goodwill and other intangible assets have increased moderately from $345,4 million to $366,9 million as a result of acquisitions made during the year.

Outstanding liabilities to vendors of businesses acquired have increased slightly since last year-end from $51 million to a total of $52,8 million, of which $32,9 million is included under short-term liabilities. The largest portion of the total balance relates to two elements of the Promon acquisition – potential further cash payments of $14,2 million to the sellers, based on future profitability and the performance of the Datatec share price, as well as a liability of $32,6 million initially recognised against equity in accordance with IAS 32 *Financial Instruments: Presentation*, for a put option held by minority shareholders. Under IAS 39 *Financial Instruments: Recognition and Measurement*, companies are required to remeasure such liabilities at each reporting date, with changes in the fair values booked in the income statement. An increase in put option liabilities has resulted in a non-operating non-cash

**Excluding goodwill and intangibles impairment, amortisation of acquired intangible assets, profit or loss on sale of assets and businesses, fair value movements on acquisition-related financial instruments and unrealised foreign exchange movements.*

charge of $12,0 million being recognised in the period (2009: gain of $16,8 million).

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.

Debt levels

Our overall attitude to debt remains conservative. The Group is dependent on its bank overdrafts, working capital lines 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 subsidiary 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. There was an immaterial breach of covenant at Analysys Mason (which was subsequently waived by the bank). For full details refer to Note 16 and Note 20 of the annual financial statements.

The interest cover ratio (EBITDA over finance costs) at 8,1 times (2009: 5,6 times) reflects the Group's extended borrowing capacity. Furthermore, Datatec has no restrictions on its borrowing powers in terms of its memorandum and articles of association.

Cash flow

Operating cash flows have continued to improve as the Group de-leveraged on the back of lower-than-expected revenues and better payment terms from major creditors. Cash generated from operating activities (after working capital changes) amounted to $196 million, which represents an increase of 29% over 2009, which had cash generated of $151,7 million.

The Group ended the year with net cash of $186 million (2009: $36,2 million), including long-term debt of $17,7 million and short-term debt of $36,2 million included in the payables and provisions line on the balance sheet.

Business risk areas

The Group's success and our performance over the last five years, indicate that our overall strategy of supporting decentralised, standalone business units mitigates the business risks that we face. Our managers are held accountable for the performance of their business units, which includes understanding and responding to the financial and operational risks they face.

The Board, however, recognises that some elements of risk management can be achieved only on an integrated basis and, as such, are controlled centrally. The Group's risk management policies and procedures are summarised in the corporate governance report on pages 54 to 62.

The risk management process has identified certain key risks faced by the Group, some of which are summarised below. The risks identified below do not necessarily comprise all those affecting the Group and the risks listed are not set out in any particular order of priority. Additional risks and uncertainties not presently known to the Group or the directors or that the Group or the directors currently deem immaterial may also adversely affect the Group's business or operations.

Macroeconomic environment

The Group is exposed to the world's developed and developing markets. If conditions worsen, the Group's operations and reported results will be impacted. Encouragingly, the Group has seen an improvement in business conditions in most of the markets in which the Group operates. The Board believes that the Group's divisional structure, multiple lines of business and geographic diversification will enable it to deliver a relatively resilient performance.

Financial risk related to financial instruments

These risks include market risk (foreign exchange risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. Whilst the Group utilises derivative financial instruments where appropriate, the Board cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

Dependence on key vendors

The Group is particularly dependent on certain vendors, particularly Cisco, whose product sales accounted for approximately 49% of the Group's revenue in 2010. If any one of the Group's principal vendors, especially Cisco, terminates, fails to renew or materially adversely changes its agreement or arrangements with the Group, it could materially reduce the Group's revenue and operating profit and thereby seriously harm the Group's business, financial condition and results of operations.

Working capital

The Group's business is working capital intensive; this is particularly relevant for Westcon. Westcon's working capital needs are utilised to finance accounts receivable and inventories. Westcon largely relies on revolving credit and vendor inventory purchase financing for its working capital needs. Typically, Westcon carries inventory quantities which are sufficient to enable it to promptly meet anticipated customer demand. Westcon maintains inventory levels based on its projections of future demand and market conditions. Any sudden decline in demand or technological change could cause it to have excess or obsolete inventories. If actual market conditions are more favourable than forecasts, additional inventory reserves may be required. Whilst Westcon takes steps to mitigate this risk by including protective provisions in its purchase agreements with vendors, there can be no assurance that such risks will be obviated.

Management of future growth and acquisition risk

The Group's planned growth strategy will continue to place additional demand on the Group's management, customer support, administrative and technological resources. If the Group is unable to manage its growth effectively, its business operations or financial conditions may deteriorate. To date, the business of the Group has grown through acquisitions and through organic growth. The Group will continue to consider further acquisition opportunities. If the Group is unable to successfully integrate an acquired company or business, such acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Group's expectations, the Group may have to decrease the value attributed to the acquired business or realign the Group's structure.

Payment discounts, product rebates and allowances

The Group receives significant benefits from purchase and prompt payment discounts, product rebates, allowances and other programmes from vendors based on various factors. A decrease in purchases and/or sales of a particular vendor's products could negatively affect the amount of volume rebates the Group receives from such vendor. Because some purchase discounts, product rebates and allowances from vendors are based on percentage increases in purchases and/or sales of products, it may become more difficult for the Group to achieve the percentage growth in volume required for larger discounts due to the current size of its revenue base. In addition, vendors may exclude the Group from time to time from participation in some of their programmes.

Dependence on key personnel

The Group's future success depends largely upon the continued employment of its executive directors, senior management and key sales, technical and marketing personnel. Certain of its key employees have personal relationships with principal vendors and customers which are particularly important to the business of the Group. The executive directors, senior management team and key technical personnel would be very difficult to replace and the loss of any of these key employees could harm the business and prospects of the Group.

Other risks faced by the Group include

- Restrictive covenants.
- Intellectual property protection.
- Intense competition.
- Dependence on relationships with third parties.
- Future profitability.
- Overseas activities.
- Access to capital in future.
- Reduction in demand.
- Pressure on gross margins.
- Adequate supply arrangements.
- Dependence on key information systems.
- Significant credit exposure.

The future

The continued management of risk will be critical in all markets. Our business units continue to deliver sound results as a recovery in global trading conditions occurs. The Group expects to generate revenues of between $4,1 and $4,4 billion for its 2011 financial year, and underlying earnings per share of approximately 35 US cents.

Ivan Dittrich
Chief Financial Officer

Board Charter/Terms of reference

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 and not more than 15. The appointment of directors shall be recommended by the 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 of 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 is taking 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 make 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 Chairman, 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.

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"). In addition, the Board has adopted the principles of corporate governance contained in the Combined Code on Corporate Governance issued in 2006 by the Financial Reporting Council (the "Combined Code") for UK companies.

Compliance with the King II report and the Combined Code

In the opinion of the Board, good corporate governance is fundamental to the relationship between the Company and its stakeholders. Throughout the year ended 28 February 2010 and up to the date of approval of this annual report and accounts, the principles articulated in the King II report have been fully adhered to. In addition, the Company complied with the provisions set out in Section 1 of the Combined Code during that period.

Compliance with the King III report

The Code of Governance Principles for South Africa 2009 – known as King III – was released in September 2009 and will be applicable to Datatec for its accounting year beginning on 1 March 2010. The Code strengthens previous requirements, clarifies certain issues, expands on existing recommendations and introduces new concepts and recommendations. The Group is already compliant with most of the King III recommendations. In the coming year the Board has resolved to ensure full compliance or to disclose any areas of non-compliance and the reasons therefor.

Board of Directors

At 28 February 2010, the Board consisted of seven directors, being two executive directors and five non-executives who are independent as defined in the JSE Listings Requirements. The non-executive directors draw on their experience, skills and business acumen to 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.

Stephen Davidson is non-executive Chairman and Jens Montanana is the Chief Executive Officer. The separation of these two roles ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. Nick Temple is the senior independent non-executive director.

After eight years of distinguished service on the Board, Cedric Savage retired as a director in August 2009 having reached mandatory retirement age.

Full details of the directorate are set out on pages 10 and 11.

The Board formally evaluates the independence of the non-executive directors annually having due regard to the relevant factors which might impair independence including any shareholding of directors and their associates in the Company. The result of the evaluation during the year under review is that the Board considered all its non-executive directors to be independent. The evaluation had particular regard to the fact that Mr Seabrooke has served on the Board for more than nine years but the Board was of the unanimous opinion that this fact did not compromise his independence in any way and noted that his input to Board meetings clearly demonstrates his continuing independence.

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, a copy of which is included in this report on pages 52 and 53. 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 2010. An updated charter, revised in the light of the King III Report and the new South African Companies Act, has been considered by the Board and will be adopted during the financial year ending 28 February 2011.

To fulfil their responsibilities adequately, directors have unrestricted access to timely financial and other information, records and documents relating to the Group. During the year, the Board received presentations from the management teams of its major subsidiaries enabling it to explore specific issues and developments in greater depth. 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 reviews its own performance and that of its committees annually by means of questionnaires completed by individual directors and discussed at Board and committee meetings. These appraisals enable the Board to evaluate its performance objectively and to determine that it is operating effectively under the terms of reference set down in its charter.

Under the Company's articles of association, a third of the directors retire by rotation each year and are eligible for re-election by shareholders at the Annual General Meeting. At the 2010 Annual General Meeting, Mr McCartney, Mr Seabrooke and Mr Dittrich will retire by rotation and, being eligible, will offer themselves for re-election. On behalf of the Board, the Chairman confirms that on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of Mr McCartney, Mr Seabrooke and Mr Dittrich throughout his period of office have been highly satisfactory.

The Board strongly recommends the reappointment of Mr McCartney, Mr Seabrooke and Mr Dittrich and recommends shareholders vote in favour of their reappointment at the Annual General Meeting.

