www.datatec.co.za

DATATEC ANNUAL REPORT 2004

ANNUAL
REPORT
2004

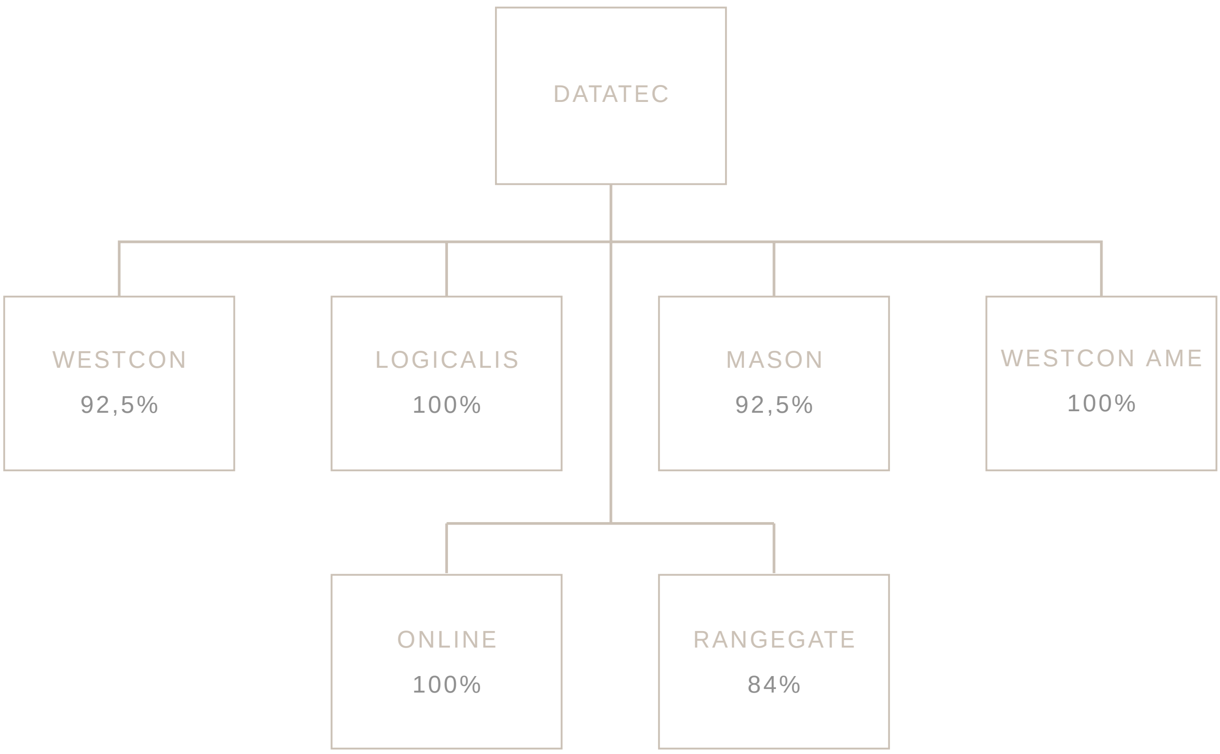
DATATEC
connecting minds

CONTENTS

"A PLACE FOR EVERYTHING AND EVERYTHING HAS ITS PLACE." DATATEC HAS SUSTAINED A SOUND METHODOLOGY AND CULTURE AROUND CORPORATE GOVERNANCE.

- ENHANCE AND PROTECT DATATEC SHAREHOLDER VALUE
- TO DELIVER LONG-TERM, SUSTAINABLE, ABOVE AVERAGE RETURNS THROUGH INVESTING, OPERATING AND VALUE REALISATION WITHIN THE BUSINESS
- TO PROVIDE A BEST-IN-CLASS PORTFOLIO OF ACTIVELY MANAGED BUSINESSES IN THE INTERNATIONAL IT NETWORKING SECTOR
- TO BE AN EMPLOYER OF CHOICE, ATTRACTING, DEVELOPING AND RETAINING THE BEST AND KEY TALENTS
- TO BE ETHICAL, HONEST, SOCIALLY RESPONSIBLE AND ACCEPTABLE CORPORATE CITIZENS TO ALL OUR STAKEHOLDERS

GROUP STRUCTURE AT FINANCIAL YEAR END



CORPORATE PROFILE

Datatec and its subsidiaries ("the Group") is an international networking and IT services group with operations in Europe, North America, South America, Africa, Middle East and the Asia Pacific region. The Group generates more than 97% of its revenue in foreign currency outside South Africa.

The Group provides active management support in the strategic direction and operations of its subsidiaries and has three principal lines of business:

- Westcon, a global channel provider of advanced networking and communications convergence products, based in New York, United States of America ("US") and the largest distributor world-wide of equipment in this sector, with operations in fifteen countries;
- Logicalis, an international infrastructure solutions and IT network integration group headquartered in Slough, United Kingdom ("UK") and with operations in seven countries; and
- Mason, a strategic telecommunications consultancy headquartered in Manchester in the UK and focusing on UK and European clients.

The Group also has similarly focused operations under Other Holdings. These are Westcon AME (operating in Africa), Online Distribution (operating in the Middle East) and RangeGate (operating in South Africa ("SA") and the UK).

GLOBAL FOOTPRINT

	2004	2003	2002	2001	2000	1999
In US Dollars ($ 000's)						
Revenue	2 346 948	2 062 541	2 197 618	2 760 155	1 858 890	1 142 540
Continuing operations	2 230 692	1 863 335	2 068 832	2 268 401	1 201 069	315 979
Acquisitions	–	103 467	21 076	207 256	360 244	677 103
Discontinued operations	116 256	95 739	107 710	284 498	297 577	149 458
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	23 788	18 250	89 926	145 050	114 061	82 332
Operating profit/(loss) before goodwill amortisation, impairment and other income	1 061	(5 356)	68 810	110 661	89 133	69 816
Westcon	23 781	20 908	62 796	106 263	59 952	52 114
Logicalis	(6 543)	(6 158)	274	5 127	23 715	8 867
Mason	(1 400)	2 056	590	4 713	678	–
Other Holdings	(9 590)	(5 268)	(4 661)	(7 506)	(6 257)	1 417
Datatec Limited foreign exchange (loss)/gain	(6 727)	(10 730)	15 501	11 784	271	–
Discontinued operations	1 540	(6 164)	(5 690)	(9 720)	10 774	7 418
Operating (loss)/profit	(25 310)	(31 774)	2 665	100 029	89 133	69 816
(Loss)/profit before taxation	(36 168)	(29 080)	(17 617)	180 192	87 060	64 154
(Loss)/profit after taxation	(41 504)	(31 683)	(36 457)	138 937	62 633	37 652
Attributable (loss)/earnings	(40 983)	(31 513)	(37 636)	131 211	61 220	33 547
Headline (loss)/earnings	(9 082)	(9 842)	37 036	56 269	58 711	38 826
Non-current assets	105 439	144 326	141 229	169 240	114 566	81 772
Current assets	860 956	747 351	735 651	1 084 019	884 031	665 190
Ordinary shareholders' funds	332 506	337 886	353 570	412 799	214 889	142 543
Outside shareholders' interest	18 464	18 782	17 391	32 432	21 433	13 242
Non-current liabilities	7 643	23 682	6 782	10 039	99 207	174 117
Current liabilities	607 782	511 327	499 136	797 988	658 819	417 059
Net cash (outflow)/inflow from operating activities	(31 948)	124 701	118 873	(5 995)	35 338	(7 976)
Net cash outflow from investing activities	(3 365)	(32 594)	(54 601)	(746)	(326 012)	(614 185)
Net cash (outflow)/inflow from financing activities	(12 213)	2 274	(10 093)	19 461	218 377	635 292
Net cash/(borrowings)	88 703	115 604	14 650	(39 528)	(79 147)	64 220
In US cents						
Headline (loss)/earnings per share	(7)	(7)	28	45	53	46
Basic (loss)/earnings per share	(30)	(23)	(29)	104	55	40
Net tangible asset value per share	204	195	208	254	181	143

	2004	2003	2002	2001	2000	1999
Summary of statistics						
Stock exchange performance						
Total number of shares traded ('000)	58 790	90 719	130 566	127 537	79 297	43 721
Total number of shares traded as a percentage of total shares	42,6%	65,9%	95,0%	99,1%	66,7%	55,3%
Total value of shares traded (R'million)	484	1 027	2 199	6 212	7 405	3 780
Prices (cents)						
Closing	1 480	500	1 650	1 650	11 600	9 560
High	1 750	1 850	2 500	11 700	14 500	12 800
Low	370	470	880	1 450	5 530	4 600
Market capitalisation	2 042	689	2 267	2 124	13 798	9 551
Shares issued						
Issued (million)	138	138	137	128	119	100
Weighted average (million)	138	138	131	126	112	84
Ratios						
Return on total assets	0,1%	(0,6%)	7,8%	8,8%	8,9%	9,3%
Return on ordinary shareholders' funds	(1,0%)	(2,2%)	16,6%	23,3%	37,6%	48,5%
Debt/equity ratio	0,02:1	0,07:1	0,02:1	0,02:1	0,46:1	1,22:1
Current ratio	1,4:1	1,5:1	1,5:1	1,4:1	1,3:1	1,6:1
Interest cover	0,1	–	3,8	3,3	3,8	6,2
SA Consumer Price Index	5,8	9,2	5,7	5,3	5,2	6,9
Employees						
Number of employees	2 389	3 202	3 023	3 830	4 135	2 913
Revenue per employee ($'000)	982	644	727	721	450	392
Exchange rates						
Rand/$ income statement translation rate	7,2	9,7	9,6	7,3	6,2	5,8
Rand/$ balance sheet translation rate	6,6	8,1	11,4	8,0	6,6	6,3

Notes:

– Westcon is consolidated into the Group's results based on Westcon's results for its financial year ended 28 February for the 2003, 2002, 2001 and 2000 periods. Westcon's results for these years are thus translated at a different Rand/$ exchange rate.

– 2003 represents an eleven-month period for all Group companies other than Westcon, which is included for a twelve-month period.

– Detailed segmental information is set out in note 26 of the Annual Financial Statements on pages 78 – 81.

– The SA Consumer Price Index sourced from Standard Bank of South Africa Limited.

– Return on total assets is calculated utilising operating profit/(loss) before goodwill amortisation, impairment and other income.

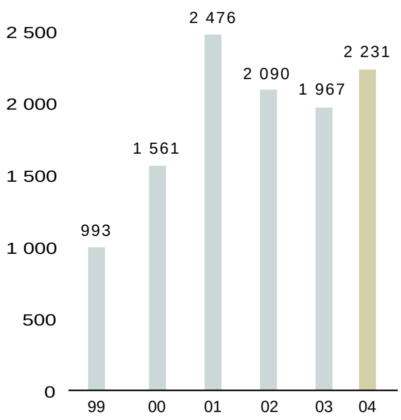
– Return on ordinary shareholders' funds is calculated utilising, operating profit/(loss) before goodwill amortisation, impairment and other income after adjusting for net financing costs.

– Debt includes all long-term liabilities including amounts due to vendors of a long-term nature.

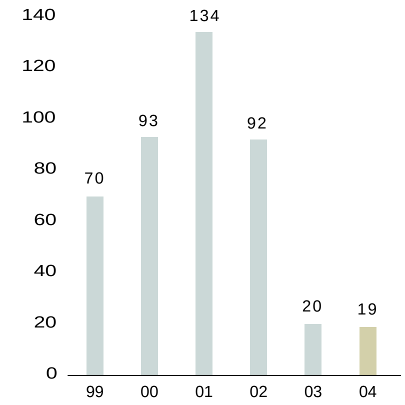
– Current ratio is calculated on all current assets and current liabilities.

– Interest cover is calculated as a ratio of financing costs to operating profit/(loss) before goodwill amortisation, impairment and other income.

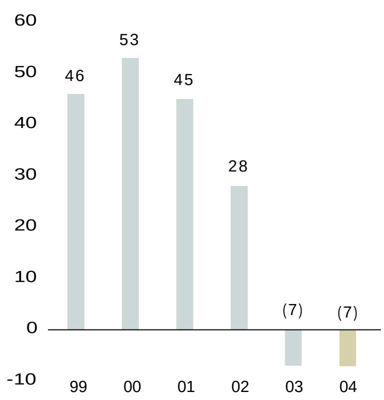
– Net tangible asset value per share is calculated on net asset value exclusive of goodwill and capitalised development costs and the number of shares in issue at the end of the financial period.

$ million


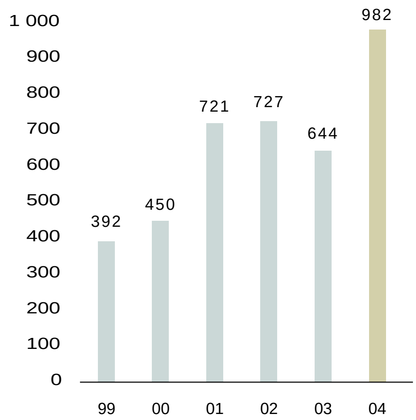
Revenue (ongoing operations)

$ million


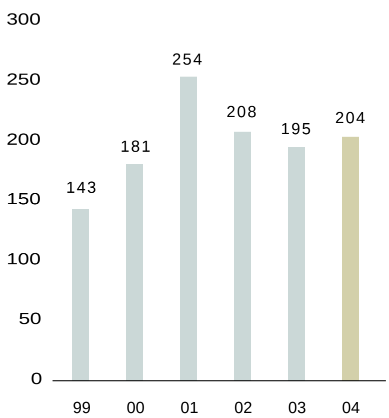
EBITDA (ongoing operations)

Cents


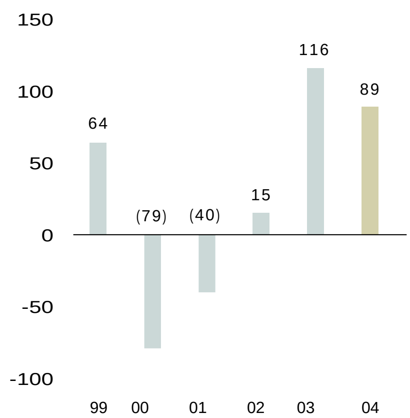
Headline (loss)/earnings per share

$ 000


Revenue per employee

Cents


Net tangible asset value per share

$ million


Net cash/(borrowings)

JENS MONTANANA
CHIEF EXECUTIVE OFFICER, AGE 43
(BRITISH)

Date of appointment 6 October 1994. Jens is the founder and chief architect behind Datatec, which he established in 1986. Between 1989 and 1993 Jens served as managing director and vice-president of US Robotics (UK) operations, a wholly owned subsidiary of US Robotics, now 3Com. In 1993 he co-founded US start up Xedia Corporation in Boston, MA, an early pioneer of network switching and now one of the market leaders in IP bandwidth management, which was subsequently sold to Lucent Corporation. In 1994 Jens returned to SA and listed Datatec on the JSE Securities Exchange South Africa. Jens is also CEO of the 100% owned subsidiary company Logicalis, a role he assumed in October 2002.

DAVID PFAFF
GROUP FINANCE DIRECTOR, AGE 39
(SOUTH AFRICAN)

Date of appointment 1 July 2001. David was appointed the Group Finance Director on 1 June 2002. In addition to his Finance Director role, David is also responsible for global investor relations and corporate communications. Prior to joining Datatec, David was a director of Anglo American Industrial Corporation and many of its subsidiaries.

LESLIE BOYD
INDEPENDENT NON-EXECUTIVE CHAIRMAN, AGE 67 (SOUTH AFRICAN)

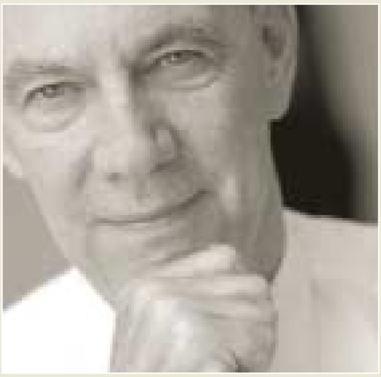
Date of appointment 6 December 2001. In addition to his position as Chairman at Datatec, Leslie is chairman of Imperial Holdings. Leslie is also a director of a number of other companies including: ABSA Bank, Anglo American Platinum Corporation, Highveld Steel and Vanadium Corporation and The Tongaat-Hulett Group. In the past, Leslie has also held chairman positions at several of these companies. Leslie was the founding president of the South African Chamber of Business in 1990 and was president of the South African Foundation 1999/2000.

COLIN BRAYSHAW
INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 68 (SOUTH AFRICAN)

Date of appointment 6 December 2001. Colin is currently chairman of Coronation Investment and Trading and a non-executive director on the boards of a number of listed companies, including: Anglogold, Anglo Platinum Corporation, AECI, Johnnic Holdings, Johnnic Communications and Highveld Steel and Vanadium Corporation. Previously he was chairman and managing partner of Deloitte & Touche and various of its predecessor firms.

NICK TEMPLE
INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 56 (BRITISH)

Date of appointment 1 October 2002. Nick has had a distinguished career at IBM. Serving for thirty 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 Electro-components and Blick, the latter as non-executive chairman.



CEDRIC SAVAGE
INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 65 (SOUTH AFRICAN)

Date of appointment 6 December 2001. Cedric is non-executive chairman of The Tongaat-Hulett Group, and a director of a number of companies, including AECI, Harmony Gold Mining Company, General Motors SA and Nedbank.

CHRIS SEABROOKE
INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 51 (SOUTH AFRICAN)

Date of appointment 6 October 1994. Chris is CEO of Sabvest, which is a listed investment group with interests in SA and the UK. He is non-executive chairman of Massmart and of MGX and a director of three other JSE-listed companies – Primedia, Primeserv and Set Point. He also chairs the State Theatre of South Africa. Internationally he is chairman of trade finance and financial services groups in Europe.

The year under review saw the gradual emergence of the major markets in which we operate from an extended period of contraction and downturn. There were tentative signs of improvement in the global economy in terms of sentiment and growth.

The effect of these changes on the information technology ("IT") sector has so far been mixed, and we probably need a few further quarters of improving performance indicators to establish whether the industry as a whole has turned decisively.

It is clear, however, that the low interest rate environment, particularly in the US, has fuelled consumer demand that has remained at extraordinary levels. The supply side, though, has yet to benefit. We would anticipate that at some point declining inventory levels and ageing technology infrastructure would prompt the start of a new period of corporate investment in capacity building.

Even then, the IT sector still has some work to do in convincing its corporate customers that during the next upturn they will not be overwhelmed by over-exuberant claims about the technology they need and its capabilities. We need to be aware that the frontier culture of an earlier era has been replaced by more modest expectations and longer investment horizons.

Datatec has often expressed the view that the next upturn for the IT sector will be characterised by more traditional demand and supply dynamics and greater circumspection in corporate decision-making on technology investments.

For the Group it is the investment in new capacity and fresh technology that will signal the beginning of a sustainable improvement in our financial performance.

PERFORMANCE

Datatec's performance in the 2004 financial year showed that the Group is yet to benefit tangibly or significantly from the general improvement in conditions.

In SA, interest rates were reduced substantially during the course of the year. In spite of this, the Rand remained strong and the US Dollar weak against all major currencies, posing a challenge for a group such as Datatec which earns more than 97% of its revenue in foreign currencies, mostly US Dollar denominated.

DATATEC OWES A LARGE PORTION OF ITS SUCCESS TO ITS ABILITY TO DETECT, UNDERSTAND AND IMMEDIATELY RESPOND TO FUNDAMENTAL CHANGES IN THE TECHNOLOGY MARKET.

Whilst our performance has improved over the 2003 financial year, and we did turn to an operating profit of $1,1 million (before goodwill amortisation, impairment and other income) in 2004 from an operating loss of $5,4 million for 2003, it is still disappointing to report a headline loss.

The Group's turnover in the 2004 financial year was $2,3 billion, 13,8% up on the previous year. The Group produced an EBITDA profit of $23,8 million. Translation losses due to the continuing strength of the Rand contributed to turning this into a headline loss of 6,59 cents a share for the year, compared to a headline loss of 7,14 cents a share the previous year. Management has continued to focus on the balance sheet which shows a net cash position of $88,7 million.

STRATEGIC FOCUS

Several key strategic challenges were noted in our last annual report and I am pleased to report that management has made significant progress in addressing them.

At an operational level, the Group continued to be managed in line with prevailing conditions and our balance sheet was again strengthened. Loss-making or sub-scale businesses were closely assessed and either disposed of or put on a more solid footing.

A certain lack of strategic flexibility due to Datatec's South African domicile and concomitant foreign exchange constraints limits our ability to act on new opportunities or adequately serve long-term capital expansion needs of the offshore subsidiaries that generate the bulk of Group revenue. To this end Datatec International Limited ("Datatec International") was established which will enable Datatec to raise a foreign denominated loan or bond if required.

Further significant progress was made late in the year under review when we initiated the process involved in undertaking an initial public offering ("IPO") for Westcon on the NASDAQ. At the time of writing this process was still underway, but I believe it is appropriate to address the rationale and benefits to Datatec shareholders of this IPO.

Given the constraints of the Group structure and domicile outlined above, we believe this transaction will unlock value for Datatec and its shareholders over the long term, as exposure to US interest on the NASDAQ will allow Westcon to compete on equal terms and on similar ratings to its peers.

In addition, the IPO will:

- provide liquidity to Datatec;

- fund the growth of Westcon through future acquisitions of businesses and assets that complement and expand its existing operations;
- reduce the funding burden on Datatec for future expansion strategies of Westcon;
- improve the existing capital structure of Westcon;
- gain access to the US domestic investor base; and
- attract, reward and retain employees through stock-based compensation plans.

Before we initiated the IPO process, the Group reviewed a number of related issues. Key among these is the dilutional impact on Datatec in terms of consolidated profit and earnings. However, we believe this will be more than offset by the appreciation in value that we will derive when the Group is viewed as a sum-of-the-parts rather than a consolidated earnings play.

On balance, then, it is our view that the Westcon IPO will benefit Datatec and enhance shareholder value through the placing of a market value on Westcon.

CORPORATE GOVERNANCE

Corporate governance remains prominent the world over in debate about the way companies are managed and management held accountable for performance. In particular, a current issue for those concerned with corporate governance matters is board attendance, participation and effectiveness. I am pleased to report a strong showing by members of the Datatec Board on all three criteria.

Board discussion and debate on the strategic and operational challenges faced by Datatec has been both frank and frequent and I believe the Board has been conscientious in protecting and advancing the interests of shareholders.

In a previous reporting period, the Board established several new committees charged with focusing on particular aspects of Datatec's governance. Among these were the Business Risk Committee and the Audit and Compliance Committee. However, having set up these structures, we felt that one committee could oversee these issues. We have therefore combined the Business Risk Committee and the Audit and Compliance Committee to form the Audit, Compliance and Risk Committee.

THE BOARD HAS BEEN CONSCIENTIOUS IN PROTECTING AND ADVANCING THE INTERESTS OF SHAREHOLDERS.

Datatec remains compliant with the King II Report, with the exception of a safety, health and environmental policy as the Group operates predominantly in an office-based environment, and complies with all the corporate governance requirements of the JSE Listings Requirements. During the year a code of ethics was adopted by the Board, and rolled out throughout the Group. Board succession is being considered and addressed.

A detailed report on corporate governance can be found on pages 37 to 40 of this report.

BOARD AND APPRECIATION

After seven years of service to the Board of Datatec, Mendel Karpul tendered his resignation with effect from 31 August 2003. Mendel's involvement with Datatec was particularly close and his input over the years significant. I thank him for his contributions and wish him well.

In anticipation of the Westcon IPO, John McCartney and Alan Marc Smith resigned as directors of Datatec with effect from 3 March 2004. I thank them for their contributions.

To all those who served on the Board of Datatec over the past year I extend my sincere appreciation.

I thank Jens Montanana and the Datatec team for their continuing efforts to keep the Group strong and ready to grow.

PROSPECTS

Globally, the political situation in the Middle East and elsewhere remains a good deal less stable than the promising economic conditions we have entered. In the year ahead there remains a certain level of risk that the emerging global economic recovery could be damaged by the fallout from political events.

However, if economic conditions remain on their current firmer trend, Datatec's strong balance sheet and management's focus on returning to headline earnings profitability mean the Group should further improve results in the 2005 financial year.

L Boyd

LESLIE BOYD

Chairman

23 June 2004

OVERVIEW AND MARKET CONDITIONS

The 2004 financial year was another difficult year. However signs of a more sustainable recovery are increasingly evident after a patchy performance during the middle part of the year followed an initially positive start. We are encouraged by the improving performance of the last few months and the more positive trading and forward looking statements from some of our major vendors.

Against this backdrop one must assess the overall trading performance. While comparison with our peers and suppliers does not necessarily produce direct parallels, the indicators support a more optimistic outlook.

This mild optimism and improved economic performance in the global economy is being underpinned by stronger profit recovery in the corporate sector, continued productivity gains, especially in the US, as the US Dollar has weakened, and some signs of modest inflationary pressures.

In response, monetary authorities in key markets have begun raising interest rates or indicating similar intentions. Generally, interest rate rises, as seen in the UK and anticipated in the US, are a precursor to entering a longer cycle of economic growth.

In this environment, some in the IT sector were able to show improved performance, but this is not yet a widespread or well-entrenched phenomenon.

After several years of cost reduction, streamlining, rationalisation and consolidation, the focus is steadily shifting. These methods of maintaining reasonable bottom line performance have been maximised. This, and the improving conditions, are persuading companies to once again look for ways to invest to enhance growth.

However, it would be inadvisable for us to try to second-guess when the economic growth curve will turn more decisively upwards. Rather, a central activity for Datatec in the year under review was to ensure that we remain in a strong position to exploit any recovery or consolidation opportunities in our key markets.

In the 2004 financial year the broad changes in conditions and sentiment did not have any marked impact on Datatec's revenues. While an improvement on the previous financial year, the Group's performance was still below our expectations and did not match our historical performance.

We did manage to improve EBITDA profits in our major subsidiaries, Westcon and Logicalis. However the Group posted a headline loss per share for the year, albeit smaller than the previous period.

Whilst we are disappointed with our overall performance, the balance sheet continued to show marked improvement. And, in the latter part of the

AFTER SEVERAL YEARS OF COST REDUCTION, STREAMLINING, RATIONALISATION AND CONSOLIDATION, THE FOCUS IS STEADILY SHIFTING.

year, operating conditions did improve in terms of numbers of customers, orders, revenues and profit.

