DATATEC
connecting minds™

AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2006 AND CAPITAL DISTRIBUTION

- Revenue up 18% to $3 billion
- Operating profit up 532% to $69 million from $11 million
- Net cash up 23% to $172 million
- Headline earnings per share up 650% to 26,9 US cents
- Cash distribution of 30 RSA cents per share (approximately 5 US cents)

GROUP INCOME STATEMENT

US$ 000's	Audited year ended 28 Feb 2006	Restated Audited year ended 28 Feb 2005
Revenue	**2 975 635**	2 524 769
Continuing operations	**2 870 381**	2 434 509
Acquisitions	**105 254**	90 260
Cost of sales	**(2 637 471)**	(2 261 321)
Gross margin	**338 164**	263 448
Operating costs	**(249 545)**	(234 531)
Share-based payments	**(3 468)**	(501)
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	**85 151**	28 416
Depreciation and amortisation	**(15 757)**	(14 196)
Operating profit before goodwill impairment	**69 394**	14 220
Goodwill impairment	**(425)**	(3 315)
Operating profit	**68 969**	10 905
Interest received	**6 380**	5 001
Financing costs	**(11 554)**	(8 810)
Profit before taxation	**63 795**	7 096
Taxation	**(24 532)**	(2 491)
Profit for the year from continuing operations	**39 263**	4 605
(Loss)/profit for the year from discontinuing operations	**(76)**	47 259
Profit for the year	**39 187**	51 864
Attributable to:		
Minority interests	**1 415**	107
Equity holders of the parent	**37 772**	51 757
	39 187	51 864
KEY RATIOS		
Gross margin %	**11,4**	10,4
EBITDA on ongoing operations %	**2,9**	1,1
Effective tax rate %	**38,5**	35,1
Exchange rates		
Average Rand/US$ exchange rate	**6,4:1**	6,2:1
Closing Rand/US$ exchange rate	**6,5:1**	5,8:1
SALIENT FINANCIAL FEATURES		
Headline earnings	**38 293**	4 958
Number of shares (millions)		
Issued	**146**	138
Weighted average	**142**	138
Diluted weighted average	**146**	141
Earnings per share (cents)		
Basic EPS	**26,54**	37,48
Diluted EPS	**25,93**	36,82
Headline EPS	**26,91**	3,59
Diluted HEPS	**26,28**	3,53
Net asset value per share (cents)	**307**	298
Net tangible asset value per share (cents)	**207**	228
Cash generation per share (cents)	**59**	27

GROUP BALANCE SHEET

US$ 000's	Audited 28 Feb 2006	Restated Audited 28 Feb 2005
ASSETS		
Non-current assets	**189 959**	138 608
Property, plant and equipment	**20 178**	20 251
Capitalised development expenditure	**12 317**	12 506
Goodwill	**125 294**	81 925
Other intangible assets	**8 098**	1 842
Deferred tax assets	**24 072**	22 084
Current assets	**951 613**	841 778
Inventories	**210 728**	205 771
Receivables	**492 782**	417 461
Cash and cash equivalents	**248 103**	218 546
Total assets	**1 141 572**	980 386
EQUITY AND LIABILITIES		
Ordinary shareholders' funds	**448 846**	412 227
Minorities' interest	**12 505**	24 089
Total equity	**461 351**	436 316
Long-term liabilities	**45 005**	1 450
Deferred tax liabilities	**5 875**	2 500
Current liabilities	**629 341**	540 120
Payables and provisions	**542 302**	446 949
Amounts owing to vendors	**1 695**	3 048
Taxation	**9 492**	11 847
Bank overdrafts	**75 852**	78 276
Total equity and liabilities	**1 141 572**	980 386
Capital expenditure incurred in current year	**12 115**	10 009
Capital commitments at end of year	**10 105**	10 198
Lease commitments at end of year	**97 170**	109 286
Payable within one year	**16 546**	17 234
Payable after one year	**80 624**	92 052

DETERMINATION OF HEADLINE EARNINGS

US$ 000's	Audited year ended 28 Feb 2006	Restated Audited year ended 28 Feb 2005
Equity holders of the parent per the Group income statement	**37 772**	51 757
Headline earnings adjustments:	**547**	(46 797)
Goodwill impairment	**425**	3 315
Loss on disposal of plant and equipment	**46**	595
Loss/(Profit) on disposal and closure of discontinued operations	**76**	(50 707)
Tax effect	**(16)**	(2)
Minorities' interest	**(10)**	–
Headline earnings	**38 293**	4 958

