

DataPro Group Limited
(Registration Number: 1998/016433/06)
Share code: DTP ISIN code: ZAE000058061
("DataPro Group" or "the company")

REVIEWED RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2006

Revenue up 57%
Operating profit up 79%
Net profit before tax up 153%
Earnings per share up 36%

Balance Sheets	Reviewed as at 28 February 2006 R'000	Restated - audited as at 31 August 2005 R'000	Restated - reviewed as at 28 February 2005 R'000
ASSETS			
Non-current assets	127 434	120 500	69 666
Property, plant and equipment	22 430	22 226	15 302
Intangible assets, including goodwill	100 712	93 515	51 611
Deferred taxation	4 292	4 759	2 753
Current assets	27 263	14 878	10 503
Inventories	361	137	402
Trade and other receivables	24 174	12 384	6 418
Taxation	2	2	--
Cash and cash equivalents	2 726	2 355	3 683
Total assets	154 697	135 378	80 169
EQUITY AND LIABILITIES			
Capital and accumulated loss	100 894	88 182	48 985
Share capital and premium	131 321	119 960	75 237
Accumulated loss	(22 439)	(27 096)	(26 252)
Equity Reserves	(7 988)	(4 682)	--
Non-current liabilities	16 622	7 246	11 497
Long term borrowings	15 040	5 755	8 708
Financial liability	1 582	1 491	--
Shareholder loans	--	--	2 789
Current liabilities	37 181	39 950	19 687
Trade and other payables	23 454	20 562	10 046
Short term borrowings	9 508	13 955	7 641
Shareholders' loans	2 398	2 055	--
Taxation	1 182	858	--
Bank overdraft	639	2 520	2 000
Total equity and liabilities	154 697	135 378	80 169
Ordinary shares in issue at period end ('000)	315 135	314 369	228 980
Net asset value per share (cents)	32.0	28.1	21.4
Net tangible asset value per share (cents)	0.06	(1.70)	(1.15)
<i>Fully diluted information (Note 1)</i>			
Ordinary shares at period end ('000)	335 164	316 665	231 276
Net asset value per share (cents)	30.1	27.8	21.42
Net tangible asset value per share (cents)	0.05	(1.7)	(1.1)

Note 1: As at 28 February 2006, up to 18 500 000 new shares are required to be issued in relation to the acquisition of the business of Netralink, pending finalisation of warranted turnover in terms of the acquisition agreement. In addition, an option to subscribe for 1 528 897 ordinary shares at 52.2 cents per share was exercised on 21 February 2006 and the shares were issued after the period end. The Netralink and option shares were not in issue at period end and accordingly the information has been included in the fully diluted information.

Income Statements	Reviewed for the six months ended 28 February 2006 R'000	Restated – audited for the year ended 31 August 2005 R'000	Restated – reviewed for the six months ended 28 February 2005 R'000
Revenue	78 740	96 901	49 996
Cost of sales	(47 408)	(55 936)	(27 083)
Gross profit	31 332	40 965	22 913
Operating and administrative expenses	(23 165)	(29 274)	(15 694)
Other operating income	2 737	244	--
Operating profit before depreciation and amortisation	10 904	11 935	7 219
Profit on disposal of assets	--	23	--
Depreciation	(3 282)	(6 794)	(2 933)
Amortisation of intangible assets	(1 188)	(1 247)	(704)
Operating profit	6 434	3 917	3 582
Finance charges	(1 243)	(2 536)	(1 050)
Investment income	92	191	102
Fair value adjustments	(382)	110	(263)
Negative goodwill	1 101	432	--
Net profit before taxation	6 002	2 114	2 371
Taxation	(1 345)	1 947	244
Net profit for the period	4 657	4 061	2 615
Calculation of headline earnings			
Net profit for the year	4 657	4 061	2 615
Adjustments for:			
Initial listing costs	--	1 010	--
Profit on disposal of assets	--	(23)	--
Negative goodwill	(1 101)	(432)	--
Tax effect of adjustments	--	7	--
Headline earnings for the period	3 556	4 623	2 615
Weighted average shares in issue ('000)	306 371	228 980	228 980
Earnings per share ordinary share (cents)	1.5	1.8	1.1
Headline earnings per ordinary share (cents)	1.2	2.0	1.1
Dividend per share (cents)	--	1.0	--
<i>Fully diluted information (Note 1 below)</i>			
Weighted average shares in issue ('000)	306 371	229 209	229 209
Earnings per share ordinary share (cents)	1.5	1.8	1.1
Headline earnings per ordinary share (cents)	1.2	2.0	1.1

