DATATEC
connecting minds™

- Revenue up 11% to $1,25 billion
- Headline earnings per share improves to 0,10 cents
- Net tangible asset value per share up 19% to $2,29
- Net cash at period-end up 10% to $97,4 million

GROUP INCOME STATEMENT

US$ 000's	Unaudited six months to 31 Aug 04	Restated Unaudited six months to 31 Aug 03	Restated Unaudited year ended 29 Feb 04
Revenue	1 251 281	1 130 071	2 346 948
Continuing operations	1 242 065	1 059 407	2 230 692
Acquisitions	1 623	–	–
Ongoing operations	1 243 688	1 059 407	2 230 692
Discontinuing operations	7 593	70 664	116 256
Cost of sales	(1 126 565)	(987 838)	(2 071 528)
Gross margin	124 716	142 233	275 420
Operating costs	(114 468)	(129 915)	(251 632)
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	10 248	12 318	23 788
Ongoing operations	9 991	8 527	18 668
Discontinuing operations	257	3 791	5 120
Depreciation and other amortisation	(7 675)	(12 238)	(22 727)
Operating profit before goodwill impairment and other income	2 573	80	1 061
Goodwill impairment	–	–	(14 361)
Other income	–	–	81
Operating profit/(loss)	2 573	80	(13 219)
Exceptional items	55 148	(1 641)	(2 883)
Interest received	2 274	9 242	5 150
Finance costs	(4 493)	(8 492)	(9 570)
Profit/(Loss) before taxation	55 502	(811)	(20 522)
Taxation	(180)	(198)	(5 861)
Profit/(Loss) after taxation	55 322	(1 009)	(26 383)
Loss attributable to outside shareholders	(140)	(966)	(229)
Attributable profit/(loss)	55 182	(1 975)	(26 612)
KEY RATIOS			
Gross margin %	10,0	12,6	11,7
EBITDA on ongoing operations %	0,8	0,8	0,8
Effective tax rate before exceptional items and goodwill %	49,0	49,0	173,9
Exchange rates			
Average Rand/US$ exchange rate	6,5:1	7,5:1	7,2:1
Closing Rand/US$ exchange rate	6,7:1	7,3:1	6,6:1
SALIENT FINANCIAL FEATURES			
Headline profit/(loss)	132	(556)	(9 213)
Number of shares (millions)			
Issued	138	138	138
Weighted average	138	138	138
Diluted weighted average	139	138	140
Profit/(Loss) per share (cents)			
HEPS	0,10	(0,40)	(6,69)
Diluted HEPS	0,10	(0,40)	(6,69)
EPS	39,98	(1,43)	(19,32)
Diluted EPS	39,82	(1,43)	(19,32)
Net asset value per share (cents)	287	247	249
Net tangible asset value per share (cents)	229	193	204

GROUP BALANCE SHEET

	Unaudited	Restated Unaudited	Restated Unaudited

SEGMENTAL ANALYSIS

US$ 000's	Unaudited six months to 31 Aug 04	Restated Unaudited six months to 31 Aug 03	Restated Unaudited year ended 29 Feb 04
Revenue			
Westcon	1 043 972	859 724	1 840 500
Logicalis	140 866	138 126	263 663
AMG	19 023	13 783	27 352
Other Holdings	39 827	47 774	99 177
Revenue from ongoing operations	1 243 688	1 059 407	2 230 692
Discontinuing operations	7 593	70 664	116 256
	1 251 281	1 130 071	2 346 948
EBITDA			
Westcon	9 881	17 815	36 171
Logicalis	1 737	852	(382)
AMG	(79)	895	(723)
Other Holdings	(1 548)	(7 112)	(9 671)
Datatec Limited foreign exchange losses	–	(3 923)	(6 727)
EBITDA from ongoing operations	9 991	8 527	18 668
Discontinuing operations	257	3 791	5 120
	10 248	12 318	23 788
Operating profit/(loss)			
Westcon	4 497	11 470	23 781
Logicalis	97	(1 795)	(5 803)
AMG	(214)	449	(1 400)
Other Holdings	(1 909)	(7 433)	(10 330)
Datatec Limited foreign exchange losses	–	(3 923)	(6 727)
Operating profit/(loss) from ongoing operations	2 471	(1 232)	(479)
Discontinuing operations	102	1 312	1 540
	2 573	80	1 061
Total assets			
Westcon	728 239	700 415	797 771
Logicalis	135 818	129 777	124 430
AMG	42 205	27 876	9 780
Other Holdings	47 632	53 924	47 003
	953 894	911 992	978 984