Towards the end of the period under review the Group initiated the formal process of preparing for an IPO of Westcon shares on NASDAQ. An IPO for Westcon has been a Datatec objective for some years. Previously, the decline in global markets compelled us to postpone this process.

The Group was therefore pleased when advisors in the US indicated that conditions were appropriate to re-start the Westcon IPO process. Our first filing (S1) to the Securities Exchange Commission was made early in March 2004.

At the time of writing, the Westcon IPO process is underway, and it is anticipated that it will be finalised during the coming year.

GROUP OPERATIONS

The Group comprises the main subsidiaries: Westcon, Logicalis and Mason, as well as the operations of Westcon AME, Online Distribution and RangeGate SA and UK.

Westcon, the largest subsidiary, generated 78,4% of Group revenue in the period to end-February. Westcon's margins remain at lower levels than historical averages which occurred during years of strong global economic growth, but there were signs towards the end of the period under review of an easing of pressure on margins.

Westcon has maintained its position as the leading value-added distributor in its sector. Focusing on networking, convergence and security products, the company continued to extend its global coverage for its major vendors – Cisco, Nortel and Avaya.

Identifying new, higher value technologies and securing distribution agreements for leading technology vendors is a core element of Westcon's approach that continued to be executed in the year under review.

Over the past year, Westcon completed the integration of its Landis businesses, a Europe-wide distributor acquired in May 2002. They now form part of continuing operations.

These operations were contributing profitably by the year-end and are expected to continue to do so, providing an opportunity for margin growth within Westcon's consolidated results.

Datatec's Logicalis subsidiary marked the end of an extended period of reorganisation that has seen the company evolve into an integration solutions player. This evolution culminated in a major rebranding exercise during which the company's name was changed from Logical to Logicalis.

Logicalis has developed better cohesion as a group and has moved towards providing increasingly complex technology services and solutions. Logicalis is a unique word that encapsulates the company's distinct proposition. It also has the advantage of evolving from its previous brand. Logicalis's vision is to become the partner of choice for IT solutions, integrating best-in-class offerings from leading IT and networking vendors.

The progress made within Logicalis has become evident in its strengthening balance sheet.

A significant event after the year-end saw the disposal of Logicalis assets in Australia and New Zealand to IBM Corporation. This was as a consequence of an unsolicited offer and negotiated transaction of $66 million which represented a significant premium on historical cost.

Mason, the telecommunications consulting subsidiary, continued to be affected by the downturn in the telecommunications sector. Whilst Mason's market alignment was correct, the volume of business available to it was less than in previous years. Mason is, however, still established as the leading independent telecoms and IT convergence consultancy in the UK. The coming year will be a significant re-establishment period for Mason, with a revised business model, flatter structure, more focused and tighter delivery model and a lower cost base.

Significant action was taken during the year to address the previous disappointing performance of Datatec's operations in SA. Affinity Logic, Datanet and Westcon Cabinet Manufacturers were sold, while the new management appointed at Westcon AME has made progress in moving back into profitability.

PEOPLE AND SKILLS

The years of contraction in the IT industry inevitably took their toll in terms of levels of employment. Through this period the Group managed to retain top performers and employees with key skills, ensuring that customers continued to receive quality service and support.

As market conditions gradually improve, we anticipate further employee growth at all levels. Any growth in recruitment will be measured to take account of the long-term interests of new employees and overall Group performance.

Thomas E. Dolan, co-founder of Westcon, executive vice president and a member of the Westcon board of directors, has been named president and chief executive officer of Westcon. Tom succeeds Alan Marc Smith, president and CEO since 2001. Under Alan's leadership Westcon has emerged from three years of industry contraction and intensive competitive pressures in better shape than many of its peers, having succeeded in growing market share and defending its above industry average margins. Alan contributed significantly to matters that count in tough markets, working capital management and strengthening the balance sheet.

Tom has considerable sales and marketing background that will benefit Westcon, which now believes it is entering a period of sustainable growth where opportunities exist to improve margins and drive the front end of the business.

STRATEGIC ISSUES

In the year under review the Group made notable progress in addressing the key strategic issues we faced a year ago and commented on in the 2003 annual report. Briefly, these were:

- Operating the business in line with depressed market conditions by focusing on working capital management, preserving cash on hand, strengthening the balance sheet and maintaining the quality of value-added services;
- The diversity of our international assets coupled with our South African domicile which influences our ability to engage in certain corporate and financial structuring transactions;
- Reducing or eliminating any value suppressing issues associated with our corporate or financial structure;
- Ensuring that any loss-making or sub-scale businesses are closely monitored;
- Continued vigilance on the part of Logicalis in anticipating trends and customer requirements and in tailoring its cost and skills base to ensure a sustainable and profitable go-to-market model; and
- Westcon maintaining a continual appraisal of its vendor and technology positioning as a critical determinant of its ability to add value-enhancing product solutions to its portfolio.

In each instance we can report meaningful activity. The Group has continued to operate in line with market conditions, with prudent working capital and balance sheet management at the forefront.

Datatec International domiciled in the UK, was established to enable the Group to improve its financial and corporate structure flexibility. The establishment of Datatec International facilitated the Group in the restructure of its foreign assets.

Looking ahead, the Group continues to make progress in addressing positioning and strategic challenges.

We continue to invest in our core businesses and in our core markets. The Group's subsidiaries enjoy good brand recognition in major markets. Our objective is to leverage this brand recognition so as to increase market share in our main markets.

The Westcon IPO is expected to advance Datatec's aim of improving shareholder value by creating the most appropriate corporate and financial structure.

FINANCIAL RESULTS

The improved sentiment in the key US market and tentative indications of economic recovery began to show up in a somewhat patchy fashion in the IT sector. These positive signs have yet to be translated into improved financial performance. However, meaningful top line growth was reflected in Datatec's results for the year to end February 2004.

Group revenue of $2,3 billion was 13,8% higher than in the previous year due to an improved revenue contribution from the Landis acquisition in Europe, and an overall modest increase in demand in the latter part of the year.

EBITDA for the Group was $23,8 million with Westcon ($ 36,2 million) and Logicalis ($2,4 million) contributing the major portions.

The Group reported a strong net cash position at year-end of $88,7 million, a solid position in which to emerge from the global downturn, particularly after utilising $32 million to fund Westcon's operating activities as demand began to increase.

Gross margins of 11,7% (2003: 12,2%) were marginally down compared to the previous period, a creditable performance in conditions where supply and demand characteristics of our markets remained largely in favour of customers.

Unfortunately the Group remains burdened by a disproportionate tax rate due to the fact that certain subsidiaries made 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 tax rate. Management has taken a very prudent approach to recognising deferred tax assets for tax losses arising in 2004.

With more than 97% of Group earnings denominated in foreign currencies, exchange rates remained a factor in the ultimate results. While the Rand stayed in a relatively stable band in the year under review, its relative strength and US Dollar weakness meant that the Group reported translation losses of $9,3 million.

The net result of the above factors was a headline earnings per share ("HEPS") loss of 6,59 cents, which was an improvement on the 7,14 cents loss the previous year.

The Group nevertheless ended the financial year with a strong balance sheet and a solid platform from which to exploit opportunities for growth. Ordinary shareholders' funds at year-end stood at $332,5 million (2003: $337,9 million), while net tangible asset value at year-end was $2,04 per share.

PROSPECTS

Considerable and consistent balance sheet improvement of recent years will be further enhanced in the 2005 financial year with proceeds received from the sale of the Logicalis' Australia and New Zealand businesses to IBM for $66 million and from the anticipated IPO of Westcon.

The Group plans to strengthen and consolidate its position in its key markets such as the US and the UK. A stronger balance sheet creates the flexibility to readily exploit any worthwhile opportunities that emerge.

We do not expect the Rand to appreciate significantly further, and we have possibly seen the low point for the US Dollar against other major currencies.

Margin improvement will be driven by a more decisive shift towards positive demand and supply dynamics. Overall performance improvement will be driven by top line growth.

Whilst we expect to enter a period of sustainable growth at some point, we will continue to operate our businesses in line with prevailing conditions. If improving conditions gain traction, which is reflected by a sustained increase in demand, the Group fully anticipates an improved performance in the year ahead.

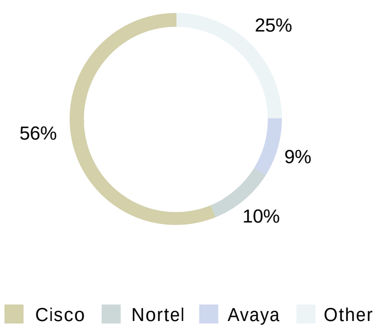
JENS MONTANANA
Chief Executive Officer

23 June 2004

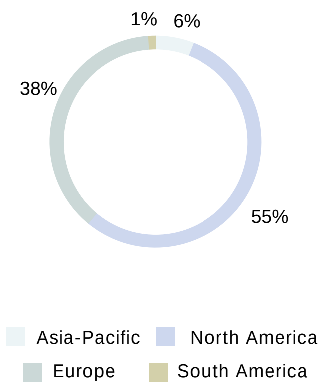
WESTCON DIVISIONAL REPORT

THROUGH AN OCEAN OF IDEAS MERGE GREAT THOUGHTS, CONNECTING ANSWERS, RESOLVING CHALLENGES, MEETING MINDS

WESTCON REVENUE BY VENDOR



WESTCON REVENUE BY REGION



Westcon Group, Inc. ("Westcon") is a leading global specialty distributor of networking and communications equipment operating in North and South America, Europe and the Asia-Pacific region.

Westcon is a sales and marketing channel for leading vendors of networking technology specialising in the security, convergence and IP device technology sectors. Its primary vendors are Cisco Systems, Nortel Networks and Avaya Communications. Westcon adds value to its distribution activities by providing resources such as technical expertise, training, sales support and services.

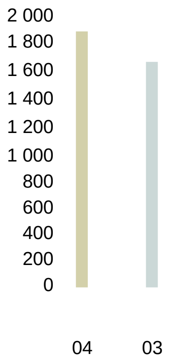
Westcon targets sales opportunities that are solutions based, thereby requiring a high degree of specialisation and customisation. It has over 7 900 customers world-wide, which consist of value-added and general resellers, systems integrators and service providers that resell networking products and solutions to small and medium sized businesses, large enterprise organisations and governments around the world. These solutions include the design and configuration of data, voice converged and wireless networks, network extensions such as video conferencing, network storage and unified messaging and network security.

Westcon's training and global services enable its customers to expand their technology offerings and geographic presence, enter new markets and offer a more comprehensive set of networking solutions.

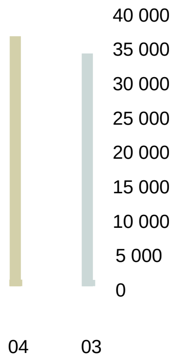
STRUCTURE

Westcon operates its global distribution business via branded sales divisions under the Comstor, Voda One and Westcon brands. The group delivers value to its customers through its highly trained sales staff of over 500 sales and marketing personnel in 13 countries, supported by over 80 certified technical personnel.

WESTCON REVENUE
$ million



WESTCON EBITDA
$ million



The Comstor division of the group leads with Cisco products in the US, Europe, Australia and Singapore, while offering a host of complementary products centred on convergence, security and IP devices.

The US-based Voda One division leads with Avaya products for convergence, unified messaging, call centre applications, PBX and data networking solutions.

The Westcon division of the group leads with Nortel Networks solutions and also provides a wide range of complementary voice and data networking equipment and security products in the US, Europe, Canada, Australia and Brazil. Westcon is the world's largest distributor of Checkpoint security solutions.

Westcon group continues to solidify its Pan-European presence as a result of its acquisition of the employees and fixed assets of the former Business Partners division of Landis in May, 2002. Westcon's European operations have significantly increased its product portfolio, while offering new European-wide programmes, training and services.

During the last year, Westcon continued its focus on developing opportunities within the security and convergence markets. In January, the company launched its Convergence Symposiums in North America. This six-city, multi-day event helped to cultivate new and existing opportunities in the convergence market. The Convergence Symposiums are scheduled to roll out in Europe and Asia-Pacific in the near future. Westcon also announced Convergence Edge, an integrated support programme, and announced distribution agreements with Proxim in Europe, Avaya in Brazil and Europe, and SpectraLink and LightPointe in North America.

Last year, Westcon also continued to expand its security offerings, announcing vendor partnerships with Fortinet, NetIQ and Enterasys in North America. Additionally, the company signed North American and European distribution agreements with Symbol Technologies, significantly expanding Westcon's IP devices portfolio. Westcon continues to support its product and services offerings through its branded customer-focused training sessions. Last year, Westcon offered Homeland Security and Business Continuity conferences, Security and IP Telephony "Fast Track" technical training programmes and product-specific "Coffee Club" sessions.

During the past year, Westcon was recognised with the following industry-related awards

- Comstor, US – Cisco Systems "Outstanding Performance US Distribution", 2003
- Westcon, US – RSA "Distributor of the Year", 2003
- Westcon, Europe – Nortel Networks EMEA Partner of the Year Award, 2003
- Comstor, Germany – Cisco Systems "Country Award" – Distributor of the Year, 2003
- Comstor, Germany – 1st Place, Cisco Security Challenge, Q1, FY04
- Comstor, Netherlands – Cisco Systems "Country Award" – Distributor of the Year, 2003
- Comstor, UK – Cisco Systems "Country Award" – Distributor of the Year, 2003

Westcon continues to develop its significant technical competencies and a wide array of support services, allowing it to complement its vendors' sales forces while addressing key technological opportunities in the marketplace.

Westcon's sales and technical personnel assist customers with network design and configuration consulting, pre- and post-sales support, training, security monitoring, technical consulting, professional services staff augmentation, as well as the staging and configuration of products.

The role of the distribution channel continues to be a critical part of major networking vendors' business models. Companies such as Cisco, Nortel, Avaya, Checkpoint and Nokia rely on the channel for contributing sales coverage, geographical coverage, logistics and warehousing, design and configuration skills, pre- and post-sales product support, as well as professional services and training.

Networking vendors continue to rely on the channel for mission critical functions as they look to enhance their efficiencies in a contracting market while also introducing new products that are technologically complex.

MARKETS

Within the networking and communications industry, opportunities in the areas of convergence and security continue to expand as Cisco, Nortel and Avaya begin to report increased market demand. Market opportunities in the security market are being driven by increased US government legislation such as HIPPA and Sarbanes Oxley, and continued network threats and virus outbreaks. Opportunities in the convergence market are being driven by companies seeking cost savings and increased productivity through IP networks.

FINANCIAL PERFORMANCE

During the year, Westcon's revenue increased 13% from $1,6 billion in 2003 to $1,8 billion. This reflects an increase in demand for Cisco networking equipment, an increase in revenue related to the Landis acquisition and an increase from sales of convergence, security, wireless access and complementary products, all of which offset a decline in revenue from sales of Avaya products.

Gross margins decreased slightly from 8,9% in 2003 to 8,8% in this financial year, despite a 12% increase in total gross profit from $144 million to $162 million. Gross margin decreased in the Comstor division due to an increase in revenue from lower margin products and in the Voda One division due to a decline in the market for certain Avaya products sold by the company in the US. These declines were offset by an increase in gross margin in the Westcon division due to higher gross margins in Europe related to the Landis acquisition.

Westcon's EBITDA increased by 7% from $34 million to $36 million as a result of the increase in revenue and gross profit offset by increased selling, general and administration expenses, primarily due to a full year of activity in the former Landis subsidiaries, and foreign exchange variances.

Westcon continues to operate with a strong balance sheet. In June 2003, the company entered into a new three-year $175 million syndicated revolving credit facility for its US and Canadian subsidiaries with various US and Canadian lenders, which replaced its previous $160 million facility.

During the year, Westcon's operating activities used $32 million of cash as compared to generating $109 million of cash in 2003 as its working capital levels increased due to both the increased revenue in 2004, as well as an anticipation of continued increased demand in the future. Westcon experienced a $145 million aggregate increase in accounts receivable, inventory, prepaid expenses and other current assets.

The Comstor division represented 62% of Westcon's total revenue and Cisco products represented 90% of the division's revenue. The Americas accounted for 43% of the Comstor division's revenue, while Europe and the Asia-Pacific region accounted for 47% and 10% respectively.

The Westcon division generated 30% of the company's total revenue and Nortel products represented 32% of the division's revenue. The Americas accounted for 68% of the Westcon division's revenue, while Europe accounted for 32%.

The Voda One division, which has operations only in the US, generated 8% of the company's overall revenue and sold Avaya products representing 95% of the division's revenue.

STRATEGY

Westcon's sales and support services enable it to compete more effectively by supporting complex solutions for specific customer needs, rather than competing on price alone. The company's services are meant to add value to the sales channel, while increasing vendor and customer demand. Specialised sales and support services help Westcon's customers provide comprehensive network services in order to increase their sales opportunities. During the year under review, the company took the following actions:

- Made significant changes to the corporate structure, including consolidating its North American operations into Westcon Group North America (WGNA) and its European operations into Westcon Group European Operations (WGEO) and creating a Technology Solutions Group (TSG) to focus on new technologies. These changes coincided with strong executive appointments.
- Enhanced its information systems capabilities, which assist in managing finance, order processing and inventory management, both internally and with vendors and customers. A large majority of Westcon's international sales are executed through this system.
- Increased the company's complementary product offerings, making the company less reliant on its primary vendor base. In the past year, Westcon signed agreements with twenty new vendors including Fortinet, LightPointe, NetIQ and Symbol Technologies.
- Introduced Convergence Edge, an integrated training, services, marketing and sales support programme designed to support resellers targeting the growing Internet telephony market.

IDENTIFYING NEW, HIGHER VALUE TECHNOLOGIES AND SECURING DISTRIBUTION AGREEMENTS FOR LEADING TECHNOLOGY VENDORS IS A CORE ELEMENT OF WESTCON'S APPROACH

- Rolled out its Convergence Symposiums, international customer events designed to drive market awareness and opportunities in the convergence market.
- Continued the global rollout of its Project UPBEAT initiative, designed to accelerate opportunities in advanced technology by aligning relevant business segments and developing regional best practices.

PEOPLE

A primary asset of Westcon is its world-wide staff. Westcon's recruitment philosophy is to hire the most experienced and capable management team in each of the markets in which it operates. The company recruits the best local talent from every part of the globe, including certified engineers, product specialists and sales representatives. These local employees are best suited to understanding their individual markets and uncovering new sales opportunities.

Westcon offers training and career development programmes to its employees throughout the world. Many are given stock options and other incentives designed to increase productivity and enhance business performance.

SEC FILING FOR INITIAL PUBLIC OFFERING

On March 2, 2004 Westcon Group, Inc. announced that it had filed a registration statement for an IPO of its common stock with the US Securities and Exchange Commission. To consummate the IPO is an important step in Westcon's lifecycle and will allow it to raise capital for further geographic and technological expansion.

THE COMING YEAR

As Westcon evolves towards its goal of becoming a publicly traded company, it will continue to focus on capturing global opportunities in the convergence, security and IP device markets. Westcon intends to drive market opportunities in these technology areas by centralising its operational structure and leveraging cost efficiencies. Specific goals for the coming year include:

Enhancing specialty sales and support services: Westcon plans to enhance its existing sales and support services while developing new programmes and services for its vendors and customers. The success of the Convergence Edge programme and its Convergence Symposiums, developed in 2003, are examples of this effort.

Expanding and enhancing its relationships with its current vendors: Westcon intends to continue to expand its operations in Europe and other international markets in conjunction with the continued consolidation of distributors in the industry.

Building its convergence and security product offerings and revenue: Westcon intends to broaden its convergence and security-related product offerings by enlisting additional vendors whose products support the creation, efficiency, scalability and security of convergence networks.

Pursuing acquisitions to broaden its geographic and product coverage: The company plans to continue to pursue relevant acquisitions to expand its operations in international markets, including in sales territories important to its principal vendors, as well as to add products to its portfolio.

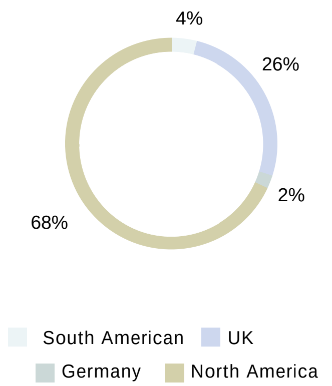
Focus on financial efficiencies: The company will continue to focus on working capital management to maintain and, when possible, improve liquidity.

LOGICALIS DIVISIONAL REPORT

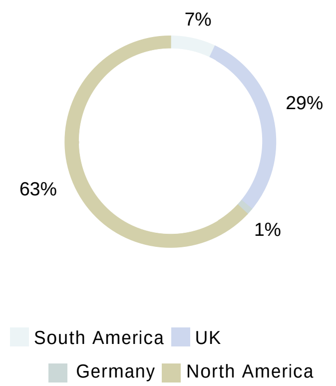
THROUGH AN OCEAN OF IDEAS MERGE GREAT THOUGHTS, CONNECTING ANSWERS, RESOLVING CHALLENGES, MEETING MINDS

CONTINUING OPERATIONS

REVENUE SPLIT BY REGION



GROSS MARGIN SPLIT BY REGION

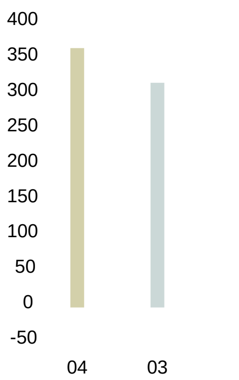


Logicalis Group ("Logicalis") (formerly Logical Group) is an international provider of high performance IT integration solutions. Logicalis currently employs over 650 people including highly-trained service specialists who specify, design, deploy and manage IT infrastructure to meet the needs of more than 3 000 corporate and public sector customers.

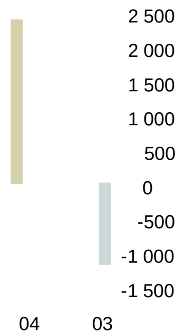
Logicalis has operations in the US, the UK, Germany, Argentina, Uruguay, Paraguay and Brazil. (Logicalis' operations in Australia and New Zealand were sold in March 2004.) Logicalis maintains strong partnerships with technology leaders such as HP, IBM and Cisco. Through the combination of these partnerships and a mature services portfolio, Logicalis is well positioned to provide the flexible and creative solutions that customers require across a wide range of IT requirements. In particular, Logicalis aims to create value for customers through the delivery of solutions and services that are beyond the scope of vendor offerings, including fully integrated, multi-vendor solutions, managed services and optimisation services.

The evolution of Logicalis into a broader integration solutions business was marked during the year by a change of name to Logicalis and a major corporate rebranding. The new name is a development from the Logical brand and, together with the new tag line 'integration solutions', more clearly represents the company's focus and vision to become the partner of choice for IT solutions, integrating best-in-class offerings from leading IT vendors to provide lasting business benefits for customers.

LOGICALIS REVENUE
$ million



LOGICALIS EBITDA
$ million



STRUCTURE

Logicalis' business model has a decentralised structure to allow its operations to be flexible and responsive to local market conditions. A small head office function in the UK provides strategic direction, financial control and policy setting. The group aims to make the country operations part of an integrated network of businesses leveraging a common brand and marketing collateral, while creating synergies which enhance the overall value of Logicalis to customers and shareholders.

A key objective for the 2004 financial year was to strengthen the management teams of all operations. Ian Cook was appointed Group Managing Director of the European operations. Ian was previously Executive Vice President of Damovo and formerly Managing Director of Siemens Network Systems. John Conoley was appointed Managing Director of Satelcom (UK) Limited. A number of complementary appointments were also made during the year to strengthen the management teams in the UK and the US.

MARKETS

Trading conditions continued to be challenging across all operations. Although there was a positive start to the 2004 financial year, suggesting tentative signs of a recovery, this trend did not continue. More positively, sales picked up in the last quarter of the year in line with major partners Cisco and HP, which both also reported solid quarters with strong revenue growth. Sales from new core vendor partners such as IBM also started to contribute more significantly during this quarter.

A further positive indication of improving market conditions was a year-on-year increase in product revenues, during which time the group was also able to keep product margins stable. Even so, corporate customers remained cautious; continuing budgetary pressures meant that they were generally only undertaking essential upgrades. Customers remain focused on cost containment and return on investment, often resulting in long customer procurement cycles and continuing pricing pressures. In contrast to the growth in product revenues, demand for project-based services has been weak. However, customers continue to require support to identify and choose the optimal mix of technology as well as help in the integration of multiple vendor products to create solutions that directly benefit their businesses. In addition vendors increasingly rely on partners to provide market coverage and access to customers. For these reasons management remains confident that there is a significant market opportunity for Logicalis as a value-added intermediary between vendor and customer.

Logicalis continues to enjoy annuity revenue growth in maintenance and managed services, reflecting a general industry trend of growing demand for these services.

Nevertheless, the overall reduction in demand for technical services during 2004 resulted in the further restructuring of the professional services operations and a reduction in the cost base in order to align the group's business to market needs.

FINANCIAL PERFORMANCE

Logicalis achieved revenue of $362,9 million for the year under review compared to revenue of $313,5 million for the eleven months ended 28 February 2003, an overall increase of 16%. This increase is partially due to the current reporting period including an additional month of trading and partially the benefit of more favourable exchange rates. Product revenues grew by 19% (on the previous eleven-month period). Annuity revenues from maintenance and managed services also improved by 32% on the previous period. However improved product sales did not generate additional demand for consulting and technical services and revenues from project based services were down by 12%. The softer demand for these services resulted in a lower utilisation of staff and impacted adversely on overall gross margins which decreased from 23,2% in 2003 to 22,4% in 2004.

Management continued to maintain a concerted focus on operating expenses, which increased by only 7% compared with the 16% increase in revenues.

During the year Logicalis sold its French subsidiary, removing an operation which was sub-scale and loss-making. After the year-end, the Australian and New Zealand businesses were sold to IBM for $66 million. The net proceeds have substantially strengthened the Logicalis group balance sheet, as well as providing funding for organic growth and potential acquisitions in North America and the UK. For the year under review the Australian and New Zealand businesses contributed $98,2 million of revenue and $2,9 million of EBITDA (after the allocation of certain group costs).

EBITDA profit for the year amounted to $2,4 million compared to a loss of $1,1 million in the last period. After charges for depreciation and amortisation the total operating losses (EBIT) amounted to $5,0 million (2003: $8,4 million). Continuing operations, excluding Australia, France and New Zealand, produced revenues of $263,7 million (2003: $238,8 million) and an EBITDA loss of $0,4 million for the year, compared with an EBITDA profit of $0,5 million for the prior period.