Note 1: For purposes of calculating weighted average fully diluted share information, the issue of 18 500 000 shares for the acquisition of the Netralink business was assumed with effect from 01 January 2006. In addition, the basic and fully weighted average number of shares has been reduced by the shares issued for the acquisition of @lantic, against which a put option exists.

Abridged Cash Flow Statements	Reviewed 28 Feb 2006	Restated - audited for the year ended 31 August 2005 R'000	Restated - Reviewed for the six months ended 28 February 2005 R'000
Net cash inflow/(outflow) from operating activities	998	250	(7 079)
Dividends paid	--	(2 290)	--
Net cash outflow from investing activities	(3 901)	(96 247)	(41 329)
Net cash inflow from financing activities	5 155	98 112	50 081
Net increase in cash and cash equivalents	2 252	(175)	1 673
Bank balance/(overdraft) at beginning of period	(165)	10	10
Cash and cash equivalents at end of period	2 087	(165)	1 683

Statements of Changes in Equity	Share Capital R'000	Share premium R'000	Shares to be issued R'000	Equity Reserves R'000	Accumulated Loss R'000	Total R'000
Balance at 01 September 2004						
- As previously reported	75	23 498	--	--	(31 255)	(7 682)
- Prior year adjustment	--	--	--	--	631	631
Restated at 01 September 2004	75	23 498	--	--	(30 624)	(7 051)
Change in accounting policy	--	--	--	--	1 757	1 757
<i>Issue of shares</i>						
- For acquisition of DataPro from management	67	5 586	--	--	--	5 653
- For cash	87	48 037	--	--	--	48 124
Write off of share issue expenses	--	(2 113)	--	--	--	(2 113)
Profit for period	--	--	--	--	2 615	2 615
Balance at 28 February 2005	229	75 008	--	--	(26 252)	48 985
<i>Issue of shares</i>						
- For the acquisition of @lantic	85	44 915	--	--	--	45 000
Write off of share issue expenses	--	(277)	--	--	--	(277)
Profit for the year	--	--	--	--	1 446	1 446
Dividend paid	--	--	--	--	(2 290)	(2 290)
Equity reserve arising on acquisition of @lantic	--	--	--	(4 682)	--	(4 682)
Balance at 31 August 2005	314	119 646	--	(4 682)	(27 096)	88 182
Issue of shares in terms of options exercised	1	387	10 973	--	--	11 361
Profit for the period	--	--	--	--	4 657	4 657
Increase in equity reserves as a result of acquisition of Netralink	--	--	--	(3 306)	--	(3 306)
Balance at 28 February 2006	315	120 033	10 973	(7 988)	(22 439)	100 894

COMMENTARY

The board of directors are pleased to present the company's results for the six months ended 28 February 2006, reflecting the second interim results since the acquisition of DataPro (Proprietary) Limited ("DataPro") which was effective from 01 September 2004.

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 on Interim Financial Reporting. The accounting policies adopted for purposes of this report comply with International Financial Reporting Standards ("IFRS"), with 01 September 2004 being the IFRS transition date. In the prior reporting period, the company implemented certain accounting policies compliant with IFRS, where early adoption of such accounting policies was applicable and, accordingly, the principal accounting policies have been consistently applied.

Opening balances and comparative results have been restated for an adjustment in terms of IAS16 in relation to the accounting for property, plant and equipment, which requires that the useful lives of assets and the estimated residual value of assets be evaluated each year.