Directors' attendance at Board meetings during the 2010 financial year and subsequently to the date of this report:

	11 March 2009 Scheduled	12 May 2009 Scheduled	14 July 2009 Scheduled	12 August 2009 Scheduled	13 October 2009 Scheduled	10 February 2010 Scheduled	10 March 2010 Scheduled	11 May 2010 Scheduled
S J Davidson	P	P	P	P	P	P	P	P
I P Dittrich	P	P	P	P	P	P	P	P
J F McCartney	P	P	P	P	P	P	P	P
J P Montanana	P	P	P	P	P	P	P	P
L W Nkuhlu	A	P	P	A	P	P	P	P
C M L Savage	P	P	P	n/a	n/a	n/a	n/a	n/a
C S Seabrooke	P	P	P	P	P	P	P	P
N J Temple	P	P	P	P	P	P	P	P

Corporate governance continued

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

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

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises three independent non-executive directors:

- Chris Seabrooke (Chairman)
- Stephen Davidson
- Wiseman Nkuhlu.

The committee considers its Chairman, Mr Seabrooke, to be designated the financially qualified member. The financial qualifications of the committee members are:

- Chris Seabrooke – Bachelor of Commerce and Bachelor of Accountancy degrees from Natal University, an MBA from the University of the Witwatersrand and a Fellow of the UK Institute of Cost and Management Accountants ("FCMA").
- Stephen Davidson – First-class Hons degree in Mathematics and Statistics from the University of Aberdeen.
- Wiseman Nkuhlu – Bachelor of Commerce degree from the University of Fort Hare, Chartered Accountant (South Africa), MBA from the University of New York.

The Chairman of the Company is currently one of the committee members which is an exception to the King III recommendations. The Board has determined that it would be appropriate to adopt the King III recommendation and accordingly Mr Davidson will resign as an Audit, Risk and Compliance Committee member during the 2011 financial year and another independent non-executive director will be appointed in his place. He will continue to attend Audit, Risk and Compliance Committee meetings as an invitee as his contribution and his wide experience and qualifications are valued by the committee which considers that his involvement as an invitee improves the level of governance in the Company overall.

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 internal auditors, the Chief Executive Officer and the Chief Financial Officer are invited to attend. The external and internal auditors have unrestricted access to the Audit, Risk and Compliance Committee and meet with the committee members, without management present, at least once a year.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude that it is operating effectively under the terms of reference set down in its charter.

The committee is satisfied that it has met its responsibilities for the year under review and to the date of this report with respect to its terms of reference. The committee's charter is available on the Group's website (www.datatec.co.za) or from the Company Secretary. Furthermore, the committee is satisfied that it has complied with its legal and regulatory responsibilities throughout that period. An updated charter, revised in the light of the King III Report and the new South African Companies Act, has been considered by the committee and will be adopted during the financial year ending 28 February 2011.

The principal functions of the committee are to review the annual financial statements, the half-yearly results announcement, monitor the effectiveness of internal controls and comment on the state of the internal control environment (see later in this report), 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 scheduled Board meeting.

Datatec's operating subsidiary companies have financial review and compliance committees. Full reports from these subcommittees are submitted to the Datatec Audit, Risk and Compliance Committee which retains all the responsibilities of an audit committee in respect of these subsidiaries. The Chairman of the Audit, Risk and Compliance Committee is invited to attend the subcommittee meetings.

The Audit, Risk and Compliance Committee reviews the operation of the Group's internal audit function (described in more detail later in this report) and annually reviews the Internal Audit Charter and recommends it to the Board.

The Audit, Risk and Compliance Committee is responsible for selecting the external auditor and recommending its appointment to the shareholders. The committee ensures that the external auditor is appropriately independent and maintains control over the 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 external auditors are prohibited from providing non-audit services including valuation and accounting work where their independence might be compromised by later auditing their own work. Other non-audit services provided by the external auditors are required to be specifically approved by the Chairman of the committee or by the full committee if the fees are likely to be in excess of 50% of the audit fee.

The external auditor has the policy of rotating the lead audit partner and those of South African subsidiaries every five years and the other subsidiary audit partners every seven years. The committee has adopted the same policy.

As required by the JSE Listings Requirements, the Audit Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Chief Financial Officer. Furthermore, the committee considers annually the appropriateness of the expertise and adequacy of resources of the Group's finance function and the experience of senior management responsible for the finance function. For the year under review the committee has satisfied itself on this point.

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 as described later in this report.

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.

The Audit, Risk and Compliance Committee has reviewed the Group's annual report of which this corporate governance report forms a part and has recommended it to the Board for approval. A formal report from the Audit, Risk and Compliance Committee is included on page 91.

The committee also acts as the Audit Committee of each of the Group's South African subsidiary companies as required by the Companies Act and has adopted a specific Scope Charter covering its duties in this respect.

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

Directors' attendance at Audit, Risk and Compliance Committee meetings during the 2010 financial year and subsequent to the date of this report:

	11 May 2009 Scheduled	12 October 2009 Scheduled	10 March 2010 Scheduled	10 May 2010 Scheduled
C S Seabrooke	P	P	P	P
S J Davidson	P	P	P	P
L W Nkuhlu	P	P	P	P

Corporate governance continued

Remuneration Committee

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

- Stephen Davidson (Chairman)
- John McCartney
- Chris Seabrooke
- Nick Temple.

The Company Chairman is also Chairman of the Remuneration Committee, which is contrary to the recommendations of the King III report; however, the Board has decided not to change this arrangement as it enhances the functioning of the committee in the Board's opinion.

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 Chief Financial Officer 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's charter is available on the Group's website (www.datatec.co.za) or from the Company Secretary. An updated charter, revised in the light of the King III Report and the new South African Companies Act, has been reviewed by the committee and will be adopted during the financial year ending 28 February 2011.

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-based payments in terms of the Group's share-based incentive schemes.

Fees payable to non-executive directors are recommended by the Board and ratified by shareholders at the Annual General Meeting.

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

Directors' attendance at Remuneration Committee meetings – 2010 financial year and subsequent meetings to date of this report:

	12 May 2009 Scheduled	14 July 2009 Scheduled	13 October 2009 Scheduled	10 February 2010 Scheduled	11 May 2010 Scheduled
S J Davidson	P	P	P	P	P
J F McCartney	P	P	P	P	P
C S Seabrooke	P	P	P	P	P
N J Temple	P	P	P	P	P

Nomination Committee

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

- Stephen Davidson (Chairman)
- John McCartney
- 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 once a year. The Chief Executive Officer and Chief Financial Officer may be invited to attend these meetings, but neither may take any part in decisions regarding their own succession.

The committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference. The committee's charter is available on the Group's website (www.datatec.co.za) or from the Company Secretary. An updated charter, revised in the light of the King III Report and the new South African Companies Act, has been reviewed by the committee and will be adopted during the financial year ending 28 February 2011.

The committee is responsible for making 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. The Chairman of the committee will be available at the Annual General Meeting to answer questions about the committee's work.

Directors' attendance at Nomination Committee meetings – 2010 financial year and subsequent meetings to date of this report:

	13 October 2009 Scheduled	11 May 2010 Scheduled
S J Davidson	P	P
J F McCartney	P	P
C S Seabrooke	P	P
N J Temple	P	P

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. Datatec Management Services (Pty) Limited, a South African company, is the legal entity which is the Company Secretary. This company is managed by Simon Morris. The certificate required to be signed in terms of subsection 268 G(d) of the Act appears on page 89.

Risk management

Datatec's Board is responsible for the total process of risk management and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board and the Audit, Risk and Compliance Committee monitor risk management activities as a standard item on its agenda and actively participate in discussions around risk topics raised.

Each of the significant subsidiaries of Datatec regularly reviews its strategic risks and has followed a consistent approach by identifying and prioritising risk areas according to standard risk rating guidelines based on 'impact' and 'likelihood'. 'Impact' ratings are broadly defined in terms of the following assessment criteria: financial thresholds; operational impacts; regulatory compliance; customer and community impacts; employee impacts and reputational impacts. Similarly, 'likelihood' ratings are defined in terms of the overall likelihood of a risk materialising. These criteria formed the basis for allocating ratings that prioritised risks as 'low', 'medium' or 'high', and the Group is in the process of enhancing this methodology to provide a more granular scale of risk evaluation.

Corporate governance continued

High-risk areas are further analysed to identify potential root causes. This allows Datatec to better understand the contexts within which risks occur and identify probable areas for risk mitigation and organisational control. Risks across all aspects of the Group's sphere of operations are considered including financial, market, political and operational risks as well as social, ethical and environmental risks.

Mitigating actions and associated monitoring/assurance activities have been identified for each high-risk area. In addition, responsible executive-level staff members are assigned to monitor and manage specific risk areas on behalf of the Company on an ongoing basis.

The Group reports annually on key risk areas identified by the risk assessment processes described above in the finance report – see page 50.

Financial and internal control

The Board has applied principle C.2 of the code in its approach to risk management and internal control throughout the financial year under review and up to the date of approval of the annual report and accounts in accordance with the revised guidance. 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 and maintained by skilled Company personnel.

In accordance with provision C.2.1 of the code, the Board is able to report that procedures are in place for monitoring and evaluating the effectiveness of the internal controls. Local management is required to complete and submit control self-assessment programmes annually and management is monitored against internal control norms in all Group companies. Action is taken where ratings are considered to be inadequate. Ratings are also reviewed by the Audit, Risk and Compliance 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. The Audit, Risk and Compliance Committee has therefore been able to satisfy itself that the Group's internal control environment operated satisfactorily throughout the year under review.

In addition, there are documented and tested procedures in the major subsidiaries which will allow these subsidiaries to continue their critical business processes in the event of a disastrous incident impacting their activities. Such documented procedures are reviewed annually and, where weaknesses are identified, the relevant subsidiaries are required to rectify them.

Internal audit

Internal audit 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. Datatec has outsourced the internal audit function of the Group to Ernst & Young. Internal audit operates within defined terms of reference as set out in its charter, and authority granted to it by the Audit, Risk and Compliance Committee and the Board and reports to the Audit, Risk and Compliance Committee with notification to the Company's Chief Financial Officer and Chief Risk Officer. Internal audit has unfettered access to the Chief Executive Officer. The Audit, Risk and Compliance Committee is satisfied that internal audit has met its responsibilities for the year with respect to its terms of reference.

