DATATEC
connecting minds™

- **Cash generated from operations of R2 billion**
- **Net debt eliminated at end of year**

audited financial results for the year ended 31 March 2002

Consolidated income statements

(R million)	Audited year ended 31 March 2002	% change	Audited year ended 31 March 2001
Revenue	20 677		20 158
Continuing operations	20 360		17 500
Acquisitions	202		1 537
Revenue from ongoing operations	20 562	8%	19 037
Discontinued operations	115		1 121
Cost of sales	17 759		16 853
Gross margin	2 918		3 305
Operating costs	(2 072)		(2 248)
Operating profit before depreciation and finance costs ("EBITDA")	846		1 057
Continuing operations	873	(22%)	1 125
Discontinued operations	(27)		(68)
Depreciation	(200)		(168)
Restructuring costs	–		(82)
Operating profit	646	(20%)	807
Income from investments	76		146
Financing costs	(172)		(250)
Share of associate company losses	(3)		(13)
Profit before exceptional items and goodwill	547		690
Goodwill amortisation	(133)		(80)
Impairment of goodwill	(397)		–
Exceptional items	(164)		706
(Loss)/profit before taxation	(147)		1 316
Taxation	(178)		(301)
(Loss)/profit after taxation	(325)		1 015
Profit attributable to outside shareholders	(11)		(57)
Attributable (loss)/earnings	(336)		958
Headline earnings	346	(16%)	410
Key ratios:			
Gross margin %	14,1%		16,4%
EBITDA % on ongoing operations	4,2%		5,9%
Normal tax rate before exceptional items and goodwill	30,6%		34,2%
Exchange Rates			
Average Rand/$ exchange rate	9,6:1		7,3:1
Closing Rand/$ exchange rate	11,4:1		8,0:1
Salient financial features:			
Number of shares (millions)			
Issued	137		128
Weighted average	131		126
Diluted weighted average	133		126
Earnings per share (cents)			
Headline	265	(18%)	325
Basic	(257)		761
Diluted basic	(253)		761
Net asset value per share (cents)	2 720	9%	2 504
Net tangible asset value per share (cents)	2 414	17%	2 058

Consolidated balance sheets

(R million)	Audited year ended 31 March 2002	Audited 31 March 2001
ASSETS		
Non-current assets	1 275	1 308
Property, plant and equipment	644	535
Goodwill	419	571
Associated companies and investments	30	43
Net deferred taxation	182	159
Current assets	8 420	8 454
Inventories	2 397	3 032
Receivables	4 147	3 576
Cash resources	1 876	1 846
Total assets	9 695	9 762
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	3 726	3 205
Outside shareholders' interest	199	260
Long-term liabilities	58	74
Current liabilities	5 712	6 223
Payables	3 771	3 584
Amounts owing to vendors	90	413
Taxation	143	118
Bank overdrafts and trade finance facilities	1 708	2 108
Total equity and liabilities	9 695	9 762
Capital expenditure incurred in current year	136	345
Capital commitments at end of year	61	143
Lease commitments at end of year	1 067	788

Abridged consolidated cash flow statements

(R million)	Audited year ended 31 March 2002	Audited year ended 31 March 2001
EBITDA	846	1 057
Loss on disposal of plant and equipment	1	11
Non cash items – unrealised forex gains	(95)	–
Operating profit before working capital changes	752	1 068
Working capital changes	1 299	(447)
Cash generated from operations	2 051	621
Net finance costs paid	(96)	(104)
Taxation paid	(268)	(230)
Net cash inflow from operating activities	1 687	287
Net cash outflow for restructuring costs and exceptional items	–	(82)
Net cash outflow for investing activities	(520)	(1 097)
Net cash inflow from disposal of operations and investments	–	1 118
Net cash (outflow)/inflow from financing activities	(100)	148
Increase in cash and cash equivalents	1 067	374
Translation difference in opening net debt position	(637)	(151)
Pro forma change in Westcon cash position	–	(187)
Cash and cash equivalents at beginning of year	(262)	(298)
Cash and cash equivalents at end of year (*)	168	(262)