DETERMINATION OF HEADLINE (PROFIT)/LOSS

US$ 000's	Unaudited six months to 31 Aug 04	Restated Unaudited six months to 31 Aug 03	Restated Unaudited year ended 29 Feb 04
Attributable profit/(loss) per the consolidated income statements	55 182	(1 975)	(26 612)
Headline (profit)/loss adjustments (net of taxation and outside shareholders):			
Goodwill impairment	–	–	14 361
Loss on disposal of plant and equipment	104	–	209
Exceptional items	(55 154)	1 419	2 829
(Profit)/Loss on disposal and closure of discontinued operations	(55 154)	1 433	2 885
Other	–	(14)	(56)
Headline profit/(loss)	132	(556)	(9 213)

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' FUNDS

US$ 000's	Unaudited six months to 31 Aug 04	Restated Unaudited six months to 31 Aug 03	Restated Unaudited year ended 29 Feb 04
Balance at beginning of period	344 283	337 886	337 886
Attributable profit/(loss) for the period	55 182	(1 975)	(26 612)
Shares issued	–	–	341
Prior period adjustment – adoption of AC 133	–	(393)	(393)
Translation difference on equity loans	890	(4 444)	(579)
Tax effect of equity loans movement	–	–	(245)
Deferred tax on goodwill previously charged directly to equity	–	–	859
Translation of foreign subsidiaries	(4 387)	8 542	33 026
Balance at end of period	395 968	339 616	344 283

RECONCILIATION BETWEEN PREVIOUS SA GAAP AND IFRS

US$ 000's	Unaudited six months to 31 Aug 03			Unaudited year ended 29 Feb 04		
	Previous SA GAAP	Effect of transition to IFRS	IFRS	Previous SA GAAP	Effect of transition to IFRS	IFRS
Gross margin	142 233	–	142 233	275 420	–	275 420
Operating profit before finance costs, depreciation and amortisation	12 318	–	12 318	23 788	–	23 788
Operating profit before goodwill amortisation, impairment and other income	80	–	80	1 061	–	1 061
Goodwill amortisation	(6 218)	6 218	–	(12 091)	12 091	–
Goodwill impairment	–	–	–	(14 361)	–	(14 361)
Other income		–	–	81	–	81
Operating profit/(loss)	(6 138)	6 218	80	(25 310)	12 091	(13 219)
Exceptional items	(5 160)	3 519	(1 641)	(6 438)	3 555	(2 883)
Interest received	9 242	–	9 242	5 150	–	5 150
Finance costs	(8 492)	–	(8 492)	(9 570)	–	(9 570)
Profit/(Loss) before taxation	(10 548)	9 737	(811)	(36 168)	15 646	(20 522)
Taxation	(267)	69	(198)	(5 336)	(525)	(5 861)
Profit/(Loss) after taxation	(10 815)	9 806	(1 009)	(41 504)	15 121	(26 383)
(Loss)/Profit attributable to outside shareholders	(290)	(676)	(966)	521	(750)	(229)