The Ernst & Young internal audit team reports to the Company Secretary on day-to-day matters, and to the Chairman of the Audit, Risk and Compliance Committee. Audit plans are presented in advance to the Audit, Risk and Compliance Committee and are based on an assessment of risk areas involving an independent review of the Group's own risk assessments. The internal audit team attends and presents its findings to the Audit, Risk and Compliance Committee.

The objective of internal audit is to assist the Board in the effective discharge of its 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, borrowing facilities and bank covenant compliance are monitored on an ongoing basis.

Organisational integrity and ethics

The Group operates on a basis of decentralised management across numerous countries and a Code of Ethics has been approved by the directors and has been rolled out through the Group. 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 directors believe that the required ethical standards have been met during the year under review.

Datatec maintains a 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 is assessed in the selection and promotion process and the basis of ethical conduct as set out in the Code of Ethics is entrenched in the Company culture.

All employees of the Group have been notified of a 'whistle-blowing hotline' telephone number which is available to call to report anonymously any matter of concern. Any matter reported in this way is referred to the Audit, Risk and Compliance Committee which has in place a documented procedure for handling complaints made via the whistle-blowing hotline or in any other way.

No significant matters were reported on the whistle-blowing hotline during the year under review.

Share dealings

The Company has a share dealing code to regulate dealings by its directors and applicable employees in the Company's shares.

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-based incentives during certain 'closed periods'. In light of the JSE Listings Requirements, the insider trading laws and good corporate governance, the Datatec Remuneration 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 Listings 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.

Corporate governance continued

Investor relations and shareholder communication

Datatec is committed to providing timely, transparent and full disclosure to all its stakeholders on both financial and non-financial matters.

The Group maintains a dialogue with its institutional shareholders via a planned programme of communications headed by the Chief Executive Officer and the Chief Financial Officer together with nominated investor relations management. These activities include regular meetings and presentations to analysts, institutional investors and the media in South Africa, the UK and the US, as well as meeting twice a year with institutional investors after the release of the Group's interim and final results.

The Group's website (www.datatec.co.za) provides current and historical financial and other information on the Group including formal announcements, presentations, webcasts as well as annual reports. Datatec also disseminates information to stakeholders who subscribe to the Group's investor relations programme on the website. Press releases, announcements and notifications are distributed via email to subscribers as soon as they become publicly available.

Shareowners and their appointed representatives are encouraged to attend Datatec's Annual General Meeting, to vote on the resolutions placed before the meeting and to conduct relevant discussions with the Group's directors. As noted above, the chairmen of the Audit, Risk and Compliance Committee, Remuneration Committee and Nomination Committee attend the Annual General Meeting and are available to answer questions on the activities of the committees.

Going concern

The directors' assessment of the Group as a going concern is set out on page 92.

Remuneration report

The Board has delegated responsibility for 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 executive directors. In compiling this report, the committee has taken into account the provisions and recommendations outlined in the King II report and the Combined Code on Corporate Governance.

The King III report will apply to the Company with effect from 1 March 2010 and its recommendations in relation to remuneration will be implemented during the Company's financial year ending 28 February 2011 and reported on in next year's remuneration report.

The Remuneration Committee operates under terms defined in its charter, which has been approved by the Board and can be obtained from the Company's website: www.datatec.co.za.

The composition of the Remuneration Committee during the 2010 financial year was:

- S J Davidson (Chairman)
- C S Seabrooke
- N J Temple
- J F McCartney.

The Board does not intend to apply the King III recommendation that the Chairman of the Board should not also chair the Remuneration Committee because in the opinion of the Board the Company's corporate governance is best served by the Chairman of the Board also chairing the Remuneration Committee.

The Chief Executive Officer and the Chief Financial Officer 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 and its senior executives.

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-based 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 above 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 components designed to balance long-term and short-term objectives: a base salary; annual bonus plan with performance targets (referred to as 'variable pay'); and long-term incentives in the form of share-based incentive schemes (also with performance targets). The last two elements are designed to encourage and reward superior performance and to align the interests of the executive directors and senior executives as closely as possible with the interests of the shareholders. In addition to these main ingredients, the executive directors and senior executives 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. For the financial year ended 28 February 2010, the Remuneration Committee has determined that the base salary of the CEO would not increase and for the financial year ending 28 February 2011 the committee has determined that neither executive directors' base salary shall increase preferring instead to direct any increases

Remuneration report continued

in remuneration in the current year towards the variable elements of remuneration related to Company performance.

Annual bonus plan

All executive directors and senior executives participate in an annual bonus plan based on the achievement of short-term performance targets set for each individual. These targets include measures of corporate performance (underlying EPS, and EBITDA), share price performance, and the achievement of individual objectives. These targets are reviewed annually by the Remuneration Committee with the Chief Executive Officer to ensure they support the Company's business strategy.

For the financial year ended 28 February 2010 the on-target bonus level was set at 100% of base salary for the Chief Executive Officer and 66,6% of base salary for the Chief Financial Officer and the bonus was capped at 150% of base salary for the Chief Executive Officer and at 100% of base salary for the Chief Financial Officer. The Remuneration Committee has determined that the on-target bonus levels will increase with effect from 1 March 2010 to 120% of base salary for the Chief Executive Officer and 75% of base salary for the Chief Financial Officer and the bonus will be capped at 180% of base salary for the Chief Executive Officer and at 120% of base salary for the Chief Financial Officer. These increases reflect the committee's decision to direct any increases in remuneration of the executive directors in the current year towards variable pay elements related to Company performance.

Other benefits

Executive directors are entitled to defined contribution 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 page 74.

During the financial year under review the Group contributed an amount of 15% of the executive directors' base salary for J P Montanana to a private pension scheme, and 15% of the executive directors' base salary for I P Dittrich split between the Datatec Provident Fund and a private pension scheme, with the individuals contributing 5% of their salary.

Share-based remuneration

Datatec operates the following equity-settled share-based incentive schemes for Group employees, including the executive directors and other senior employees

- Share Appreciation Rights Scheme
- Long-term Incentive Plan
- Datatec Limited Deferred Bonus Plan.

Before the introduction of these schemes in August 2005 share options were granted to Group and subsidiary employees under the Datatec Share Option Scheme. These schemes are all equity settled and their earnings dilution effect is included in the diluted earnings per share figure. Details of these schemes are given below.

In order to ensure compliance with recent changes to Schedule 14 of the JSE Listings Requirements, a number of amendments are required to be made to the rules of the SAR Scheme, the LTIP, the DBP and the Datatec Share Option Scheme. The changes include specifying scheme limits in terms of a fixed number of shares and removing management discretion in certain areas such as the treatment of leavers. Resolutions seeking shareholder approval for these rule changes will be proposed at the Company's forthcoming Annual General Meeting – see the "Notice of Annual General Meeting" on pages 160 to 168.

Datatec's subsidiaries operate a number of cash-settled share-based incentive schemes for their senior employees based on the subsidiary's share price performance as determined by annual valuations by independent valuers. Summaries of these schemes are also provided below.

The Datatec Limited Share Appreciation Rights Scheme 2005 ("SAR Scheme")

Eligible employees may 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.

Vesting of the SARs is subject to performance conditions. The duration and specific nature of the performance conditions and performance period are stated in the letter of grant. The condition that has been imposed for all grants of SARs to date is that HEPS (in US cents) must increase by 2% per annum above US consumer price index ("CPI") 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 (i.e. years 4 and 5). The Remuneration Committee has determined that the effect on HEPS of the annual fair value adjustments to put/call options may be adjusted for the purposes of determining whether SARs meet the performance condition. The reason for allowing this adjustment is that the accounting adjustment required for the annual fair value adjustments to put/call options is outside the control of the SAR Scheme participants and was not envisaged when the performance condition was originally determined. If the condition is not satisfied after the end of the performance period or after retesting, the SARs will lapse so vesting is either 100% if the condition is met or nothing at all if it is not met after retesting.

For future grants of SARs, the Remuneration Committee has determined that underlying EPS will be used for the performance condition for the SARs with the same condition that it must increase by 2% per annum above US CPI inflation over the performance period.

For the 2006 SARs awards HEPS growth of US CPI plus 6% over a three-year period was applied to a base HEPS of 26,9 US cents, before the SARs would vest. This performance test was met and accordingly the 2006 SARs awards vested in full in May 2009.

For the 2007, 2008 and 2009 SARs awards, the HEPS bases of 40,8 US cents, 45,6 US cents and 36,3 US cents respectively, were used subject to adjustment for the annual fair value adjustments to put/call options as noted above.

After vesting, the SARs 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 by delivering Datatec shares. SARs not exercised within the period specified in the letter of grant, will lapse.

Details of the five grants under the Datatec Limited SAR Scheme made to date are given below:

Datatec Limited Share Appreciation Rights Scheme	**2010**	2009	2008	2007	2006
Date of grant	**15 May 2009**	15 May 2008	17 May 2007	17 May 2006	16 August 2005
Number of SARs granted	**900 013**	462 592	345 405	326 418	579 228
Number of SARs lapsed since grant	**–**	(27 469)	(88 199)	(46 849)	(75 245)
Number of SARs remaining in existence at 28 February 2010	**900 013**	435 123	257 206	279 569	503 983
Number of eligible employees to whom SARs were granted	**8**	7	7	5	5
Number of lapsed holdings of SARs	**–**	(1)	(3)	(2)	(3)
Number of employees remaining entitled to SARs at 28 February 2010	**8**	6	4	3	2
Grant price (Rand)	**15,59**	27,54	38,64	22,79	13,76
Life	**7 years**	7 years	7 years	7 years	7 years

Remuneration report continued

The SARs in issue during the year ended 28 February 2010 constitute a 0,69% dilution of the Company's weighted average shares for the year.

In addition to the above, in May 2007 a special grant of Datatec SARs was made to five key employees of Crane Telecommunications at the time of its acquisition by Westcon. 272 925 SARs were granted at a price of £2,3633 (based on the London AIM price of Datatec shares at the time of issue). These SARs vested one-third on grant and one-third on the first anniversary of issue and the final third vested on the second anniversary of issue. Vesting of the second and third tranches was conditional upon Westcon's Convergence division meeting certain performance criteria. During the year ended 28 February 2010, 202 164 of these SARs were exercised and as at 28 February 2010, 45 288 of these SARs had lapsed leaving 25 473 in existence which had all vested but had yet to be exercised. The SARs expire three years after vesting.