(*) comprises cash resources net of bank overdrafts and trade finance facilities

Segmental analysis

(R million)	Audited year ended 31 March 2002	% EBITDA	Audited year ended 31 March 2001	% EBITDA
Revenue				
Westcon	15 595		14 871	
Logical	3 799		3 381	
Mason	282		222	
Other Holdings	886		563	
Revenue from ongoing operations	20 562		19 037	
Discontinued Operations	115		1 121	
	20 677		20 158	
EBITDA				
Westcon	685	4,4%	828	5,6%
Logical	52	1,4%	151	4,5%
Mason	13	4,6%	40	18,0%
Other Holdings	123	13,9%	106	18,8%
EBITDA from ongoing operations	873	4,2%	1 125	5,9%
Discontinued Operations	(27)	(23,5%)	(68)	(6,1%)
	846	4,1%	1 057	5,2%

Determination of headline earnings

Attributable (loss)/earnings per the consolidated income statements	(336)	958
Headline earnings adjustments (net of taxation and outside shareholders):		
Goodwill amortisation	133	80
Impairment of goodwill	397	–
Loss on disposal of plant and equipment	1	8
Exceptional items:		
Write-down of carrying value of investments	58	161
Loss on disposal and closure of discontinued operations	64	59
Proposed listing costs	27	–
Impairments of property, plant and equipment	1	89
Net loss (surplus) on disposal of operations and investments	1	(945)
Headline earnings	346	410

Statement of changes in ordinary shareholders' equity

Balance at beginning of year	3 205	1 437
Change of accounting period for Westcon	–	(34)
	3 205	1 403
Attributable (loss)/earnings	(336)	958
Shares issued	163	482
Translation of foreign subsidiaries	305	186
Goodwill reversed	389	176
Balance at end of year	3 726	3 205

Headline	265	(18%)	325
Basic	**(257)**		761
Diluted basic	**(253)**		761
Net asset value per share (cents)	**2 720**	**9%**	2 504
Net tangible asset value per share (cents)	**2 414**	**17%**	2 058

Pro forma change in Westcon cash position	**–**	(187)
Cash and cash equivalents at beginning of year	**(262)**	(298)
Cash and cash equivalents at end of year (*)	**168**	(262)

(*) comprises cash resources net of bank overdrafts and trade finance facilities

Shares issued	**163**	482
Translation of foreign subsidiaries	**305**	186
Goodwill reversed	**389**	176
Balance at end of year	**3 726**	3 205

1. 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 communication products ("Westcon"), professional services and IT network integration ("Logical") and strategic telecommunications consulting ("Mason"). The Group also has a number of other interests in South Africa ("SA"), which are included with the Group Head Office under Other Holdings. These interests include Westcon AME (operating in Africa and the Middle East), a 47,5% interest in Affinity Logic and a 78,6% interest in RangeGate (operating in SA and the United Kingdom).

2. COMMENTARY ON RESULTS

The Group's financial results for the year ended 31 March 2002 reflected revenues from ongoing operations of R20,6 billion compared with revenues in the previous year of R19,0 billion. Operating profit before depreciation and finance costs ("EBITDA") from continuing operations amounted to R873 million compared with EBITDA in the previous year of R1 125 million. This decline is largely as a result of the difficult economic trading conditions, disappointing results achieved by Logical and an increase in provisions in Westcon. Headline earnings per share for 2002 amounted to 265 cents compared to 325 cents for 2001, a decline of 18%.

Included in operating profit are foreign exchange gains of R136 million (2001: R49 million) attributable to the substantial decline in the value of the Rand against the Group's trading currencies in the latter part of the year and an amount of R39 million relating to a refund of customs duty paid, to be received by Westcon from the taxation authorities in the United Kingdom. Finance costs decreased during the year due to the reduction in interest rates in the United States of America ("USA") and the operating cash flows generated in Westcon and Logical that lowered the levels of working capital.

Logical charged an amount of R86 million against the restructuring provisions created during the financial year ended 31 March 2001. At the end of the year, R24 million of the restructuring provisions remained, which provisions are considered adequate to meet outstanding restructuring costs mainly relating to future rentals on premises vacated.

Exceptional items of R164 million were incurred during the year, which predominantly related to the net loss realised on disposal of certain operations, the write-down in the carrying value of investments and the write-off of costs relating to Westcon's proposed listing previously included in the balance sheet.

