

Information Technology

Information technology businesses in the Altron group contributed R4.7 billion (28%) and R350 million (23%) to the group's total revenue and operating profit respectively for the review period. During the year, **Bytes Technology Group** (Bytes) concluded a number of bolt-on acquisitions both locally and in the UK where two acquired Xerox concessionaires, Xclusive Solutions and Vantage Business Systems, are contributing significantly to revenue and operating profits.

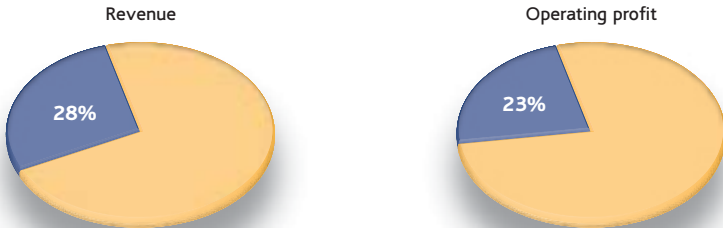
Bytes Document Solutions, a document management technology and services enterprise, is the exclusive representative of Xerox Corporation in South Africa and 23 African countries. The company delivered a pleasing performance with higher revenue from both the local SME market and Africa operations, excellent cost containment and cash flow management. The year was, however, characterised by downward pressure on margins following strong competition and component cost

increases caused largely by the deterioration in the exchange rate.

Bytes Specialised Solutions, the exclusive distributor for NCR and Teradata products and solutions in South Africa and selected neighbouring countries, increased revenue by 16% despite a number of strategic transactions concluded at low margin. The ATM annuity business performed exceptionally well, exceeding its budgeted operating income, and a 33% increase in its installed ATM base by year end set a solid platform for future profitability. **Bytes Communication Systems**, the group's specialist provider of business communications solutions, improved operating profit by 16% during the year. Services continue to be a major revenue contributor, in line with the company's strategy to move from a provider of voice-centric systems towards becoming a solutions-based integrator.

Bytes Managed Services is a focused workspace management and equipment

Contribution by Information Technology







maintenance company, with over 80 service points throughout South Africa and a number of African countries supporting some 600 000 original equipment manufacturer devices on warranty and over 350 000 on maintenance contract. The company recorded a significant increase in operating profit for the year, essentially on the back of improved processes and operating efficiencies.

Bytes Outsource Services, which offers complete infrastructure and call-centre outsourcing, delivered sound growth in both revenue and profit during the period. **Bytes People Solutions**, an internationally accredited education, training, skills development and people consulting business, recorded solid performance with growth above 20% in both revenue and profit and aims to grow its annuity revenue from 60% to 80% in the short to medium term.

Bytes Systems Integration benefited from prior restructuring activities, a mature and stable management team and strong customer demand. Revenue increased significantly, indicating market share growth, with improved operating profit exceeding the benchmark profitability produced by competitors. **Digital**

Healthcare Solutions, an industry leader in medical practice management software and electronic claims delivery services, increased revenue and profitability despite the higher cost of sales following re-engineered agreements with resellers and trading partners, and acquired Mastermed post year end.

The Bytes UK operations comprise Bytes Software Services, Bytes IT Solutions, Xclusive Solutions and Vantage Business Systems, the latter two acquired with effect from 1 March 2006 and 1 September 2006 respectively. Bytes UK is now the third-largest Microsoft reseller and the largest Xerox reseller in the UK. Fuelled by acquisitions and organic growth, operating profit rose 69% with strong results generated by Bytes Software Services and Xclusive Solutions. Bytes Software Services exceeded expectations in terms of all its major vendors, namely Microsoft, Symantec, Citrix, Adobe and IBM. A decision was taken to dispose of Bytes IT Solutions (previously Plato) and the sale process is well advanced.

The Altech IT businesses showed consistent growth with **Altech Isis Information Systems** recording excellent results for the year, entrenching its position as a supplier of end-to-end operational support systems



solutions in South Africa and Africa. The finalisation of the acquisition of MobiMaster, since renamed Altech Isis France, has enabled Altech Isis to provide a more comprehensive and global offering to telecommunications network operators and other clients.

Altech Card Solutions performed well during the year, with excellent growth in its plastic card and personalisation equipment units. **Altech Cardtronic** recorded commendable results for the year and the benefit of the earlier recapitalisation project has positioned it to compete more effectively in a growing market for non-secure cards and personalisation services.

Altech NamiTech, through operations in Nigeria and South Africa, is the leading manufacturer of cellular SIM cards, prepaid vouchers, and magnetic stripe and EMV (Europay/Mastercard/Visa) bank cards in Africa. The full benefits of the re-engineering and cost-reduction exercise initiated in the South African operation in February 2006 are now being realised. Altech NamiTech's prepaid cellular voucher manufacturing facility in Lagos, Nigeria, has proved extremely successful, achieving profitability in its first year of operation.

SUSTAINABILITY IN SYSTEMS INTEGRATION THROUGH PARTNERSHIPS

IT services have become an integral part of the success of any enterprise, with the result that technology investments are expected to continue to grow in both the public and private sectors. Sustainable growth in this sector will depend on the ability to provide seamlessly integrated, highly robust and highly available services to users in order to gain a competitive advantage or, as in the case of government – to improve the delivery of services to the community, particularly in education and health.

There are two main technologies through which all applications and services are enabled for delivery, namely SONA (Services Orientated Network Architecture) and SOA (Services Orientated Architecture). Bytes has invested in key partnerships in both of these areas with leading technology vendors such as Cisco, Microsoft and Sun and with the leaders in SOA-enabled applications such as Business Objects and Metastorm.

Bytes Systems Integration has a sound footing based on experience, knowledge and a skills base and will continue to make strategic acquisitions to enhance its products and service offering. One example is the acquisition of Silverminute, which boosted its Microsoft Solutions capability.