Refer to the limits for the SARs below.

The Datatec Limited Long-term Incentive Plan 2005 ("LTIP")

Eligible employees receive annual grants of conditional awards.

The conditional awards 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 are stated in the letter of grant. The intended performance period is three years. The performance condition that has been imposed for the issues to date is related to the Company total shareholder return ("TSR") over a three-year period, relative to the TSR of an international peer group. No retesting of the performance condition is 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 vested portion of the award. The conditional awards which do not vest at the end of the three-year performance period will lapse.

The commitment to issue shares under the LTIP for the conditional awards in existence at 28 February 2010 constitutes a 0,34% dilution of the Company's weighted average shares for the year.

The TSR for the purposes of the LTIP is defined to be the compound annual growth rate ("CAGR") on a portfolio of Company ordinary shares purchased on 28 February preceding the grant date, holding the shares, and reinvesting the dividends received from the portfolio in Company shares, until 28 February three years later, 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 the start and the nearest trading day following the end of the three-year period, and computing the CAGR between these values. 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 28 February in each year of issue.

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:

- ranks within the upper quartile of the peer group, then the whole LTIP award (100%), which is subject to the TSR condition, will become unconditional and will vest;
- ranks at the median TSR of the peer group, then 30% 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;
- ranks less than the upper quartile 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; and
- 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.

In May 2009, the grant of conditional awards under the LTIP made in May 2006 (three years previously) was tested by an independent third party and Datatec was found to rank in the second quartile of the TSR of the international peer group such that 50% of the conditional awards vested and were transferred to participating employees in the form of Datatec shares transferred from treasury shares. The 50% of awards which did not vest, lapsed under the terms of the LTIP.

Details of the May 2006 grant which vested and were settled in the year ended 28 February 2010 and the three subsequent grants (which were within their performance periods at 28 February 2010) are given in the table below:

Datatec Limited Long-term Incentive Plan	2010	2009	2008	2007
Date of grant	15 May 2009	15 May 2008	17 May 2007	17 May 2006
Number of conditional awards granted	796 055	410 716	297 289	292 338
Number of conditional awards lapsed since grant	–	(20 073)	(65 799)	(164 128)
Settlement on meeting performance condition	–	–	–	(128 210)
Number of conditional awards remaining in existence at 28 February 2010	796 055	390 643	231 490	–
Number of eligible employees to whom conditional awards were granted	8	7	7	5
Number of lapsed holdings of conditional awards	–	(1)	(3)	(2)
Number of employees receiving shares in settlement	–	–	–	(3)
Number of employees remaining entitled to conditional awards at 28 February 2010	8	6	4	–

Refer to the limits for the LTIP below.

The Datatec Limited Deferred Bonus Plan 2005 ("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 the participant remains in the employ of the Company and retains the pledged shares over the period. In this context, a matching award means a conditional right to receive shares at nil cost to the employee at the end of the three-year pledge period subject to the employment condition being satisfied. The number of shares which can be acquired under the matching award is equal to the number of pledged shares, i.e. a 1:1 match.

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. The shares subject to the matching award are only acquired by the eligible employee at the end of the pledge period and he has no shareholder rights in respect of those shares before then.

The vesting of matching awards is not subject to the satisfaction of performance conditions. This is because they are connected to an annual bonus payment which has already been subject to the satisfaction of performance conditions. The main purpose of the matching award is to encourage the employees concerned to acquire and retain shares in the Company through the pledged shares and to retain their services throughout the pledge period. By holding shares in the Company, the interests of employees are also directly aligned with those of shareholders.

Pledged shares have been acquired under the terms of the DBP by eligible employees as follows: 83 300 on 15 May 2009; 52 500 on 19/20 May 2008; 72 350 on 17/18 May 2007; and 70 600 on 18 May 2006.

On 2 June 2009, 63 733 matching shares were transferred from treasury shares to the eligible employees who had held their pledged shares for the previous three years in accordance with the rules of the DBP. Altogether 6 867 of the matching shares had lapsed during the performance period.

Remuneration report continued

The commitment to issue matching shares for the pledged shares held at 28 February 2010 constitutes a 0,09% dilution of the Company's weighted average shares for the year.

Refer to the limits for the DBP below.

Limits applicable to the SAR Scheme, LTIP and DBP

The aggregate number of shares which may be allocated under the SAR Scheme, the LTIP and the DBP will be limited to 5% of Datatec's ordinary shares in issue. This limit of 5% applies to the SAR Scheme, the LTIP and the DBP only and not to options previously granted under the Datatec Share Option Scheme. Under the proposed scheme rule changes noted above this limit will be specified in terms of a fixed number of Datatec shares which currently equates approximately to 5%.

The face value of the grants made to an employee in any financial year under the SAR Scheme should not exceed 80% of his/her base salary at the date of the offer.

The face value of the grants made to an employee in any financial year under the LTIP should not exceed 80% of his/her base salary at the date of the offer.

The face value of the matching shares in any financial year made under an award to an employee under the DBP may not exceed 30% of his/her base salary at the date of the offer.

The Datatec Share Option Scheme

Since the implementation of the SAR Scheme, LTIP and DBP on 16 August 2005, no new options have been granted under the Datatec Share Option Scheme. Under the terms of the Datatec Share Option Scheme, options could be granted up to a maximum of 15% of the issued share capital with a maximum number of options available to any one participant being limited to 1,5% of the issued share capital. These limits will be fixed in terms of a specific number of Datatec shares under the proposed scheme rule changes noted above.

Options previously granted under the Datatec Share Option Scheme will run their course in terms of the rules of the scheme. Options were granted to employees and directors of Group companies at a price equal to the 30-day average closing market price prior to the date of such grant. Options vested over a period of four years from the date on which the option was granted at the rate of 25% per annum at each anniversary of the date of grant, so all options currently in issue have vested. Options are eligible to be exercised within 10 years of being granted, unless such option lapses through the death or termination of employment of the optionholder.

As at 28 February 2010, 11 944 874 (2009: 11 399 104) share options had been exercised since the original grants and 1 890 418 (2009: 2 767 888) share options had been granted but not yet exercised as follows:

Number of holders	Number of options	Option price per share (ZAR)
75	773 685	1,50 – 10,00
160	647 610	10,00 – 20,00
73	469 123	20,00 – 60,00
308	1 890 418	

Westcon Group Share-Based Remuneration

The Westcon Group, Inc. Share Incentive Plan ("the Westcon Plan") has been in operation since January 2001 and provides for grants of share appreciation rights based on Westcon common shares to employees, directors, consultants and other advisers to Westcon. The total SARs in existence (being SARs granted less those lapsed and exercised) are limited to 23 300 being 10% of Westcon's issued share capital.

Westcon's Board of Directors has authorised the Westcon Compensation Committee to administer the Westcon Plan. The Compensation Committee determines the estimated market price, exercise price, the vesting period and the period in which to exercise the share options or share appreciation rights. The expiration date of grants cannot exceed 10 years from the date of grant. The exercise price of a share option is equal to at least the fair market value of a Westcon ordinary share on the date of grant. Share options granted under the Westcon Plan are generally exercisable for 12 months after termination of employment due to death or total disability, and for three months after other terminations of employment other than just cause. For share appreciation rights granted under the plan, termination due to death, disability or retirement results in immediate redemption of any vested but unredeemed share appreciation rights. Under any other separation of service, all vested and unvested share appreciation rights will immediately terminate.

The Westcon 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, share split or other similar corporate transaction, as more fully described in the Westcon Plan, the Compensation Committee may adjust: the number and type of shares (or other securities) that may be issued upon the exercise of share options and share appreciation rights yet to be granted; the exercise price per share to be paid for each outstanding grant; and the number and type of shares (or other securities) covered by each outstanding grant. The Westcon Board of Directors may suspend, amend or terminate the Westcon Plan at any time. However, unless approved by a majority of Westcon shareholders, no amendment will increase the total number of shares. In addition, no termination of the Westcon Plan or action by the Westcon Board of Directors in amending or suspending the Westcon Plan will affect or impair the rights of an optionholder under any share option or share appreciation right previously granted.

All share options expire 10 years from the date of grant. Share appreciation rights issued in the year ended 28 February 2007 and subsequently, vest in equal instalments over three years from the date of grant, are voluntarily redeemable in cash in equal instalments over three years beginning with the date of each vesting period, and expire on the last redemption date, which is five years from the date of grant.

As of 28 February 2010, 13 118 shares were available for future grants of SARs. Of the share options outstanding as of 28 February 2010, 3 854 are exercisable only upon the completion of an initial public offering of Westcon's common shares. Additionally, if there is a change in control prior to an initial public offering of Westcon's common shares, the vested share options and share appreciation rights, as well as one-half of the unvested share appreciation rights, will be redeemed and paid based on the appreciation, if any, of Westcon's common shares.

Westcon Group Share Incentive Plan	**2010**	2009	2008	2007	2006
Date of grant	**1 June 2009**	1 June 2008	1 June 2007	1 June 2006	1 June 2005 and prior
Number of SARs/options granted	**3 620**	2 706	2 506	2 145	22 561
Number of SARs/options exercised since issue	**–**	–	(182)	(564)	(6 712)
Number of SARs/options lapsed since issue	**(75)**	(342)	(885)	(660)	(9 152)
Number of SARs/options remaining in existence at 28 February 2010	**3 545**	2 364	1 439	921	6 697
Number of eligible employees to whom SARs/options were issued	**32**	31	26	22	214
Number of fully exercised holdings of SARs/options	**–**	–	–	–	(1)
Number of lapsed holdings of SARs/options	**(1)**	(4)	(8)	(7)	(71)
Number of employees remaining entitled to SARs/options at 28 February 2010	**31**	27	18	15	142
Grant price (US$)	**1 620,00**	3 170,00	2 590,00	1 990,00	1 175,85
Grant as a percentage of Westcon Group's issued share capital	**1,62%**	1,21%	1,14%	0,97%	10,23%
Life	**5 years**	5 years	5 years	5 years	10 years

Remuneration report continued

Westcon Emerging Markets Group Share-Based Remuneration

Westcon Emerging Markets Group ("WEMG") operates cash-settled share appreciation right schemes at a group level and also for most of its main subsidiary groups under similar terms to allow senior employees to participate in the equity growth of their business units. The following schemes are in operation:

- WEMG Share Appreciation Rights Scheme 2009 ("the WEMG SAR Scheme")
- Westcon SA Share Appreciation Rights Scheme 2006 ("the WSA SAR Scheme")
- Westcon Africa Share Appreciation Rights Scheme 2009 ("the WA SAR Scheme")
- Westcon Middle East Share Appreciation Rights Scheme 2006 ("the WME SAR Scheme").