Significant emphasis has continued on the management of working capital, resulting in further improvement in the days' sales outstanding for trade debtors to 43 days (2003: 47 days). At 29 February 2004 Logicalis' net cash position was $25,8 million (2003: $16,2 million). This net cash amount does not include the proceeds from the sale of the Australian and New Zealand businesses.

STRATEGY

Logicalis' core strategy continues to be refined. The group focuses on its key strengths in the marketplace, namely:

- The ability to address a broad target customer base;
- The choice offered to customers by selling, integrating and supporting multiple technologies from multiple vendors; and
- The value created for customers through solutions and services that go beyond the scope of vendor offerings.

In a business needs driven marketplace Logicalis is concentrating efforts to become more solution-led, focusing on meeting the needs of customers to create lasting business benefits.

In terms of technology, Logicalis' focus continues to be on higher demand advanced technologies such as wireless, IP communications, intelligent networking, data management and security. Security, storage and data management and convergence-based solutions remain significant opportunities, as are the managed services and maintenance offerings. Logicalis has established deep technical skills and vendor recognition in these areas and has already achieved some significant international successes in these areas. Recent customer wins include: a five-year contract for a 3 000-seat managed voice network for a large metropolitan borough council in the UK; a contract to redesign the security architecture for a major UK-headquartered mobile telecom operator; numerous IP Telephony networks including networks for the British Antarctic Survey and Unilever; deployment of a fully converged network infrastructure for the largest energy company in Latin America and a $3 million storage solution for a leading US veterinary health services company.

Logicalis' primary vendor partners remain Cisco, HP and IBM. The group continues to broaden the partner base to improve solution offerings with complementary products and services that enhance the solutions that can be offered to customers. Logicalis has recently been awarded Premier Partner status by IBM in the US, which complements the group's position of being that country's leading HP reseller.

Against a backdrop of a weak IT market Logicalis is managing the business for profit and refining the go-to-market model to lower cost of sales and improve efficiency. To achieve this, practice leaders have been appointed to manage and promote the value offerings to make solutions easier to sell and deliver. In addition, new bid management processes have been implemented across the

LOGICALIS PLANS TO STRENGTHEN AND CONSOLIDATE ITS POSITION IN ITS KEY MARKETS SUCH AS THE US AND THE UK

operations to ensure the group makes more effective use of resources by choosing where and where not to compete for business.

Logicalis' strategic intent is to improve critical mass in the geographies in which it operates and so achieve better operational leverage as demand improves.

PEOPLE

In a services-based business Logicalis depends on the quality of its employees. As stated above, during the year strong emphasis was placed on enhancing management teams with a number of key new appointments in most of the operations. This has brought new skill sets and management capabilities into the group.

Logicalis' focus on advanced technologies requires a high level of technical expertise and the group is working closely with vendor partners to ensure staff are trained appropriately, wherever possible taking full advantage of vendor-funded training schemes. Logicalis continues to invest in new initiatives covering processes, systems and organisation in order to improve productivity.

PROSPECTS

Logicalis has refocused the business and improved performance in very difficult economic conditions. The group's principal objective for the coming year is to generate higher profits and grow the business. To achieve this, continued focus will be placed on driving sales volumes, both by growing the customer base and by more effectively exploiting existing customer relationships through providing solutions complementary to core offerings.

There appears to be the first indication of an improvement in the macro-economic conditions, but corporate customers still remain cautious towards capital expenditure. Logicalis' emphasis will therefore continue to be on managing the business to ensure that it remains closely aligned to market needs. Increasing corporate profits will also allow the group to make more business investment to improve overall performance and productivity and will ensure that Logicalis is well positioned to take advantage of the anticipated upturn in the market.

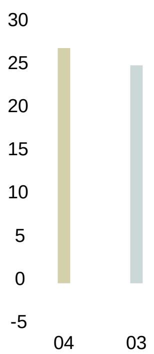
Suitable acquisitions will also be sought that are complementary to the current strategy and enhance critical mass in the geographies in which the group operates.

While the IT market conditions and competitive environment continue to be challenging, the anticipated improvement in demand for IT products and services together with effective execution should continue to drive improved performance of the group in the 2005 financial year.

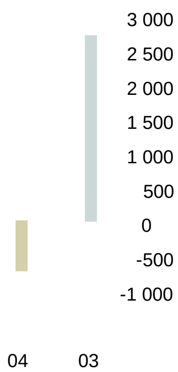
MASON DIVISIONAL REPORT

THROUGH AN OCEAN OF IDEAS MERGE GREAT THOUGHTS, CONNECTING ANSWERS, RESOLVING CHALLENGES, MEETING MINDS

MASON REVENUE
$ million



MASON EBITDA
$ million



Mason Group Limited ("Mason") is a pure-play telecommunications and IT convergence consultancy. As such it provides fee-based expertise rather than hardware or software. Mason's activities are based primarily in the UK and Ireland, although approximately 20% of its revenue comes from Continental Europe. Mason has worked in over thirty countries world-wide, serviced from the UK/Irish offices. Mason's services include: solutions strategy, business planning, engineering and design, procurement (for and on behalf of the client), programme and project management and network optimisation. Mason's clients are blue chip organisations in the telecommunication ("telecom"), enterprise and government markets and include over 30 of the FTSE 100 companies. Mason operates a quality system that is accredited to ISO9001 and is also accredited under the Investors In People scheme.

FINANCIAL PERFORMANCE

The gloom of the technology market continued to affect the telecoms sector during 2003. Investment by clients throughout the various sectors continued to be light compared to previous years. Telecoms operators continued to delay serious investment in their 3G networks, waiting for the radio technology to be proven before making the investment leap. Enterprise clients have adopted strategies, which involve contracting with major service providers for all of their telecom and IT needs and consequently placing consultancy type projects with them, rather than selecting independent advice. The UK government sector, however, has continued to be buoyant with increased spending and this appears to be continuing for the near future. Clients with call and contract centres had a medium year in investment terms, whilst the concept of offshore outsourcing, to countries like India, has gathered momentum through the industry.

Mindful of these market characteristics, the year proved to be very challenging. Whilst Mason's market alignment was correct, the volume of business available to the company was less than in previous years. The spending by clients was tight and increasingly projects were delayed or put on hold. Additionally, the clients' tactics, in a buyers' market of 'more service for less', put pressure on margins.

Highlights of the year included:

- Successfully creating a new operational model for the business in Ireland, adopting a virtual office concept with minimal overheads.
- Developing the strategic account with the world's largest mobile company. A significant number of projects have been 'cross-sold', such that all relevant business areas of Mason are now engaged with this client.
- Integrated the business area of Catalyst closer to the Mason method with focused teams working on compelling propositions, creating the synergies envisaged at acquisition time.
- Becoming the UK's number 1 telecoms consultancy in the public sector. This area hit all targets and key performance indicators and has created a first class reputation.
- Developed a track record in the fast moving 'ICT for Property Developers' sector. An innovative service has been successfully created that has international appeal.

PEOPLE

The difficult market conditions meant Mason had to have a serious review of its business model. Investment in infrastructure and people during the growth years positioned the company for revenues on a much larger scale than currently secured. However, with the focus on profitability, and the tight market conditions prevailing, Mason had to restructure during the fourth quarter of the financial year.

David Mason moved to a position of non-executive director with Terry Flanagan continuing to lead the whole business. The operational boards were rationalised and a number of executive staff left the business. Catalyst moved strategically closer to the governing board and, in overall terms, £2,25 million of annualised cost savings were achieved by the restructuring.

The new board consists of CEO, Terry Flanagan, Director of Public Sector, Alex Smith, Director of Catalyst, Colin Hatfield, and Finance Director, Bill Moore.

Despite having a challenging year, Mason has retained its strong people based culture. Evidence of this was that the company was placed 36th in the UK's 'Best Company To Work For' competition, which is run annually by The Sunday Times of London. The evaluation of this competition is based on staff questionnaires. Mason continues with its annual appraisal scheme and individual career and development plans. The Mason Academy introduced during the previous year has been successful, with over 200 days of training carried out across the organisation.

MASON RETAINS ITS POSITION AS THE LEADING INDEPENDENT TELECOMS AND IT CONVERGENCE CONSULTANCY IN THE UK AND HAS A WIDESPREAD REPUTATION IN EUROPE

STRATEGY

With a new structure and a 'closer knit' operational model, with clear focus on core markets, Mason is positioned to exploit the market better. The company is driving to create opportunities that do not just deliver this year's targets, but will have longer-term sustainability. Key tactics will be:

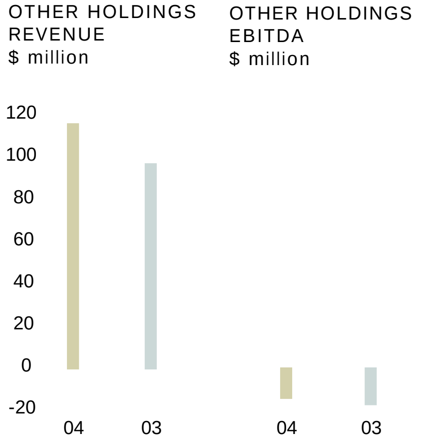
- Creating an indirect channel to market by developing relationships with the large service providers.
- Focused account development in all areas, with emphasis on relationships with clients.
- Clear service offerings in each business unit.
- More rigour on the benefits that our consulting delivers. This will enhance our 'special' brand and enable us to increase our service offerings.
- Developing our brand in the marketplace through focused e-marketing campaigns.
- Delivering assignments by utilising expert, cost effective, known associates under flexible call-off agreements.
- Continued rationalisation of our fixed infrastructure cost, such as office space, effectively operating in tighter cost effective ways.
- Through the business practices that were created in the previous year, to achieve leadership consulting initiatives across the whole business.

The above are designed to make the company more focused, nimble, cost effective and responsive to the marketplace. The drive is for 'special' services restoring premium rates and improved profitability.

PROSPECTS

The overall market remains cautious. However, there are signs of optimism beginning to appear, particularly in the telecoms sector. Management sees the public sector continuing to be buoyant but, as always, competition will be fierce. Given Mason's restructured business model and the apparent upturn in market vibrancy, albeit small, management feels modestly optimistic about prospects for the year ahead.

Mason is still established as the leading independent telecoms and IT convergence consultancy in the UK and has a widespread good reputation in continental Europe. This year is envisaged to be a significant re-establishment period with a revised business model, flatter structure, more focused and tighter delivery model and a lower cost base. These factors will position the company to grow once again with organic and inorganic strategies.



Datatec's other operations are focused on three core areas:

- Westcon AME and Online Distribution, value added networking distributors whose operations mirror those of the Westcon group;
- Affinity Logic, an IT outsource services company, and
- RangeGate, a mobile technology systems integrator.

WESTCON AME AND ONLINE DISTRIBUTION

Westcon AME and Online Distribution are value added networking equipment distributors whose operations mirror those of the Westcon group. Revenue amounted to $98,8 million (2003: $110,2 million) for the year, which was below expectation, mainly attributable to the appreciation of the Rand, weak market conditions and the exclusion of full year revenues on discontinued operations. The operating loss amounted to $1,2 million (2003: $0,5 million) after foreign exchange losses of $0,6 million, and reorganisation costs of $2,8 million. With effect from 31 July 2003, Westcon AME sold its interest in the Datanet and Westcon Cabinet Manufacturers divisions for $2,5 million and substantial reductions in costs have been realised.

Continuing operations, excluding Datanet and Westcon Cabinet Manufacturers divisions, produced revenues of $92,7 million (2003: $70,5 million) and an EBITDA loss of $1,2 million for the year, compared to $0,1 million for the prior period.

AFFINITY LOGIC

Datatec sold its 55,2% shareholding in Affinity Logic to UCS Group Limited for $2,6 million with effect from 31 August 2003. In addition, Affinity Logic repaid loans to Datatec to an amount of $5,8 million.

Affinity Logic reported an operating profit of $0,3 million (2003: loss of $2,5 million) on revenue of $11,0 million (2003: $11,0 million).

RANGEGATE

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

Revenue for the year amounted to $6,4 million (2003: $6,8 million) and operating losses amounted to $2,2 million (2003: $1,9 million). Difficult market conditions contributed to lower than expected revenue.

GROUP ACCOUNTING POLICIES

The Group Annual Financial Statements have been prepared in accordance with the Group's published accounting policies, which comply with South African Statements of Generally Accepted Accounting Practice, which have been consistently applied in all material respects with the exception of AC133: Financial Instruments: Recognition and Measurement, which has been adopted.

In 2003 the Group changed its year-end from March to February in order to align itself with its major subsidiary, Westcon. Accordingly the comparative audited financial results for the period to 28 February 2003 are for the twelve months then ended for Westcon and an eleven-month period for the rest of the Group.

The Group has changed its reporting currency from South African Rands to US Dollars with effect from the current financial year and restated comparative information accordingly. The parent company, Datatec Limited, will continue to report in South African Rands.

Our objective is to report financial information for the Group that is consistent with the economic substance of the underlying events and circumstances of the Group's businesses. The US Dollar is the functional currency in which the major part of the Group's trading is conducted as over 97% of the Group's revenue is earned offshore in foreign currencies. By reducing the distorting effects of changes in currency exchange rates this will simplify financial analysis and enhance the transparency of our financial results.

Presenting financial information in US Dollars will also be more meaningful to global investors and for international benchmarking.

The policy of reporting in US Dollars has been and will be applied in future using the following bases:

- Assets and liabilities for balance sheets (including comparatives) have been translated at the closing rate ruling at the date of each balance sheet; and
- Income and expense items for all periods presented (including comparatives) have been translated at an average rate that approximates the actual exchange rates at the dates of the transactions.

REVENUE

The Group's financial results for the period ended 29 February 2004 reflected revenue of $2,3 billion compared with revenue in the previous period of $2,1 billion, an increase of 13,8%. Revenue per division is as follows:

Revenue ($ million)	2004	2003
Westcon	1 841	1 627
Logicalis	363	314
Mason	27	25
Other Holdings	116	97
Total	2 347	2 063

Westcon achieved revenue of $1,8 billion in 2004 compared to revenue of $1,6 billion in 2003, an increase of 13,2% reflecting the Landis acquisition and increased Cisco sales which offset a decline in revenue from sales of Avaya products. Gross margins decreased from 8,9% in 2003 to 8,8% for 2004.

Logicalis achieved revenue of $362,9 million in 2004 compared to revenue of $313,5 million in 2003, an increase of 15,8%. Gross margins decreased from 23,2% in 2003 to 22,4% in 2004 principally as a result of a decline in professional services utilisation and lower annuity services margins. In addition, pressure remained on product margins, particularly for Cisco products.

Mason achieved revenue of £16,3 million in 2004 compared to £16,2 million in 2003. The difficult market conditions experienced during 2003 continued into 2004. Revenues remained relatively flat and there was a reduction in margins caused by increased competition and lower consultancy rates.

OPERATING PROFIT BEFORE FINANCE COSTS, DEPRECIATION AND AMORTISATION ("EBITDA")

EBITDA amounted to $23,8 million compared with the prior period of $18,3 million. This increase is largely as a result of the lower foreign exchange translation losses at the company level of $6,7 million (2003: $10,7 million) due to the relative strengthening of the Rand. EBITDA per division is as follows:

EBITDA ($ million)	2004	2003
Westcon	36	34
Logicalis	2	(1)
Mason	(1)	3
Other Holdings	(6)	(7)
EBITDA before foreign exchange loss below	31	29
Datatec Limited foreign exchange loss	(7)	(11)
EBITDA after foreign exchange	24	18
EBITDA margin	1,0%	0,9%

GOODWILL AMORTISATION

Goodwill is amortised in the Group's financial statements over a period of seven years. The Group reviewed the value of goodwill carried on its balance sheet at the end of the period and goodwill mainly relating to the Catalyst subsidiary in the Mason group was considered to be impaired. An amount of $14,4 million has accordingly been impaired. The amortisation charge amounted to $12,1 million in 2004 compared to $11,7 million in 2003.

EXCEPTIONAL ITEMS

The following exceptional items were recorded during the period under review:

($ 000)	2004	2003
Recoupment of goodwill and trademarks previously charged to equity	–	6 392
Write-down of carrying value of investments	–	(528)
Net loss on disposal and closure of discontinued operations	(6 438)	(1 134)
	(6 438)	4 730
Taxation	–	605
Attributable to outside shareholders	(5)	–
Net effect of exceptional items	(6 443)	5 335

TAXATION

Taxation of $5,3 million increased from $2,6 million in 2003. The effective tax rate on profit before goodwill amortisation is disproportionate due to the fact that certain subsidiaries made losses in respect of which no deferred tax asset has been recognised due to uncertainty over their recoverability, while other subsidiaries made taxable profits in countries with tax rates equal to or higher than the South African tax rate. Management has taken a very prudent approach to recognising deferred tax assets for tax losses arising in 2004.

UK legislation allows companies to reduce their taxable profits by claiming relief for losses of other UK group companies. The Group's policy is that its profitable UK companies should claim the maximum group relief available and pay the surrendering companies an amount equal to the tax saved thereby.

MINORITY INTERESTS

Minority interests relate to the 7,5% in Westcon, 25,0% in Logical Softnet (in Argentina), 7,5% in Mason and 15,8% in RangeGate not owned by the Group. The increase in loss attributable to the outside shareholders of $170 000 in 2003 to $521 000 in 2004 is due to the general decline in the overall Group profitability after tax.

HEADLINE LOSS PER SHARE

Headline loss per share decreased from 7,14 cents in 2003 to 6,59 cents in 2004. Basic loss per share increased from 22,84 cents in 2003 to 29,75 cents in 2004. Diluted headline loss per share of 6,59 cents in 2004 was lower than the loss of 7,14 cents in 2003. Diluted loss per share was 29,75 cents reflecting the fact that no adjustment was necessary for share options granted as the potential dilutive effects are anti-dilutive.

The weighted average number of shares in issue for the year was 137,8 million which increased from last year's 137,7 million due to the additional shares issued on the exercise of share options.

DIVIDEND POLICY

It is not considered prudent to declare a dividend at the present time.

BALANCE SHEET

Ordinary shareholders' funds at the reporting date were $332,5 million, representing a $5,4 million decrease from the $337,9 million in 2003. This amounts to a net tangible asset value per share of $2,04 (2003: $1,95).

BORROWINGS

Long-term borrowings relate primarily to secured loans with banks in Australia and Argentina. The overall decrease is attributable to the sale of Affinity Logic, which in prior years had raised debt to fund the development of operations in its business.

The Group is dependent on its bank overdrafts, working capital line of credit and trade finance facilities to operate. These facilities generally consist of either a fixed term or fixed term but repayable on demand, are secured against the assets of the 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 violated and a waiver is not obtained for such violation, this may, amongst other things, mean that the facility may be repayable on demand. There were breaches of some covenants by certain of the Group's subsidiaries.

One technical breach of covenants occurred during the year. This breach was waived by the financial institution, as the relevant facility was not utilised at the time. No facilities were withdrawn as a result of the technical breach.

During the previous year, Softnet Logical (in Argentina) fell behind on the repayments of a US Dollar denominated bank loan. The main cause of this default was the compulsory redenomination of its domestic US Dollar receivables into local currency following the devaluation of the Argentinian peso against the US Dollar in 2002. The loan facility has been withdrawn and Softnet Logical has requested to negotiate a repayment plan with the bank. At year-end, the bank concerned was not responding to the correspondence sent by Softnet Logical. The amount outstanding in terms of the loan as of 29 February 2004 was $1,3 million (2003: $1,3 million).

Datatec has no restrictions on its borrowing powers in terms of its Memorandum and Articles of Association.

CAPITALISED DEVELOPMENT EXPENDITURE

Westcon

Westcon has implemented an enterprise resource planning system known as Compass. The system is based on a J D Edwards application running on an Oracle platform and has been customised by the company to meet its specific requirements. Compass has been installed in substantially all of the subsidiary companies, whose operations amount to 93,1% of Westcon's total 2004 revenue. Westcon will, over the next six months, implement this system in certain remaining operations, which comprised 3,1% of 2004 revenue. The capitalised costs associated with the development of Compass to date amount to $17,3 million (2003: $12,8 million) and further costs of approximately $6 million will be capitalised over the next eighteen months.

Development costs are amortised over a maximum of seven years with $2 million amortised in the year under review for Westcon, and $3,3 million for the Group.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. Amounts owing are recognised once there is sufficient assurance that the suspensive conditions will be met and the amounts can be measured reliably. Amounts owing where the suspensive conditions have not been met are disclosed as contingent liabilities.

Amounts owing to vendors decreased during the year from $7,6 million included in the balance sheet and $4 million reflected as the maximum contingent liability in 2003 to $0,4 million included in the balance sheet with a further estimated contingent liability of $1 million.

CASH FLOW

Cash utilised in operations of $32 million was driven by deterioration in working capital of $59,0 million as a result of an increase in Westcon trading which required additional working capital. At year-end the Group's balance sheet reflected a net cash position of $88,7 million compared with $115,6 million in the prior period.

OPERATING LEASE COMMITMENTS

Operating lease commitments have increased from $98,7 million in 2003 to $127,2 million in 2004, the increase arising mainly in Westcon and Logicalis.

Operating lease commitments are made up per division as follows:

$ million	2004	2003
Westcon	56	41
Logicalis	64	48
Mason	6	5
Other Holdings	1	5
Total	127	99

More detail on operating lease commitments can be found in note 21 of the Group Annual Financial Statements.

The operating lease commitments in Westcon relate mainly to future property rentals of warehouses and office properties. The balance relates to future rentals in respect of office equipment and computer equipment.

Most of the operating lease commitments in Logicalis relate to property rentals. Included in these rentals is an amount of $38,9 million which relates to the Logicalis group and Logicalis UK premises in Slough, where a twenty-five year lease was entered into in April 2000. Approximately 30% of the building has been sublet for a period of five years (with two break clauses after eighteen months and thirty-six months) from January 2002. Other than property, operating lease commitments relate to future rentals on vehicles and computer equipment.

The operating lease commitments for Mason and Other Holdings relate predominantly to future property rentals of warehouses and office properties.

FOREIGN CURRENCY

The Group earns over 54% of its revenue in US Dollars and approximately 97% of its revenues are denominated in US Dollars as Westcon and Logicalis report their consolidated results in US Dollars. As a result a similar amount of the Group's balance sheet including net debt and cash deposits is denominated in US Dollars.

The Group conducts business in many foreign currencies and, as a result, it is subject to currency risks owing to exchange rate movements which will affect its costs and translation of the profits of subsidiaries whose functional currency is not the US Dollar. The most significant other currencies in which the Group trades are Sterling, the Euro and the Australian Dollar.

The following table reflects the average and year-end exchange rates against the US Dollar.

	Year ended 29 February 2004		Period ended 28 February 2003	
	Average	Closing	Average	Closing
ZAR (Westcon – February)	0,1397	0,1505	0,1017	0,1228
ZAR (Group)	0,1397	0,1505	0,1032	0,1228
Sterling	1,6814	1,8607	1,5495	1,5748

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 contributions. The Group has no liability in terms of post-retirement medical aid contributions for staff.

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"). The directors are of the opinion that the principles articulated by the King II Report have been adhered to, with the exception of a safety, health and environmental policy, as the Group operates predominantly in an office-based environment.

BOARD OF DIRECTORS ("Board")

The Board currently consists of seven directors, five of whom are non-executive and independent. The non-executive directors, drawing on their skills and business acumen, ensure impartial and objective viewpoints in decision making processes and standards of conduct.

The roles of the Chairman and the Chief Executive Officer do not vest in the same person. Leslie Boyd is the non-executive Chairman of the Group and Jens Montanana the Chief Executive Officer.

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.

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. To adequately fulfil their responsibilities, directors have unrestricted access to timely financial information, records and documents. 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. While the Group's executive directors are on the boards of the Group's subsidiaries, effective day-to-day executive management of these subsidiaries resides at the divisional level.

The Board meets at least four times a calendar year and additional meetings are held when non-scheduled matters arise. At all Board meetings directors declare their interests in contracts where applicable. Full details of the directorate are set out on pages 6 – 7.

Directors' attendance at Board meetings – 2004 financial year and subsequent meetings to date of this report.

	13 March 2003	20 May 2003	6 August 2003	3 November 2003	5 February 2004	15 March 2004	26 May 2004
L Boyd	P	P	P	P	P	P	P
C B Brayshaw	P	P	P	P	P	P	P
M Karpul	P	P	P	NAD	NAD	NAD	NAD
J F McCartney	P	P	P	P	P	NAD	NAD
J P Montanana	P	P	P	P	P	P	P
D B Pfaff	P	P	P	P	P	P	P
R S Rindel	P	NAD	NAD	NAD	NAD	NAD	NAD
C M L Savage	P	P	P	P	P	P	P
C S Seabrooke	P	P	P	P	P	P	P
A M Smith	P	P	P	P	P	NAD	NAD
N J Temple	P	P	P	P	P	P	P

A = Absent P = Present NAD = not a director at that time

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

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

The Board previously also had a separate Business Risk Committee. During the 2004 financial year, the Business Risk Committee was incorporated into the Audit and Compliance Committee and the Audit, Compliance and Risk Committee was formed.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The Audit, Compliance and Risk Committee consists of the following independent non-executive directors:

- Colin Brayshaw (Chairman)
- Cedric Savage
- Chris Seabrooke

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 Chief Executive Officer and the Group Finance Director are invited to attend. The external and internal auditors have unrestricted access to the Audit, Compliance and Risk Committee.

The Committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference.

The principal functions of the Committee are to review the Annual Financial Statements and accounting policies, monitor the effectiveness of internal controls, 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.

In line with the increasing independence of Datatec's subsidiary divisions, separate Audit Committees have been established for all the subsidiary companies. Full reports from these sub-committees are submitted to and form part of the documentation made available to the Datatec Audit, Compliance and Risk Committee.

The Audit, Compliance and Risk Committee ensures that there is appropriate independence relating to 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 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. 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.

Management is accountable to the Board for designing, implementing, monitoring and integrating the process of risk management into the day-to-day activities. The Board, however, retains overall accountability for risk management. The Board views risk management in a positive light, as it may identify business opportunities.

A formal strategic risk assessment for Datatec and its major operating subsidiaries has been completed. Risk mitigation strategies have been identified for all key risks both at a Group and an operating entity level. The output of the risk assessment process has formed the basis for the internal audit coverage plan. Identified risks are reviewed on an annual basis.

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

Directors' attendance at Audit, Compliance and Risk Committee meetings – 2004 financial year and subsequent meetings to date of this report.