The results have been reviewed by Grant Thornton and their unqualified review opinion is available for inspection at the registered office of the company.

INDUSTRY AND BUSINESS OVERVIEW

The DataPro Group of companies has capitalised on the deregulated telecoms environment to position itself as a complementary and preferred alternative to Telkom. DataPro remains a traditional Internet Service Provider (ISP) to South African businesses with a well established annuity business which is growing steadily.

The acquisition of Atlantic Internet Services (Proprietary) Limited (“@lantic”) on 31 August 2005 has given DataPro Group a large telecommunication footprint in the consumer market, which is a new area of business for the group. @lantic has a unique distribution platform via 150 regional franchisees with over 600 small retailers and IT firms in their regions.

Deflation in the sector has been offset by exponential increases in usage and users. The demand for Internet bandwidth has doubled over the last 12 months and the trend is set to continue. Broadband users are expected to increase from 150,000 to over a million in the next 2 years. This will generate numerous opportunities as a whole new generation of products will, for the first time, be available in South Africa.

The industry has been characterised by tremendous change in technological advancements, the growth of the various networks and the continued regulatory uncertainty. Corporate South Africa is beginning to scrutinise its telephony costs and alternative cost effective methods of telecommunications are increasingly being demanded. These scenarios are comprised of a combination of Voice-Over-Internet-Protocol (“VOIP”), Least Cost Routing (“LCR”) and Call Back methods (together “Voice”).

The advent of VOIP has made South Africa a viable call centre destination. The major metropolitan regions are promoting call centres and this sector has significant growth prospects. DataPro Group, through VoxTelecom, has successfully built a telephony platform to take advantage of the growth in Voice applications.

FINANCIAL OVERVIEW

Revenue grew R28.7 million (57%) over the comparative period. Gross margins declined to 39.8% from 45.8%, for the same period, which is attributed to continued spend on VoxTelecom without matching revenues. Deflation on revenue pricing, integration of @lantic, and the continued delay of IP interconnect agreements with the incumbent operator have also hampered revenue generation. The deflation in pricing has been offset by a large increase in the number of customers and management of costs. Gross profit increased by R8.4 million (36.7%) to R31.3 million for the half year and operating profit before depreciation and amortisation has improved to R10.9 million, an increase of R3.6 million or 51.1%, due to careful management of operating costs.

Operating profit increased by 79.6% to R6.4 million and profit before taxation increased by 153% over the prior period, although this was partly due to negative goodwill on the acquisition of Netralink. Net profit after taxation reflected an increase of R2 million (78%) over the prior period, to R4.6 million with headline earnings increasing by 32% to R3.5 million. Whilst headline earnings per share remained constant at 1.2 cents, earnings per share reflected an increase of 36% to 1.5 cents per share.

DataPro’s monthly contracted core ISP revenue increased by 22%, net of deflation, to R47,1 million, which represents strong performance in revenue growth, in real terms. DataPro’s aggressive broadband strategy contributed positively from November with increased sales, lower input costs, usage-based billing and additional products, which increased the gross margin percentage. ADSL is currently growing at around 12% per month, and DataPro is gaining market share. This sector is expected to contribute significantly to the growth in earnings in the next 24 months.

Voice revenue increased from R3.0 million to R5.7 million, an 89% increase over the prior period. Margins also increased from 16.3% to 19.9% but start-up costs continued to have an impact on the results for the period, although less so than the prior period.

The acquisition of @lantic has been successfully integrated into the DataPro Group. @lantic primarily provides dial-up and ADSL solutions for the Sole-Owner-Home-Owner (“SOHO”) market under its own brand. On acquisition, @lantic had 34 000 customers through its franchise network, which grew to 38 000 as at

28 February 2006. @lantic revenue in this period grew to R20,6 million compared to R15.9 million for the corresponding period, representing a 30% increase in annuity revenue. Gross margins increased by approximately 5% through economies of scale following the acquisition of @lantic by DataPro Group.