GROUP BALANCE SHEET

US$ 000's	Unaudited 31 Aug 04	Restated Unaudited 31 Aug 03	Restated Unaudited 29 Feb 04
ASSETS			
Non-current assets	126 929	129 892	118 028
Property, plant and equipment	21 410	29 822	27 726
Capitalised development expenditure	12 065	10 961	11 769
Goodwill	68 498	62 890	52 024
Investments	745	667	920
Deferred tax assets	24 211	25 552	25 589
Current assets	826 965	782 100	860 956
Inventories	222 592	203 273	247 045
Receivables	404 376	401 577	428 810
Cash and cash equivalents	199 997	177 250	185 101
Total assets	953 894	911 992	978 984
EQUITY AND LIABILITIES			
Ordinary shareholders' funds	395 968	339 616	344 283
Outside shareholders' interest	23 353	19 052	19 276
Total shareholders' funds	419 321	358 668	363 559
Long-term liabilities	1 231	1 187	3 656
Deferred tax liabilities	5 678	10 494	3 987
Current liabilities	527 664	541 643	607 782
Payables and provisions	414 524	455 231	497 342
Amounts owing to vendors	635	1 399	438
Taxation	9 909	7 422	13 604
Bank overdrafts	102 596	77 591	96 398
Total equity and liabilities	953 894	911 992	978 984
Capital expenditure incurred in current period	5 232	4 273	9 809
Capital commitments at end of period	3 814	2 971	9 267
Lease commitments at end of period	122 672	95 376	127 196
Payable within one year	18 670	18 328	22 355
Payable after one year	104 002	77 048	104 841

ABRIDGED GROUP CASH FLOW STATEMENT

US$ 000's	Unaudited six months to 31 Aug 04	Restated Unaudited six months to 31 Aug 03	Restated Unaudited year ended 29 Feb 04
EBITDA	10 248	12 318	23 788
Loss on disposal of property, plant and equipment	104	–	352
Non-cash items	103	3 989	5 833
Cash generated before working capital changes	10 455	16 307	29 973
Working capital changes	(32 966)	(21 139)	(58 995)
Decrease/(Increase) in inventories	19 846	1 240	(41 457)
Decrease/(Increase) in receivables	13 337	(63 092)	(84 494)
(Decrease)/Increase in payables	(66 149)	40 713	66 956
Cash utilised from operations	(22 511)	(4 832)	(29 022)
Net finance costs paid	(2 219)	750	(4 420)
Taxation (paid)/refunded	(4 047)	3 410	1 494
Net cash outflow from operating activities	(28 777)	(672)	(31 948)
Net cash outflow from investing activities	(23 775)	(3 424)	(8 243)
Net cash inflow from disposal of operations and investments	66 000	2 363	4 878
Net cash outflow from financing activities	(2 439)	(16 908)	(12 213)
Increase/(Decrease) in cash and cash equivalents	11 009	(18 641)	(47 526)
Translation difference on opening cash position	(2 311)	2 696	20 625
Cash and cash equivalents at beginning of period	88 703	115 604	115 604
Cash and cash equivalents at end of period (*)	97 401	99 659	88 703

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

Profit/(Loss) before taxation	(10 548)	9 737	(811)	(36 168)	15 646	(20 522)
Taxation	(267)	69	(198)	(5 336)	(525)	(5 861)
Profit/(Loss) after taxation	(10 815)	9 806	(1 009)	(41 504)	15 121	(26 383)
(Loss)/Profit attributable to outside shareholders	(290)	(676)	(966)	521	(750)	(229)
Attributable profit/(loss)	(11 105)	9 130	(1 975)	(40 983)	14 371	(26 612)
ASSETS						
Non-current assets	121 325	8 567	129 892	105 439	12 589	118 028
Property, plant and equipment	29 822	–	29 822	27 726	–	27 726
Capitalised development expenditure	10 961	–	10 961	11 769	–	11 769
Goodwill	53 400	9 490	62 890	38 923	13 101	52 024
Investments	667	–	667	920	–	920
Deferred tax assets	26 475	(923)	25 552	26 101	(512)	25 589
Current assets	782 100	–	782 100	860 956	–	860 956
Total assets	903 425	8 567	911 992	966 395	12 589	978 984
EQUITY AND LIABILITIES						
Ordinary shareholders' funds	331 724	7 892	339 616	332 506	11 777	344 283
Outside shareholders' interest	18 377	675	19 052	18 464	812	19 276
Total shareholders' funds	350 101	8 567	358 668	350 970	12 589	363 559
Long-term liabilities	1 187	–	1 187	3 656	–	3 656
Deferred tax liabilities	10 494	–	10 494	3 987	–	3 987
Current liabilities	541 643	–	541 643	607 782	–	607 782
Total equity and liabilities	903 425	8 567	911 992	966 395	12 589	978 984