	14 May 2003	21 July 2003	29 October 2003	29 January 2004	26 May 2004
C B Brayshaw	P	P	P	P	P
C M L Savage	P	P	A	P	P
C S Seabrooke	P	P	P	P	P

A = Absent P = Present

REMUNERATION AND NOMINATION COMMITTEE

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

- Leslie Boyd (Chairman)
- Chris Seabrooke
- Nick Temple

John McCartney was a member of the Committee during the financial year under review and resigned from the Committee when he resigned as a Datatec director on 3 March 2004.

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 Group Finance Director may be invited to attend these meetings, but neither may take any part in decisions regarding their own remuneration.

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 options in terms of the Group's share option scheme. The Committee makes 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.

Fees payable to non-executive directors are recommended by the Board and ratified by shareholders at the Annual General Meeting. Full disclosure of individual directors' remuneration appears on pages 45 and 46.

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

Directors' attendance at Remuneration and Nomination Committee meetings – 2004 financial year and subsequent meetings to date of this report.

	12 March 2003	20 May 2003	6 August 2003	3 November 2003	5 February 2004	26 May 2004
L Boyd	P	P	P	P	P	P
J F McCartney	P	P	P	A	P	NMA
C S Seabrooke	P	P	P	P	P	P
N J Temple	NMA	NMA	NMA	NMA	NMA	P

A = Absent P = Present NMA = Not a member of the Committee at the time

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. The certificate required to be signed in terms of subsection (d) of the Act appears on page 50.

FINANCIAL AND INTERNAL CONTROL

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 by skilled company personnel.

The Group has implemented a system of control self-assessment across all Group companies. Local management is required to complete and submit control self-assessment programmes bi-annually. Local management is monitored against internal control norms in other Group companies and action is taken where ratings are considered to be inadequate. Ratings are also reviewed by the Audit, Compliance and Risk Committee.

Nothing came to the attention of the directors or arose out of the internal control self-assessment process 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.

In addition, there are documented and tested procedures in some of the subsidiaries which will allow these subsidiaries to continue their critical business processes in the event of a disastrous incident impacting their activities. Where such documented procedures currently do not exist, the relevant subsidiaries are in the process of implementing them.

INTERNAL AUDIT

Internal audit, which is outsourced, 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.

Internal audit reports to the Company Secretary on day-to-day matters, and to the Chairman of the Audit, Compliance and Risk Committee. Audit plans are presented in advance to the Audit, Compliance and Risk Committee and are based on an assessment of risk areas. Internal audit attend and present their findings to the Audit, Compliance and Risk Committee.

The objective of internal audit is to assist the Board in the effective discharge of their responsibilities. A formal internal audit charter will be adopted in the coming financial year.

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 and borrowing levels are monitored on an ongoing basis.

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.

Around the globe, the Group is an equal opportunities employer. In terms of the South African Employment Equity Act, 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 as well as plough back skills and resources into the South African community.

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

The Group's social responsibility activities are detailed on page 41.

ORGANISATIONAL INTEGRITY

The Group operates on a basis of decentralised management across numerous countries. 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 code of ethics has been approved by the directors and has been rolled out through the Group. The directors believe that the required ethical standards have been met.

Datatec is actively enhancing its 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 in the selection and promotion process is continuously assessed.

ENVIRONMENT

Datatec operates in an office based environment and as a result does not have a formal environmental policy. The Group is, however, committed to conduct its operations in an environmentally responsible manner in all the countries in which it operates. The Group encourages recycling of paper and other materials and is mindful to save electricity, water and other resources.

SHARE DEALINGS

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 options during certain "closed periods". In light of the JSE Listing Requirements, the insider trading laws and good corporate governance, the Datatec Remuneration and Nomination Committee have 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 Listing 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".

SHAREHOLDER RELATIONS

Datatec's investor relations programme includes communications with shareholders through interim and annual reports, meetings and presentations.

GOING CONCERN

The directors' assessment on the Group as a going concern is set out on page 50 and page 52.

WESTCON

Westcon's policy is to make charitable donations in support of various causes for those in need. During the 2004 financial year, Westcon supported the advancement of treatments for medical conditions such as autism, cystic fibrosis and breast cancer. Among the charities Westcon supported was Cure Autism Now, NY Families of Autistic Children, the Cystic Fibrosis Foundation and the Susan G Komen Breast Cancer Foundation.

This year, as in previous years, Westcon contributed to the Community Fund, a US local non-profit corporation that provides funding and support for the health, education and welfare needs of its residents. The Community Fund provides support to over twenty agencies concerned with health care, substance abuse, community services, mature adults, counselling and youth programmes.

Westcon continues to support its local police and firefighter departments through regular contributions. The company also helps local volunteer organisations such as Habitat for Humanity, an organisation that provides housing assistance for under-privileged families, by donating corporate office space and other resources.

LOGICALIS

Consistent with the Logicalis group's decentralised structure, the policy is to encourage its operations to make their own contribution to the communities within which they work. Not only does this approach ensure operational buy-in at a local level, but it also means that monies are fed directly into the community and that causes that might otherwise be overlooked, directly benefit. All employees are encouraged to bring suitable opportunities to local management for review. The following is a list of just some of these initiatives:

- US: Participation in the Big Brothers, Big Sisters of Metropolitan Programme (Detroit). This is a national organisation aimed at one-to-one mentoring of children between the ages of 8 and 14 years. Sponsorship of Grand Rapids Youth Foundation and Jack's Place (non-profit autism foundation).
- UK: Partnership with Sheffield Hallam University including main sponsor of University Formula Student Racing Car; sponsorship of prizes for Welsh Heritage Schools Initiative awards ceremony, sponsorship of St Helens Summer Fair and Ascot United under 11s football club.
- Australia: A major sponsor of Australian Master's Games, local sponsorship includes Manly-Allambie community soccer team (NSW), Tuggeranong Vikings Hockey Club, ACT Eastern Suburbs Rugby Union, Canberra Milk Connected Classrooms, plus numerous examples of local giving to support sick children.
- New Zealand: Sponsorship of an employee, Athena Griffiths, who competes for the New Zealand Triathalon team; sponsorship of Netsafe Conference, an annual conference promoting appropriate use of the Internet to schools; making donations to multiple local charities.

MASON

During the year Mason participated in a number of fund raising events. These included:

- The Manchester to Blackpool bike ride (a 65 mile annual charity event).
- The Three Peaks Challenge (10 of the Mason staff climbed the UK's three highest mountains within 24 hours).
- Numerous other marathons and events.

Also worth mentioning is David Mason's ascent of Kilimanjaro, the highest peak in Africa, which was also supported by the company.

Collectively, over £6 000 was raised for local charities. Mason also awarded a scholarship to an MSc student at Salford University.

OTHER HOLDINGS

The Datatec Education and Technology Trust was established in March 2000 with an initial grant allocation from the company of R10 million. The principal ideal of the Trust is to grow SA's mathematics, science and technology talent, with a primary focus on providing sustainable infrastructure dedicated to developing these skills. The Group believes that this development, at grassroots level, provides a platform from which SA can build its expertise in fields such as medicine, science and technology.

To date, the Trust has invested in three community-based projects:

- The Centre for Innovation, established at Hilton College in the Kwa Zulu-Natal Midlands, provides the surrounding community with mathematics, science, entrepreneurship and computer skills training and is utilised by many schools as well as Protec, a national organisation involved in technology skills training within disadvantaged communities.
- The Maths Centre, a national organisation dedicated to the upliftment of the standard of mathematics, science and technology teaching in government schools. The Maths Centre has put together a vibrant and practical hub for learning these three disciplines using ICT resources. It serves as a resource base for the empowerment of teachers of mathematics, science and technology and all the courses are accredited with several universities ensuring professional development of teachers.
- The Siyakhula Bridging School, situated in an economically depressed area between Ivory Park and Ebony Park, teaches basic computer literacy skills to local area residents from a refurbished property that has been turned into an Education and Community Centre. Many of the residents who were previously unemployed have been able to find employment as a result of their newly acquired skills.

REMUNERATION AND NOMINATION COMMITTEE ("REMUNERATION COMMITTEE")

The Board has delegated responsibility for the 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 management and to 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.

The Remuneration Committee operates in terms of defined terms in the Remuneration Committee Charter, which had been approved by the Board.

The composition of the Remuneration Committee during the 2004 financial year was as follows:

L Boyd (Chairman)
J F McCartney
C S Seabrooke

J F McCartney has subsequently resigned from the Board and the Remuneration Committee. N J Temple has been appointed to the Remuneration Committee.

The Chief Executive Officer and the Group Finance Director 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 POLICIES

The Remuneration Committee operates a framework of policies, within which it has set the remuneration package for each executive director.

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 an identity of interest with shareholders, share 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 at 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 is made up of three main ingredients designed to balance long- and short-term objectives: a base salary, annual bonus plan with performance targets and a long-term incentive in the form of an executive share option scheme. The last two elements are designed to encourage and reward superior performance and to align the interests of the executive directors as closely as possible with the interests of the shareholders. In addition to these main ingredients, the executive directors 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.

ANNUAL BONUS PLAN

All executive directors are eligible to participate in an annual bonus plan based on the achievement of short-term performance targets set for each executive director. These targets include measures of corporate performance and divisional performance (where applicable), share price performance and the achievement of individual objectives. These targets are reviewed annually by the Chief Executive Officer with the Remuneration Committee. The bonus will not normally exceed 100% of the base salary.

OTHER BENEFITS

Executive directors are entitled to 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 pages 45 and 46. Directors are reimbursed for reasonable business expenses.

The Group contributes an amount of 10% of the executive directors' salary package for J P Montanana and D B Pfaff in respect of retirement funding contributions. This arrangement was also in place for R S Rindel for the time that he was a director.

SHARE OPTION SCHEMES

The Group operates a number of share option schemes as follows:

- The Datatec Share Option Scheme
- The Westcon Group, Inc. Stock Option Plan
- The Logicalis Group Senior Management Share Option Scheme
- The Mason Employee Benefit Trust

THE DATATEC SHARE OPTION SCHEME ("THE DATATEC SCHEME")

The Datatec Scheme is available to all employees and directors of the Group. The Remuneration Committee, with the approval of the Board, grants options 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 (subject to a minimum price of 200 cents).

The number of options available in terms of the Datatec Scheme amounts to 15% of the issued share capital (20 701 906 shares at the date of this report), with the maximum number of share options available to any one participant being limited to 1,5% of the issued share capital (2 071 906 shares at the date of this report). Options vest over a period of four years from the date on which the option is granted at the rate of 25% per annum at each anniversary of the date of grant. Options are eligible to be exercised within ten years of being granted, unless such option lapses through the death or termination of employment of the option holder.

As at 29 February 2004, 5 295 866 (2003: 5 061 756) share options had been exercised since the original grants and 9 833 444 (2003: 11 135 471) share options had been granted but not yet exercised as follows:

Number of holders	Number of options	Option price per share
183	2 803 097	R5 – R10
910	4 602 964	R10 – R15
21	338 001	R15 – R20
45	355 725	R20 – R30
143	699 565	R30 – R40
84	908 242	R40 – R50
11	55 000	R50 – R60
2	2 700	R60 – R70
1	7 500	R70 – R80
1	60 650	R80 – R90
1 401	9 833 444	

WESTCON GROUP, INC. STOCK OPTION PLAN ("THE PLAN")

The Plan was adopted by the Westcon board of directors on 10 January 2001 and approved by the Westcon shareholders on 31 January 2001. The Plan, as amended and restated in June 2002, provides for grants of incentive stock options and non-qualified stock options for the purchase of up to 4 660 000 shares of Westcon common stock to employees, directors (other than directors who serve on the compensation committee), consultants and other advisors to Westcon. Westcon's board of directors has authorised the compensation committee to administer the Plan. The compensation committee determines the exercise price, the vesting period of, and the period in which to exercise, the stock options. The exercise price of a stock option is equal to at least the fair market value of a share of Westcon common stock on the date of grant. Stock options granted under the Plan are generally exercisable for twelve months after termination of employment due to death or total disability, and for three months after other terminations of employment. All stock options expire ten years from the date of grant.

As of 29 February 2004, stock options to purchase an aggregate of 2 756 450 shares of common stock were outstanding, and 1 903 550 shares were available for future grant.

The Westcon board of directors may suspend, amend or terminate the Plan at any time. However, unless approved by a majority of stockholders, no amendment will increase the total number of shares. In addition, no termination of the Plan or action by the Westcon board of directors in amending or suspending the Plan will affect or impair the rights of a stock option holder under any stock option previously granted.

The Westcon board of directors has determined that no future stock options will be granted under this Plan following the effective date of the proposed Westcon IPO on NASDAQ.

THE LOGICALIS GROUP SENIOR MANAGEMENT SHARE OPTION SCHEME ("THE LOGICALIS SCHEME")

As noted in previous annual reports, an executive share incentive scheme is in place in Logicalis. This scheme is an Employee Benefit Trust which was established on 5 November 2002 and is administered by independent trustees in Jersey.

Under the original terms agreed for the Logicalis Scheme, Logicalis Group Limited ("LGL") has granted to the Trust an option to subscribe for 7 200 000 shares in LGL (equal to 10% of the current issued share capital of Logicalis) at $1,39 per share on the basis of a valuation of Logicalis of $100 million. The scheme provided for the granting of options to senior managers with the Datatec Remuneration Committee recommending to the Trustees the identities of the grantees and the prices at which options are exercisable.

Options were initially granted at an exercise price of $1,39 and were re-priced at $0,90 on 1 November 2003, for those option holders who were still employees, to reflect a revised valuation of the Logicalis group of $64,8 million.

In January 2004, the Logicalis Scheme was closed to new members and currently has 35 participants with 6 002 000 options outstanding. Options vest over a period of two years from the date of grant, with 33,33% vesting on the date of grant and a further 33,33% vesting on each of the two subsequent anniversaries of such date of grant. Options lapse through the cessation of employment of the relevant option holder. Vested options may be exercised by a personal representative in the case of the death of the option holder.

Exercise of options is conditional upon one of the following events occurring: a trade sale of the Logicalis business; or the public flotation of LGL shares; or the sale by Datatec of the majority of its shares in LGL (with the options exercisable only in a similar proportion as the shares sold by Datatec); or the occurrence of certain statutory events in relation to Logicalis; or a long-stop date being reached (31 December 2005). In the event that the long-stop date is reached, the options are to be exercised and subsequently converted into Datatec shares according to a pre-determined formula (subject to the approval of, inter alia, the JSE Securities Exchange South Africa and Datatec shareholders in general meeting, to the extent required). This pre-determined formula is based on an independent valuation of Logicalis, for which the valuation is capped by the Price:Earnings multiple of Datatec at the time. In the event that the Price:Earnings multiple of Datatec is zero or less than zero, an independent valuation of Datatec will be performed.

To date, no trigger event has occurred to allow the Trust to exercise its options.

THE MASON EMPLOYEE BENEFIT TRUST ("THE MASON EBT")

The Mason EBT is available to all employees of the Mason group and was established on 13 March 1998, prior to the acquisition of Mason by Datatec. Recommendations for the grant of options are made by the board of Mason as a means of retaining key members of staff and rewarding good performance.

The options are held in an Employee Benefit Trust which is administered by the Royal Bank of Canada, an offshore trust. The number of options currently available in terms of the Mason EBT amounts to 976 039 (approximately 8,8% of the issued share capital).

Options are eligible to be exercised within ten years of being granted, on either the 100% sale of Mason or as a result of a public listing of the company, or by a three year put agreement commencing in 2003 or 2004, unless such option lapses through the death or termination of employment of the option holder.

The three year put agreement has been finalised and will allow option holders to put one third of their total options each year. In the case of the put arrangement, the exercise price is set at a multiple of the profit before tax of 8,28 (as agreed when Mason was originally acquired by Datatec). In the case of the options being exercised other than by the put arrangement, the options would be determined by the sale or flotation price.

Options are issued at a valuation based on a professional valuation of the company. As part of the put arrangement, all options issued above £1,32 will be re-priced at £1,32.

The details given below reflect the options issued in terms of Mason's ordinary share of 10p each (figures in brackets indicate the number of options still current).

During the year ended 29 February 2004 options to 139 200 (120 700) shares were granted at a price of £1,32 per share. In addition, as part of the 2003 put 126 961 options were exercised and the shares under option were purchased by Datatec.

At present, 448 837 options have been granted but not yet exercised as follows:

Number of holders	Number of options	Option price per share
9	7 936	£0 – £0,50
16	140 962	£0,50 – £1,00
63	299 939	£1,00 – £1,50
88	448 837	

NON-EXECUTIVE DIRECTORS

L Boyd is the Group's independent non-executive Chairman and received total fees of $81 250 during the 2004 financial year, including committee fees.

J F McCartney was the independent non-executive deputy Chairman of the Group and the chairman of Westcon. He received total fees of $75 500 during the 2004 financial year, including committee fees.

N J Temple is an independent non-executive director and was chairman of Logicalis until 31 December 2003. He received total fees of $72 850 during the 2004 financial year.

Each other non-executive director is paid a base fee of $40 000 per annum. Non-executive directors, who are members of a committee of the Board are paid an additional sum of $5 000 per annum in respect of each committee of which they are members.

The remuneration of the non-executive directors is approved by the Board and subject to ratification at the Annual General Meeting.

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.

DIRECTORS' SERVICE CONTRACTS

In order to properly reflect their spread of responsibilities, J P Montanana and D B Pfaff have contracts with Datatec International Holdings and Datatec Limited. Other than is set out here, the employment contracts of all executive directors are terminable at six months' notice by either party. A M Smith has a contract with Westcon Group, Inc. with a fixed term expiring on 15 July 2005 exclusive of a six month notice provision.

Effective 21 May 2004, A M Smith resigned as Westcon's Chief Executive Officer. He was succeeded by Tom Dolan, an Executive Vice President and minority shareholder of Westcon. In connection with the resignation, Mr. Smith is entitled to aggregate payments of approximately $2,4 million relating to his separation and general release agreement with Westcon. In connection with this agreement, Westcon fully vested Mr. Smith's outstanding stock options and has agreed to enter into a registration rights agreement with Mr. Smith relating to the shares of Westcon common stock owned by him.

In addition, following the termination of Mr. Smith's employment on July 31 2004, Westcon will amortise $2 million of non-competition payments previously made to Mr. Smith over the ensuing twelve-month period. Mr. Smith retained his common stock ownership of Westcon and all rights under previously granted incentive stock and equity put options agreements with the company.

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

DIRECTORS' EMOLUMENTS

The following tables set out an analysis of the pre-tax remuneration, including bonuses, for individual directors who held office during the year ended 29 February 2004 and the period ended 28 February 2003 in the Group. The Remuneration Committee has approved the executive directors' emoluments. The external auditors have independently verified the emoluments disclosed below. Please refer to page 48 for details of directors' share options.

	2004 – $					
	Basic salary	Bonus	Fees	Pension	Other benefits	Total
Executive directors						
J P Montanana"	663 899	304 158	–	93 955	51 445	1 113 457
D B Pfaff	281 161	129 360	–	41 052	25 598	477 171
R S Rindel	12 576	4 235	–	452	806	18 069
A M Smith **	625 000	227 500	–	–	8 925	861 425
Total executive directors	1 582 636	665 253	–	135 459	86 774	2 470 122
Non-executive directors						
L Boyd	–	–	81 250	–	–	81 250
C B Brayshaw	–	–	57 500	–	–	57 500
M Karpul ^	–	–	41 685	–	–	41 685
J F McCartney	–	–	75 500	–	–	75 500
C M L Savage	–	–	48 750	–	–	48 750
C S Seabrooke	–	–	55 000	–	–	55 000
N J Temple	–	–	72 850	–	–	72 850
Total non-executive directors	–	–	432 535	–	–	432 535
Total directors' emoluments	1 582 636	665 253	432 535	135 459	86 774	2 902 657

"The Remuneration Committee agreed that $99 126 be paid to J P Montanana in respect of accrued leave, over a period of three years. The second payment of $33 042 was paid to him during the financial year under review. This amount is not included in the table of emoluments above.

*** As disclosed in previous annual reports, Westcon entered into a restraint of trade with A M Smith on 1 July 2001. In terms of this agreement the restraint is for a period of twelve months after the last day of A M Smith's employment with Westcon and an amount of $2 million is to be paid to him over a period of time, as follows: the first payment of $500 000 was made during July 2001. Thereafter payments of $214 286 will be made to him in March and September each year, with the last payment due on 1 September 2004. The amount of $428 572 paid to him in this regard during 2004 financial year is not included in the table of emoluments above.*

^ $31 685 of the fees paid to M Karpul were paid to Korbitec (Pty) Limited.

$167 248 of the emoluments referred to above have been paid by Datatec Limited and $2 735 409 have been paid by subsidiaries of Datatec Limited.

Where a director was a director for part of the financial year, only the portion of his salary or fees for the time that he has been a director has been included in the table above. R Rindel and M Karpul resigned on 14 March 2003 and 31 August 2003 respectively.

The 2003 financial year represented an eleven-month period, with the exception of Westcon which was consolidated for twelve months. Total directors' emoluments for 2003 have therefore been annualised to enable useful comparatives to the 2004 emoluments presented on page 45.

	2003 – $						
	Basic salary	Bonus	Fees	Pension	Other benefits	Total	Annualised total
Executive directors							
S F Lawrence+	192 963	86 833	–	–	48 241	328 037	328 037
J P Montanana*	590 768	80 000	–	74 700	43 269	788 737	853 168
D B Pfaff	222 685	30 000	–	24 585	4 740	282 010	304 920
R S Rindel^	267 428	31 975	–	21 524	2 541	323 468	349 967
A M Smith &	550 000	196 595	–	–	8 877	755 472	755 472
Total executive directors	1 823 844	425 403	–	120 809	107 668	2 477 724	2 591 564
Non-executive directors							
L Boyd	–	–	73 333	–	–	73 333	80 000
C B Brayshaw	–	–	41 250	–	–	41 250	45 000
M Karpul	–	–	36 667	–	–	36 667	40 000
J F McCartney	–	–	66 000	–	–	66 000	72 000
C M L Savage	–	–	45 833	–	–	45 833	50 000
C S Seabrooke	–	–	45 833	–	–	45 833	50 000
N J Temple>	–	–	32 104	–	–	32 104	38 525
Total non-executive directors	–	–	341 020	–	–	341 020	375 525
Total directors' emoluments	1 823 844	425 403	341 020	120 809	107 668	2 818 744	2 967 089

+ S F Lawrence resigned on 1 October 2002 and received a loss of office payment amounting to $360 753. This amount is not included in the table of emoluments above.

> N J Temple was appointed on 1 October 2002.

**The Remuneration Committee agreed that $99 126 be paid to J P Montanana in respect of accrued leave, over a period of three years. An amount of $33 042 was paid to him during 2003. This amount is not included in the table of emoluments above.*

^R S Rindel is entitled to a relocation allowance of $75 000 for his relocation from SA to Australia. AUS$18 200 has been paid in respect of his Australian rental and utilities for six months. In addition, Westcon paid AUS$70 800 to R S Rindel as a refund for stamp duties incurred in the purchase of fixed property as a result of his relocation to Australia. These amounts are not included in the table of emoluments above.

& As disclosed in the 2003 annual report, Westcon entered into a restraint of trade with A M Smith on 1 July 2001. In terms of this agreement the restraint was for a period of eighteen months (subsequently reduced to twelve months) after the last day of A M Smith's employment with Westcon and an amount of $2 million is to be paid to him over a period of time, as follows: the first payment of $500 000 was made during July 2001. Thereafter payments of $214 286 will be made to him in March and September each year, with the last payment due on 1 September 2004. The amount of $428 572 paid to him in this regard during 2003 financial year is not included in the table of emoluments above.

Where a director was a director for part of the financial year, only the portion of his salary or fees for the time that he has been a director has been included in the table above. S F Lawrence resigned on 1 October 2002. N J Temple was appointed on 1 October 2002.

All directors' emoluments have been paid by subsdiaries of Datatec Limited.

DIRECTORS' SHARE INTERESTS

The interests of directors who held office at 29 February 2004 in ordinary shares of the company were as follows:

2004	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total
Executive directors				
J P Montanana	5 249 955	2 025 093	–	7 275 048
D B Pfaff	–	–	–	–
A M Smith	–	–	–	–
Non-executive directors				
L Boyd *	2 000	–	–	2 000
C B Brayshaw	–	–	–	–
J F McCartney	233 000	–	–	233 000
C M L Savage	–	–	–	–
C S Seabrooke	–	–	–	–
N J Temple	–	–	–	–
	5 484 955	2 025 093	–	7 510 048

**During the 2004 financial year, L Boyd inherited 2 000 Datatec shares from his late wife's estate.*

2003	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total
Executive directors				
J P Montanana	5 249 955	1 710 000	–	6 959 955
D B Pfaff	–	–	–	–
R S Rindel	44 500	–	62 057	106 557
A M Smith	–	–	–	–
Non-executive directors				
L Boyd	–	–	–	–
C B Brayshaw	–	–	–	–
M Karpul	345 200	–	–	345 200
J McCartney	233 000	–	–	233 000
C M L Savage	–	–	–	–
C S Seabrooke	–	–	–	–
N J Temple	–	–	–	–
	5 872 655	1 710 000	62 057	7 644 712

Since 29 February 2004 to the date of this report, the following changes to directors' share interests occurred:

- J P Montanana purchased 360 005 additional shares (indirect beneficial)
- D B Pfaff purchased 23 000 shares (direct beneficial) and 65 000 shares (indirect non-beneficial)

DIRECTORS' SHARE OPTIONS

Directors holding office at 29 February 2004 held the following Datatec share options:

	Issue date	Options held at beginning of year	Granted during the year	Price	Options held at year end
J F McCartney	2002-03-14	125 000	–	18,06	125 000
		125 000	–		125 000
J P Montanana	2000-12-11	200 000	–	35,46	200 000
	2001-12-10	700 000	–	10,96	700 000
	2002-11-21	808 369	–	7,44	808 369
	2003-11-24	–	350 000	8,88	350 000
		1 708 369	350 000		2 058 369
D B Pfaff	2001-12-10	200 000		10,96	200 000
	2002-11-21	312 639	–	7,44	312 639
	2003-11-24	–	175 000	8,88	175 000
		512 639	175 000		687 639
C S Seabrooke	1997-10-29	40 000	–	14,25	40 000
	2002-03-14	80 000	–	18,06	80 000
		120 000	–		120 000
A M Smith	1998-12-01	30 000	–	31,40	30 000
	1999-07-08	30 000	–	42,85	30 000
		60 000	–		60 000
Total		2 526 008	525 000		3 051 008

None of the directors have exercised any share options during the year.