The Group reviewed the value of goodwill carried on its balance sheet at the end of the year. Given the historical trading losses of Logical and certain of its Other Holdings, the Group has written-off the remaining amounts of goodwill totalling R397 million relating to those loss-making operations.

Cash generated from operations of R2,1 billion was driven by improvements to working capital of R1,3 billion mainly as a result of a reduction in inventories. At year end the Group's balance sheet had improved to a net cash positive position of R168 million compared with net debt of R262 million in the prior year, an improvement of R430 million.

Amounts owing to vendors in the balance sheet represent purchase considerations still outstanding in respect of acquisitions. During the year the Group settled R632 million of the amounts owing to vendors. These amounts were settled out of the internal cash resources. At the end of the year, the Group reflected an amount of R90 million as owing to vendors, with a further maximum contingent liability of R65 million (2001: R395 million) relating to possible future earnout obligations.

As set out in the Interim results announcement, during the year Datatec acquired a further 5,0% of Westcon from the original founders and certain other shareholders for an amount of United States Dollars ("$") 22 million and exercised its rights under the original sale agreements entered into between Datatec and certain members of Westcon's senior management and repurchased the 2,25% of equity capital of Westcon sold to such members during the 2000 financial year. The reduction in the outside shareholders' interest during the year is due mainly to these acquisitions.

3. DIVISIONAL REVIEWS

3.1 Westcon

Westcon achieved revenues of R15,6 billion ($1,67 billion) in 2002 compared to revenues of R14,9 billion ($2,06 billion) in 2001, a decline of 19% in dollars reflecting the weak economic trading conditions and the effects of September 11, 2001 events. Gross margins decreased from 11,2% in 2001 to 10,4% for 2002, a decline of 7,0%. This decline is due mainly to the reduction and elimination in the second half of the year of margin enhancing programmes associated with the sales of Cisco products and the provision made during the year in respect of the Lucent litigation (refer below). EBITDA margins reduced from 5,6% in 2001 to 4,4% in 2002, due mainly to the reduction in gross margins. Westcon successfully contained operating expenses by restricting these to current levels of operation through reductions in staff and other expenses.

Substantial operating cash flows were generated during the year as a result of significant improvements in working capital. The improvements in working capital were primarily a result of a reduction in inventories of $184 million, a decline of 51% from the previous year. These cash flows allowed Westcon to reduce its net debt by $131 million including a repayment of $65 million of its original $75 million dollar acquisition facility.

As noted in the Group's 2001 Annual Report, Westcon held $24 million of inventory purchased from Lucent and in July 2001 commenced litigation to require Lucent to abide by the distribution agreement between the parties and accept return of this inventory. Westcon management believe that Westcon has a meritorious case against Lucent and is continuing with the litigation. Management has, however, decided to adopt a prudent approach and, accordingly, Westcon during the year has provided an amount of $13 million (R123 million) against its remaining Lucent inventory of $16 million.

Cisco products contributed 57,2% (2001: 65,5%), Nortel's products contributed 11,6% (2001: 12,7%) and Avaya's products contributed 11,8% (2001: 6,7%) to Westcon's revenue. North America amounted to 63,8% (2001: 61,2%) and the UK and Europe amounted to 29,0% (2001: 31,6%) of Westcon's revenue.

The Landis Business Partners transaction was completed on 14 May 2002 with the purchase consideration expected to amount to approximately $5 million. As a result of cash flow constraints and the subsequent bankruptcy of Landis Group NV the activities of Landis Business Partners were severely restricted in recent months. This, together with the start up and integration costs, will result in Landis Business Partners' activities initially incurring losses.

3.2 Logical

Logical achieved revenues from continuing operations of R3,8 billion ($395 million) in 2002 compared to revenues of R3,4 billion ($460 million) in 2001, a decline of 14% in dollars. This decline is primarily a result of the weak economic conditions together with customers in the US and Europe postponing IT projects in a climate of reduced confidence in the economy. Gross margins decreased from 27,6% in 2001 to 24,4% in 2002 as product margins declined under increasing competition and the declining use of professional services.

During the year Logical disposed of its e-business applications subsidiary in Switzerland and its systems subsidiary in France. These disposals removed the largest source of losses for Europe (for the periods held, losses before tax of $3 million were incurred for the year).

