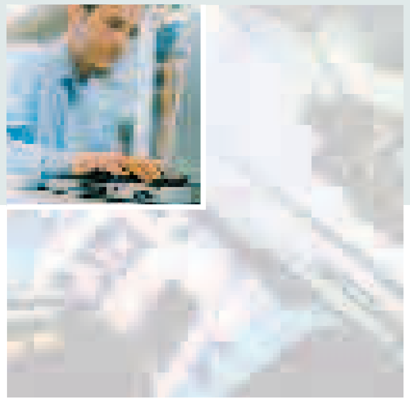
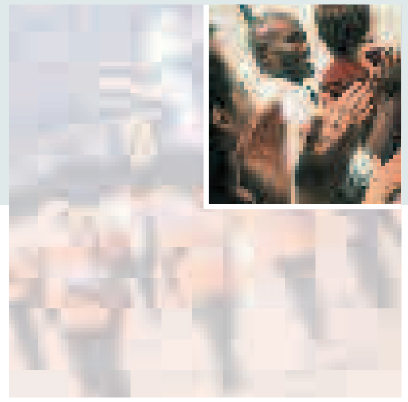
group unaudited results

for the six months ended 31 August 2005





DATATEC connecting minds™

- **Revenue up 15% to $1.4 billion**
- **EBITDA improves to $39.5m from $10.2m**
- **Headline earnings per share improves to 12.0 cents from 0.1 cent**
- **Net cash of $112m**

GROUP INCOME STATEMENT

US$ 000's	**Unaudited six months to 31 Aug 05**	Unaudited six months to 31-Aug-04	Audited year ended 28-Feb-05
Revenue	1 441 578	1 251 281	2 537 963
Continuing operations	1 415 045	1 239 504	2 434 509
Acquisitions	26 533	1 623	90 260
Ongoing operations	1 441 578	1 241 127	2 524 769
Discontinuing operations	–	10 154	13 194
Cost of sales	(1 278 168)	(1 126 565)	(2 271 709)
Gross margin	163 410	124 716	266 254
Operating costs	(123 899)	(114 468)	(241 390)
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	39 511	10 248	24 864
Ongoing operations	39 511	11 696	28 917
Discontinuing operations	–	(1 448)	(4 053)
Depreciation and other amortisation	(7 621)	(7 675)	(14 399)
Operating profit before goodwill impairment	31 890	2 573	10 465
Goodwill impairment	(271)	–	(2 014)
Foreign currency translation effects on goodwill	(1 505)	–	(1 301)
Operating profit	30 114	2 573	7 150
(Loss)/Profit on disposal and closure of discontinued operations	(1 445)	55 148	50 707
Interest received	2 455	2 274	5 001
Financing costs	(4 601)	(4 493)	(8 832)
Profit before taxation	26 523	55 502	54 026
Taxation	(11 898)	(180)	(1 661)
Profit after taxation	14 625	55 322	52 365
Profit attributable to outside shareholders	(1 041)	(140)	(107)

ABRIDGED GROUP CASH FLOW STATEMENT

US$ 000's	**Unaudited six months to 31 Aug 05**	Unaudited six months to 31-Aug-04	Audited year ended 28-Feb-05
EBITDA	39 511	10 248	24 864
(Profit)/Loss on disposal of property, plant and equipment	(19)	104	595
Non-cash items	8 047	103	12 498
Cash generated before working capital changes	47 539	10 455	37 957
Working capital changes	(33 563)	(32 966)	(9 114)
Decrease in inventories	5 297	19 846	41 439
(Increase)/Decrease in receivables	(74 901)	13 337	21 950
Increase/(Decrease) in payables	36 041	(66 149)	(72 503)
Cash generated/(utilised) from operations	13 976	(22 511)	28 843
Net finance costs paid	(2 146)	(2 219)	(3 831)
Taxation paid	(5 464)	(4 047)	(5 473)
Net cash inflow/(outflow) from operating activities	6 366	(28 777)	19 539
Net cash outflow from investing activities	(28 692)	(23 775)	(41 332)
Net cash inflow from disposal of operations and investments	–	66 000	65 801
Net cash inflow/(outflow) from financing activities	4 085	(2 439)	1 067
(Decrease)/Increase in cash and cash equivalents	(18 241)	11 009	45 075
Translation difference on opening cash position	(10 254)	(2 311)	6 492
Cash and cash equivalents at beginning of period	140 270	88 703	88 703
Cash and cash equivalents at end of period (*)	111 775	97 401	140 270

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

SEGMENTAL ANALYSIS

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 ("AMG"). 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).