As a result of adopting IFRS 3, combined with IFRS 1, the following material adjustments were recorded:
- Goodwill is no longer amortised. No additional impairment losses were considered necessary.
- As a result of goodwill no longer being amortised, deferred tax on goodwill that can be claimed for tax purposes was impacted.
- Foreign currency translation reserves have been transferred to distributable reserves.
- Exceptional items were affected by the reclassification from currency translation reserve to distributable reserves at the date of transition.
- Minorities were affected by the above adjustments.

There was no change in net equity at the date of adoption of IFRS 1.

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 communications convergence products ("Westcon"), IT infrastructure solutions and network integration ("Logicalis") and strategic telecommunications consulting ("Analysys Mason Group" or "AMG"). The Group also has other interests, which are included with the Group Head Office under Other Holdings. These interests include Westcon AME (operating in Africa), Online Distribution (operating in the Middle East) and RangeGate (operating in South Africa ("SA") and the United Kingdom ("UK")).

2. REPORTING

This report has been prepared in accordance with the Group's accounting policies which fully comply with International Financial Reporting Standards ("IFRS"). The accounting policies were changed with effect from 1 March 2004 to comply with IFRS. The transition to IFRS is accounted for in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards), with 1 March 2003 as the date of transition. Comparative numbers have accordingly been restated.

3. COMMENTARY ON RESULTS

Management has reversed a declining trend in the Group's financial results for the past four reporting periods. The Group's prudent financial management and control has strengthened the balance sheet, cash position and profitability. The financial results for the six months ended 31 August 2004 reflect revenue growth of 11% to $1,25 billion, compared with $1,13 billion for the previous comparable period, while operating profit before goodwill impairment and other income grew from $80 000 to $2,6 million. Headline earnings per share improved to 0,10 cents, compared with a restated loss per share of 0,40 cents for the previous comparable period.

These results would have been substantially better had it not been for the $8 million of non-recurring expenses encountered in Westcon.

The effective rate of tax on profit before exceptional items and goodwill of 49% is high due to certain subsidiaries making losses which will be carried forward for tax purposes, while other subsidiaries made taxable profits in countries with tax rates equal to or higher than the South African normal tax rate. Management has taken a prudent approach to recognising deferred tax assets for tax losses arising in the current and the prior periods. This rate is currently the best estimate of the likely effective tax rate for the financial year ending 28 February 2005, but could vary significantly depending on individual subsidiary companies performance during the second half of the year.

An exceptional gain of $55,1 million was incurred during the period, relating to the sale of the Logicalis Australia and New Zealand businesses. At the end of August, the Group showed a net cash position of $97,4 million compared to a year-end balance of $88,7 million.

4. DIVISIONAL REVIEWS

4.1 Westcon

Westcon group's revenue increased, across all divisions and geographic regions, by 21,4% to $1,04 billion, however the gross margin for the period declined to 7,6% compared with 8,9% in the previous comparable period. The drop in gross margin was attributable mainly to lower margins in Europe, coupled with continuing pressure on global channel margins. The overall decline in gross margin is not a general trend, as Cisco margins in the US and Asia-Pacific regions increased slightly. EBITDA decreased from $17,8 million to $9,9 million and the EBITDA margin declined from 2,1% to 0,9%. This was due to the decrease in gross margins in Europe and non-recurring costs of approximately $8 million relating to the consolidation of facilities, the separation costs of the former CEO and the expensing of the previously capitalised IPO costs.