SARs are granted annually to senior managers under the above schemes. Individual employees can only participate in one of the above schemes at each annual grant. The schemes are cash settled which requires an annual valuation of each entity in the Westcon Emerging Markets Group to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested SARs. The SARs vest three years after the grant date. All rights lapse if not exercised by the end of the fifth year after issue. There are certain headline earnings performance conditions which govern the vesting of each award.

The WEMG SAR Scheme was initiated during the year ended 28 February 2010 and 150 000 SARs constituting 1,5% of the equity of WEMG were granted to three employees at a grant price of $3,47.

Details of the three annual grants of SARs under the WSA SAR Scheme made to date are given in the table below:

Westcon SA Share Appreciation Rights Scheme	2010	2009	2008	2007
Date of grant	17 May 2009	17 May 2008	17 May 2007	17 May 2006
Number of SARs granted	26 555	20 000	22 500	25 000
Number of SARs lapsed since grant	–	–	(2 175)	(6 875)
Number of SARs remaining in existence at 28 February 2009	26 555	20 000	20 325	18 125
Number of eligible employees to whom SARs were granted	13	12	14	4
Number of lapsed holdings of SARs	–	–	(2)	(1)
Number of employees remaining entitled to SARs at 28 February 2010	13	12	12	3
Grant price (ZAR)	82,00	140,00	74,71	39,73
Grant price as a percentage of Westcon SA notional share capital	2,66%	2,00%	2,25%	2,50%
Life	5 years	5 years	5 years	5 years

The WA SAR Scheme was initiated during the year ended 28 February 2010 and 20 000 SARs constituting 2,0% of the equity of WEMG were granted at a grant price of $4,36.

Details of the four annual grants of SARs under the WME SAR Scheme made to date are given in the table below:

Westcon Middle East Share Appreciation Rights Scheme	**2010**	2009	2008	2007
Date of grant	**25 June 2009**	17 May 2008	17 May 2007	17 May 2006
Number of SARs granted	**16 925**	28 000	17 000	20 000
Number of SARs lapsed since grant	**–**	(1 225)	(6 400)	(5 800)
Number of SARs remaining in existence at 28 February 2010	**16 925**	26 775	10 600	14 200
Number of eligible employees to whom SARs were granted	**7**	10	11	8
Number of lapsed holdings of SARs	**–**	(1)	(6)	(4)
Number of employees remaining entitled to SARs at 28 February 2010	**7**	9	5	4
Grant price (US$)	**25,00**	30,23	19,70	16,18
Grant as a percentage of Westcon ME notional share capital	**1,50%**	1,65%	1,70%	2,00%
Life	**5 years**	5 years	5 years	5 years

Logicalis Group Share Appreciation Rights Scheme

Under the terms of the Logicalis Share Appreciation Rights Scheme 2005 ("the Logicalis SAR Scheme"), SARs are granted annually to senior managers. The scheme is cash-settled which requires an annual valuation of Logicalis to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested SARs. Altogether 50% of the SARs vest after 24 months and the remainder after 36 months. All rights lapse if not exercised by the end of the seventh year after grant. There are certain headline earnings performance conditions which govern the vesting of each award.

Details of the annual grants of SARs under the Logicalis SAR Scheme made to date are given in the table below:

Logicalis Group Share Appreciation Rights Scheme	**2010**	2009	2008	2007	2006
Date of grant	**1 July 2009**	1 July 2008	1 July 2007	1 July 2006	1 July 2005
Number of SARs granted	**1 020 000**	928 750	835 750	1 100 000	1 260 000
Number of SARs lapsed since grant	**–**	(88 750)	(42 750)	(82 500)	(80 000)
Number of SARs exercised	**–**	–	–	(160 000)	(830 000)
Number of SARs remaining in existence at 28 February 2010	**1 020 000**	840 000	793 000	857 500	350 000
Number of eligible employees to whom SARs were issued	**23**	37	31	43	21
Number of lapsed holdings of SARs	**–**	(6)	(4)	(7)	(5)
Number of fully exercised holdings of SARs	**–**	–	–	–	(11)
Number of employees remaining entitled to SARs at 28 February 2010	**23**	31	27	36	5
Grant price (US$)	**1,90**	3,94	3,82	3,00	2,095
Grant as a percentage of Logicalis Group's issued share capital	**1,29%**	1,17%	1,16%	1,53%	1,74%
Life	**7 years**	7 years	7 years	7 years	7 years

Remuneration report continued

During the year ended 28 February 2010 Logicalis constituted a separate SAR Scheme for its 70% subsidiary Promon Logicalis Latin America Limited, the PLLAL SAR Scheme. The terms of this scheme are the same as those of the Logicalis SAR Scheme but the grants are made to key employees of PLLAL and the annual valuations and appreciation rights are based on the equity value of PLLAL.

During the year ended 28 February 2010, 387 500 SARs constituting 1,0% of the equity of PLLAL were granted to 25 PLLAL employees at a grant price of $2,87.

Consulting Services division Share-Based Remuneration

Analysys Mason operates a performance share plan which replaced a performance warrant scheme and a shadow option scheme under the terms of which share-based remuneration had been granted in previous years. Details of the grants under these schemes are given in the table below:

Analysys Mason Share-based Incentive Schemes	**2010**	**2009**	2008	2007	2006
Date of grant	**1 August 2009**	1 June 2008	1 June 2007	23 August 2006	17 August 2005
Number of awards granted	**43 068**	46 556	46 787	25 900	37 480
Number of awards exercised since grant	**–**	–	–	–	–
Number of awards lapsed since grant	**–**	(7 237)	(15 733)	(14 725)	(37 480)
Number of awards remaining in existence at 28 February 2010	**43 068**	39 319	31 054	11 175	–
Number of eligible employees to whom awards were granted	**43**	61	72	35	67
Number of exercised holdings of awards	**–**	–	–	–	–
Number of lapsed holdings of awards	**–**	(11)	(29)	(20)	(67)
Number of employees remaining entitled to awards at 28 February 2010	**43**	50	43	15	–
Grant price (GBP)	**14,07**	19,95	21,72	22,45	18,00
Grant as a percentage of Analysys Mason's issued share capital	**2,16%**	2,33%	2,34%	1,29%	1,90%
Life	**3 years**	3 years	3 years	4 years	4 years

During the year ended 28 February 2010 Analysys Mason introduced a Growth Share Plan under the terms of which 10 senior managers of the business subscribed to 157 500 'B' shares (constituting 7,32% of Analysys Mason's share capital). If the valuation of the Analysys Mason business increases by a threshold of 10% per annum over the three years ending 28 February 2012, the holders of the 'B' shares will be entitled to participate in the growth of the business valuation over those three years.

Non-executive directors' remuneration

During the year ended 28 February 2010, non-executive directors received fees as approved by the 2009 Annual General Meeting as follows:

• Chairman of the Board	US$120 000
• Senior non-executive director's fee	US$65 000
• Non-executive director's fee	US$55 000
• Chairman of the Audit, Risk and Compliance Committee	US$30 000
• Chairman of the Remuneration Committee	US$10 000
• Chairman of the Nomination Committee	US$5 000
• Member of the Audit, Risk and Compliance Committee	US$15 000
• Member of the Remuneration Committee	US$7 500
• Member of the Nomination Committee	US$5 000
• Trustee of Datatec trusts	US$5 000

For the year ending 28 February 2011 the Remuneration Committee has proposed the following structure for non-executive directors' fees which will be put to the forthcoming Annual General Meeting for shareholder approval:

• Chairman of the Board	US$170 000	total fee inclusive of committee work
• Senior non-executive director's fee	US$70 000	
• Non-executive director's fee	US$60 000	
• Chairman of the Audit, Risk and Compliance Committee	US$30 000	
• Member of the Audit, Risk and Compliance Committee	US$15 000	
• Member of the Remuneration Committee	US$7 500	
• Member of the Nomination Committee	US$5 000	
• Trustee of Datatec trusts	US$7 000	

Non-executive directors are reimbursed for travel costs necessary for attending Board meetings and do not receive any employment benefits.

The terms and conditions of appointment of non-executive directors are available on request from the Company Secretary. Non-executive directors are not eligible to participate in the Group annual bonus plan or any of the Group long-term incentive plans.

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.

Neither executive director currently holds a directorship of any non-Group listed company.

Directors' service contracts

In order to properly reflect their spread of responsibilities, executive directors have employment contracts as follows: J P Montanana has a contract with Datatec International Holdings Limited and I P Dittrich has contracts with Datatec Limited and Datatec International Holdings Limited. The employment contracts of both executive directors are terminable at six months' notice by either party.

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

Remuneration report continued

Directors' emoluments

The following tables set out an analysis of the remuneration, including bonuses, of individual directors who held office during the financial years ended 28 February 2010 and 28 February 2009. The Remuneration Committee has approved the executive directors' emoluments. The external auditors have independently confirmed the emoluments disclosed below. Please refer to page 76 for details of directors' share-based incentive awards.