2. IFRS REPORTING

This report has been prepared in accordance with the Group's accounting policies which fully comply with International Financial Reporting Standards ("IFRS").

3. COMMENTARY ON FINANCIAL RESULTS

The Group continued its return to profitability during the review period. Revenues rose by 15% to $1.44bn (2004: $1.25bn), while gross margin increased from 10% to 11%. Operating profit increased to $31.9m (2004: $2.6m). Headline earnings per share grew commensurately to 12.0 cents (2004: 0.1 cent) and the Group ended the first six months with net cash on hand of $111.8m.

The effective tax rate before exceptional items and goodwill impairment decreased from 49% to 40%, and this is our estimated tax rate for the year as a whole.

4. DIVISIONAL REVIEWS

4.1 Westcon

Westcon increased revenues by 8% to $1.1bn (2004: $1.0bn), attributable mainly to growth in the Americas and in the Asia Pacific region. The gross margin rose to 8.5% from 7.6% with the settlement of the Lucent litigation contributing $4.3m to this figure. Without it, the gross margin would have been 8.1%. Westcon's higher margins in the Americas and Asia Pacific region helped to offset the lower margins achieved in Europe. Increased operating efficiencies coupled with effective cost control initiatives reduced operating expenses to $64.9m or 5.8% of revenue during the current period from $69.2m or 6.6% of revenue in 2005. EBITDA margins increased to 2.7% for the review period from 0.9% in 2004.

solution provider focused on high-end IBM zSeries mainframe solutions was bought into the group.

In July 2005, Logicalis acquired Hawke Systems Limited, a $25 million-a-year supplier of advanced computing infrastructure solutions and one of HP's top Enterprise and Storage Elite Partners in the UK.

In September 2005 Logicalis acquired TBC Group Limited, an IBM Premier partner and supplier of advanced computing infrastructure and managed service solutions based mainly around the IBM eServer range, database applications and IBM middleware. With annual revenues over $50m, this acquisition positions Logicalis as one of IBM's top three partners in the UK.

4.3 Analysys Mason Group

AMG increased revenues during the period by 58% to $30.1m (2004: $19m). A 10.3% margin saw EBITDA more than double to $3.3m (2004: $1.6m recurring) and operating profit of $3.0m (2004: $1.5m recurring).

In little more than a year since the merger of Mason and Analysys, management has continued to take advantage of the opportunities it has created. Client reaction to the joint service offerings has remained positive and new business gains and project sizes have almost doubled, compared with those achieved by the individual companies prior to the merger.

There is ongoing investment by European and global operators in the roll out of third generation (3G) networks and new mobile technologies and the group is well-placed to take advantage of the opportunities that this is creating. There has also been a marked increase in the level of merger and acquisition activity in the Telecoms sector and this is generally a positive indicator of the impending business climate.

4.4 Other Datatec subsidiaries

Westcon AME

Westcon AME is a South African-based value-added networking equipment distributor whose operations mirror those of the Westcon group. Its revenues declined during the review period to $17.8m (2004: $22.7m). EBITDA amounted to $0.1m (2004: $1.1m).