Management has taken action to reverse the decline in margin and the losses in Europe, which are out of pace with the positive performance of businesses elsewhere in the Group. Tom Dolan, the original founder of Westcon, has been appointed CEO during the period under review. He has undertaken a detailed examination of the processes and business practices and has produced a plan to increase the gross margins and return Europe to profitability. The plan involves applying the proven US model to Europe to improve the overall control and efficiencies. This entails a greater centralisation of marketing, customer relations, rebates, stocking, warehousing and logistics functions with the ultimate aim being more effective leverage of vendor relationships to improve both margins and terms for stock rotation and returns. The plan will cost approximately $4,0 million over the next two quarters to implement and positive results of the remedial action are expected in the next financial year.

During the period, Westcon's operating activities utilised $36 million of cash as working capital levels increased due to both increased revenue in the current period as well as a reduction in payables as the US took advantage of prompt payment opportunities with certain vendors.

Westcon has strong international relationships with the market leading vendors who are all showing growth. For the six-month period Cisco products made up 57% of Westcon's revenue followed by 11% for Nortel, 9% for Avaya and 23% for network extensions. Westcon actively generates partnerships amongst smaller specialist and niche players. From a geographic perspective, 55% of Westcon's revenue was generated in the Americas followed by 38% in Europe and 7% in Asia-Pacific.

The fundamentals of Westcon's business remain strong with a stable and growing

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UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2004

customer base. Westcon has improved its customer retention while the market remains highly competitive and has successfully increased its market share particularly in important high growth sectors such as convergence.

4.2 Logicalis

Logicalis has made solid progress in the six months ended 31 August 2004 and recorded its first operating profit in three years. Revenue from continuing operations rose by 2,0% over the same period last year to $140,9 million. This was 12,2% higher than the preceeding six months. Margins remained steady in comparison with the previous year and costs were tightly controlled to enable Logicalis to record an EBITDA from continuing operations of $1,7 million compared to $0,9 million in the equivalent six months of 2003. A small operating profit of $0,1 million was achieved in the period under review, which contrasts with the operating loss generated by continuing businesses of $1,8 million in the six months to 31 August 2003.

In March 2004, Logicalis sold its operations in Australia and New Zealand to IBM for $46,1 million and the inter-company loans of $19,9 million were also repaid to Logicalis.

Revenue growth in the period under review was achieved in each line of business: product sales, professional services and annuity revenue (managed services and maintenance) with the US businesses contributing 67,8% of Logicalis' total revenue. Gross margins were fractionally lower at 20,9% than in the six months ended 31 August 2003 (21,3%) principally as a result of a change in the revenue mix within product sales in the US. Operating costs were 19,6% of revenue compared to 20,7% in the equivalent period in the prior year.

Rigorous control of working capital was maintained throughout the period and days' sales outstanding of 41 days was attained at 31 August 2004 compared with 43 days at 29 February 2004. Net cash resources were $65,0 million compared to $25,8 million of net cash at 29 February 2004.

In accordance with its declared intention to focus its management and financial resources on the US and UK markets, Logicalis acquired Solution Technology, Inc. ("STI") with effect from 1 September 2004. STI is an IBM solution provider in the US and one of IBM's top 10 business partners with annual revenue of $90 million. This business will make a positive contribution to Logicalis' results in the second half of the current financial year. Where there is good strategic fit, management will take advantage of further opportunities to add value to the business through acquisition.