INDEX TO THE ANNUAL FINANCIAL STATEMENTS

BOARD APPROVAL

The Annual Financial Statements for the year ended 29 February 2004 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice as applied in the Republic of South Africa and incorporate appropriate and responsible disclosure together with appropriate accounting policies, supported by reasonable and prudent judgements and estimates which have been used consistently.

The directors are responsible for the maintenance of adequate accounting records, the preparation and integrity of the Annual Financial Statements and all related information. The directors are also responsible for the systems of internal control which are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. The external auditors are responsible for reporting whether the Annual Financial Statements are fairly presented.

The directors believe that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The Annual Financial Statements which appear on pages 52 to 95 were approved by the Board of Directors on 26 May 2004 and are signed on its behalf by:

J P Montanana
Chief Executive Officer

D B Pfaff
Group Finance Director

CERTIFICATE BY SECRETARY

FOR THE PERIOD ENDED 29 FEBRUARY 2004

In terms of section 268G(d) of the Companies Act (Act 61 of 1973), as amended ("Act"), I certify that for the year ended 29 February 2004, Datatec Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act.

Further, that such returns are true, correct and up to date.

I P Dittrich
Secretary

REPORT OF THE INDEPENDENT AUDITORS

To the members of Datatec Limited

We have audited the Annual Financial Statements and Group Annual Financial Statements of Datatec Limited, set out on pages 52 to 95, for the period ended 29 February 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the Annual Financial Statements fairly present, in all material respects, the financial position of the company and the Group at 29 February 2004 and the results of their operations and cash flows for the period then ended in accordance with Statements of Generally Accepted Accounting Practice as applied in the Republic of South Africa, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
26 May 2004

NATURE OF THE BUSINESS

PROFILE AND GROUP STRUCTURE

Datatec and its subsidiaries ("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 convergence products ("Westcon"), infrastructure solutions and IT network integration ("Logicalis") and strategic telecommunications consulting ("Mason"). The Group also has a number of other interests, which are included with the Group Head Office under Other Holdings. These interests include the wholly owned subsidiaries Westcon AME (operating in Africa) and Online Distribution (operating in the Middle East) and an 84% interest in RangeGate (operating in SA and the UK).

GROUP FINANCIAL RESULTS

Commentary on the Group financial results is given in the Finance Report on pages 33 to 36. Full details of the financial position and financial results of the Group and company are set out in the Annual Financial Statements on pages 52 to 95.

SHARE CAPITAL

Authorised share capital

The authorised share capital of the company is made up of R2 000 000 divided into 200 000 000 ordinary shares of one cent each.

Issued share capital

As at 29 February 2004, the issued share capital is made up of R1 379 983,06 divided into 137 998 306 ordinary shares of one cent each (2003: R1 377 641,96 made up of 137 764 196 ordinary shares).

Share capital issued during the year ended 29 February 2004

During the year, 234 110 shares were issued to settle obligations in terms of The Datatec Share Option Scheme.

The authorised and issued share capital of the company, and full details of the movement in share capital have been reflected in the Statement of Changes in Equity on page 60 in the Group Annual Financial Statements.

DIRECTORS

Full details of the current Board of Directors appear on pages 6 and 7. Messrs. R Rindel and M Karpul resigned from the Board on 14 March 2003 and 31 August 2003 respectively. Messrs. A Smith and J McCartney resigned with effect from 3 March 2004 in anticipation of the proposed initial public offering of common stock of Westcon in the US. There were no other changes in the composition of the Board.

All directors, including non-executive directors, are required, in terms of the company's Articles of Association, to retire and offer themselves for re-election at least every three years. All directors are subject to re-election by shareholders at the first opportunity after their appointment in addition to re-election at least every three years.

D B Pfaff and C S Seabrooke retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election. Refer pages 6 and 7 for brief CVs of directors.

More details on the directors and their interests are provided in the tables in the Remuneration Report set out on pages 45 to 48.

GOING CONCERN

The directors believe that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The following factors support the going concern assumption:

The Group is solvent and has access to sufficient cash resources. The tangible net asset value of $2,04 per share is considered adequate to meet the Group's obligations. Working capital remains well controlled. Receivables and inventory are of sound quality and adequate provisions are held against both. The Group has sufficient liquidity and borrowing capacity to meet its ongoing operating needs, including approved capital expenditure.

The Group has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any new material changes that may adversely impact the Group relative to customers, suppliers, services or markets. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business. The Board is not aware of any pending changes in legislation in any of the major countries in which it operates, that may affect the Group.

INVESTMENTS AND SUBSIDIARIES

Financial information relating to the Group's investments and interests in subsidiaries is contained in note 11 as well as Annexures 1 to 2 of the Group Annual Financial Statements and note 5 of the company Annual Financial Statements.

ACQUISITIONS

The following significant acquisitions were concluded during the year under review:

In June 2003 under a series of put and call agreements (exercisable in two equal tranches) with the founder management shareholders of Mason, who own 15% of Mason, agreed to exercise their rights to put to Datatec 828 375 shares owned by them. The Employee Benefit Trust ("EBT"), which owned 10% of Mason, put 118 377 shares to Datatec, being option holders who have decided to exercise their options in the 2004 financial year. The consideration payable for such put options amounted to $1,49 million, being a multiple of 8,28 times the audited pre-tax profits of Mason achieved in the 2003 financial year.

DISPOSALS AND DISCONTINUED OPERATIONS

On 11 July 2003, Logicalis Group Limited disposed of its loss making French subsidiary Logical Group Services SA and its 100% subsidiary Logical Networks SA for an amount of $4. A non-interest bearing loan of $135 000 advanced to Logical Networks SA is repayable in instalments of $11 000 commencing 31 July 2005. The loan will be repayable in full on a disposal of the majority of assets of the company or a sale of shares in the company or its parent company. The disposal agreements were drawn up under French law and contain a warranty in respect of ownership of the shares.

Pursuant to a sale of shares agreement dated 17 July 2003, Datatec sold its 55,2% shareholding in Affinity Logic Holdings (Pty) Limited to UCS Group Limited for $2,56 million. The agreement was drawn up under South African law and contains warranties that are considered normal for disposals of this nature.

With effect from 31 July 2003, Westcon AME sold its interest in the Datanet and Westcon Cabinet Manufacturers divisions for $2,5 million. The agreement was drawn up under South African law and contains warranties that are considered normal for disposals of this nature.

SPECIAL RESOLUTIONS OF THE GROUP

On 27 October 2003 Datatec registered a special resolution after receiving shareholder approval at the AGM to repurchase its own securities.

On 5 January 2004 Logicalis Group Limited cancelled its share premium account of $58 million.

INTERNAL RESTRUCTURING OF THE GROUP

During the year there was an incorporation of a new wholly owned UK subsidiary, Datatec International Limited, which purchased the shares and took cession of all claims from Datatec of Westcon, Logicalis, Datatec International Holdings and Mason at fair market value and at face value respectively. The consideration for this transaction was satisfied by the issuing of shares in the UK subsidiary to Datatec, the fair market value of which amounted to the aggregate fair market value of the shares and the UK subsidiary recording a claim on loan account in favour of Datatec, the face value of which equalled the aggregate face value of the claims ceded to the UK subsidiary. The effect of this transaction was to internally restructure the ownership of a substantial part of the foreign assets currently held by Datatec, to create a more flexible offshore structure for the Group.

With effect from 1 December 2003, Datatec Management Services ("DMS") sold its management services business to its parent company, Datatec Limited in order to simplify the Group structure. Datatec has been substituted in the place of DMS in respect of all employment contracts applicable to employees and all rights and obligations between DMS and the employees as at 1 December 2003 have continued in force as if they had been rights and obligations between Datatec and the employees.

EXTERNAL AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as external auditors of the Group and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting in accordance with section 270 of the Companies Act.

SHARE OPTION AND MANAGEMENT INCENTIVE SCHEMES

Details of the Group's share option and other management incentive schemes are set out in the Remuneration Report on pages 43 to 45.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

On 2 March 2004, Westcon Group, Inc. filed a registration statement with the United States Securities and Exchange Commission for an initial public offering of Westcon's common stock (the "SI filing"). This is a preliminary filing that is required to start the process of an initial public offering in the US.

The SI filing relating to the common stock was filed with the Securities and Exchange Commission but has not yet become effective. The securities may not be sold nor may offers to buy the securities be accepted prior to the time the registration statement becomes effective.

On 27 March 2004, Logicalis disposed of its Australian and New Zealand operations ("Logicalis A/NZ") to IBM for $66 million in cash, inclusive of working capital adjustments. The transaction comprises a cash consideration of $46 million for the shares and a repayment of intercompany loans and payables amounting to $20 million. There are no conditions precedent in the sale agreement. The sale agreement contains warranties that are considered normal for disposals of this nature.

ANNUAL GENERAL MEETING

The AGM will be held at 14h00 on 26 August 2004 in the auditorium at Building 8, Harrowdene Office Park, Western Service Road, Woodmead, Sandton, Republic of South Africa. In addition to the ordinary business of the meeting, as special business, shareholder consent will be sought to authorise directors to repurchase the company shares from time to time according to certain guidelines. Refer to the notice of the AGM on pages 97 to 100 of this report.

BASIS OF ACCOUNTING AND REPORTING

The Group Annual Financial Statements set out on pages 52 to 84 have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value, and incorporate the following principal accounting policies, prepared in accordance with Statements of Generally Accepted Accounting Practice as applied in the Republic of South Africa, which have been consistently applied in all material respects with the exception of AC133: Financial Instruments: Recognition and Measurement, which has been adopted. The impact of this adoption is to decrease opening distributable reserves by $392 689.

Following the recent issue of Circular 3/2004 by the South African Institute of Chartered Accountants, certain exceptional items (including comparatives) have been reclassified and, where appropriate, included in operating profit or loss. This change in presentation has no effect on the Group's attributable loss or equity.

The Group has changed its reporting currency from South African Rands to US Dollars with effect from the current financial year and restated comparative information accordingly. The parent company, Datatec Limited, will continue to report in South African Rands. Our objective is to report financial information for the Group that is consistent with the economic substance of the underlying events and circumstances of the Group's businesses. The US Dollar is the functional currency in which the major part of the Group's trading is conducted as over 97% of the Group's revenue is earned offshore in foreign currency. By reducing the distorting effects of changes in currency exchange rates this will simplify financial analysis and enhance the transparency of our financial results.

Presenting financial information in US Dollars will also be more meaningful to global investors and international benchmarking.

The policy of reporting in US Dollars has been and will be applied in future using the following bases:

- assets and liabilities for balance sheets (including comparatives) are translated at the closing rate ruling at the date of each balance sheet; and
- income and expense items for all periods presented (including comparatives) are translated at an average rate that approximates the actual exchange rates at the dates of the transactions.

The principal accounting policies adopted are set out below.

CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The Group Annual Financial Statements incorporate the Annual Financial Statements of the company and its subsidiaries and associates. The operating results of these entities have been included from the effective dates of acquisition to the effective dates of disposal. All significant inter-company transactions and balances have been eliminated.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used into line with those of the Group.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been stated at historical cost less accumulated depreciation.

Depreciation is calculated based on historical cost using the straight-line method over the estimated useful lives of the assets.

The basis of depreciation provided on property, plant and equipment is as follows:

	Number of years over which to be written off
Land is not depreciated	
Office furniture and equipment	2 – 6
Motor vehicles	2 - 4
Computer equipment and software	2 – 6
Leasehold improvements	Period of the lease
Buildings	20

GOODWILL

Goodwill, comprising the excess of the cost of shares in subsidiaries and associates over the fair value of their net assets at the date of acquisition, is written off over its useful life, not exceeding seven years.

CAPITALISED DEVELOPMENT EXPENDITURE

An intangible asset arising from development (or from the development phase of an internal project) is recognised only if the Group can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset, and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits, including the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset;

(f) its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development costs are amortised using the straight-line method over their useful lives, which generally do not exceed seven years.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately and are reflected in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately in the income statement.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. Amounts owing are recognised once there is sufficient assurance that the suspensive conditions will be met and the amounts can be measured reliably. Amounts potentially owing where the suspensive conditions have not been met are disclosed as contingent liabilities.

LEASED ASSETS

Assets leased in terms of agreements, which are considered to be finance leases, are capitalised. Capitalised leased assets are depreciated at the same rate and on the same basis as equivalent owned assets or over the term of the lease if this is shorter. The liability to the lessor is included in the balance sheet as a finance lease obligation. Lease finance charges are amortised over the duration of the leases, using the effective interest rate method.

Operating leases, mainly for the rental of premises, office furniture, computer equipment and motor vehicles are not capitalised and rentals are expensed on a straight-line basis over the lease term.

INVENTORIES

Inventories, comprising merchandise for resale and raw materials, are stated at the lower of cost and net realisable value and are primarily valued on the average cost basis.

Provision is made for obsolete and slow-moving inventory.

Contract work in progress is recognised on the percentage of completion method by reference to the milestones set out in each contract.

DEFERRED TAXATION

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for temporary taxable differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the reporting currency are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement except for profits and losses on exchange arising from equity loans which are taken directly to equity until the entity to which the loan was made has been disposed of, at which time they are recognised as income or expenses.

Where appropriate, in order to minimise its exposure to foreign exchange risks, the Group enters into forward exchange contracts.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period during which disposals are recorded.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments, other than investments in subsidiaries, are recognised on a trade-date basis and are initially measured at cost, including transaction costs. These investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, gains or losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Fair value of listed investments is calculated by reference to the quoted selling price at the close of business on the balance sheet date. Unlisted investments are shown at fair value, or at cost where fair value cannot be reliably measured.

Trade and other receivables

Trade and other receivables originated by the Group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of the discounting to present value is material, provisions are adjusted to reflect the time value of money.

REVENUE

The invoiced value of sales and services rendered, excluding value added and sales taxes, in respect of trading operations is recognised at the date on which goods are delivered to customers or services are provided.

Revenue and profits from long-term and fixed-price contracts are recognised on the percentage of completion method, after providing for contingencies and once the outcome of the contract can be assessed with reasonable assurance. The percentage of completion is measured by reference to milestones set out in each contract. As soon as losses on individual contracts become evident, they are provided for in full.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Within the Group, inter-company and inter-divisional sales are eliminated on consolidation.

PENSION SCHEME ARRANGEMENTS

Certain subsidiaries of the Group make contributions to various defined contribution retirement plans, on behalf of employees, in accordance with the local practice in the country of operation. These contributions are charged against income as incurred.

The Group has no liability to these defined contribution retirement plans other than the payment of its share of the contribution in terms of the agreement with the funds and employees concerned, which differs from country to country.

EXCEPTIONAL ITEMS

Exceptional items are those items of income and expenditure from ordinary activities that are of such size and nature of incidence that their separate disclosure is relevant to explain the performance of the Group.

DISCONTINUED OPERATIONS

Discontinued operations are significant, distinguishable components of the Group that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. Any operation disposed of subsequent to year-end is considered to be a discontinued operation for disclosure purposes.

Once an operation has been identified as discontinuing, comparative information is restated.

GROUP INCOME STATEMENT

FOR THE PERIOD ENDED 29 FEBRUARY 2004

	Notes	2004 USD'000	2003 USD'000
Revenue	1	2 346 948	2 062 541
Continuing operations		2 230 692	1 863 335
Acquisitions		–	103 467
Ongoing operations		2 230 692	1 966 802
Discontinued operations		116 256	95 739
Cost of sales		(2 071 528)	(1 810 326)
Gross margin		275 420	252 215
Operating costs		(251 632)	(233 965)
Operating profit before finance costs, depreciation and amortisation ("EBITDA")		23 788	18 250
Ongoing operations		18 668	20 024
Discontinuing operations		5 120	(1 774)
Depreciation and other amortisation	2	(22 727)	(23 606)
Operating profit/(loss) before goodwill amortisation, impairment and other income		1 061	(5 356)
Goodwill amortisation	10	(12 091)	(11 662)
Goodwill impairment	10	(14 361)	(14 883)
Other income		81	127
Operating loss	2	(25 310)	(31 774)
Exceptional items	3	(6 438)	4 730
Loss on disposal and disclosure of discontinued operations		(6 438)	(1 134)
Other exceptional items		–	5 864
Interest received		5 150	6 950
Financing costs	4	(9 570)	(8 994)
Share of associate company earnings		–	8
Loss before taxation		(36 168)	(29 080)
Taxation	5	(5 336)	(2 603)
Loss after taxation		(41 504)	(31 683)
Loss attributable to outside shareholders		521	170
Attributable loss	6	(40 983)	(31 513)
Number of shares issued (millions)			
– Issued		138	138
– Weighted average		138	138
– Diluted weighted average		140	138
Headline loss	6	(9 082)	(9 842)
Loss per share (cents)	6		
– Headline		(6,59)	(7,14)
– Diluted headline		(6,59)	(7,14)
– Basic		(29,75)	(22,84)
– Diluted		(29,75)	(22,84)

	Notes	2004 USD'000	2003 USD'000
ASSETS			
Non-current assets		105 439	144 326
Property, plant and equipment	8	27 726	45 400
Capitalised development expenditure	9	11 769	11 079
Goodwill	10	38 923	57 165
Investments	11	920	2 022
Deferred tax assets	12	26 101	28 660
Current assets		860 956	747 351
Inventories	13	247 045	204 837
Accounts receivable	14	368 031	303 546
Other receivables		60 779	43 302
Cash and cash equivalents		185 101	195 666
Total assets		966 395	891 677
EQUITY AND LIABILITIES			
Ordinary shareholders' funds		332 506	337 886
Share capital and premium		180 672	147 101
Non-distributable reserve		14 915	12 490
Distributable reserves		136 919	178 295
Outside shareholders' interest		18 464	18 782
Total shareholders' funds		350 970	356 668
Non-current liabilities		7 643	23 682
Long-term liabilities	15	3 656	14 168
Deferred tax liabilities	12	3 987	9 514
Current liabilities		607 782	511 327
Accounts payable	16	485 657	410 841
Provisions	17	11 685	9 262
Amounts owing to vendors	18	438	7 571
Taxation		13 604	3 591
Bank overdrafts	19	96 398	80 062
Total equity and liabilities		966 395	891 677

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 29 FEBRUARY 2004

USD'000	Share capital	Share premium	Non-distributable reserve	Distributable reserves	Total
Balance at 1 April 2002	120	104 076	39 733	209 808	353 737
New share issues	–	524	–	–	524
Translation difference arising on translation into USD	49	42 332	(13 163)	–	29 218
Translation difference on equity loans	–	–	(14 449)	–	(14 449)
Tax effect of equity loans translation	–	–	(529)	–	(529)
Deferred tax on goodwill previously charged directly to equity	–	–	898	–	898
Attributable loss for the period	–	–	–	(31 513)	(31 513)
Balance at 28 February 2003	169	146 932	12 490	178 295	337 886
Prior year adjustment – adoption of AC133	–	–	–	(393)	(393)
New share issues	–	341	–	–	341
Translation difference arising on translation into USD	39	33 191	28 069	–	61 299
Translation difference on equity loans	–	–	(26 258)	–	(26 258)
Tax effect of equity loans translation	–	–	(245)	–	(245)
Deferred tax on goodwill previously charged directly to equity	–	–	859	–	859
Attributable loss for the year	–	–	–	(40 983)	(40 983)
Balance at 29 February 2004	208	180 464	14 915	136 919	332 506

Authorised share capital
200 000 000 (2003: 200 000 000) ordinary shares of R0,01 each

Issued share capital
137 998 306 (2003: 137 764 196) ordinary shares of R0,01 each

During the year the following shares were issued in respect of share options exercised:
29 000 shares at R7,44 per share
205 110 shares at R10,96 per share

20 699 746 (2003: 20 664 629) of the unissued shares equivalent to 15% (2003: 15%) of the issued share capital, have been set aside for the purpose of granting options to any officer or employee of the company, including any director, in terms of the Datatec Share Option Scheme. At the balance sheet date 5 295 866 of the shares set aside for the Share Option Scheme had been exercised.

The remaining unissued ordinary shares of 62 001 694 (2003: 62 235 804) are under the control of the directors until the next general meeting, subject to the provisions of section 221 and 222 of the Companies Act and the requirements of the JSE Securities Exchange South Africa.

	Notes	2004 USD'000	2003 USD'000
Cash flow from operating activities			
Cash (utilised in)/generated from operations	A	(29 022)	143 458
Interest received		5 150	6 950
Financing costs		(9 570)	(8 994)
Taxation refunded/(paid)	B	1 494	(14 802)
		(31 948)	126 612
Net cash outflow relating to exceptional items		–	(1 911)
Net cash (outflow)/inflow from operating activities		(31 948)	124 701
Cash flow from investing activities			
Acquisition of subsidiary companies	C	–	(17 247)
Proceeds on disposal of businesses and investments	D	4 878	–
Additions to property, plant and equipment	E	(10 245)	(13 865)
Additions to capitalised development expenditure		(4 490)	(5 492)
Proceeds on disposal of property, plant and equipment		6 492	4 010
Net cash outflow from investing activities		(3 365)	(32 594)
Cash flow from financing activities			
Net proceeds from issue of shares	F	341	524
(Decrease)/Increase in amounts due to vendors		(8 616)	6 420
Repayment of long-term liabilities		(5 282)	(7 610)
Funding received from long-term liabilities		1 344	2 940
Net cash (outflow)/inflow from financing activities		(12 213)	2 274
Net (decrease)/increase in cash and cash equivalents		(47 526)	94 381
Cash and cash equivalents at the beginning of year		115 604	14 649
Translation difference on opening cash position	G	20 625	6 574
Cash and cash equivalents at end of year	H	88 703	115 604

NOTES TO THE GROUP CASH FLOW STATEMENT

FOR THE PERIOD ENDED 29 FEBRUARY 2004

		2004 USD'000	2003 USD'000
A.	Cash (utilised in)/generated from operations		
	Loss before taxation	(36 168)	(29 080)
	Adjustments for:		
	Unrealised foreign exchange losses	6 198	4 728
	Non-cash movement on investments	(365)	–
	Other income	(81)	(127)
	Share of associated company earnings	–	(8)
	Depreciation and amortisation	22 727	23 606
	Loss on disposal of property, plant and equipment	352	774
	Interest received	(5 150)	(6 950)
	Financing costs	9 570	8 994
	Goodwill amortisation	12 091	11 662
	Exceptional items	6 438	(4 730)
	Goodwill impairment	14 361	14 883
	Operating profit before working capital changes	29 973	23 752
	Working capital changes:		
	(Increase)/Decrease in inventories	(41 457)	7 464
	(Increase)/Decrease in accounts receivable	(84 494)	30 699
	Increase in accounts payable	66 956	81 543
		(29 022)	143 458
B.	Taxation (refunded)/paid		
	Amounts unpaid at beginning of year	3 591	12 517
	Amounts charged to the income statement excluding deferred tax	3 462	5 876
	Other movements and translation differences	5 057	–
	Amount unpaid at end of year	(13 604)	(3 591)
		(1 494)	14 802
C.	Acquisition of subsidiary companies		
	Cost of investment acquired in subsidiary companies		
	The fair value of assets acquired and the liabilities assumed on the acquisition of subsidiary companies, net of cash acquired, is as follows:	–	17 247
	Property, plant and equipment	–	7 046
	Goodwill arising on acquisitions	–	24 517
	Accounts receivable	–	2 016
	Inventories	–	139
	Accounts payable	–	(5 886)
	Long-term liabilities	–	(10 585)
		–	17 247

		2004 USD'000	2003 USD'000
D.	Proceeds on disposal of businesses and investments		
	Property, plant and equipment	4 859	2
	Capitalised development expenditure	340	–
	Accounts receivable	5 102	83
	Inventories	2 087	–
	Accounts payable	(11 263)	(61)
	Holding company and fellow subsidiary companies	(4 174)	–
	Long-term liabilities	(7 811)	–
	Deferred tax	324	–
	Net cash balances	17 719	–
	Loss on disposal	(2 305)	(24)
		4 878	–
E.	Additions to property, plant and equipment		
	Maintenance of operations:		
	Office furniture, equipment and motor vehicles	(1 179)	(1 283)
	Computer equipment and software	(7 980)	(10 260)
	Leasehold improvements	(1 086)	(646)
	Expansion of operations:		
	Office furniture, equipment and motor vehicles	–	(301)
	Computer equipment and software	–	(1 375)
		(10 245)	(13 865)
F.	Net proceeds from issue of shares		
	Ordinary shares issued, including share premium	341	524
G.	Translation difference on opening cash position		
	The translation difference on the opening cash position is calculated on opening cash balances of companies that hold cash in currencies other than the USD and not on the net cash and cash equivalents included on the balance sheet at the beginning of the year, which is inclusive of cash held in USD.		
H.	Cash and cash equivalents at end of year		
	Cash resources	185 101	195 666
	Bank overdrafts	(96 398)	(80 062)
		88 703	115 604

		2004 USD'000	2003 USD'000
1.	Revenue		
	Sale of goods	2 176 793	1 901 358
	Services rendered	170 155	161 183
		2 346 948	2 062 541
2.	Operating loss		
	Operating loss is arrived at after taking into account the following items:		
	Auditors' remuneration		
	Audit fees – current year	1 837	1 612
	– prior year	709	132
	Other services and expenses	1 368	585
	– Advisory services	506	216
	– Taxation services	862	369
		3 914	2 329
	Depreciation		
	Office furniture, equipment and motor vehicles	3 406	3 385
	Computer equipment and software	13 827	15 452
	Leasehold improvements	2 132	1 010
	Owner occupied properties	77	63
		19 442	19 910
	Amortisation of capitalised development expenditure	3 285	3 696
	Total depreciation and other amortisation	22 727	23 606
	Foreign exchange losses	(9 304)	(15 275)
	Realised	(3 106)	(10 547)
	Unrealised	(6 198)	(4 728)
	Fees for services		
	Administrative	1 609	1 065
	Managerial	487	370
	Technical	4 794	1 819
		6 890	3 254
	Operating lease rentals		
	Premises	20 378	11 065
	Computer equipment	2 413	914
	Office furniture, equipment and motor vehicles	3 915	2 297
		26 706	14 276
	Net loss on disposal of property, plant and equipment		
	Computer equipment	327	–
	Office furniture, equipment and motor vehicles	25	774
		352	774
	Research and development costs	957	2 022
	Retirement benefit contributions	4 170	3 733
	Staff costs	193 774	192 670

		2004 USD'000	2003 USD'000
2.	Operating loss (continued)		
	Directors' emoluments		
	Executive directors		
	Salaries	1 583	1 824
	Incentive bonuses	665	425
	Benefits	222	229
	Other	462	947
		2 932	3 425
	Non-executive directors' fees	433	341
		3 365	3 766
	Full details are provided on directors' emoluments in the tables in the Remuneration Report on pages 45 to 46.		
3.	Exceptional items		
	Recoupment of goodwill and trademarks previously charged to equity	–	6 392
	Write-down of carrying value of investments	–	(528)
	Loss on disposal and closure of discontinued operations	(6 438)	(1 134)
	Exceptional items	(6 438)	4 730
	Taxation	–	605
	Attributable to outside shareholders	(5)	–
	Net effect of exceptional items	(6 443)	5 335
	The taxation credit and amount attributable to outside shareholders of the exceptional items relates to the closure and loss on disposal of discontinued operations.		
4.	Financing costs		
	Interest paid		
	Finance charges on finance leases	180	24
	Bank overdraft and trade finance interest	9 390	8 970
		9 570	8 994
5.	Taxation		
	5.1 Taxation charge		
	South African normal taxation:		
	Current taxation – current period	229	939
	– prior period	25	(2 172)
	Deferred taxation – current period	843	(7)
	– prior period	28	(435)
		1 125	(1 675)
	Foreign taxation:		
	Current taxation – current period	4 642	7 088
	– prior period	(1 434)	21
	Deferred taxation – current period	497	(913)
	– prior period	506	(1 918)
		4 211	4 278
	Total taxation charge	5 336	2 603

	2004 USD'000	2003 USD'000
5. Taxation (continued)		
5.2 Reconciliation of taxation rate to loss before taxation		
South African normal tax rate	30,0%	30,0%
Tax losses utilised	2,7%	1,5%
Permanent differences	(17,8%)	(17,2%)
Goodwill impairment	(11,9%)	(15,4%)
Foreign taxation rate differential	(3,4%)	14,9%
Tax losses not recognised	(16,7%)	(37,9%)
Prior year adjustment	2,4%	15,2%
Effective taxation rate	(14,7%)	(8,9%)
Certain subsidiaries had tax losses at the end of the financial year, that are available to reduce the future taxable income of the Group, estimated to be:	124 568	101 287
Estimated future tax relief at an estimated tax rate of 33,2% (2003: 32,8%) inclusive of $7.4 million deferred tax asset (2003: $1.8 million) as set out in note 12.	41 307	33 271
6. Earnings per share		
Reconciliation of attributable loss to headline loss:		
Attributable loss per the income statement	(40 983)	(31 513)
Headline earnings adjustments:	31 901	21 671
Goodwill impairment	14 361	14 883
Goodwill amortisation	12 091	11 662
Loss on disposal and closure of discontinued operations	6 438	1 134
Net loss on disposal of property, plant and equipment	352	774
Write-down of carrying value of investments	–	528
Recoupment of goodwill and trademarks previously charged to equity	–	(6 392)
Other income	(81)	(127)
	33 161	22 462
Tax effect	(1 246)	(810)
Outside shareholders' interest	(14)	19
Headline loss	(9 082)	(9 842)

Basic loss per share of 29,75 cents (2003: 22,84 cents) is calculated on the weighted average number of shares in issue during the year of 137 777 622 (2003: 137 763 048), based on loss attributable to ordinary shareholders.