With effect from 01 January 2006, DataPro acquired Netralink, a small ISP, with annuity revenues of approximately R800 000 per month. This acquisition is expected to contribute positively to the annuity book in the future. In accordance with IFRS3, negative goodwill of R1,1 million relating to the acquisition of the Netralink business has been taken to the income statement.

The taxation charge comprises a current taxation charge arising from @lantic as well as a deferred taxation charge against the deferred taxation asset raised in the prior period.

The aggregate effect of the adoption of IFRS is set out below:

	As previously reported under GAAP R'000	Effect of transition to IFRS R'000	Other R'000	IFRS R'000
There was no effect on equity as reported at 1 September 2004.				
Reconciliation of equity at 28 February 2005				
Property, plant and equipment	18 967	(933)	(2 732)	15 302
Intangible assets	48 558	-	3 053	51 611
Deferred taxation	1 689	244	820	2 753
Total non-current assets	69 214	(689)	1 141	69 666
Total current assets	10 503	-	-	10 503
Total liabilities	31 184	-	-	31 184
Share capital and premium	75 237	-	-	75 237
Accumulated loss	(26 704)	(689)	1 141	(26 252)
Total equity	48 533	(689)	1 141	48 985
Reconciliation of equity at 31 August 2005				
Property, plant and equipment	26 852	(1 620)	(3 006)	22 226
Intangible assets	94 088	-	(573)	93 515
Deferred taxation	3 496	443	820	4 759
Total non-current assets	124 436	(1 177)	(2 759)	120 500
Total current assets	14 878	-	-	14 878
Long term borrowings	5 755	-	1 491	7 246
Other payables	39 950	-	-	39 950
Total liabilities	45 705	-	1 491	47 196
Share capital and premium	119 960	-	-	119 960
Equity reserve	-	-	(4 682)	(4 682)
Accumulated loss	(26 351)	(745)	-	(27 096)
Total equity	93 609	(745)	(4 682)	88 182

Reconciliation of net profit for period ended 28 February 2005

Gross profit	22 913	-	-	22 913
Operating and administrative expenses, including depreciation and amortisation	(17 139)	(933)	(1 259)	(19 331)
Operating profit	5 774	(933)	(1 259)	3 582
Investment income	102	-	-	102
Finance charges	(1 325)	-	275	(1 050)
Fair value adjustments	-	-	(263)	(263)
Profit before taxation	4 551	(933)	(1 247)	2 371
Taxation	-	244	-	244
Net profit for the period	4 551	(689)	(1 247)	2 615

Reconciliation of net profit for period ended 31 August 2005

Gross profit	40 965	-	-	40 965
Other operating income	354	-	(110)	244
Operating and administrative expenses, including depreciation and amortisation	(35 672)	(1 620)	-	(37 292)
Operating profit	5 647	(1 620)	(110)	3 917
Investment income	191	-	-	191
Finance charges	(2 536)	-	-	(2 536)
Fair value adjustments	-	-	110	110
Negative goodwill	-	-	432	432
Profit before taxation	3 302	(1 620)	432	2 114
Taxation	1 504	443	-	1 947
Net profit for the period	4 806	(1 177)	432	4 061

SEGMENTAL REPORTING

The company does not separately identify assets or liabilities attributable to different segments of the business and accordingly the only segment information available is turnover, details of which are set out below:

Segment	R'm
Data (ISP and ADSL)	50.9
@lantic (ISP and ADSL)	20.7
Voice (VoIP, LCR and Call-Back)	7.1
Total	78.7

FUTURE PROSPECTS

The DataPro Group has established a platform to build a significant telecommunications business offering a broad range of services. Convergence of technologies and deregulation has increased the size of the market, signifying the strategic importance of the VoxTelecom's strategy.

ISP, ADSL, and @tlantic will continue to be a key focus for growth. Upgrades off an ever increasing base provided 50% of current ISP growth within DataPro. The ADSL sector is experiencing unprecedented growth and DataPro is a leading player in this market. The @lantic channel is being aligned to ensure that franchisees continue to be successful through branding, incentivisation and by increasing the range of services to consumers.