Year ended 28 February 2010 – US$	Basic salary	Bonus	Fees	Pension	Other benefits	Total
Executive directors						
J P Montanana	1 136 160	1 358 355	–	170 424	30 929	**2 695 868**
I P Dittrich	317 282	248 658	–	47 592	14 762	**628 294**
Total executive directors	1 453 442	1 607 013	–	218 016	45 691	**3 324 162**
Non-executive directors						
S J Davidson	–	–	150 000	–	–	**150 000**
J F McCartney – Datatec fees	–	–	67 500	–	–	**67 500**
J F McCartney – Westcon fees	–	–	51 083	–	–	**51 083**
L W Nkuhlu	–	–	75 000	–	–	**75 000**
C M L Savage – to 12 August 2009	–	–	35 000	–	–	**35 000**
C S Seabrooke	–	–	102 500	–	–	**102 500**
N J Temple	–	–	82 500	–	–	**82 500**
Total non-executive directors	–	–	563 583	–	–	**563 583**
Total directors' emoluments	1 453 442	1 607 013	563 583	218 016	45 691	**3 887 745**

$676 424 of the emoluments shown above have been paid by Datatec Limited and $3 211 321 have been paid by subsidiaries of Datatec Limited.

The bonus payments for the financial year ended 28 February 2010 were calculated according to the metrics set by the Remuneration Committee at the start of the year and 119,6% of the target was achieved overall by the CEO and 117,6% of the target was achieved overall by the CFO.

Other benefits above include private medical insurance, car allowance and private fuel costs.

Year ended 28 February 2009 – US$	Basic salary	Bonus	Fees	Pension	Other benefits	Total
Executive directors						
J P Montanana	1 136 160	272 678	–	170 424	30 893	**1 610 155**
I P Dittrich	249 171	59 647	–	37 376	17 645	**363 839**
D B Pfaff – to 31 May 2008	131 414	–	–	19 712	3 100	**154 226**
Total executive directors	1 516 745	332 325	–	227 512	51 638	**2 128 220**
Non-executive directors						
L Boyd – to 31 March 2008	–	–	11 458	–	–	**11 458**
S J Davidson	–	–	146 250	–	–	**146 250**
J F McCartney – Datatec fees	–	–	67 500	–	–	**67 500**
J F McCartney – Westcon fees	–	–	65 000	–	–	**65 000**
L W Nkuhlu	–	–	70 000	–	–	**70 000**
C M L Savage	–	–	70 000	–	–	**70 000**
C S Seabrooke	–	–	102 500	–	–	**102 500**
N J Temple	–	–	82 500	–	–	**82 500**
Total non-executive directors	–	–	615 208	–	–	**615 208**
Total directors' emoluments	1 516 745	332 325	615 208	227 512	51 638	**2 743 428**

US$662 483 of the emoluments shown above have been paid by Datatec Limited and US$2 080 945 have been paid by subsidiaries of Datatec Limited.

Directors' share interests

The directors who held office at 28 February 2010 had the following interests in ordinary shares of the Company:

2010	Direct beneficial	Indirect beneficial	Total
Executive directors			
J P Montanana	**7 500 000**	**5 210 035**	**12 710 035**
I P Dittrich	**34 223**	**–**	**34 223**
Non-executive directors			
S J Davidson	**–**	**–**	**–**
J F McCartney	**233 000**	**–**	**233 000**
L W Nkuhlu	**300**	**–**	**300**
C S Seabrooke*	**–**	**–**	**–**
N J Temple	**–**	**–**	**–**
28 February 2010	**7 767 523**	**5 210 035**	**12 977 558**

*A trust of which Mr Seabrooke is a discretionary beneficiary has a controlling interest and a 33% (2009: 31%) economic interest in an investment group whose portfolio includes 1 000 000 (2009: 700 000) Datatec shares.

There were no changes in the directors' interest in the ordinary shares of the company between 28 February 2010 and 12 May 2010.

Remuneration report continued

2009	Direct beneficial	Indirect beneficial	Total
Executive directors			
J P Montanana	7 500 000	4 850 166	**12 350 166**
I P Dittrich	21 851	–	**21 851**
Non-executive directors			
S J Davidson	–	–	**–**
J F McCartney	233 000	–	**233 000**
L W Nkuhlu	300	–	**300**
C M L Savage	–	–	**–**
C S Seabrooke*	–	–	**–**
N J Temple	–	–	**–**
Total	7 755 151	4 850 166	**12 605 317**

*See note on page 75.

In addition to his holding of Datatec shares shown above, Mr Montanana held 500 000 American call options over Datatec shares with a strike price of R35,00 per option which he purchased on 7 February 2008 at a premium of R3,23 per option and which expired on 5 February 2010. These options were unrelated to Mr Montanana's employment terms.

Directors' share-based incentives

Directors holding office at 28 February 2010 held the following Datatec share options throughout the year:

	Grant date	Grant price (ZAR)	Number of options
J P Montanana	11/12/2000	35,46	200 000
Subtotal			200 000
I P Dittrich	10/12/2001	10,96	12 670
	24/11/2003	8,88	8 750
	10/12/2004	9,69	17 500
Subtotal			38 920
Total			238 920

There were no grants of Datatec share options and the directors did not exercise any Datatec share options during the year ended 28 February 2010. These options, granted under the terms of the Datatec Share Option Scheme, are not subject to any performance conditions and expire 10 years after the grant date in accordance with the rules of the scheme.

Directors holding office at 28 February 2010 held the following share appreciation rights (under the SAR Scheme):

	Grant date	Grant price (ZAR)	SARs held at beginning of year	Granted during the year	Exercised during the year	SARs held at year-end
J P Montanana	16/08/2005	13,76	330 669	–	–	330 669
	17/05/2006	27,22	187 482	–	–	187 482
	17/05/2007	38,64	157 617	–	–	157 617
	15/05/2008	27,54	263 873	–	–	263 873
	15/05/2009	15,59	–	495 496	–	495 496
Subtotal			**939 641**	**495 496**	**–**	**1 435 137**
I P Dittrich	16/08/2005	13,76	41 047	–	–	41 047
	17/05/2006	27,22	23 093	–	–	23 093
	17/05/2007	38,64	23 810	–	–	23 810
	15/05/2008	27,54	62 735	–	–	62 735
	15/05/2009	15,59	–	132 305	–	132 305
Subtotal			**150 685**	**132 305**	**–**	**282 990**
Total			**1 090 326**	**627 801**	**–**	**1 718 127**

Directors holding office at 28 February 2010 held the following conditional awards under the LTIP:

	Grant date	Awards held at beginning of year	Granted during the year	Vested and settled during the year	Lapsed during the year	Awards held at year-end
J P Montanana	17/05/2006	187 482	–	(93 741)	(93 741)	–
	17/05/2007	157 617	–	–	–	157 617
	15/05/2008	263 873	–	–	–	263 873
	15/05/2009	–	495 496	–	–	495 496
Subtotal		**608 972**	**495 496**	**(93 741)**	**(93 741)**	**916 986**
I P Dittrich	17/05/2006	18 145	–	(9 072)	(9 073)	–
	17/05/2007	17 857	–	–	–	17 857
	15/05/2008	47 051	–	–	–	47 051
	15/05/2009	–	99 229	–	–	99 229
Subtotal		**83 053**	**99 229**	**(9 072)**	**(9 073)**	**164 137**
Total		**692 025**	**594 725**	**(102 813)**	**(102 814)**	**1 081 123**

Mr McCartney holds the following share-based incentives in Westcon Group, Inc. which he was awarded as a director of Westcon Group: 1 000 share options with an exercise price of US$1 280 per share; 49 SARs with an exercise price of US$1 990 per share; 42 SARs with an exercise price of US$2 590 per share; 36 SARs with an exercise price of US$3 170 per share; and 50 SARs with an exercise price of US$1 620 per share. These awards have been ratified by the Datatec Remuneration Committee.

Sustainability report




The Board acknowledges its responsibility to consider the impact of the Company's operations on the community and the environment in its decision making and is committed to the principles of sustainability in achieving Datatec's strategy to deliver long-term, sustainable, above-average returns to shareholders. Sustainability encompasses social and environmental responsibility as well as corporate governance and ethics and the principles of sustainability are fundamental to the way in which Datatec interacts with all its stakeholders: investors, customers, suppliers and employees. Furthermore, the concept of sustainability applies beyond Datatec's immediate stakeholders to care for the environment and to support the sustainable development of communities across the world.

Environmental sustainability in the ICT industry

The growth in the use of information technology in business and in the home over recent years has driven the technology sector's usage of energy and generation of carbon dioxide to a significant part of the global total. All participants in the ICT industry have a responsibility to tackle this energy use by maximising utilisation and efficiency of IT systems and networks.

Improving efficiency of IT systems is often referred to as 'green IT' and there are a number of ways in which Datatec subsidiaries are helping their clients to become more efficient, or 'greener' in their use of IT. Some examples include:

- Server virtualisation – the average Intel server only uses 5% – 15% of its capacity (UNIX 15 – 20%) and the rest of its capacity is available for use with no increase in power usage, floor space or cooling capacity. Consolidating the use of servers (processors), known as 'virtualisation', allows much better utilisation of their processing capacity and also enables a single operator to control more servers.
- Storage virtualisation – the amount of data being stored digitally is growing at a staggering rate of 45% per year. The under-utilisation of server processing capacity noted above applies equally to servers used for storage and virtualisation in storage offers scope for greatly increased efficiency.
- Information lifecycle management – involves improving the control of the huge amounts of information being stored; reducing duplication of data and deleting obsolete data through appropriate management will lead to reduction in the 'information landfill' noted above.
- Desktop power management and thin client technology – it is estimated that there are 1,2 billion active personal computers ("PCs") across the globe, all using electricity and contributing an estimated 60% of the ambient temperature in offices which then require more energy to cool. Thin client technology means transferring the processing power (which is the energy-intensive part) from the desktop to central servers. The typical thin client desktop terminal uses only 10% of the energy of the equivalent PC.
- Unified communications and videoconferencing – have huge potential to reduce the time executives spend travelling, increasing their efficiency and reducing the cost and environmental impact of road and air travel for businesses.