Headline loss per share of 6,59 cents (2003: 7,14 cents) is calculated on the weighted average number of shares in issue during the year of 137 777 622 (2003: 137 763 048), based on the headline loss attributable to ordinary shareholders.

Diluted loss per share of 29,75 cents (2003: 22,84 cents) is calculated on the diluted weighted average number of shares in issue during the year of 140 276 062 (2003: 137 763 048), after taking into account the difference between the number of shares issued and the number of shares that would have been issued at fair value in respect of the 9 833 444 (2003: 11 135 471) options granted, but not exercised. These are calculated on the basis that the shares required for the options are issued by the company and not bought through the open market.

Diluted headline loss per share of 6,59 cents (2003: 7,14 cents) is based on headline loss attributable to ordinary shareholders and the diluted weighted average number of shares in issue.

The potentially dilutive effects of share options has not been taken into account in calculating diluted loss per share and diluted headline loss per share as these are anti-dilutive.

	2004 USD'000	2003 USD'000
7. Interest in profits and losses of subsidiaries		
Interest in the aggregate amount of profits and losses of subsidiaries after taxation		
Profits – continuing operations	312	4 884
– discontinued operations	820	–
Losses – continuing operations	(30 832)	(20 957)
– discontinued operations	(147)	(5 539)

8. Property, plant and equipment	2004 USD'000 Cost	2004 USD'000 Accumulated depreciation	2004 USD'000 Net book value	2003 USD'000 Cost	2003 USD'000 Accumulated depreciation	2003 USD'000 Net book value
Office furniture, equipment and motor vehicles	21 666	14 537	7 129	14 531	5 248	9 283
Computer equipment and software	65 996	51 820	14 176	67 345	38 478	28 867
Leasehold improvements	12 306	7 531	4 775	9 041	3 543	5 498
Land and buildings	1 905	259	1 646	2 083	331	1 752
	101 873	74 147	27 726	93 000	47 600	45 400

Included in property, plant and equipment are assets held under finance lease agreements with a book value of $877 000 (2003: $1 million) which are encumbered as security for liabilities under finance lease agreements as stated in note 15. A register of land and buildings is maintained at the company's registered office and may be inspected by members of the public or their duly authorised agents.

	Office furniture equipment and motor vehicles	Computer equipment and software	Leasehold improvements	Land and buildings	Total
Movement of property, plant and equipment – 2004					
Net book value at beginning of period	9 283	28 867	5 498	1 752	45 400
Additions	1 179	7 980	1 086	–	10 245
Translation differences	1 434	1 114	672	6	3 226
	11 896	37 961	7 256	1 758	58 871
Subsidiaries disposed of	(559)	(4 072)	(228)	–	(4 859)
Disposals	(802)	(5 886)	(121)	(35)	(6 844)
Depreciation	(3 406)	(13 827)	(2 132)	(77)	(19 442)
Net book value at end of period	7 129	14 176	4 775	1 646	27 726
Movement of property, plant and equipment – 2003					
Net book value at beginning of period	8 504	28 764	5 748	1 815	44 831
Subsidiaries acquired	377	6 590	79	–	7 046
Other additions	1 584	11 635	646	–	13 865
Transfers from capitalised development expenditure	–	1 107	–	–	1 107
Translation differences	2 360	285	602	–	3 247
	12 825	48 381	7 075	1 815	70 096
Subsidiaries disposed of	–	(2)	–	–	(2)
Disposals	(157)	(4 060)	(567)	–	(4 784)
Depreciation	(3 385)	(15 452)	(1 010)	(63)	(19 910)
Net book value at end of period	9 283	28 867	5 498	1 752	45 400

		2004 USD'000	2003 USD'000
9.	Capitalised development expenditure		
	Cost	24 321	20 757
	Accumulated amortisation	(9 267)	(5 982)
	Net book value	15 054	14 775
	At beginning of period	11 079	11 491
	Amounts capitalised	4 490	5 492
	Subsidiaries disposed of	(340)	–
	Transfers to property, plant and equipment	–	(1 107)
	Other	(175)	(1 101)
	Amounts amortised	(3 285)	(3 696)
	Balance at end of period	11 769	11 079
	Capitalised development expenditure at cost	24 321	20 757
	Accumulated amortisation and impairment	(12 552)	(9 678)
10.	Goodwill		
	Goodwill at cost	168 697	160 487
	Accumulated amortisation and impairment	(103 322)	(76 777)
	Net book value	65 375	83 710
	At beginning of period	57 165	56 124
	Arising on acquisition of subsidiaries	–	24 517
	Other	8 210	3 069
	Impairment	(14 361)	(14 883)
	Goodwill amortised	(12 091)	(11 662)
	Balance at end of period	38 923	57 165
	Goodwill at cost	168 697	160 487
	Accumulated amortisation and impairment	(129 774)	(103 322)
11.	Investments		
	Investments at beginning of period	2 022	2 564
	Write-down of investments to fair value	(1 102)	(542)
	Investments at end of period	920	2 022
	Further details of the Group's investments are disclosed in Annexure 2.		
12.	Deferred tax assets/(liabilities)		
	Movement of deferred tax assets		
	Balance at beginning of period	28 660	26 151
	Reversing on disposal of subsidiaries	(324)	–
	(Charged)/credited to income statement	(1 784)	3 273
	Other movements	(451)	(764)
		26 101	28 660

		2004 USD'000	2003 USD'000
12.	Deferred tax assets/(liabilities) (continued)		
	Analysis of deferred tax assets		
	Capital allowances	2 852	9 901
	Provisions	5 426	15 478
	Effect of tax losses	7 360	1 781
	Other temporary differences	10 463	1 500
		26 101	28 660
	Movement of deferred tax liabilities		
	Balance at beginning of period	(9 514)	(1 731)
	Charged to income statement	(90)	–
	Translation differences and other movements	5 617	(7 783)
		(3 987)	(9 514)
	Analysis of deferred tax liabilities		
	Capital allowances	(16)	–
	Other temporary differences	(3 971)	(9 514)
		(3 987)	(9 514)
13.	Inventories		
	At cost:		
	Merchandise for resale	272 154	243 997
	Inventory provisions	(25 109)	(22 095)
	Lucent inventory provision	–	(17 065)
		247 045	204 837

The Group has established certain limited return policies with its major vendors to reduce the risk of technological obsolescence of inventories.

$204 million (2003: $168 million) inventories are encumbered as set out in note 19. The value of inventory written down to net realisable value remaining in the Group accounts amounted to $13,9 million.

		2004 USD'000	2003 USD'000
14.	Accounts receivable		
	Trade receivables	383 436	321 487
	Receivables provisions	(15 405)	(17 941)
		368 031	303 546

$205 million (2003: $209 million) of trade receivables are encumbered as set out in note 19. The carrying value of receivables balances approximates the fair value.

	2004 USD'000	2003 USD'000
15. Long-term liabilities		
Liabilities under capitalised finance leases	1 959	2 248
Secured loans	3 212	3 348
Unsecured loans	191	13 967
	5 362	19 563
Less: Current portion included in accounts payable (note 16)	(1 706)	(5 395)
Long-term portion	3 656	14 168
Repayable within 2 years	3 564	7 290
Repayable within 3 years	15	3 651
Repayable after 5 years	77	3 227
	3 656	14 168

The long-term liabilities are reflected at amortised cost. Liabilities under capitalised finance lease agreements are repayable in monthly instalments of $142 000 (2003: $450 000), at rates linked to the prime interest rates. The liabilities relate to assets included under property, plant and equipment in note 8, with a net book value of $877 000 (2003: $1 million). The final repayment date is June 2006.

Secured loans comprise borrowings raised to fund capital expenditure in certain subsidiary companies. Secured loans are denominated in Australian Dollars and accumulate interest at the ANZ Bank Bill Swap Rate. Unsecured loans are largely denominated in USD and accumulate interest at rates varying between 4,5% and 14,7%. The carrying value of these loans approximates the fair value.

	2004 USD'000	2003 USD'000
Liabilities under capitalised finance leases:		
Minimum lease payments	2 180	2 763
Future finance charges	(221)	(515)
	1 959	2 248
16. Accounts payable		
Trade accounts payable	420 619	360 703
Other payables	63 332	44 743
Current portion of long-term liabilities (note 15)	1 706	5 395
	485 657	410 841

The carrying value of liabilities approximates the fair value. Trade accounts payable will be settled in normal trade operations.

		Onerous contract provisions	Other
17.	Provisions		
	Balance at 1 April 2002	4 530	4 933
	Amounts added	2 631	3 121
	Amounts utilised	(4 008)	(4 476)
	Foreign exchange effects	781	1 750
	Balance at 1 March 2003	3 934	5 328
	Amounts added	4 503	–
	Amounts utilised	(2 489)	(1 081)
	Foreign exchange effects	411	1 079
	Balance at 29 February 2004	6 359	5 326
	Total provisions	11 685	

Onerous contract provisions relate to building rentals where the costs of the rentals exceed the economic benefits expected to be received therefrom. Other provisions are an accumulation of expected legal costs and similar expenses where an obligation has arisen.

These provisions are exclusive of accounts receivable and inventory provisions.

		2004 USD'000	2003 USD'000
18.	Amounts owing to vendors		
	Purchase considerations owing	438	7 571

Amounts owing to vendors represent purchase considerations due in respect of acquisitions and are to be funded out of cash, pending the achievement of the relevant profit warranty milestones by the vendors of the businesses. Amounts owing are recognised once there is sufficient assurance that the suspensive conditions will be met and the amounts can be measured reliably. At the end of the financial year the Group had an estimated expected contingent liability of $1 million (2003: $4 million) relating to possible future earnout obligations.

		2004 USD'000	2003 USD'000
19.	Bank overdrafts		
	Total borrowings at year-end:		
	Bank overdraft	96 398	80 062
	Long-term liabilities including current portion (note 15)	5 362	19 563
		101 760	99 625

South Africa and Other Holdings

The Group has general short-term banking facilities amounting to R24 million (2003: R24 million) with the Standard Bank of South Africa Limited. In terms of the cash management system operated in SA, various cross guarantees have been put in place to restrict the overall exposure to the amount of the banking facility.

Online Distribution has a facility of $5 million with HSBC Bank in the Middle East (2003: $3 million), backed by a guarantee of $2 million by Datatec Limited. The facility bears interest at 6,5% (2003: 6,75%) and inventory and accounts receivable balances have been pledged as collateral.

19. Bank overdrafts (continued)

2003 – Affinity Logic Holdings (Pty) Limited had a long-term loan of R220 million with Rand Merchant Bank. The loan bore interest at 20,35% and was repayable in 2004. Promissory notes amounting to R71 million had been furnished to the loan creditor in respect of all interest payments due in terms of the loan agreement. An injection into an investment trust of R172 million had been set off against this loan, with the net loan outstanding being R45 million. Affinity Logic was disposed of during the 2004 financial year.

Westcon

As of 28 February 2003, Westcon had a credit agreement (the "Facility") with a finance company to provide a $160 million revolving credit facility (the "Former Revolving Facility"). The Former Revolving Facility was scheduled to expire on 31 December 2002 and was extended to 30 June 2003. On 12 June 2003, Westcon obtained a new credit agreement and paid all amounts outstanding under the Former Revolving Facility. In addition, Westcon had a $75 million acquisition loan facility with the same finance company (the "Acquisition Facility"). During the 2002 financial year, $65 million of the Acquisition Facility was repaid. The remaining $10 million was repaid in the 2003 financial year. As of 28 February 2003, the company had $64,7 million outstanding under the Former Revolving Facility.

Advances under the Former Revolving Facility were generally available up to 85% of Westcon's eligible accounts receivable and up to 50% of Westcon's eligible inventory at certain subsidiaries. The Former Revolving Facility bore interest at the prime rate minus 0,50%, or the London Interbank Offer Rate ("LIBOR") plus 2,50%, at Westcon's option. Commencing 31 December 2001, the Acquisition Facility bore interest at the prime rate plus 5,0%.

Borrowings under the Facility were collateralised by: (i) a pledge of common stock of certain subsidiaries and (ii) liens on the inventory and accounts receivable of the subsidiaries that utilise funds borrowed under the Former Revolving Facility. The Facility contained covenants including, but not limited to, financial covenants limiting leverage, establishing minimum liquidity and pretax earnings coverage, restricting asset sales and purchases, restricting the payment of dividends during continuing events of default, and limiting additional borrowings and the granting of certain liens. Westcon was in default of a financial covenant under the Facility as of 31 August 2001, 30 November 2002 and 28 February 2003 but obtained waivers with respect to such defaults.

On 12 June 2003, Westcon obtained a three-year $175 million syndicated revolving credit facility for its US and Canadian subsidiaries with various US and Canadian lenders, including HSBC Bank USA, General Electric Capital Corporation, LaSalle Business Credit, LLC and ABN Amro Bank N.V. (the "Revolving Facility"). Advances under the Revolving Facility (including letters of credit) may not exceed the lesser of $175 million or the sum of 85% of Westcon's eligible accounts receivable plus the lesser of up to 65% of Westcon's eligible inventory and 85% of the orderly liquidation value of the inventory at certain subsidiaries. The Revolving Facility bears interest at the prime rate plus a margin that ranges from 0,25% to 0,75% or LIBOR plus a margin that ranges from 2,25% to 2,75%, at Westcon's option, and requires a commitment fee that ranges from 0,25% to 0,50% on the unutilised portion. The interest rate margins and commitment fee are determined by reference to Westcon's utilisation of the Revolving Facility. The margin and fee increase as utilisation increases. Borrowings under the Revolving Facility are collateralised by: (i) a pledge of 100% of the stock of Westcon's subsidiaries in the US and a pledge of 66,66% of the stock of Westcon's subsidiaries in Canada and (ii) a security interest in substantially all of the assets of Westcon and its subsidiaries in the US and Canada, subject to certain exceptions in the case of Westcon's cash and cash equivalents as well as its interests in subsidiaries outside of North America. The Revolving Facility contains certain affirmative and negative covenants including, but not limited to, financial covenants establishing minimum fixed charge coverage and tangible net worth and covenants that restrict Westcon's ability to incur debt, create liens, make acquisitions and investments, sell assets and the ability of Westcon's US and Canadian subsidiaries to pay dividends to Westcon. The prime rate and LIBOR were 4,0% and 1,1% respectively, at 29 February 2004. As of 29 February 2004, $71,9 million was outstanding under this arrangement.

Effective 28 January 2004, one of Westcon's UK subsidiaries entered into a new accounts receivable financing arrangement with a financial institution. Advances under this arrangement are generally available for up to 85% of the subsidiary's eligible accounts receivable and bear interest at a rate of 1,2% above the UK base rate (or if the discounting account is kept in a currency other than Pounds Sterling, its equivalent for that currency) quoted from time to time by HSBC Bank Plc (or its successors) for London based accounts. This agreement, whose initial term expired on 29 February 2004, is subject to automatic renewal on a monthly basis unless terminated by either party on one month's notice. As of February 2004, $4,6 million was outstanding under this arrangement. This accounts receivable financing arrangement replaced the previous working capital facility which had $7,5 million outstanding as of 28 February 2003.

During March, April and May of 2003, Westcon entered into several accounts receivable financing arrangements with financial institutions relating to certain former Landis subsidiaries to provide up to an aggregate $40 million of accounts receivable financing. Certain of these arrangements totalling an aggregate of $13 million of accounts receivable financing were subsequently terminated. Advances under the arrangements are generally available for up to 85% of the subsidiaries' eligible accounts receivable and bear interest at rates based upon the respective bank's base borrowing rates plus 1,5% to 1,75%. These arrangements expire during the 2005 financial year. As of 29 February 2004, $7,9 million was outstanding under these arrangements.

19. Bank overdrafts (continued)

As of 28 February 2003 and 29 February 2004, the total amount outstanding under the above line of credit arrangements was $72,2 million and $84,5 million.

Westcon's Former Revolving Facility was utilised to provide inventory financing to a subsidiary. As of 28 February 2003, $20,9 million was outstanding under this arrangement and is included in accounts payable.

Certain of Westcon's European subsidiaries have arrangements with a financial institution to provide up to an aggregate of $170 million of vendor inventory purchase financing which effectively enables Westcon to obtain extended payment terms (normally 60 days from receipt of product) on inventory it purchases from Cisco for these subsidiaries. Westcon becomes obligated to pay the financial institution upon receipt of the product, at which time title passes to Westcon. The financial institution may, at any time upon the occurrence of certain events, including late payments under the arrangements and a cross-default to non-payment of other debt, terminate the financings. Obligations under these financings are guaranteed by Westcon Group, Inc. and several of Westcon's European subsidiaries and are secured by inventory and inter-company accounts receivable relating to the sale of Cisco products in Europe. Westcon's subsidiaries that are party to these financings must also comply with financial covenants that establish minimum liquidity and a minimum net profit before tax to revenue percentage and maximum leverage for these subsidiaries. These arrangements also prohibit Westcon's European subsidiaries from paying dividends to Westcon. In connection with this arrangement, Westcon is required to maintain cash on deposit with the financial institution to be used as security. As of 29 February 2004, the amount of the deposit was $12,0 million and has been classified as cash collateral deposits. This deposit earns interest at 30 day LIBOR. As of 28 February 2003 and 29 February 2004, $97,8 million and $140,8 million, respectively, were outstanding under these arrangements and are included in accounts payable.

One of Westcon's subsidiaries in Australia has an arrangement with a financial institution to provide up to $13,2 million of accounts receivable, foreign currency settlement and other financing. Advances under the accounts receivable arrangement are generally available for up to 85% of the subsidiary's eligible accounts receivable and bear interest at the financial institution's base rate plus 0,5% (currently 9,1% per annum). This arrangement contains financial covenants setting forth requirements for minimum earnings before interest and taxes to fixed charge coverage ratio, minimum after tax retained earnings and minimum net inventory value to amounts outstanding under the arrangement. This arrangement expires in September 2004. As of 28 February 2003 $1,6 million was outstanding and is included in accounts payable. There was no amount outstanding at 29 February 2004.

As of 28 February 2003 and 29 February 2004, the total amount outstanding under the above arrangements (including the Former Revolving Facility) was $120,4 million and $140,8 million, respectively, which are classified as accounts payable.

Logicalis

Logicalis operates a treasury management system with Barclays Bank Plc in the UK and has an overdraft facility, subject to an accounts receivable security covenant, to a maximum of £2 million (2003: £2 million). Cross guarantees are in place between the UK operating companies in order for them to benefit from pooling their financial resources by using the treasury management system. The overdraft facility is repayable on demand and bears interest at the UK base rate plus 1,75%. Logicalis US has short-term banking facilities amounting to $20 million (2003: $20 million) with Comerica Bank, with its accounts receivable book as security for the facility. The facility bears interest at the US prime rate less 0,5%. At 29 February 2004 the UK base rate and US prime rate were both 4%.

Mason

Mason has access to general short-term banking facilities amounting to £2 million (2003: £2 million), bearing interest at the UK base rate plus 1%, as well as outstanding term loans of £0,1 million (2003: £0,5 million).

Breach of covenants

One technical breach of covenants occurred during the year. This breach was waived by the financial institution, as the relevant facility was not utilised at the time. No facilities were withdrawn as a result of the technical breach.

During the previous year, Softnet Logical (in Argentina) fell behind on the repayments of a US Dollar denominated bank loan. The main cause of this default was the compulsory redenomination of its domestic US Dollar receivables into local currency following the devaluation of the Argentinian peso against the US Dollar in 2002. The loan facility has been withdrawn and Softnet Logical has requested to negotiate a repayment plan with the bank. At year-end, the bank concerned was not responding to the correspondence sent by Softnet Logical. The amount outstanding in terms of the loan as of 29 February 2004 was $1,3 million (2003: $1,3 million).

		2004 USD'000	2003 USD'000
20.	Foreign liabilities		
	Uncovered foreign liabilities at the balance sheet date:		
	Trade accounts payable		
	US Dollars	4 315	218
	Euro	–	106
	Pounds Sterling	–	280
	The Group's operations minimise their exposure to exchange rate fluctuations, where appropriate, through entering into forward exchange contracts ("FECs") with major commercial banks. The Group's foreign currency FECs were all bought FECs at 29 February 2004 of which the contract amount is $96 million with a fair value of $96 million.		
21.	Commitments		
	Capital commitments		
	Capital expenditure authorised and contracted for	366	1 964
	Capital expenditure authorised but not yet contracted for	8 901	6 975
	Total capital commitments	9 267	8 939
	This expenditure will be incurred in the ensuing year and will be financed from existing cash resources and available facilities.		
	Operating lease commitments		
	Due within one year:		
	Property	16 513	13 117
	Office furniture, equipment and motor vehicles	2 586	2 071
	Computer equipment	3 256	1 678
	Total operating lease commitments due within one year	22 355	16 866
	Due between one and two years:		
	Property	14 047	12 427
	Office furniture, equipment and motor vehicles	1 628	1 811
	Computer equipment	1 815	1 098
	Total operating lease commitments due between one and two years	17 490	15 336
	Due between two and three years:		
	Property	12 346	9 449
	Office furniture, equipment and motor vehicles	478	438
	Computer equipment	165	–
	Total operating lease commitments due between two and three years	12 989	9 887
	Due between three and four years:		
	Property	10 592	7 315
	Office furniture, equipment and motor vehicles	61	72
	Total operating lease commitments due between three and four years	10 653	7 387

	2004 USD'000	2003 USD'000
21. Commitments (continued)		
Due between four and five years:		
Property	9 208	6 365
Office furniture, equipment and motor vehicles	44	–
Total operating lease commitments due between four and five years	9 252	6 365
Due after five years:		
Property	54 455	42 870
Office furniture, equipment and motor vehicles	2	–
Total operating lease commitments due after five years	54 457	42 870
Total operating lease commitments	127 196	98 711

Other commitments

Datatec had previously entered into a series of put and call agreements (exercisable in two equal tranches) with the founder management shareholders of Mason. The founder management shareholders have agreed to exercise their rights to put to Datatec the 15% shareholding owned by them in two equal tranches in May 2003 and May 2004. The consideration payable for such put will amount to a multiple of 8,28 times the audited pre-tax profits of Mason achieved in the previous financial years. As Mason generated a loss before tax for the 2004 financial year, no amount is payable by Datatec in respect of the put/call arrangements with the founder management shareholders.

The Employee Benefit Trust ("EBT") owned 10% of Mason. The EBT agreed to allow its option holders to elect to either put their shares to Datatec in May 2003 (as to 33% of the shares subject to the put), May 2004 (as to a further 33% of the shares) and May 2005 (as to the balance of 33% of the shares subject to the put) or to put their shares in the same percentages, but in May 2004, May 2005 and May 2006. The consideration payable for such put will amount to a multiple of 8,28 times the audited pre-tax profits of Mason achieved in the previous financial year. During the 2004 year, the EBT put 126 961 shares to Datatec.

In the event of a change of control of Westcon, should Datatec International Limited directly own less than 51% of the issued and outstanding capital shares of Westcon, Datatec International has committed to pay an amount of $4,5 million to Mirado Corp, whose shareholders include Philip Raffiani, Tom Dolan and Roman Michalowski. This obligation was previously an obligation by Datatec Limited to Mirado Corp, but Datatec Limited has assigned this obligation to Datatec International Limited. This obligation expires upon the commencement of trading of Westcon common stock on the NASDAQ, New York, or London stock exchanges.