ABRIDGED GROUP CASH FLOW STATEMENT

US$ 000's	Audited year ended 28 Feb 2006	Restated Audited year ended 28 Feb 2005
EBITDA	**85 151**	24 363
Loss on disposal of property, plant and equipment	**46**	595
Non-cash items	**1 691**	12 999
Cash generated before working capital changes	**86 888**	37 957
Working capital changes	**(9 203)**	(9 114)
(Increase)/Decrease in inventories	**(12 361)**	41 439
(Increase)/Decrease in receivables	**(68 303)**	21 950
Increase/(Decrease) in payables	**71 461**	(72 503)
Cash generated from operations	**77 685**	28 843
Net finance costs paid	**(5 174)**	(3 831)
Taxation paid	**(20 304)**	(5 473)
Net cash inflow from operating activities	**52 207**	19 539
Net cash outflow from investing activities	**(54 588)**	(41 332)
Net cash inflow from disposal of operations and investments	**206**	65 801
Net cash inflow from financing activities	**40 740**	1 067
Increase in cash and cash equivalents	**38 565**	45 075
Translation difference on opening cash position	**(6 584)**	6 492
Cash and cash equivalents at beginning of year	**140 270**	88 703
Cash and cash equivalents at end of year (*)	**172 251**	140 270

(*) Comprises cash resources, net of bank overdrafts and trade finance advances.

SEGMENTAL ANALYSIS

US$ 000's	Audited year ended 28 Feb 2006	Restated Audited year ended 28 Feb 2005
Revenue		
Westcon	**2 283 398**	2 055 015
Logicalis	**545 598**	340 875
Analysys Mason	**59 750**	52 058
Other Holdings	**86 889**	76 821
Revenue from ongoing operations	**2 975 635**	2 524 769
Discontinuing operations	**–**	13 194
	2 975 635	2 537 963
EBITDA		
Westcon	**66 635**	25 043
Logicalis	**16 707**	9 637
Analysys Mason	**6 223**	3 340
Other Holdings	**(4 414)**	(9 604)
EBITDA from ongoing operations	**85 151**	28 416
Discontinuing operations	**–**	(4 053)
	85 151	24 363
Operating profit before goodwill impairment		
Westcon	**56 861**	15 420
Logicalis	**11 546**	6 081
Analysys Mason	**5 835**	3 007
Other Holdings	**(4 848)**	(10 288)
Operating profit from ongoing operations	**69 394**	14 220
Discontinuing operations	**–**	(4 256)
	69 394	9 964
Total assets		
Westcon	**793 070**	724 605
Logicalis	**237 693**	163 943
Analysys Mason	**41 140**	43 027
Other Holdings	**69 669**	48 811
	1 141 572	980 386

ABRIDGED STATEMENT OF CHANGES IN TOTAL EQUITY

US$ 000's	Audited year ended 28 Feb 2006	Restated Audited year ended 28 Feb 2005
Balance at beginning of year – as restated	**436 316**	363 559
Translation of foreign subsidiaries	**(14 129)**	18 268
Translation difference on equity loans	**1 615**	(2 841)
Tax effect of equity loans movement	**34**	(315)
Attributable profit for year	**37 772**	51 757
Shares issued	**15 498**	574
Share buy back	**(1 863)**	–
Share based payments	**1 358**	501
Repurchase of equity interest	**(3 666)**	–
Minorities' interest	**(11 584)**	4 813
Balance at end of year	**461 351**	436 316

COMMENTARY

PROFILE AND GROUP STRUCTURE

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

IFRS REPORTING

This report has been prepared in accordance with the Group's accounting policies which comply with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board, the JSE's Listings Requirements and the Companies Act of South Africa. On 1 March 2005, the Group adopted the requirements of IFRS2 Share-Based Payments. In accordance with the transition provisions, IFRS2 has been applied to all grants after 7 November 2002 and that were unvested as of 1 March 2005. The Group has also applied the requirements of IFRS5 Discontinuing Operations. Comparative figures in respect of 2005 have been restated to reflect the changes resulting from the adoption of these two accounting standards. These are the only two revised statements that have had a material impact on the Group's results. The impact of the adoption of IFRS2 on basic EPS amounts to 2,44 cents (2005: 0,3 cents) and on diluted EPS amounts to 2,38 cents (2005: 0,4 cents).

The financial information has been audited by Deloitte & Touche whose unqualified audit report is available for inspection at the Group's registered office.

COMMENTARY ON FINANCIAL RESULTS

Revenues from continuing operations rose by 18% to $2,98 billion (2005: $2,52 billion), while gross margin increased from 10,4% to 11,4%. Operating profit increased to $69,0 million (2005: $10,9 million). The 2006 operating profit includes charges of $3,5 million relating to share-based payments under the requirements of IFRS2 which have been applied for the first time. Headline earnings per share grew commensurately to 26,91 cents (2005: 3,59 cents) and the Group ended the year with increased net cash on hand of $172,3 million.