Environmental sustainability in Datatec's own business

Datatec recognises its responsibility to reduce carbon dioxide output through more efficient power use in order to play its part in mitigating climate change. As well as applying the principles of 'green IT' to its own businesses, Datatec's Board has approved and implemented an environmental policy throughout the Group which sets the following environmental objectives to be applied across the Group using best practice in environmental management:

- Comply with legal environmental requirements, for example the European Waste Electrical and Electronic Equipment ("WEEE") regulations.
- Seek to maximise our understanding of environmental issues by:
  - promoting excellence in job performance in all environmental matters
  - attending appropriate seminars and training opportunities
  - keeping up to date with advances in science, technology and sustainable business practices
  - joining appropriate organisations and associations.
- Purchase environmentally sensitive products wherever possible by:
  - purchasing products displaying the 'environmental choice' label
  - purchasing recycled paper products
  - considering packaging, recyclability and biodegradability of products.

"The concept of sustainability applies beyond Datatec's immediate stakeholders to care for the environment and to support the sustainable development of communities across the world."

- Seek to minimise waste by:
  - reusing paper
  - recycling paper and all other recyclable products
  - refilling toner and printer ink cartridges
  - maintaining an electronic filing system instead of a paper one where possible.
- Seek to minimise energy use by:
  - turning off all unused equipment
  - setting monitors to automatically power down after non-use
  - turning off lights
  - using low-energy bulbs wherever possible
  - using solar battery rechargers
  - encouraging working from home where possible.
- Seek to minimise transportation impacts by:
  - using public transport whenever possible
  - sharing a single vehicle for work and home
  - maintaining that vehicle and keeping it regularly serviced
  - minimising mileage
  - support community and other environmental initiatives by active involvement.

Datatec subsidiaries monitor their operations for best environmental practice. For example, the Logicalis Group's Slough, UK office maintains an environmental management system, compliant with ISO 14001, which is used to set and monitor targets for waste reduction and reductions in power and water usage which will be audited by an independent consultant. Initiatives to reduce the business's environmental impact have included 'green' events for employees to spread understanding of good environmental practice throughout the organisation.

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. The Group's employees are seen as important stakeholders in the business and their training and development is an important aspect of the Group's sustainability.

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 workforce.

The Group is open to new partnerships that will increase shareholder value and is committed to ploughing back skills and resources into the South African community and into the local communities around the world in which Group companies operate.

All the South African operations have committed themselves to a transformation process designed to minimise barriers to employment equity. Significant progress has been made in achieving the employment equity plan goals. Since most of our business interests exist outside South Africa, employment equity plans are established on an individual entity basis.

Black economic empowerment ("BEE") is a central part of the South African government's economic transformation strategy. BEE has a number of components which aim to increase the numbers of previously disadvantaged individuals ("PDI") that manage, own and control the country's economy, and decrease racially based income inequalities.

The three core elements of BEE are direct empowerment through ownership and control of enterprises and assets, human resource development and employment equity and indirect empowerment through preferential procurement policies aimed at ensuring black people benefit from government tenders. The South African government uses a 'scorecard' to measure BEE progress according to a number of elements, including the three core elements listed above by both enterprises and sectors of economic activity. South Africa's BEE strategy is underwritten by the Broad-Based Black Economic Empowerment Act, 53 of 2003 ("BEE Act") and certain sector-specific transformation charters. The BEE Act provides that state-owned entities and government departments are legally obliged to apply BEE legislation in evaluating tenders or in granting licences, permits or concessions.

Several industrial sectors, including the ICT sector (to which the Group belongs), have their own sector-specific transformation charters. The transformation charters, including the ICT Charter, each contain a scorecard against which industry members will be measured on their BEE progress. Sector charters are not legislation

Sustainability report continued

and therefore not binding on the industry players. The ICT Charter scorecard target for black/PDI equity ownership is 30% and Datatec seeks to meet or better this target for its South African operating subsidiaries in the medium term. During the year ended 28 February 2010 Datatec disposed of its 55% shareholding in African Legend Indigo and as part of the same transaction increased its shareholding in Westcon South Africa to 74,9%. The Board is therefore seeking to rebalance the BEE ownership component of Westcon South Africa in line with the ICT Charter scorecard.

Corporate governance, organisational integrity and ethics

The Group's corporate governance structures and procedures are described in detail in the corporate governance report on pages 54 to 62. The Board recognises that good corporate governance is vital to the sustainable growth of Datatec. The Datatec Code of Ethics referred to in the corporate governance report is an important statement of Datatec's sustainable approach to business. The Code of Ethics has been communicated to all employees and is included in the induction programme for all new employees and is reviewed annually by the Board. The Group sees the availability to employees of the 'whistle-blowing hotline', also referred to in the corporate governance report, as an important conduit for employees to report breaches of ethical behaviour anonymously.

Health and safety

A formal health and safety policy has been approved by the Board and implemented with the environmental policy referred to above.

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 out in the jurisdictions in which the Group operates around the world. Operating subsidiaries have individual health and safety policies consistent with best practice in the applicable jurisdiction and undertake programmes and procedures to mitigate health and safety risks. This includes health and safety training for employees.

Emerging market development

Datatec's strategy involves diversifying its operations into emerging markets around the world. The Board believes that this strategy is an important part of Datatec's global sustainable growth and conversely that communities in the developing economies will benefit from the sustainability ethos which Datatec brings to its partnerships in these regions.

Corporate social investment

The Datatec Educational and Technology Trust

Datatec's origins are firmly entrenched in South Africa and the Company has always been conscious of its responsibilities towards the community and economy that fostered its initial growth. The Datatec Educational and Technology Trust was established in March 2000 to support educational organisations with a specific focus on uplifting the standard and talent in the fields of mathematics, science and technology within previously disadvantaged communities.

Datatec has committed to funding of R4 000 000 each year for the activities of the Datatec Educational and Technology Trust and during the financial year ended 28 February 2010 the Trust has actively supported the following initiatives:

Vula Programme at Hilton College

The Vula Programme at Hilton College ('Vula' means 'Open' in isiZulu) was started in 2001 as the college's educational service provider to the under-resourced schools and disadvantaged communities in the region. At the time Datatec donated R3 million to build a Centre for Innovation. This Centre has been the base for Hilton College's maths, science and technology outreach programme.

As its primary focus, the programme uses up-to-date technologies, innovative teaching methods and experienced facilitators to concentrate on the upgrading of the teaching and learning of high school mathematics, physical science and technology.

The programme, as its secondary focus, is also active in Careers Guidance, with an emphasis on promoting professions which require maths and science skills.

All of the above are underpinned by a belief that access to, and competency in, information communication technologies must be an integral part of the Vula skills transfer process when providing relevant and meaningful programmes to its beneficiary communities.

In 2009 the programme worked with beneficiaries from about 90 high schools. These schools were in the greater Midlands area which extends from Pietermaritzburg in the south to Bergville in the north and from Bulwer in the west to Msinga in the east. More than half of the schools are in impoverished rural areas.

In 2009 the Datatec Educational and Technology Trust provided funding for the following programme components:

- The Vula Programme Annual Careers Day of Friday, 15 May
- The Grade 12 winter school for maths and science revision
- The Vula educators ICT training, enrichment and empowerment project (the first year of a three-year project).

Siyakhula Computer School

This year marks 10 years of Datatec's involvement with Siyakhula Education Foundation ("SEF") which is all the more notable with the recent announcement that the Siyakhula Computer School has been identified as a showcase example of an emerging social enterprise for the upcoming Social Enterprise World Forum to be hosted at the University of Johannesburg in April 2011. This exciting news follows on from the selection of IkamvaYouth in 2009 as a finalist in the Ashoka Changemakers "Champions of Quality Education in Africa" award and reaffirms that these achievements would not have been possible without the trust's continued support over the past decade. These accolades also speak to the growing impact and effectiveness of SEF's programmes, highlights of which for the year in review include:

- Over 500 students trained by the Computer School in 2009 which is thus on track to achieve financial and operational self-sustainability by the end of this year.
- The first matric group of IkamvaYouth Gauteng – SEF's academic support programme – will progress with 40% expected to access tertiary education in 2011 (none of whom would have done so without the IkamvaYouth programme).
- The extension of SEF's technology focus with the implementation of a schools ICT project with a first-year intake of 180 Grade 10 learners from three schools who will complete matric in 2012 with a National Certificate in Information Technology.

SEF's key targets for the year ahead include: securing the operational profitability of computer school; replicating the computer school model in a new location; piloting a community resource and internet eCafé; consolidating the Gauteng arm of IkamvaYouth with a view to establishing new branches in the future; and successfully implementing the first year of the schools ICT project.

The Datatec Trust sponsored the Programme Director's salary in 2008 and 2009 and will continue to do so in 2010.

The Maharishi Institute

The trust has committed to providing a network infrastructure for the Maharishi Institute. The Maharishi Institute is the sister campus of the globally recognised and successful CIDA City Campus, which is South Africa's first free university established in 2000. The Maharishi Institute aims to apply all the knowledge accumulated over the past eight years in the creation of CIDA, with fresh ideas and approaches to ultimately provide free education to 1 000 underprivileged students per year, starting in 2009. The self-sustaining model involves students working in a call centre on the campus thus earning a salary which enables them to pay tuition fees and support their families at home. The trust has approached a number of suppliers including Cisco to donate infrastructure equipment therefore making it a joint corporate effort.

Education Alive

Education Alive is part of Applied Scholastics International, a body that trains educators, parents, learners and college students in disadvantaged communities. The Education Alive training academy is in Wynberg, Cape Town and offers tuition to learners who struggle with maths, science, accounting, English and Afrikaans. Education Alive also offers courses like grammar, communication, their SAQA-approved study technology for learners as well as courses specifically aimed at educators. Tertiary graduates also have the benefit of Education Alive courses. A Fasset-sponsored work readiness programme for unemployed commerce graduates is also run on site. The programme has successfully been placing these graduates into the finance sector since 2005. An average of 80% of the trainees have been offered full learnership contracts. From 2010, an additional commerce sector programme will also be run, with a further 40 learners on site!

The trust bought the property out of which Education Alive operates and has committed to renovating the premises to create more space as the demand for its programmes has increased considerably over the past two years.