A M Smith (former CEO of Westcon) has the right to require Westcon to purchase his 1,02% shareholding in Westcon at any time after 1 July 2004 for a period of thirty-six months at fair market value. The right expires upon the commencement of trading of Westcon on the NASDAQ, New York or London stock exchanges.

22. Contingent liabilities, guarantees and litigation

In July 2001, Westcon commenced litigation against Lucent Technologies ("Lucent') with regard to the return of certain inventory to Lucent and payment of vendor credits owed to Westcon by Lucent. Westcon believes that it has a meritorious case against Lucent, however, currently, Westcon cannot predict the eventual outcome of this litigation. The Lucent inventory had been fully written off.

As set out in the 2001, 2002 and 2003 annual reports, the Group disposed of UUNET SA (Pty) Limited to WorldCom, Inc. The disposal agreement was drawn up under South African law and contains warranties and conditions required by the purchaser for its protection that were considered normal for disposals of this nature. The warranties expired after eighteen months from February 2001 with tax warranties expiring after thirty-six months from the date of assessment by the South African Revenue Service of UUNET's income tax returns for the period ended 31 December 2000. Such assessment has not yet been made. In addition, in the normal course of business, Datatec had provided guarantees to certain suppliers and customers of UUNET SA. UUNET International Limited (a subsidiary of WorldCom, Inc.) indemnified Datatec in respect of these guarantees and agreed to procure that Datatec is released from these guarantees. These include a $2 million guarantee to Nedcor as well as a R20 million parental performance guarantee to MWEB.

22. Contingent liabilities, guarantees and litigation (continued)

Datatec has issued, in the ordinary course of business, guarantees and letters of comfort to third parties in respect of trading facilities and lease commitments.

Westcon has issued, in the ordinary course of business, guarantees and letters of comfort to suppliers and financial institutions on behalf of its subsidiaries. The inventory purchasing financing referred to in note 19 is generally guaranteed by Westcon.

Logicalis has issued, in the ordinary course of business, guarantees to third parties in respect of trading facilities and lease commitments. Logicalis Group Limited has provided a letter of support to Logicalis Group Services Limited (incorporated in England and Wales) confirming its intention to provide financial support to this subsidiary for a period of at least twelve months from the date of signing its statutory financial statements.

The Group has certain other contingent liabilities resulting from litigation and claims including breach of warranties where operations have been acquired or disposed of, generally involving commercial and employment matters, which are incidental to the ordinary conduct of its business. Management believes, after taking legal advice where appropriate on the probable resolution of these contingencies, that none of these contingencies will materially affect the consolidated financial position or the results of operations of the Group.

23. Financial instruments

The Group's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivative instruments in the form of forward exchange contracts.

The Group's funding, liquidity and exposure to interest rate and foreign exchange rate risks are managed by each subsidiary's treasury operations.

The Group has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. Such transaction exposures are generally hedged once they are known mainly through the use of forward foreign exchange contracts.

The Group conducts business in many foreign currencies and, as a result, it is subject to currency risks owing to exchange rate movements which will affect its costs and translation of the profits of subsidiaries whose reporting currency is not the US Dollar. The most significant other currencies in which the Group trades are the South African Rand, Pound Sterling, the Euro and the Australian Dollar.

The Group is dependent on its bank overdrafts, working capital line 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 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 violated and a waiver is not obtained for such violation, this may, amongst other things, mean that the facility may be repayable on demand.

Risk management objectives and policies

The principal market risks that the Group is exposed to through financial instruments are:

– Interest rates on non-current borrowings;

– Foreign exchange rates, generating translation and transaction gains and losses; and

– Credit risk.

Interest rate risk

Interest rate risk is the possibility that the Group may suffer financial loss if either a fluctuating interest rate or fixed interest rate position is entered into and interest rates move adversely. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign exchange risk

The majority of the borrowings in each country is made in the currency of that country.

The Group operates in the global business environment and transactions are priced in various currencies. The Group is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure through the use of derivative instruments. These instruments typically comprise forward exchange contracts. Forward contracts are the primary instruments used to manage currency risk and require a future purchase or sale of foreign currency at a specified price.

23. Financial instruments (continued)

Credit risk
Credit risk arises from the possibility that a counterparty may default or not meet its obligations timeously. The Group minimises credit risk by ensuring that counterparties are institutions of the highest quality.

Trade receivables comprise a large widespread customer base. Ongoing credit evaluations on the financial condition of customers are performed, and where appropriate, credit guarantee insurance cover is purchased or provisions made.

The Group does not consider there to be any significant credit risk, which has not been adequately provided for at the balance sheet date.

24. Related party transactions
During the 2002 financial year, Westcon entered into a $2 million non-compete agreement with A M Smith relating to the twelve-month period which will commence following the completion of his employment term. As at the period end Westcon has advanced $1,57 million to A M Smith in connection with the non-compete agreement. During the 2002 financial period, Westcon and its former CEO, A M Smith, entered into a put option agreement giving the CEO the right to require Westcon to purchase, at fair market value, 454 624 shares of Westcon's common stock held by him. The put option commences in July 2004 and expires upon the earlier of July 2007 or the completion of an IPO by the company.

During the year, Westcon AME sold its Datanet and Westcon Cabinet Manufacturers divisions to the former CEO of Westcon AME, Terry Kelly for an amount of $2,5 million.

25. Disposal and discontinuance of subsidiaries
A description of the subsidiaries disposed of can be found in the Directors' Report on page 53.

Financial details relating to these disposed subsidiaries are as follows:

	2004 USD'000
Revenue	18 082
Cost of sales	(5 162)
Gross margin	12 920
Operating costs	(10 677)
Depreciation	(1 640)
Operating profit before goodwill amortisation	603
Goodwill amortisation	2 608
Operating profit	3 211
Exceptional items	(2 774)
Interest received	800
Financing costs	(605)
Profit before taxation	632
Taxation	41
Profit after taxation	673
Net operating cash outflow	4 070
Investing activities outflow	5 082
Financing activities outflow	3 739
The net assets/(liabilities) at date of disposal were as follows:	
Property, plant and equipment	4 859
Capitalised development expenditure	340
Inventories	2 087
Accounts receivable	5 102
Holding company and fellow subsidiary companies	(4 174)
Accounts payable	(11 263)
Net cash balances	17 719
Deferred taxation	324
Long-term liabilities	(7 811)
	7 183
Loss	2 305
Release of foreign currency translation reserve	4 133
Total loss	6 438

26. Segmental report

For management purposes the Group is currently organised into four operating divisions – Westcon, Logicalis, Mason and Other Holdings.

These divisions are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

Westcon – Global distribution of advanced networking and communications convergence products

Logicalis – IT infrastructure solutions and network integration

Mason – Strategic telecommunications consultancy

Other Holdings – Other distribution and service orientated interests in SA and the Group Head Office including the Group unrealised foreign exchange gains/losses.

26. Segmental report (continued)

	Westcon		Logicalis		Mason		Other Holdings		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Abridged Income Statement	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	1 840 500	1 626 437	362 919	313 527	27 352	25 161	116 177	97 416	–	–	2 346 948	2 062 541
– North America	1 030 135	973 123	180 718	159 013	–	–	–	–	(4 078)	(20)	1 206 775	1 132 116
– South America	9 168	12 382	10 244	7 978	–	–	–	–	–	–	19 412	20 360
– UK and Europe	728 547	564 594	73 800	77 885	27 352	25 161	2 968	4 016	(25 428)	(14 196)	807 239	657 460
– Asia Pacific	116 958	99 149	98 175	68 663	–	–	–	–	(14 820)	(8 607)	200 313	159 205
– Africa	–	–	–	–	–	–	114 625	94 333	(1 416)	(933)	113 209	93 400
– Intersegmental	(44 308)	(22 811)	(18)	(12)	–	–	(1 416)	(933)	45 742	23 756	–	–
EBITDA	36 171	33 666	2 379	(1 182)	(723)	2 700	(14 039)	(16 934)	–	–	23 788	18 250
– North America	11 922	12 335	2 325	964	–	–	–	–	–	–	14 247	13 299
– South America	1 307	453	574	1 566	–	–	–	–	–	–	1 881	2 019
– UK and Europe	21 190	18 881	(4 506)	(5 151)	(723)	2 700	(3 361)	(2 110)	–	–	12 600	14 320
– Asia Pacific	1 752	1 997	3 986	1 439	–	–	–	–	–	–	5 738	3 436
– Africa	–	–	–	–	–	–	(10 678)	(14 824)	–	–	(10 678)	(14 824)
– Intersegmental	–	–	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation	(12 390)	(12 758)	(7 382)	(7 229)	(677)	(644)	(2 278)	(2 975)	–	–	(22 727)	(23 606)
Operating profit/(loss) before goodwill amortisartion, impairment and other income	23 781	20 908	(5 003)	(8 411)	(1 400)	2 056	(16 317)	(19 909)	–	–	1 061	(5 356)
Goodwill amortisation	(11 458)	(9 533)	(158)	(637)	–	(1 071)	(475)	(421)	–	–	(12 091)	(11 662)
Goodwill impairment	–	(14 883)	–	–	(9 384)	–	(4 977)	–	–	–	(14 361)	(14 883)
Other income	–	–	–	–	81	99	–	28	–	–	81	127
Operating profit/ (loss)	12 323	(3 508)	(5 161)	(9 048)	(10 703)	1 084	(21 769)	(20 302)	–	–	(25 310)	(31 774)
Exceptional items	–	–	(635)	(2 343)	–	–	(5 803)	7 073	–	–	(6 438)	4 730
Financing costs	(5 447)	(4 782)	(1 188)	(1 292)	(24)	(72)	(2 911)	(2 848)	–	–	(9 570)	(8 994)
Interest received	1 039	1 559	514	764	24	91	3 573	4 536	–	–	5 150	6 950
Share of associate company earnings	–	–	–	–	–	–	–	8	–	–	–	8
Profit/(loss) before taxation	7 915	(6 731)	(6 470)	(11 919)	(10 703)	1 103	(26 910)	(11 533)	–	–	(36 168)	(29 080)
Taxation	(6 008)	(6 282)	951	2 132	439	(464)	(718)	2 011	–	–	(5 336)	(2 603)
Profit/(loss) after taxation	1 907	(13 013)	(5 519)	(9 787)	(10 264)	639	(27 628)	(9 522)	–	–	(41 504)	(31 683)

26. Segmental report (continued)

	Westcon		Logicalis		Mason		Other Holdings		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Abridged Balance Sheet	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Gross assets	786 825	680 503	124 272	154 595	9 780	26 616	45 518	320 609	–	(290 646)	966 395	891 677
– North America	364 935	385 612	62 168	71 665	–	–	–	–	–	(6 138)	427 103	451 139
– South America	12 611	9 452	7 109	7 371	–	–	–	–	–	(184)	19 720	16 639
– UK and Europe	352 164	258 932	18 134	35 901	9 780	26 616	3 831	5 335	–	(6 016)	383 909	320 768
– Asia Pacific	57 115	26 507	36 861	39 658	–	–	–	–	–	–	93 976	66 165
– Africa	–	–	–	–	–	–	41 687	315 274	–	(278 308)	41 687	36 966
Property, plant, equipment and capitalised development costs	28 212	30 273	9 916	12 757	340	901	1 027	12 548	–	–	39 495	56 479
– North America	21 380	22 339	2 281	4 238	–	–	–	–	–	–	23 661	26 577
– South America	2 202	2 218	642	702	–	–	–	–	–	–	2 844	2 920
– UK and Europe	4 155	5 099	3 212	4 194	340	901	19	60	–	–	7 726	10 254
– Asia Pacific	475	617	3 781	3 623	–	–	–	–	–	–	4 256	4 240
– Africa	–	–	–	–	–	–	1 008	12 488	–	–	1 008	12 488
Investments and associated companies	920	555	–	–	–	1 467	1 118 303	158 839	(1 118 303)	(158 839)	920	2 022
– North America	920	555	–	–	–	–	–	–	–	–	920	555
– South America	–	–	–	–	–	–	–	–	–	–	–	–
– UK and Europe	–	–	–	–	–	1 467	530 947	–	(530 947)	–	–	1 467
– Asia Pacific	–	–	–	–	–	–	–	–	–	–	–	–
– Africa	–	–	–	–	–	–	587 356	158 839	(587 356)	(158 839)	–	–
Net cash resources	41 468	68 589	25 797	16 167	2 537	4 916	18 901	25 932	–	–	88 703	115 604
– North America	(14 314)	(19 719)	13 401	9 061	–	–	–	–	–	–	(913)	(10 658)
– South America	2 094	1 111	728	581	–	–	–	–	–	–	2 822	1 692
– UK and Europe	42 357	82 574	8 685	5 385	2 537	4 916	2 313	871	–	–	55 892	93 746
– Asia Pacific	11 331	4 623	2 983	1 140	–	–	–	–	–	–	14 314	5 763
– Africa	–	–	–	–	–	–	16 588	25 061	–	–	16 588	25 061
Inventories	221 901	170 890	16 766	21 273	(165)	(578)	8 543	13 252	–	–	247 045	204 837
– North America	94 106	79 431	5 240	7 516	–	–	–	–	–	–	99 346	86 947
– South America	2 329	2 917	987	950	–	–	–	–	–	–	3 316	3 867
– UK and Europe	109 153	77 888	3 529	5 192	(165)	(578)	–	–	–	–	112 517	82 502
– Asia Pacific	16 313	10 654	7 010	7 615	–	–	–	–	–	–	23 323	18 269
– Africa	–	–	–	–	–	–	8 543	13 252	–	–	8 543	13 252
Trade accounts receivable	302 070	227 734	48 098	49 527	5 946	7 454	11 917	18 831	–	–	368 031	303 546
– North America	132 104	113 686	23 389	24 071	–	–	–	–	–	–	155 493	137 757
– South America	3 078	2 853	3 148	3 259	–	–	–	–	–	–	6 226	6 112
– UK and Europe	145 696	97 600	8 219	11 455	5 946	7 454	164	649	–	–	160 025	117 158
– Asia Pacific	21 192	13 595	13 342	10 742	–	–	–	–	–	–	34 534	24 337
– Africa	–	–	–	–	–	–	11 753	18 182	–	–	11 753	18 182

26. Segmental report (continued)

	Westcon		Logicalis		Mason		Other Holdings		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Abridged Balance Sheet	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Liabilities	(400 480)	(311 265)	(82 455)	(83 603)	(4 490)	(14 231)	(31 602)	(73 537)	–	27 689	(519 027)	(454 947)
– North America	(177 142)	(142 554)	(52 973)	(26 537)	–	–	–	–	–	2 307	(230 115)	(166 784)
– South America	(7 248)	(2 664)	(7 128)	(4 053)	–	–	–	–	–	–	(14 376)	(6 717)
– UK and Europe	(171 047)	(150 684)	23 192	(29 030)	(4 490)	(14 231)	(1 736)	(2 047)	–	15 954	(154 081)	(180 038)
– Asia Pacific	(45 043)	(15 363)	(45 546)	(23 983)	–	–	–	–	–	–	(90 589)	(39 346)
– Africa	–	–	–	–	–	–	(29 866)	(71 490)	–	9 428	(29 866)	(62 062)
Trade accounts payable	(361 726)	(299 441)	(42 569)	(41 047)	(1 182)	(761)	(15 142)	(19 454)	–	–	(420 619)	(360 703)
– North America	(165 252)	(152 295)	(26 559)	(24 176)	–	–	–	–	–	–	(191 811)	(176 471)
– South America	(452)	(491)	(2 224)	(1 770)	–	–	–	–	–	–	(2 676)	(2 261)
– UK and Europe	(160 966)	(133 513)	(6 954)	(6 665)	(1 182)	(761)	(692)	(148)	–	–	(169 794)	(141 087)
– Asia Pacific	(35 056)	(13 142)	(6 832)	(8 436)	–	–	–	–	–	–	(41 888)	(21 578)
– Africa	–	–	–	–	–	–	(14 450)	(19 306)	–	–	(14 450)	(19 306)
The number of employees for the year for each of the Group's principal divisions was as follows:	1 065	1 327	983	1 100	147	187	194	588	–	–	2 389	3 202

	Nature of business	Issued ordinary capital	Effective holding 2004 %	Effective holding 2003 %
Active Subsidiaries				
INCORPORATED IN SOUTHERN AFRICA				
Datatec Management Services (Pty) Limited	O	100	100,0	100,0
RangeGate (Pty) Limited	O	10 000	84,2	85,2
Westcon AME (Pty) Limited	O	2	100,0	100,0
INCORPORATED IN UK & EUROPE				
Comstor Belgium NV	W	620	92,5	92,5
Comstor Group Limited	W	2 010 000	92,5	92,5
Comstor Limited	W	50 000	92,5	92,5
Comstor Networks GmbH	W	1	92,5	92,5
Comstor Netherlands B.V.	W	180	92,5	92,5
Comstor Networking S.L.	W	3 006	92,5	92,5
Comstor Norway AS	W	14 707	92,5	92,5
Comstor Sweden AB	W	1 000	92,5	92,5
Westcon (UK) Limited	W	2	92,5	92,5
Westcon Communication Trading GmbH	W	19 545	92,5	92,5
Westcon Belgium BVBA	W	6 494	92,5	92,5
Westcon Netherlands B.V.	W	180	92,5	92,5
Westcon Group European Facilities B.V.	W	180	92,5	92,5
Westcon France SAS	W	4 000	92,5	92,5
Westcon Deutschland GmbH	W	1	92,5	92,5
Westcon Denmark ApS	W	1 250	92,5	92,5
Westcon Group European Operations Limited	W	1	92,5	92,5
Westcon Group European Holdings Limited	W	1	92,5	92,5
Explicit Marketing Limited	W	100	92,5	92,5
Comstor France SAS	W	4 000	92,5	92,5
Logicalis Limited (UK)	L	1 583 885	100,0	100,0
Logicalis Deutschland GmbH (formerly Logical GmbH)	L	255 646	100,0	100,0
Logicalis Group Limited (formerly Logical Group Limited)	L	72 000 000	100,0	100,0
Logicalis Group Services Limited (formerly Logical Group Limited)	L	2	100,0	100,0
Logicalis GmbH	L	25 565	100,0	100,0
Regreb BV	L	40 001	100,0	100,0
Satelcom Limited	L	59 380	100,0	100,0
Catalyst IT Partners Limited	M	441 810	92,5	75,0
Mason Group Limited	M	11 044 800	92,5	75,0
Mason Communications Limited	M	121 426	92,5	75,0
Mason Communications Ireland Limited	M	2	92,5	75,0
Datatec International Limited	O	1 000	100,0	–
Datatec UK Holdings Limited	O	50 000	100,0	100,0
Rangegate Mobile Solutions Limited	O	100	84,2	85,2
INCORPORATED IN US AND CANADA				
Westcon Group North America Inc. (formerly Business Operation Services Corp.)	W	82	92,5	92,5
Eastpro Services, Inc.	W	10	92,5	92,5
Westcon Canada Systems (WCS), Inc.	W	173 228	92,5	92,5
Westcon Group, Inc.	W	46 448 296	92,5	92,5
Logicalis, Inc. (formerly Logical Networks, Inc.)	L	54	100,0	100,0
Logicalis US Holdings, Inc. (formerly Logical US Holdings, Inc.)	L	340 000	100,0	100,0
Logicalis Managed Services, Inc. (formerly Network I US, Inc.)	L	1 000	100,0	100,0

SUBSIDIARY COMPANIES

	Nature of business	Issued ordinary capital	Effective holding 2004 %	Effective holding 2003 %
INCORPORATED IN SOUTH AMERICA				
Westcon Brazil Limitada	W	987 748	92,5	92,5
Softnet SA	L	400 000	75,0	75,0
Softnet – Logical Paraguay SA	L	110	75,0	75,0
Softnet Uruguay SA	L	130 000	75,0	75,0
Softnet-Logical Comercial Importadora, Exportadora e de Servicos Limitada	L	480 000	75,0	75,0
X-Net Cuyo SA	L	2 000 000	75,0	75,0
INCORPORATED IN AUSTRALIA				
LAN Systems (Pty) Limited	W	100 000	92,5	92,5
Logicalis Australia (Pty) Limited (formerly Logical Australia (Pty) Limited)	L	10 000	100,0	100,0
Logicalis Limited (Australia) (formerly Logical Networks Limited)	L	7 762 280	100,0	100,0
INCORPORATED IN NEW ZEALAND				
Logical CSI Limited	L	1 000	100,0	100,0
Logical Networks Limited	L	500 000	100,0	100,0
Logical Secure Limited	L	100	100,0	100,0
INCORPORATED IN SINGAPORE				
Comstor Pte Limited (formerly RBR Networks Pte Limited)	W	8 500 000	92,5	92,5
INCORPORATED IN BRITISH VIRGIN ISLANDS				
Datatec International Holdings Limited	O	50 000	100,0	100,0
Online Distribution Limited	O	1 350 000	100,0	100,0
Dormant Subsidiaries		–	–	–
Companies disposed of				
Affinity Logic Holdings (Pty) Limited	O	10 017 570	–	55,2
Affinity Logic Management Services (Pty) Limited	O	100	–	55,2
Affinity Logic (Pty) Limited	O	100	–	55,2
Destiny Electronic Commerce (Pty) Limited	O	150	–	55,2
Quickcut Pre Press Networks SA (Pty) Limited	O	100	–	55,2

W: Westcon L: Logicalis M: Mason O: Other Holdings

ANNEXURE 2

INVESTMENTS

	2004 USD'000	2003 USD'000
Investments at carrying value		
Listed		
Cisco Systems, Inc.		
39 709 shares of $0,01 each	920	555
Market value at 29 February 2004: $919 660		
Unlisted		
Metropolis* Transactive Holdings Limited	–	–
31 652 664 shares of 1 cent each		
Directors' valuation: nil		
African Lakes Corporation Plc	–	–
4 409 171 shares of 5 pence each		
Directors' valuation: nil		
Prepaid Compensation Expense		
The Mason Group Employee Benefit Trust	–	1 467
1 104 500 shares of 10 pence each		
	920	2 022

BASIS OF ACCOUNTING

The company's Annual Financial Statements set out on pages 85 to 95 have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value, and incorporate the following principal accounting policies, prepared in accordance with Statements of Generally Accepted Accounting Practice as applied in the Republic of South Africa, which have been consistently applied in all material respects with the exception of AC133: Financial Instruments: Recognition and Measurement, which has been adopted. The impact of this adoption is immaterial and accordingly no transitional adjustment has been recorded. The principal accounting policies adopted are set out below.

IMPAIRMENT

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately and are reflected in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately in the income statement.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. Amounts owing are recognised once there is sufficient assurance that the suspensive conditions will be met and the amounts can be measured reliably. Amounts potentially owing where the suspensive conditions have not been met are disclosed as contingent liabilities.

DEFERRED TAXATION

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for temporary taxable differences arising on investments in subsidiaries and associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the reporting currency are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement except for profits and losses on exchange arising from equity loans which are taken directly to equity until the entity to which the loan was made has been disposed of, at which time they are recognised as income or expenses.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments that are consolidated or equity accounted are stated at cost, unless an impairment in the value of the investment has occurred. In these circumstances, the investment is stated at its written down value. Income from investments is brought to account only to the extent of dividends received or declared.

Trade and other receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of the discounting to present value is material, provisions are adjusted to reflect the time value of money.

REVENUE

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Management fees are charged to related parties in terms of stipulated agreements and this revenue is recorded as and when it accrues.

PENSION SCHEME ARRANGEMENTS

The company makes contributions to a defined contribution retirement plan, on behalf of employees. These contributions are charged against income as incurred.

The company has no liability to this defined contribution retirement plan other than the payment of its share of the contribution in terms of the agreement with the fund and employees concerned.

EXCEPTIONAL ITEMS

Exceptional items are those items of income and expenditure from ordinary activities that are of such size and nature of incidence that their separate disclosure is relevant to explain the performance of the company.

COMPANY INCOME STATEMENT

FOR THE PERIOD ENDED 29 FEBRUARY 2004

	Notes	12 months Feb-04 R million	11 months Feb-03 R million
Revenue - management fee income		8	–
Operating costs	1	(61)	(121)
Exceptional items	2	2 574	(224)
Operating loss		2 521	(345)
Interest received	3	24	22
Interest paid		(1)	(2)
Profit/(loss) before taxation		2 544	(325)
Taxation	4	31	20
Attributable profit/(loss)		2 575	(305)

COMPANY BALANCE SHEET

AS AT 29 FEBRUARY 2004

	Notes	2004 R million	2003 R million
ASSETS			
Non-current assets		3 726	1 355
Subsidiary companies	5	3 725	1 355
Deferred tax asset	6	1	–
Current assets		400	425
Receivables		2	10
Subsidiary company loans	5	253	384
Cash and cash equivalents		140	31
Taxation		5	–
Total assets		4 126	1 780
EQUITY AND LIABILITIES			
Ordinary shareholders' funds		4 066	1 680
Share capital and premium		1 201	1 199
Non-distributable reserves		201	392
Distributable reserves		2 664	89
Non-current liabilities		16	33
Long-term subsidiary company loans	5	16	15
Deferred tax liability	6	–	18
Current liabilities		44	67
Accounts payable	7	4	1
Provisions	8	33	36
Subsidiary company loans	5	3	3
Amounts owing to vendors	9	–	10
Taxation		–	17
Bank overdrafts		4	–
Total equity and liabilities		4 126	1 780

R million	Share capital	Share premium	Non-distributable reserve	Distributable reserves	Total
Balance at 1 April 2002	1	1 192	558	394	2 145
New share issues	–	6	–	–	6
Translation difference on equity loans	–	–	(171)	–	(161)
Tax effect of equity loans translation	–	–	5	–	(5)
Attributable loss for the period	–	–	–	(305)	(305)
Balance at 28 February 2003	1	1 198	392	89	1 680
New share issues	–	2	–	–	2
Translation difference on equity loans	–	–	(24)	–	(24)
Tax effect of equity loans translation	–	–	19	–	19
Realisation of translation difference on disposal of businesses	–	–	(186)	–	(186)
Attributable profit for the period	–	–	–	2 575	2 575
Balance at 29 February 2004	1	1 200	201	2 664	4 066

Authorised share capital
200 000 000 (2003: 200 000 000) ordinary shares of R0,01 each

Issued share capital
137 998 306 (2003: 137 764 196) ordinary shares of R0,01 each

During the period the following shares were issued in respect of share options exercised:
29 000 shares at R7,44 per share
205 110 shares at R10,96 per share

20 699 746 (2003: 20 664 629) of the unissued shares equivalent to 15% (2003: 15%) of the issued share capital, have been set aside for the purpose of granting options to any officer or employee of the company, including any director, in terms of the Datatec Share Option Scheme. At the balance sheet date 5 295 866 of the shares set aside for the Share Option Scheme had been exercised.