On Line Distribution

Profit after taxation	14 625	55 322	52 365
Profit attributable to outside shareholders	(1 041)	(140)	(107)
Attributable profit	13 584	55 182	52 258
KEY RATIOS			
Gross margin %	11.3	10.0	10.5
EBITDA on ongoing operations %	2.7	0.9	1.1
Effective tax rate before exceptional items and goodwill %	40.0	49.0	25.0
Exchange rates			
Average Rand/US$ exchange rate	6.4:1	6.5:1	6.2:1
Closing Rand/US$ exchange rate	6.5:1	6.7:1	5.8:1
SALIENT FINANCIAL FEATURES			
Headline earnings	16 786	132	5 459
Number of shares (millions)			
Issued	142	138	138
Weighted average	140	138	138
Diluted weighted average	143	139	141
Earnings per share (cents)			
HEPS	12.02	0.10	3.95
Diluted HEPS	11.74	0.10	3.88
EPS	9.73	39.98	37.84
Diluted EPS	9.50	39.82	37.18
Net asset value per share (cents)	294	287	298
Net tangible asset value per share (cents)	208	229	228

GROUP BALANCE SHEET

US$ 000's	**Unaudited 31 Aug 05**	Unaudited 31-Aug-04	Audited 28-Feb-05
ASSETS			
Non-current assets	161 491	126 929	138 608
Property, plant and equipment	18 844	21 410	20 251
Capitalised development expenditure	12 026	12 065	12 506
Goodwill	105 575	68 498	81 925
Other intangible assets	4 405	–	1 842
Investments	6	745	–
Deferred tax assets	20 635	24 211	22 084
Current assets	908 130	826 965	841 778
Inventories	201 343	222 592	205 771
Receivables	498 798	404 376	417 461
Cash and cash equivalents	207 989	199 997	218 546
Total assets	1 069 621	953 894	980 386
EQUITY AND LIABILITIES			
Ordinary shareholders' funds	416 879	395 968	412 227
Outside shareholders' interest	25 068	23 353	24 089
Total shareholders' funds	441 947	419 321	436 316
Long-term liabilities	2 731	1 231	1 450
Deferred tax liabilities	1 978	5 678	2 500
Current liabilities	622 965	527 664	540 120
Payables and provisions	508 422	414 524	446 949
Amounts owing to vendors	2 843	635	3 048
Taxation	15 486	9 909	11 847
Bank overdrafts	96 214	102 596	78 276
Total equity and liabilities	1 069 621	953 894	980 386
Capital expenditure incurred in current period	4 483	5 232	10 009
Capital commitments at end of period	4 820	3 814	10 198
Lease commitments at end of period	112 518	122 672	109 286
Payable within one year	14 687	18 670	17 234
Payable after one year	97 831	104 002	92 052

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

SEGMENTAL ANALYSIS

US$ 000's	**Unaudited six months to 31 Aug 05**	Unaudited six months to 31-Aug-04	Audited year ended 28-Feb-05
Revenue			
Westcon	1 127 449	1 043 972	2 055 015
Logicalis	247 274	139 107	340 875
AMG	30 072	19 023	52 058
Other Holdings	36 783	39 025	76 821
Revenue from ongoing operations	1 441 578	1 241 127	2 524 769
Discontinuing operations	–	10 154	13 194
	1 441 578	1 251 281	2 537 963
EBITDA			
Westcon	30 768	9 881	25 043
Logicalis	7 442	2 359	9 770
AMG	3 263	(79)	3 340
Other Holdings and head office	(1 962)	(465)	(9 236)
EBITDA from ongoing operations	39 511	11 696	28 917
Discontinuing operations	–	(1 448)	(4 053)
	39 511	10 248	24 864
Operating profit before goodwill impairment			
Westcon	25 976	4 497	15 420
Logicalis	5 182	741	6 214
AMG	3 037	(214)	3 007
Other Holdings and Head Office	(2 305)	(815)	(9 920)
Operating profit from ongoing operations	31 890	4 209	14 721
Discontinuing operations	–	(1 636)	(4 256)
	31 890	2 573	10 465
Total assets			
Westcon	784 658	728 239	724 605
Logicalis	212 338	135 818	163 943
AMG	52 871	42 205	43 027
Other Holdings	19 754	47 632	48 811
	1 069 621	953 894	980 386