The effective tax rate increased from a restated 35,1% to 38,5%. This is higher than the statutory South African tax rate, primarily due to the fact that the Group's profits in the year have been earned mainly in the USA where tax rates are higher. In addition, losses incurred in certain subsidiaries in this year have not been recognised in deferred tax. The effective rate of tax for the prior year has increased as a result of the revised accounting standards relating to discontinued operations, whereby the associated tax effects are excluded from the effective rate of taxation.

The Company has for the first time decided to make a cash distribution to shareholders out of share premium which represents a cover of 5,7 times headline earnings.

DIVISIONAL REVIEWS

Westcon

During the year, Westcon's revenue increased 11,1% from $2,06 billion in 2005 to $2,28 billion. This reflects an increase across all geographic regions due to strong demand for Cisco product, coupled with moderate increases in sales of Nortel and Avaya product. Gross margins increased from 7,7% in 2005 to 8,5% in this financial year, resulting in a 23% increase in gross profit from $158 million to $195 million. The increase in gross margin was attributable to strong performances in the Americas and Asia Pacific, coupled with an improved performance in Europe in the second half of 2006. Furthermore, Lucent Technologies agreed to a settlement pursuant to which it paid Westcon $7,5 million to finally settle the dispute between the parties which resulted in a $4,3 million contribution to gross margin. Westcon's EBITDA increased by 166% from $25 million to $67 million and the EBITDA margin from 1,2% to 2,9%. This was due to the increased gross margins that were achieved across all regions, combined with a $5,1 million or 3,8% decrease in operating costs during 2006. The 2006 EBITDA includes charges of $1,5 million relating to share-based payments under the requirements of IFRS2 which have been applied for the first time.

During the year, Westcon's operating activities generated $37 million of cash as compared to $6 million in 2005, as increased accounts receivable were partially offset primarily in Europe by lower inventory as well as increased payables, and increased earnings.

During the year, Westcon secured a $150 million working capital facility to finance its operations in North America and a $40 million second lien term loan which will provide additional long-term capital to fund growth of the Westcon businesses and to repay certain debt obligations to Datatec.

For the year Cisco products made up 59% of Westcon's revenue followed by 10% for Nortel, 9% for Avaya, 7% for security and 15% for Development/Affinity vendors. Westcon actively promotes partnerships with smaller specialist and niche players. From a geographic perspective, 55% of Westcon's revenue was generated in the Americas followed by 37% in Europe and 8% in Asia-Pacific.

An overall improvement in the financial performance of Westcon is expected, with a growing contribution from Europe.

Logicalis

Revenue was $545,6 million for the year ended 28 February 2006, which includes $105,3 million arising from the acquisitions made during the year. This compares to revenue of $340,9 million from continuing operations in 2005. Excluding the impact of acquisitions, revenue increased by 16% over the prior year on a like-for-like basis.

The average gross margin for the year was 20,0% (2005: 21,2%) reflecting an increase in product-based business due to acquisitions, a sector where margins remain under pressure.

Although operating expenses overall increased by 47% over the previous financial year, 31% of this increase resulted from the impact of acquisitions and the remainder from an increase in sales and marketing costs in line with organic revenue growth.

The EBITDA for the year rose to $16,7 million compared to $9,6 million in the previous year. The 2006 EBITDA includes a charge of $1,0 million relating to share-based payments under the requirements of IFRS2 which have been applied for the first time. The acquisitions made during the year contributed $3,7 million to EBITDA.

Net cash reduced from $56,9 million at 28 February 2005 to $26,6 million at 28 February 2006 with the reduction primarily due to $37,0 million being spent on acquisitions during the year. In August 2005, Logicalis concluded a four-year $50,0 million loan facility with HSBC Bank in the USA to finance growth and in September 2005, a £5,0 million ($8,75 million) three-year loan facility was agreed with Barclays Bank PLC in the UK.

Logicalis made five acquisitions during the review period. In March 2005, it acquired Notability Solutions Limited (subsequently renamed Logicalis Computing Solutions Limited), a $50 million-a-year IBM business partner in the UK and also acquired Eisco Technology Inc., a $20 million-a-year US IBM solution provider focused on high-end IBM z-Series mainframe solutions. In July 2005, Logicalis acquired Hawke Systems Limited, a $25 million-a-year supplier of advanced computing infrastructure and one of HP's leading Enterprise Partners in the UK. In September 2005, Logicalis acquired TBC Group Limited, a $50 million-a-year IBM Premier partner and supplier of advanced computing infrastructure and managed service solutions, based mainly around the IBM Unix range, database applications and IBM middleware. In January 2006, Logicalis acquired from Avnet Inc. its US end-user HP business, a $100 million-a-year HP premier partner business focused mainly on HP server and storage solutions.