The remaining unissued ordinary shares of 62 001 694 (2003: 62 235 804) are under the control of the directors until the next general meeting, subject to the provisions of section 221 and 222 of the Companies Act and the requirements of the JSE Securities Exchange South Africa.

COMPANY CASH FLOW STATEMENT

FOR THE PERIOD ENDED 29 FEBRUARY 2004

	Notes	12 months Feb-04 R million	11 months Feb-03 R million
Cash flow from operating activities			
Cash utilised from operations	A	(9)	(53)
Interest received		24	22
Interest paid		(1)	(2)
Taxation refunded/(paid)	B	9	(12)
Net cash inflow/(outflow) from operating activities		23	(45)
Cash flow from investing activities			
Acquisition of subsidiary companies	C	(40)	(12)
Loans repaid by/(made to) subsidiaries		35	(22)
Acquisition of subsidiary company	D	33	–
Cash proceeds on disposal of subsidiary	E	19	–
Net cash inflow/(outflow) from investing activities		47	(34)
Cash flow from financing activities			
Net proceeds from issue of shares	F	2	6
(Decrease)/Increase in amounts due to vendors		(10)	10
Repayment of loans from subsidiaries		43	17
Net cash inflow from financing activities		35	33
Net increase/(decrease) in cash and cash equivalents		105	(46)
Cash and cash equivalents at the beginning of year		31	77
Cash and cash equivalents at end of year	G	136	31

		12 months Feb-04 R million	11 months Feb-03 R million
A.	Cash utilised from operations		
	Profit/(Loss) before taxation	2 544	(325)
	Adjustments for:		
	Unrealised foreign exchange losses	40	89
	Interest received	(24)	(22)
	Interest paid	1	2
	Exceptional items	(2 574)	224
	Operating loss before working capital changes	(13)	(32)
	Working capital changes:		
	Decrease/(Increase) in accounts receivable	11	(7)
	Decrease in accounts payable and provisions	(7)	(14)
		(9)	(53)
B.	Taxation (refunded)/paid		
	Amounts unpaid at beginning of year	17	49
	Amounts charged to the income statement excluding deferred tax	(31)	(20)
	Amount due to/(unpaid) at end of year	5	(17)
		(9)	12
C.	Acquisition of subsidiary company		
	Additional cash investment in subsidiary company	40	12
D.	Acquisition of business		
	The company acquired the assets and liablities of Datatec Management Services (Pty) Limited on 30 November 2003. These net assets were acquired at book value through the settlement of outstanding loan balances. No goodwill arose as a result of the acquisition.		
	On 27 February 2004 the company purchased all the shares of Online Distribution Limited through the settlement of outstanding loan balances, goodwill of R13,1 million arose on the acquisition.		
	Accounts receivable	4	–
	Accounts payable	(3)	–
	Subsidiary company loan balances	43	–
		44	–
	Settled via intercompany loan balances	(77)	–
	Net cash received on acquisition of business	(33)	–
E.	Cash proceeds on disposal of subsidiaries		
	Proceeds on disposal	19	–
F.	Net proceeds from issue of shares		
	Ordinary shares issued, including share premium	2	6
G.	Cash and cash equivalents at end of year		
	Cash resources	140	31
	Bank overdrafts	(4)	–
		136	31

		12 months Feb-04 R million	11 months Feb-03 R million
1.	Operating loss		
	Operating loss is arrived at after taking into account the following items:		
	Auditors' remuneration		
	Audit services and expenses	1	–
	Foreign exchange losses		
	Realised	(8)	(16)
	Unrealised	(40)	(89)
		(48)	(105)
	Fees for services		
	Managerial	–	3
	Operating lease rentals		
	Premises	1	–
	Staff costs	1	–
	Full details of directors' emoluments are provided in the Remuneration Report on pages 45 to 46.		
2.	Exceptional items		
	Recoupment of goodwill and trademarks previously charged to equity	325	62
	Recoupment of previous write-down/(write-down) of carrying value of investments and loan accounts	853	(286)
	Profit on sale of subsidiaries including foreign exchange movements previously recorded in equity	1 396	–
	Exceptional items	2 574	(224)
3.	Interest received		
	From subsidiary companies	17	19
	Other investments	7	3
		24	22
4.	Taxation		
	4.1 Taxation charge		
	South African normal taxation:		
	Current taxation – current period	–	1
	– prior period	(31)	(21)
		(31)	(20)
	4.2 Reconciliation of taxation rate to profit/(loss) before taxation		
	South African normal tax rate	30,0%	30,0%
	Permanent differences	(30,3%)	(22,2%)
	Tax losses not recognised	0,3%	(8,2%)
	Prior year adjustment	(1,2%)	6,6%
	Effective taxation rate	(1,2%)	(6,2%)

Datatec Limited had an estimated tax loss at the end of the financial year of R85 million that is available to reduce the future taxable income of the company. No deferred tax asset has been recorded in this regard.

		2004 R million	2003 R million
5.	Subsidiary companies		
	Unlisted shares		
	Datatec International Limited	3 213	–
	Affinity Logic Holdings (Pty) Limited	–	2
	Westcon Group, Inc.	–	684
	Logicalis Group Limited	–	1 059
	Mason Group Limited	–	20
	Westcon AME (Pty) Limited	40	–
	Online Distribution	52	–
	Other dormant subsidiaries	4	4
	Unlisted shares at cost	3 309	1 769
	Impairment of unlisted shares	(4)	(706)
	Unlisted shares at written down value	3 305	1 063
	Net amounts owing by subsidiaries	654	658
	Total investment	3 959	1 721
	Presented as follows:		
	Shares at cost and long-term portion of loans receivable	3 725	1 355
	Long-term loans payable	(16)	(15)
	Current portion of loans	250	381
	Current assets	253	384
	Current liabilities	(3)	(3)
		3 959	1 721
	Amounts due to/(by) Group companies		
	Loans		
	Rand denominated loans		
	Affinity Logic Holdings (Pty) Limited	–	47
	Choice Communications (Pty) Limited	1	1
	Guinam Shelf Holdings (Pty) Limited	4	–
	Datatec Management Services (Pty) Limited *	15	132
	Rangegate (Pty) Limited *	47	23
	Scantec (Pty) Limited	7	–
	Scantec (Pty) Limited	(12)	(12)
	Westcon AME (Pty) Limited *	41	79
	Westcon Network Supplies (Pty) Limited *	22	22
	EUR denominated loans		
	Comstor Networks GmbH	–	16
	Datatec International Limited	15	–
	USD denominated loans		
	Comstor Limited	–	142
	Logicalis Group Limited	7	179
	Online Distribution Limited	(1)	–
	Datatec International Holdings Limited *	4	12
	Datatec International Limited	226	–
	Westcon Group, Inc.	14	36
	GBP denominated loans		
	Datatec International Holdings Limited *	–	49
	Datatec International Limited	372	–
	Datatec UK Holdings Limited	(3)	(3)
	Diffel Limited	(3)	(3)
	Diffel Limited	8	8
	Logicalis UK (Pty) Limited	–	3
	Mason Group Limited	–	64
	Rangegate Mobile Solutions Limited *	23	19
	Westcon UK (Pty) Limited	–	103
		787	917
	Impairment provisions	(133)	(259)
	Net loans	654	658

5. Subsidiary companies (continued)

Loans amounting to R40,9 million are subject to interest at the prime rate as determined by the The Standard Bank of South Africa Limited and there are no fixed repayment terms. Loans amounting to R22,6 million are subject to interest at the GBP LIBOR rate less 2% and there are no fixed repayment terms. The remainder of the loans are subject to no interest and there are no fixed repayment terms.

* These loan balances have been subordinated in favour of other creditors until such time as the assets of the entity, fairly valued, exceed its liabilities.

Directors' valuation of unlisted investments is R3,3 billion. The value was based on an independent valuation performed by Ernst & Young. The directors have reviewed the valuations and believe that the carrying value of the investment is reasonable, despite the fact that this amount is in excess of the company's market capitalisation.

Details of investments in subsidiaries detailing the number of shares held are recorded in Annexure 1 of the Group Annual Financial Statements.

		2004 R million	2003 R million
6.	Deferred tax asset/(liability)		
	Movement of deferred tax assets and liabilities		
	Balance at beginning of year	(18)	(23)
	Amount released from equity	19	5
		1	(18)
	Analysis of deferred tax assets/(liabilities)		
	Deferred tax on translation differences relating to equity loan balances	1	(18)
7.	Accounts payable		
	Other payables	4	1

The carrying value of other accounts payable approximates the fair value.

		Onerous contract provisions	Other
8.	Provisions		
	Balance at 1 April 2002	25	3
	Amounts added	1	19
	Amounts utilised	(12)	–
	Balance at 1 March 2003	14	22
	Amounts added	–	3
	Amounts utilised	(5)	–
	Amounts reversed	–	(1)
	Balance at 29 February 2004	9	24

Onerous contract provisions relate to building rentals where the costs of the rentals exceed the economic benefits expected to be received therefrom. Other provisions are expected legal costs and similar expenses where an obligation has arisen.

		2004 R million	2003 R million
9.	Amounts owing to vendors		
	Purchase considerations owing	–	10

Amounts owing to vendors represent purchase considerations due in respect of acquisitions and are to be funded out of cash, pending the achievement of the relevant profit warranty milestones by the vendors of the businesses. Amounts owing are recognised once there is sufficient assurance that the suspensive conditions will be met and the amounts can be measured reliably.

		2004 R million	2003 R million
10.	Commitments		
	Operating lease commitments		
	Due within one year:		
	Property	1	–
	Total operating lease commitments due within one year	1	–

There are no significant operating leases in excess of one year.

11. Other commitments and contingencies

Datatec Limited has issued in the ordinary course of business, guarantees and letters of comfort to third parties in SA in respect of trading facilities and lease commitments.

The Group has general short-term banking facilities amounting to R24 million (2003: R24 million) with The Standard Bank of South Africa Limited. In terms of the cash management system operated in SA, various cross guarantees have been put in place to restrict the overall exposure to the amount of the banking facility.

12. Guarantees

A guarantee has been issued to Strathavon 11 (Pty) Limited amounting to R3,9 million for an onerous lease contract.

Online Distribution has a facility of $5 million with HSBC Bank in the Middle East (2003: $3 million) backed by a guarantee of $2 million by Datatec Limited. The facility bears interest at 6,5% (2003: 6,75%) and inventory and accounts receivable balances of Online Distribution have been pledged as collateral.

13. Financial instruments

The company's financial instruments consist mainly of cash and cash on deposit, bank overdraft, receivables, payables and intercompany loans.

13.1 Risk management objectives and policies

The principal risks to which the company is exposed are:
– foreign exchange rates, generating translation and exchange gains and losses and
– credit risk on receivables.

Currency risk

The company is exposed to currency risk on the loan balances with subsidiary companies, no forward exchange contracts are taken on these items as they are part of the equity funding of those businesses. Should specific foreign expenditures arise, the company's policy is to use financial instruments, mainly forward exchange contracts to manage the currency risk. No forward exchange contracts had been entered into at year-end.

13.2 Fair values

The carrying amounts for cash, bank overdraft, receivables, payables and intercompany loans approximate fair value due to the nature of these instruments.

SHARES AND SHAREHOLDERS

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 29 February 2004:

	1 March 2003 to 29 February 2004	1 April 2002 to 28 February 2003	1 April 2001 to 31 March 2002
Stock exchange performance			
Total number of shares traded ('000)	58 790	90 719	130 566
Total number of shares traded as a percentage of total shares	42,6%	65,9%	95,0%
Total value of shares traded (R'million)	484	1 027	2 199
Prices (cents)			
Closing	1 480	500	1 650
High	1 750	1 850	2 500
Low	370	470	880
Percentage of shares held by non-public shareholders	22,8%	25,8%	4,8%
Percentage of shares held by public shareholders	77,2%	74,2%	95,2%

The following are the principal beneficial shareholders whose holding directly or indirectly in the company total more than 5% of the issued share capital as at 29 February 2004:

Old Mutual Life Assurance Company Limited (SA)	24 041 875	17,4%
Public Investment Commissioners (SA)	10 370 026	7,5%
Liberty Life Association of Africa (SA)	8 175 387	5,9%
Jens Montanana	7 275 048	5,3%
Investment Solutions	7 044 125	5,1%

Shareholder Type	Number of shareholders in SA		Number of shareholders other than in SA		Total shareholders	
	Nominal number	Percentage	Nominal number	Percentage	Nominal number	Percentage
Public	5 000	66,5	224	10,7	5 221	77,2
Non public:						
Directors	1	–	2	5,4	3	5,4
Old Mutual Life Assurance Company Limited	1	17,4	–	–	1	17,4
Total	5 002	83,9	226	16,1	5 228	100,0

SHAREHOLDERS' DIARY

Annual General Meeting		26 August 2004
Reports		
Interim half-year to August 2004	Published	27 October 2004
Announcement of 2005 annual results	Published	May 2005
2005 annual report	Published	June 2005

DATATEC LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1994/005004/06
Share Code: DTC ISIN: ZAE000017745
("Datatec" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Datatec Limited will be held in the auditorium on Thursday, 26 August 2004 at Building 8, Harrowdene Office Park, Western Service Road, Woodmead, Sandton, Republic of South Africa at 14:00 for the purpose of transacting the following business:

1. CONSIDERATION OF ANNUAL FINANCIAL STATEMENTS

Ordinary Resolution Number 1
"Resolved that the audited Annual Financial Statements and Group Annual Financial Statements for the year ended 29 February 2004 be and are hereby accepted."

2. RE-ELECTION OF DIRECTORS

Ordinary Resolution Number 2
"Resolved that Mr D B Pfaff who retires in terms of the Company's Articles of Association ("the Articles") and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 6 for Mr Pfaff's brief Curriculum Vitae.

3. RE-ELECTION OF DIRECTORS

Ordinary Resolution Number 3
"Resolved that Mr C S Seabrooke who retires in terms of the Articles and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 7 for Mr Seabrooke's brief Curriculum Vitae.

4. APPOINTMENT OF AUDITORS

Ordinary Resolution Number 4
"Resolved that Deloitte & Touche be and is hereby reappointed as the Company's auditors until the next Annual General Meeting."

5. APPROVAL OF AUDITORS' REMUNERATION

Ordinary Resolution Number 5
"Resolved that the directors of the Company be and are hereby authorised to fix and pay the auditors' remuneration for the year ended 29 February 2004."

6. RATIFICATION OF DIRECTORS' REMUNERATION

Ordinary Resolution Number 6
"Resolved that the remuneration of the directors of the Company for the past financial year as reflected on page 45 of the annual report of which this notice forms part be and is hereby ratified."

7. PLACE UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

Ordinary Resolution Number 7
"Resolved that the unissued ordinary shares in the Company be and are hereby placed under the control of the board of directors of the Company until the next Annual General Meeting and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such unissued ordinary shares as they may deem fit subject always to the Companies Act (Act 61 of 1973), as amended, (the Act"), the Articles and the JSE Securities Exchange South Africa ("JSE") Listings Requirements ("the Listings Requirements") when applicable."

8. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

Ordinary Resolution Number 8
"Resolved that in terms of the Listings Requirements, the board of directors of the Company be and are hereby given the general authority to issue all or any of the authorised, but unissued ordinary shares of one cent each in the share capital of the Company for cash as and when suitable situations arise, subject to the following conditions:

- that the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

- that this authority shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting or the date of the next Annual General Meeting, whichever is the earlier date;
- that the issue may only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related companies, unless the JSE otherwise agrees;
- that a paid press announcement giving full details, including the impact on net tangible asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of ordinary shares of that class in issue prior to the issue;
- that issues in the aggregate in any one financial year may not exceed 7,5% of the number of shares of that class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class;
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted be 10% of the average ruling price of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of Datatec; and
- any other conditions that the JSE may stipulate."

The approval of 75% of votes cast by shareholders present or represented by proxy at this Annual General Meeting is required for this ordinary resolution to become effective.

9. AUTHORITY TO MAKE GENERAL PAYMENT TO SECURITIES HOLDERS

Ordinary Resolution Number 9
"Resolved that as contemplated in section 90 of the Act the board of directors of the Company shall, subject to the provisions of the Act and the Listings Requirements, be entitled to make a pro-rata payment to the shareholders of the Company by way of a general payment from the Company's share capital or share premium.

The directors of the Company undertake that they shalll not implement the proposed general payment, unless for a period of 12 (twelve) months following the date of the Annual General Meeting:

– the Company and the subsidiaries of the Company ("the Group") are able to repay their debts as such debts become due in the ordinary course of business;

– the consolidated assets of the Company and the Group, fairly valued according to Statements of Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the Company, exceed the consolidated liabilities of the Company and the Group;

– the Company and the Group have adequate share capital and reserves for ordinary business purposes;

– the Company and the Group have sufficient working capital for ordinary business purposes; and

– the Sponsor of the Company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the Listings Requirements.

The directors of the Company intend to utilise the authority in terms of this Ordinary Resolution Number 9 in order to make a general payment to the shareholders of the Company by way of a general payment from the Company's share capital or share premium.

Announcements will be published on SENS and in the press setting out the terms and date of the general payment, the financial effects of the general payment prior to such payment being effected and complying with Schedule 24 of the JSE Listings Requirements.

In compliance with section 11.28 of the JSE Listings Requirements the following information is furnished:

– Directors' details: refer page 6 and 7 of this report;

– Major shareholders: refer page 96 of this report;

– Material changes: refer material changes statement per paragraph 11 below;

– Directors' interests in shares: refer page 47 of this report;

– Share capital: refer page 60 of this report;

– Directors' responsibility statement: refer statement per paragraph 11 below; and

– Litigation statement: refer litigation statement per paragraph 11 below

This authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next Annual General Meeting, whichever is the earlier date.

10. AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

Ordinary Resolution Number 10
"Resolved that subject to the passing of terms of the Ordinary Resolutions number 1 to 9, any director of the Company or the Company secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such Ordinary Resolutions number 1 to 9 passed at the Annual General Meeting."

To consider and if deemed fit, to pass the following special resolution:

11. GENERAL AUTHORITY TO PURCHASE SHARES

Special Resolution Number 1
"Resolved that the board of directors of the Company be authorised by way of a general authority to facilitate the acquisition by the Company or a subsidiary of the Company of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles, the provisions of the Act and the JSE Listings Requirements, when applicable and provided that:

- a paid press release giving such details as may be required in terms of the Listings Requirements of the JSE be published when the Company or its subsidiaries have repurchased 3% of the shares of the Company in issue as at the time the general authority was granted;
- the authorisation granted above shall remain in force from the date of registration of this special resolution by the Registrar of Companies for a period of 15 (fifteen) months from the date on which it was registered or until the next Annual General Meeting, whichever period is shorter;
- the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiary shall not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements;
- the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- the repurchase by the Company of its own securities above may not exceed 20% of the Company's issued ordinary share capital in the aggregate in any one financial year or, in the case of acquisition by any of the Company's subsidiaries, 10% of such issued ordinary share capital in the aggregate if such shares are to be held as treasury stock;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company or a subsidiary of the Company;
- the sponsor to the Company provides a letter on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE; and
- such repurchase shall be subject to the Act, the Articles and the applicable provisions of the Listings Requirements.

As at the date of this report, the Company's directors undertake that they will not implement any such repurchase in the 12 (twelve) months following the date of this Annual General Meeting or for the period of the general authority, whichever is the longer, unless:

- the Company and the Group would, after payment for such maximum repurchase, be able to repay its debts as they become due in the ordinary course of business;
- the Company's and the Group's consolidated assets, fairly valued according to Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the Company, would, after such payment, exceed their consolidated liabilities;
- the Company's and the Group's ordinary share capital and reserves would, after such payment, be sufficient to meet their needs; and
- the Company and the Group would, after such payment, have sufficient working capital to meet its needs."

Reason for and effect of the Special Resolution

The reason for and the effect of the special resolution are to grant to the directors of the Company a general authority, up to and including the date of the next Annual General Meeting of the Company or the expiration date of the period commencing on the date of registration of the special resolution and expiring on the date 15 (fifteen) months after such registration, to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company.

The Board has no immediate intention to use this general authority to repurchase any of the Company's issued shares or to approve the purchase of the Company's shares by a subsidiary of the Company. However, the Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

For purposes of considering the special resolution for the Company or a subsidiary of the Company to repurchase shares issued by the Company, the information below has been included in the Annual Report, in which this notice of Annual General Meeting is included, at the places indicated:

- Directors and management (refer page 101 of this report);
- Major shareholders (refer page 96 of this report);
- Directors' interest in securities (refer page 47 of this report); and
- Share capital of the Company (refer page 60 of this report).

Litigation statement.
In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 6 and 7 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, other than such proceedings disclosed on pages 75 and 76, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

Directors' responsibility statement
The directors, whose names are given on page 101 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information.

Material change
Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and/or the Group since the date of signature of the audit report and the date of this notice.

12. TO TRANSACTION SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

Voting and proxies

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to reach the Company's transfer secretaries by 14:00 on Tuesday, 24 August 2004.

Proxy forms must only be completed by members who have dematerialised their shares with "own name" registration or who have not dematerialised their shares.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, who are unable to attend the AGM but wish to be represented thereat, should contact their Central Securities Depository Participant ("CSDP") or broker (as the case may be) in the manner and time stipulated in their agreement entered into by such member and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such members wish to attend the meeting, to obtain the necessary authority to do so. Such shareholders who wish to attend the AGM in person must obtain the necessary letter of representation from their CSDP or broker.

On a show of hands, every member of the Company present in person or represented by proxy shall have one vote only. On a poll, every member of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such member.

By order of the Board

I P DITTRICH
Company Secretary

Johannesburg
23 June 2004

Name	Date of Appointment	Date of Resignation	Position held at 29 February 2004
Executive Directors			
J P Montanana (British)	October 6, 1994		Chief Executive Officer
D B Pfaff	July 1, 2001		Group Finance Director
Non-executive Directors			
L Boyd ^	December 6, 2001		Chairman
C B Brayshaw *	December 6, 2001		Director
C M L Savage *	December 6, 2001		Director
C S Seabrooke *^	October 6, 1994		Director
N Temple (British) ^	October 1, 2002		Director
Resignations			
R Rindel	September 1, 1995	March 14, 2003	
M Karpul	August 30, 1996	August 31, 2003	
A M Smith (American)	July 17, 2001	March 3, 2004	
J F McCartney (American)	May 11, 1998	March 3, 2004	

* Audit, Compliance and Risk Committee

^ Remuneration and Nomination Committee

Registered Office
Building 8
Harrowdene Office Park
Western Service Road
Woodmead, 2148
South Africa
Telephone +27 (0)11 233 1000
Telefax +27 (0) 11 233 3300

Registration Number
1994/005004/06

Secretary
I P Dittrich

Office – UK
100 Buckingham Avenue
Slough
Berkshire
SL14PF
United Kingdom
Telephone +44 (0) 1753 797 100
Telefax +44 (0) 1753 819 284

Office – US
520 White Plains Road
Tarrytown
New York 10591
USA
Telephone +1 914 829 7170
Telefax +1 914 829 7184

Sponsors
Rand Merchant Bank
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
South Africa

Transfer Secretaries
Computershare Investor Services 2004
(Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa

Corporate law advisors and consultants
Bowman Gilfillan
9th Floor, Twin Towers West
Sandton City
Sandton, 2196
South Africa

Auditors
Deloitte & Touche
The Woodlands
Woodlands Drive
Woodmead
Sandton, 2148
South Africa

Principal Bankers – SA
The Standard Bank of South Africa
Limited
Commercial Banking Division
7th Floor, 3 Simmonds Street
Johannesburg, 2000

Principal Bankers – UK
Barclays Bank PLC
P.O. Box 544
54 Lombard Street
London
EC3V 9EX

Principal Bankers – USA
HSBC Bank USA
452 Fifth Avenue
New York, NY 10018
USA

GE Corporate Financial Services
201 Merritt 7
Norwalk, CT 06856
USA

Internet Address
www.datatec.co.za
www.westcon.com
www.logicalis.com
www.mason.com

NOTES

Printed by Ince (Pty) Ltd

Datatec Limited
("the Company")
(Incorporated in the Republic of South Africa)
Registration number: 1994/005004/06
JSE Code: DTC
ISIN: ZAE000017745

Please note that this proxy form is only for use by members who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares and registered them with own name registration.

I/We

Of

being a member/members of the abovementioned company, hereby appoint:

or failing him/her,

or failing him/her, the chairperson of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 14:00 on Thursday, 26 August 2004 and at any adjournment of that meeting.

Signed at this day of 2004.

Signature

Please indicate with an "X" in the appropriate space on the right how you wish your votes to be cast. If you return this form duly signed, without any specific direction, the proxy shall be entitled to vote as he/she thinks fit.

	In favour of resolution	Against resolution	Abstain from voting
Ordinary Resolutions:			
1. Consideration of Annual Financial Statements			
2. Re-election of Mr D B Pfaff			
3. Re-election of Mr C S Seabrooke			
4. Appointment of auditors			
5. Approval of auditors' remuneration			
6. Ratification of directors' remuneration			
7. Placing unissued shares under the control of the directors			
8. General authority to issue shares for cash			
9. Authority to make general payment to securities holders			
10. Authority to sign all documents required			
Special Resolution:			
1. General authority to purchase shares			

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. Proxies must be lodged with the transfer secretaries of the Company no later than 14:00 on Tuesday, 24 August 2004.

Shareholders who have dematerialised their shares other than those with own name registration must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the general meeting in person.

NOTES

Instructions on signing and lodging the proxy form:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the chairperson of the Annual General Meeting", but any such deletion must be initialled by the member. Should this space be left blank, the chairperson of the Annual General Meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that member in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid the completed proxy forms must be lodged with the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa, so as to reach them by no later than 14:00 on Tuesday, 24 August 2004.

5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairperson of the Annual General Meeting.

6. The completion and lodging of this proxy form shall not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.

8. The chairperson of the Annual General Meeting may reject or accept any proxy form which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a member wishes to vote.