DETERMINATION OF HEADLINE EARNINGS

Attributable profit per the consolidated income statements	13 584	55 182	52 258
Headline earnings adjustments (net of taxation and outside shareholders):			
Goodwill impairment	271	–	2 014
Foreign currency translation effects on goodwill	1 505	–	1 301
(Profit)/Loss on disposal of plant and equipment	(19)	104	595
Exceptional items:			
Loss/(Profit) on disposal and closure of discontinued operations	1 445	(55 154)	(50 709)
Headline earnings	16 786	132	5 459

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' FUNDS

Balance at beginning of period	412 227	344 283	344 283
Attributable profit for period	13 584	55 182	52 258
Shares issued	4 107	–	574
Translation difference on equity loans	(5 601)	890	(2 841)
Tax effect of equity loans movement	–	–	(315)
Translation of foreign subsidiaries	(7 438)	(4 387)	18 268
Balance at end of period	416 879	395 968	412 227

of revenue in 2005. EBITDA margins increased to 2.7% for the review period from 0.9% in 2004.

During the period Westcon's operations generated $10m in cash compared to $36m consumed during the comparable period last year. By the end of the first half, Westcon had net cash on hand of $8.5m.

Cisco sourced products accounted for 59% of Westcon group's revenues during the review period, followed by Nortel (10%), Avaya (9%), Nokia (4%), Checkpoint (4%) and other network products (14%). From a geographic perspective 56% of Westcon group revenues were generated in the Americas followed by Europe (36%) and Asia-Pacific (8%).

Westcon's operating performance is expected to continue to improve in the second six months. With effect from 28 September 2005, Datatec has increased its shareholding in Westcon to 97.4% from 93.5% through the purchase by Westcon of the shares belonging to some founder minorities.

4.2 Logicalis

Revenue from continuing operations rose 78% to $247.3m (2004: $139.1m), while organic growth, excluding acquisitions, was 27%.

The total gross margin for the period remained relatively constant at 20.1% despite an increase in product-based business as a result of recent acquisitions made during the period. Management continued to keep a tight rein on costs and operating expenses declined from 19.2% of revenue to 17.1%.

The total EBITDA for the period was $7.4m compared to $2.4m last year, an increase of 217%. Total operating profit, after depreciation and amortisation, amounted to $5.2m compared with $0.7m for the previous comparable period.

Net cash declined from $56.9m at 28 February 2005 to $30.9m at 31 August 2005, mainly due to the $24.2m spent on acquisitions during the period. In August 2005, a four-year $50m loan facility was concluded with HSBC Bank in the US, to enable Logicalis to grow both organically and acquisitively in the year ahead.

Three strategic acquisitions were made during the review period. In March 2005 Notability Solutions Limited, a $40 million-a-year IBM business partner in the UK was acquired while in the US, Eisco Technology Inc., a $15 million-a-year US-based IBM

$0.1m (2004: $1.1m).

On Line Distribution

Dubai based On Line Distribution is a value-added networking equipment distributor, servicing the Middle Eastern and North African markets. Its operations also mirror those of the Westcon group.

Revenue rose 28% to $16.8m (2004: $13.1m) on buoyant sales to the security and automotive sectors in that region. EBITDA rose to $0.8m (2004: $0.4m).

RangeGate

Located in SA, 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. While revenues declined during the period to $2.2m (2004: $3.2m), an EBITDA profit of $0.03m was achieved compared with a loss of $0.07m in the previous comparable period.

5. PROSPECTS

The Group has made considerable progress over the last six months, revenues and gross margins have increased and operating costs have been tightly controlled leading to a significant improvement in operating profits in all major divisions.

We expect continued improvement in our financial performance and consolidate further the gains in market share whilst improving operating efficiencies at all levels.

Despite economic uncertainties such as the effects of higher world energy prices, we believe that our scale, focus and execution will allow us to deliver consistent performance improvements for the remainder of the year.

6. DIVIDENDS

To date the Company's policy has been not to pay dividends. The Board is now considering declaring a maiden dividend at the end of the financial year.

On behalf of the Board:

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

26 October 2005

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 LIMITED ("Datatec")
Registration number 1994/005004/06
Share code: DTC • ISIN: ZAE000017745

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