The markets remain competitive with customers expected to continue to demand solutions that deliver a quality performance with clearly defined benefits, especially in value-added services.

Analysys Mason

Analysys Mason now has an increased complement of 316 employees and associates working from nine offices across seven countries. Continued geographic expansion has seen non-UK revenues rise from 25% to 37%. Client synergies have continued to be achieved and over 11% of revenues in 2006 came from successful joint bids. Additional savings benefits from the merger have been realised, bringing about annualised cost savings of over $700 000.

Revenues during 2006 have increased to $59,8 million (2005: $52,1 million). EBITDA of $6,2 million at a margin of 10,4% (2005: $3,3 million at 6,4%) and profit before tax ("PBT") of $5,9 million at 9,9% of revenue (2005: $1,9 million at 3,6%) have been achieved. The 2006 PBT includes charges of $0,09 million relating to share-based payments under the requirements of IFRS2 which have been applied for the first time. Analysys Mason closed the year with a net cash balance of $8,8 million (2005: $9,1 million), having repaid $3,3 million of debt during the year.

Analysys Mason is ideally placed to take advantage of current growth in the Telecoms sector. This growth is driven by an increasing emphasis on media, networked IT and fixed mobile convergence issues, plus growing global regulatory and consolidation activities.

Other Holdings

Westcon AME and OnLine Distribution are value-added networking equipment distributors, in SA and the Middle East, respectively, whose operations mirror those of the Westcon group. During the year, Westcon AME's revenue rose to $48,2 million (2005: $43,1 million) and EBITDA amounted to $1,1 million (2005: $1,3 million).

OnLine Distribution's revenue for the year amounted to $34,3 million (2005: $26,8 million) and EBITDA amounted to $1,7 million (2005: $1,5 million).

RangeGate represents the Group's wireless mobile technology systems integration business, and provides mobile supply chain solutions to sectors such as retail, industrial, manufacturing, transport and logistics. RangeGate's revenue declined to $4,4 million (2005: $6,9 million) and incurred an EBITDA loss of $0,6 million (2005: profit of $18 000).

PROSPECTS

In spite of continued monetary tightening in the USA, and general interest rate increases expected in the rest of the world, demand for IT hardware, networking and services has remained robust even as growth rates have moderated. We continue to plan prudently and expect ongoing improvements to our performance over the cycle.

The gradual improvement in Europe's economic growth prospects should enable the Group's European operations to start contributing meaningfully in the year ahead. We believe an improved geographic mix of business helps to create a better balance for the Group and improves the predictability of the Group's consolidated performance.

The Company is considering a secondary listing on London's AIM stock exchange.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

Westcon group acquired the distribution arm of Ronco Communications and Electronics. The new operation has been renamed Ronco Distribution. The successful acquisition will transform Westcon into the number one distributor of Nortel voice and data products in North America. Nortel is now Westcon group's second largest vendor by revenue.

On 1 May 2006, Logicalis' US subsidiary Logicalis, Inc. acquired from Alliance Consulting, Inc. its US Southwest focused business, headquartered in Scottsdale, Arizona, for $4,5 million, of which $3,0 million was settled in cash and $1,5 million in Datatec shares. The Alliance Southwest business is a $15 million annual revenue operation providing consulting services to its customer base principally in the states of Arizona, California and Texas. In terms of the purchase agreement, additional consideration of a maximum of $2,0 million is payable if certain profit targets are met in the nine month period following the acquisition.

CAPITAL DISTRIBUTION

Notice is hereby given that the Company will distribute out of share premium, in lieu of a dividend, 30 RSA cents per share (approximately 5 US cents per share) for the year ended 28 February 2006 ("the general payment"), in terms of the general authority granted to directors at the Annual General Meeting held on 16 August 2005.

The salient dates will be as follows:

Last day to trade	Friday, 30 June 2006
Shares to commence trading "*ex*" the distribution	Monday, 3 July 2006
Record date	Friday, 7 July 2006
Payment date	Monday, 10 July 2006

Share certificates may not be dematerialised or rematerialised between Monday, 3 July 2006 and Friday, 7 July 2006, both days inclusive.

On behalf of the Board

L Boyd	**J P Montanana**	**D B Pfaff**
Chairman	*Chief Executive Officer*	*Group Finance Director*

16 May 2006

Directors: L Boyd* *(Chairman)*, J P Montanana# *(CEO)*, C B Brayshaw*, D B Pfaff, C M L Savage*, C S Seabrooke*, N J Temple*#
#*British* **Non-executive*

DATATEC
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