MaAfrika Tikkun

MaAfrika Tikkun is a non-governmental non-profit organisation that works toward the transformation of South African communities by caring for vulnerable children and orphans in townships. MaAfrika Tikkun operates in four communities in Gauteng (Alexandra, Hillbrow, Diepsloot and Orange Farm) and two in the Western Cape (Delft and Mfuleni) by assisting each community to set up Community Boards and Community Management Forums that take responsibility for the day-to-day activities and outreach programmes implemented in the community.

The trust has committed to upgrading MaAfrika Tikkun's National ICT Development and Operational Support Infrastructure which will enable MaAfrika Tikkun to provide comprehensive data which will be used to accurately track the conditions of families in distress as well as use the data to inform management of these social conditions on a proactive basis. The various project sites include: Diepsloot, Orange Farm, Hillbrow, Alexandra, Mfuleni and Delft. MaAfrika Tikkun already has spent considerable sums on designing an internal software programme which enables the caregivers to collect data at the coal face based on empirical data collected from daily shack visits. This information needs to be captured at each township site and needs to be analysed at Cape Town and Johannesburg head offices. This information serves as both a management tool and as a vital monitoring and evaluation system

used to provide impact results of service delivery to donors, government departments and aid organisations.

This infrastructure will be utilised by the youth development programme inside the media centres/computer labs, and by administrative staff to record and collate data. This infrastructure is an inseparable element of MaAfrika Tikkun's Holistic Circle of Care model, which will ensure that MaAfrika Tikkun can achieve what they have set out to accomplish in this respect.

Thuthuka Bursary Fund

The Thuthuka Bursary Fund is a SAICA (South African Institute of Chartered Accountants) initiative and was established to provide full bursaries to between 250 and 300 Black African and Coloured students at selected SAICA-accredited universities. In 2010 Datatec committed to providing full bursaries to 10 students over a three-year period which is the time it will take for the students to complete their accounting degrees.

Charitable and community work throughout the Group

Westcon Group

Westcon follows a dedicated policy in the form of charitable donations. They support various causes with the main focus on family health and wellbeing. Initiatives that were undertaken during the 2010 financial year included gift matching, breast cancer awareness and various blood drives. Westcon has sponsored many charities over the years including the American Parkinson's Disease Association, Cure Autism Now, NY Families of Autistic Children, and The Cystic Fibrosis Foundation, to list a few.

In addition, Westcon sponsored a charity payroll deduction and matching programme up to US$500 for its employees. Westcon has also held various fundraising events and provides support to volunteers by allowing them paid volunteer leave.

Westcon SA

Westcon SA believes in nation building and the development of a strong economy, now and in the future. Investing time, skills and money in improving the quality of life for all South Africans is Westcon SA's duty as responsible corporate citizens. With this in mind, Westcon SA established the Westcon Cares Initiative. Through Westcon Cares their staff and resellers are given the platform to contribute to making the lives of others better and the opportunity to implement the 'pay it forward' principle.

To date, Westcon Cares has invested in many community-based projects with the main focus being on child welfare, namely:

Gauteng – Bethesda House, Soweto

Bethesda House is a home to abandoned children infected with and affected by HIV/Aids. Westcon SA provides social, spiritual, psychological, emotional and intellectual support and care. Children are encouraged to participate in different skills and extramural activities to help develop them holistically. Their ultimate goal is to integrate the children into the community through host parenting programmes that lead to foster parenting or adoption. The house can accommodate 36 children, boys and girls.

Cape – Beitun-Nur, Ottery

Beitun-Nur is a not-for-profit organisation, providing shelter care for destitute mothers and their children and has provided more than 100 families with a home and support.

KZN – The Haven of Rest, Tongaat

The Haven of Rest is a non-profit community-based organisation which offers social services to the community irrespective of race, colour, creed or religion. They reach out to the physical, emotional and spiritual needs of the disadvantaged community in which they operate.

Earlier this year, Westcon SA launched the Canned Love Campaign which is an effort to collect canned food for the abovementioned charities.

Logicalis

Logicalis' policy is to actively and enthusiastically support the welfare of its people, the environment and local communities wherever it has a presence.

Logicalis aims to be an employer of choice; attracting, developing and retaining the best people. Our personnel practices ensure that every employee, wherever they work, whatever their role, is treated equally, fairly and respectfully at all times. Adherence to international health and safety standards ensures that our people are properly protected and cared for, wherever they operate.

Logicalis maintains consistent and transparent diversity policies across all our markets. We firmly believe that career opportunity, recognition and reward should be determined by a person's capabilities and achievement, not their age, sex, race, religion or nationality. Wherever we operate, Logicalis strives to maintain a workforce that reflects the skills, ethnicity and demographics of the local population.

Logicalis recognises that it is the ideas, skills and capabilities of our people that drive our development and growth. In return, Logicalis will invest in whatever training and resources our people need to ensure that they are able to develop and grow with us.

As a responsible international provider of ICT solutions, Logicalis seeks to measure and minimise the way in which any of our commercial activities may impact the environment. We are also committed to providing practical advice and support to our customers and suppliers to help them along the path to ever cleaner and greener ICT solutions.

As an early adopter of the Green ICT ideas and activities, Logicalis recognises that a responsible attitude to Green ICT can lead to significant reductions in energy consumption and carbon emissions. As well as reducing greenhouse gases and operational costs, the technologies we promote, such as remote working and video and teleconferencing, enable more flexible working, greater productivity and improved business continuity. Green ICT is good for the planet and is good for business.

Logicalis encourages its operating companies in every territory to create initiatives that help improve the quality of life for their local communities. The following are just a few highlights from the past year.

During the 2009 holiday season, Logicalis US donated $25 000 to 32 charities in communities where they work and live. Their support of these local charities made a big difference during the holiday season. They also continued to make donations to Big Brothers, Big Sisters of Metropolitan Detroit.

In addition, Logicalis US has a 'Give Back to the Community' programme through which each employee is allowed to take off eight hours of work time each year to support charities of their choice. And following the success of last year's initiative, they utilise VolunteerMatch to provide employees with access to thousands of volunteer opportunities in their local communities, and celebrate individual and group volunteer efforts of Logicalis employees.

For the fourth year in succession, Logicalis UK made donations to the Berkshire Community Foundation which provides grants to local voluntary groups to support grassroots projects. These include young people with special needs, the disabled, the elderly and the homeless.

Logicalis UK also changed its drinking water supplier and in doing so, is now sponsoring Pump Aid, a charity that provides access to clean drinking water and safe adequate sanitation to those in need in Zimbabwe, Malawi and Liberia.

Logicalis in South America participates in a recycling programme to support the Foundation of Garrahan Hospital in Argentina, focused on complex treatments for children. The programme consists of office collections of disposable paper and plastic caps, to be donated to the foundation for its recycling.

Another ecological initiative was the participation in *'A todo pulmón'* campaign in Paraguay. Here Logicalis employees committed to planting a tree to support the environment.

They also contributed to local community organisations which help children, such as ADAND and San Jose Providente; and made a donation to EGB No. 98 School, that needed technological equipment to develop a project for the improvement of writing and reading skills.

In Brazil, PromonLogicalis continues to support Junior Achievement, an organisation that teaches children about work readiness and entrepreneurship. A new programme was also established last year – PromonLogicalis Volunteer Programme, providing education, work readiness and social movements to children in the communities of São Paulo and Rio de Janeiro, supported through the following charities: Ação Comunitária, Asylo João Evangelista, CAMP Vila Isabel, CCA Santa Teresa de Jesus, Gotas de Flor com Amor and Lar Escola Recanto Cristão.

Another of these charities associated with the programme is Ser Cidadão, which provides vocational education for adolescents

Sustainability report continued



and young adults from poor communities. Formally set up four years ago, the association has a 20-year history grounded in the activities developed by the Educação de Trabalho (Education for Work) Programme.

Analysys Mason

Values

Analysys Mason's commitment to its corporate and social responsibility has continued in the last year. Analysys Mason recognises both the business imperative and the moral obligation to carry out its activities in a socially responsible and environmentally sustainable manner and has an environmental policy to which senior management is fully committed. The Company aim is to contribute to a sustainable future through its CSR values, environmental awareness, its employees and social awareness by building on its history of charitable commitments.

Social investment

The Company has always been committed to its corporate citizenship and to supporting community and charity initiatives, both local and international, that are relevant to its business, employees, clients and stakeholders. Over the past years, Analysys Mason has supported projects ranging from local charities such as Francis House which provides respite care for families with special needs children, to international charities such as Oxfam whose efforts are recognised worldwide. Analysys Mason's staff provides generous donations of both time and money. The Company continues to take an active part in local fundraising events such as the Chariots of Fire Race in Cambridge and continues to support local charities by social fundraising through quiz nights and cycle rides.

Intact

Intact and its employees have a clear vision to be a positive force in its community. The Company supports and encourages individual employees to provide fundraising and other support to a wide range of charities and good causes, including in the last year Breast Cancer Care, ChildLine, Leukaemia and Lymphoma Research and Macmillan Nurses. In addition, Intact adopts a specific recipient for fundraising based around its customer events. In 2009 this was The African Christian International Nursery and Primary School in the Gambia. Intact's contribution helped the school achieve its aims of providing safe and fulfilling education for the local children. This year Intact has chosen to support The White Lodge Centre, which provides a range of flexible and creative activities and opportunities for disabled children, young people and adults, for their families and for carers across Surrey and the surrounding area.

Value added statement for the year ended 28 February 2010

	2010 US$'000	2009 US$'000
Revenue	3 738 026	4 191 671
Other income not included in revenue:		
Interest received	3 904	6 069
Less: Paid to suppliers for materials and services	(3 328 630)	(3 689 546)
Total value added	413 300	508 194
Distributed as follows:		
Employees		
Salaries, wages and benefits	316 478	368 210
Providers of capital		
Financing costs	13 478	22 655
Government		
Taxation – current	16 135	34 459
Total value distributed	346 091	425 324
Portion of value reinvested to sustain and expand the business		
Depreciation and amortisation	32 570	34 462
Deferred taxation	6 330	(8 965)
Minorities' interests	(1 665)	(1 323)
Equity holders of the parent	29 974	58 696
Total value distributed and reinvested	413 300	508 194