VoxTelecom is expected to start contributing more significantly to revenue and profit in the foreseeable future, with VOIP technical problems, in the main, having been resolved and the Interconnects in progress. The method of reducing telephony costs, by routing calls via the same network, is used extensively in South Africa. DataPro Group intends to acquire an LCR business to complete the VoxTelecom offering and to provide a customer base to sell complementary products. Shareholders are referred to a separate announcement in relation to this intended acquisition.

ACQUISITIONS AND ISSUE OF SHARES FOR CASH

Vantage Capital Group (“Vantage”), a BEE shareholder in DataPro Group, was granted an American call option to subscribe for up to 2 295 641 new ordinary shares at an exercise price based on the 30 day weighted average share price immediately preceding the exercise of the option, less a 10% discount, exercisable on or before 28 February 2006. During the period, this call option was purchased by DG Reed and JC Herbst through the transfer of shares to Vantage, whereby Vantage increased its shareholding in DataPro Group. The option was then exercised as follows:

- 766 744 ordinary shares at 50.6 cents per share, being a 10% discount to the 30-day weighted average share price as at 25 January 2006;
- 1 528 897 ordinary shares at 52.2 cents per share, being a 10% discount to the 30-day weighted average share price as at 21 February 2006

DataPro acquired the business of Netralink with effect from 01 January 2006. The consideration for the acquisition is R10 175 000 to be settled by the issue to Netralink of a maximum of 18 500 000 ordinary shares at an issue price of R0.55 per share. The purchase consideration is subject to an aggregate warranted turnover of R1 600 000, excluding VAT, being achieved during January and February 2006 and in the event that such turnover is not achieved, the purchase consideration will be reduced on a pro rata basis accordingly. The warranted turnover will be audited after 30 June 2006, after which the final number of shares will be issued and listed.

SUBSEQUENT EVENTS

With effect from 01 March 2006, DataPro has acquired the business of Bizcall for a purchase consideration of R1 080 000, payable in cash over a 12 month period. The acquisition provides for an additional payment in the event that profit after taxation exceeds R750 000, such that any excess above R750 000 will attract a price: earnings ratio of 2 and will constitute an increase in the purchase price of the investment.

In addition, subject to certain conditions precedent, DataPro Group has acquired the business and assets of Definity Telecommunications (Proprietary) Limited, details of which will be announced in a separate announcement to shareholders.

DIRECTOR CHANGES

JC Herbst resigned as director on 27 September 2005 and S Wentzel was appointed as an executive director to the board on 24 November 2005.

DIVIDENDS

With the application of cash generated from operations being focussed on the acquisition of annuity income streams and the continued investment in VOIP, the directors have decided not to declare an interim dividend.

GENERAL

In accordance with Alt^X Listings Requirements, shareholders are advised of the risks of investing in a company listed on the Alt^X and that the JSE does not guarantee the viability or the success of a company listed on the Alt^X. In terms of the JSE Listings Requirements, a Designated Advisor has to be retained by the company. The Designated Advisor is required, *inter alia*, to attend all board meetings held by the company to ensure that all the JSE Listings Requirements and applicable regulations are complied with, approve the financial director of the company and guide the company in a competent, professional and impartial manner. If the company fails to retain a Designated Advisor it must make arrangements to appoint a new Designated Advisor within 10 business days, failing which the company faces suspension of trading of its securities. If a Designated Advisor is not appointed within 30 days of its suspension, the company faces the termination of its listing without an offer to minorities.

By order of the Board

YT Moerane
Chairperson
15 May 2006
Johannesburg

DG Reed
Chief Executive Officer

Registered Office

Arcay House, Number 3 Anerley Road, Parktown, Johannesburg, 2193
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Directors

YT Moerane*, DG Reed, GP Sweidan, S Wentzel, M Krastanov*, MC Mogase* (Alternate CM Lister-James)

* Non-executive

Designated Advisor

Arcay Corporate Services

Transfer Office

Computershare Investor Services 2004 (Proprietary) Limited