4.3 Analysys Mason Group ("AMG")

The past six months has seen a significant turnaround in the fortunes of AMG. Revenue of $19,0 million was achieved (2003: $13,8 million), a 38,0% increase on the comparable six months. There appears to be a recovery in the fortunes of the Telecoms operators and this, combined with their desire not to be left behind on the launch of 3G, has led to a significant increase in the demand for services in this sector. There has also been some easing of the billing rate pressures that led to depressing project margins in recent years.

AMG generated an EBITDA loss of $79 000, compared to EBITDA of $0,9 million in the comparable period. AMG incurred non-recurring expenses of $1,7 million, resulting from the closure of the Mason Employee Benefit Trust ("EBT"). The expense originated when Datatec bought the remaining shares which the EBT held in Mason. EBITDA of $1,6 million would have been generated, had it not been for this non-recurring expense.

On 7 August 2004, Analysys Limited was purchased and merged with Mason to create AMG, which is 14% owned by management. AMG has 300 full-time employees with nine offices across six countries. Clear benefits from working together have already been seen. With complementary skills and global reach, AMG are uniquely positioned to take advantage of the steady recovery taking place in the Telecoms sector.

4.4 Other Holdings

Westcon AME and Online Distribution

Westcon AME and Online Distribution are value-added networking distributors, in SA and the Middle East, respectively, whose operations mirror those of the Westcon group.

4.4 Other Holdings

Westcon AME and Online Distribution

Westcon AME and Online Distribution are value-added networking distributors, in SA and the Middle East, respectively, whose operations mirror those of the Westcon group. Revenue from ongoing operations for the period amounted to $35,8 million compared with $44,8 million for the same period last year. Operating profit amounted to $1,3 million compared with a loss of $0,8 million for the same period in the previous year. This increase is primarily attributable to a reduction in operating costs and careful management of the company's foreign exchange exposure.

The Group is in discussions with various parties to conclude a Black Economic Empowerment ("BEE") transaction for its South African business.

RangeGate

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

Revenue for the period amounted to $4,0 million compared with $3,2 million in the previous equivalent period. Operating losses amounted to $1,2 million compared with $1,1 million for the same period in the previous year. The Group is in discussions with various parties to conclude a BEE transaction for its South African business.

5. WESTCON IPO ("IPO")

The Westcon and Datatec Boards have decided to suspend the Westcon IPO process for the time being. The reasons for this decision by the Boards are firstly because the Nasdaq market has declined by approximately 10% and the valuation ratios of Westcon's major listed competitors have compressed sharply since the Westcon IPO was first announced in January 2004 and secondly the current financial performance of Westcon is below expectations. Under these conditions shareholders would be unlikely to obtain maximum value if the IPO was pursued.

The Board has also decided not to maintain Westcon's IPO filing with the Securities and Exchange Commission ("SEC"), and is accordingly temporarily suspending the process. Substantial ongoing costs are incurred in maintaining a filing with the SEC which include the external auditor's review of each quarter's financial results. Accordingly all costs incurred to date relating to the IPO have been expensed in the current period.

Management finds the circumstances that lead to this decision both disappointing and frustrating, but still aims to proceed with a future IPO of Westcon in conditions that will enable appropriate value to be achieved.

6. PROSPECTS

Significant progress has been made in turning around Logicalis, AMG, Online and Westcon AME that had previously made losses.

To address the disappointing performance of Westcon during the period under review, recent executive management changes, the streaming of operations especially in Europe and a drive to return gross margins to higher levels should deliver better operating profits, given the continuing strong performance of top line revenues.

The services divisions of Logicalis and AMG are showing signs of delivering more predictable revenue and profit growth. Overall corporate spending on IT infrastructure and professional services seems to have resumed modest growth, however competition remains intense.

Management expects that the progress made in the first half of this financial year will translate into increasingly profitable trading for the remainder of the year and that the performance in all of the Group's operations will continue to improve through the second half and into next year.

7. DIVIDENDS

It is presently the Group's policy not to pay dividends. All capital is retained to support future growth.

On behalf of the Board

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

27 October 2004