EBITDA from continuing operations amounted to R52 million ($5 million) for 2002 when compared to R151 million ($20 million) excluding restructuring costs for 2001. All restructuring costs incurred in 2002, which amounted to R19 million ($2 million) were included in EBITDA. The effects of Logical's cost cutting and reorganisation that started in 2001 were reflected in total EBITDA increasing in the second six months of 2002 to R23 million ($2 million), from R7 million ($1 million) achieved in the first six months. Management is continually focusing on reducing operating expenses in order to improve productivity in this current lower growth environment.

3.3 Mason

Mason achieved revenues of R282 million (£20 million) in 2002 compared to R222 million (£21 million) in 2001. EBITDA declined substantially from R40 million (£4 million) in 2001 to R13 million (£1 million) for the current year.

The collapse of technology stock prices and the turmoil in the telecommunications industry had a major effect on Mason, with many of Mason's telecommunication customers suffering financially and consequently reducing their spending on external consultancy. This resulted in revenue reducing from £11,7 million in the first six months to £8,7 million in the second six months, a reduction of 26%. As a result of the market conditions, Mason reduced its staff from over 260 to 200 during the second half of the year. Despite these cost reductions the profitability for the year was inevitably affected.

The weak market conditions have continued into the new year and although there are a large number of enquiries for new work, closing of new contracts is difficult. However, Mason management believe that with the reduction of operating expenses it is in a strong position to increase its profitability when the market improves.

3.4 Other Holdings

Westcon Africa Middle East ("Westcon AME")

Westcon AME maintained its focus on territorial expansion and successfully concluded the acquisitions of Dubai-based OnLine and DataConnect in Botswana during the year.

Revenues for the year amounted to R713 million and operating profits amounted to R17 million. During the year significant cost savings were achieved through the consolidation of various back office functions. Accordingly, in the year ahead Westcon AME is expected to show both increased revenues through the inclusion of the acquisitions for the full year and operating profit enhanced by the cost savings achieved.

Affinity Logic

Affinity Logic's core business is the provision of outsource services for the delivery of computing infrastructure and application solutions to the retail and consumer goods sector.

During the year, as a result of the settlement of the profit warrantees with Wooltru at the end of the previous year, Affinity Logic accelerated investments in the development of its core outsourcing platform and related new service platforms. In addition, a number of long-term outsourcing contracts were restructured and new contracts entered into. As set out in the Interim Results announcement these factors impacted on profitability with an operating loss of R20 million incurred (after charging R14 million to research and development costs related to the development of its core outsourcing and new service platforms) on revenues of R191 million for the year.

After investing substantially in upgrading its service offering and developing a comprehensive growth and marketing strategy, Affinity Logic management is anticipating a year of increased revenues and a break-even situation.

RangeGate

RangeGate, located in SA and the United Kingdom, represents the Group's mobile technology systems integration business, and provides mobile solutions into specific market sectors such as retail, industrial and manufacturing and transport and logistics.

The proposed sale of RangeGate to Versatile Mobile Systems was not concluded as not all regulatory approvals were received. Datatec intends to continue developing RangeGate, whilst seeking appropriate opportunities to maximise its inherent value.

Although RangeGate grew revenues to R83 million, it incurred an operating loss of R24 million. Accordingly, substantial reductions in costs were implemented, and together with anticipated increases in revenues, RangeGate is expected to improve to break-even in the year ahead.

4. PROSPECTS

The networking and telecommunications sector remains subdued as a result of the over investment that has occurred during recent years. Steps have been taken to improve profitability over the next year through lower operating costs and reductions in personnel and the belief that revenues appear to have stabilised and confidence is improving. The Group feels that there will be no meaningful recovery in this sector until the early part of calendar 2003 as IT capital expenditure recovers.

5. REPORTING

This report has been prepared in accordance with the Group's published and consistently applied accounting policies which comply with South African Statements of Generally Accepted Accounting Practice.

6. DIVIDENDS

The Group's policy of retaining attributable income for future growth without a dividend distribution to shareholders remains in place.

On behalf of the Board:

L Boyd	**J P Montanana**	**R S Rindel**
Chairman	*Chief Executive Officer*	*Group Finance Director*

21 May 2002

A copy of this announcement and the results presentation is available on the website.

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