

DATACOM

Annual Review 2008



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Group Highlights

- Total operating revenue was \$450 million, up 15%
- Trading profit before tax was \$35.9 million, up 6%
- Staff numbers 2,933, up 31%
- Expansion of Australia in ACT and Western Australia
- 20% growth in NZ software and integration business



The dedication and contribution from our staff remains the key ingredient in our success.

J. W. Holdsworth
Chairman

Chairman's Report

The year ended 31st March 2008 has proved to be another successful year for Datacom Group with revenues increasing by 15% from the previous year, and profit after tax by 7%.

Total revenue for the Group reached \$450 million, with New Zealand at \$263 million, an increase of 5% on last year and Australia / Asia at \$187 million, an increase of 34%. The recent trend for an increasing proportion of the Group's revenue to come from the Australian / Asian operations has continued with Australia / Asia now providing 42% of the Group's total.

Directors were pleased with the solid growth in profit which was underpinned by a very strong performance in New Zealand which offset some of the expansion costs incurred in Australia during the year. Net profit before tax was \$35.9 million, an increase of 6% on last year's \$33.8 million.*

At March 2008 the Group was showing a 10 year compound growth rate of 12% for revenue and 20% for profit.

The New Zealand operation had a very good year lifting bottom line profits by 12% and continued winning significant new business while delivering very successfully to the current customer base.

In Australia / Asia the focus was very much on growth and while an increase in revenue of 34%

was achieved, this impacted on profits somewhat with results being down on last year.

Net profit after tax was \$24.3 million, compared with the previous year's \$22.8 million, up 7%, and represents a 30% return on average shareholders' funds.

Datacom's financial position continues in a very healthy state with the balance sheet showing shareholders' funds at \$90 million, an increase of 21% on the previous year's \$74 million.

The net cash balance at the end of the year was \$16.1 million, compared with last year's \$21.4 million, which reflects the increase in demands for working capital to fund growth.

Borrowings increased during the year by \$16 million largely funding acquisitions in Australia including a data centre housing and systems business and software development business both based in Sydney. These and the other smaller acquisitions along with the new offices established in Perth and Canberra have added significantly to the depth and breadth of services Datacom provides in Australia. Datacom now has operations

* The net profit reported in the 2007 Annual Accounts of \$34.7 million has been restated for comparative purposes in line with NZ IFRS requirements, this being the Group's first year reporting under IFRS.

Chairman's Report continued

based in Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra and Townsville.

This year the Group invested \$17 million in its capital expenditure programme in maintaining the Group's fixed assets in an up to date state, providing computers / furniture for new staff and continuing the upgrading and expansion of the Company's data centres in New Zealand and Australia.

The Group also purchased a site in Auckland for the construction of a new data centre facility which is due for completion in early 2009. This new data centre will provide the best available facilities in New Zealand for current and new Datacom customers.

Seven hundred new staff members were added during the year (2,232 to 2,933) with Australia / Asia increasing from 891 staff to 1,548 (an increase of 74%) while New Zealand showed a more modest growth of 3% from 1,341 to 1,385. With staff numbers being the core factor in our ability to service customers and increase revenue, the growth in Australia / Asia in particular provides a strong platform for expansion in 2008/09.

In summary, the highlights of the year's performance were:

- Total operating revenue was \$450 million, up 15%.
- Trading profit before tax was \$35.9 million, up 6%.
- After tax profit was \$24.3 million, up 7%.
- Staff numbers 2,933, up 31%.
- Total dividends paid \$1.85 per share.

Dividends

Dividends of \$1.75 per share were provided for during the year. Two interim dividends of 65 cents were paid on 6 September 2007 and 12 February 2008 respectively. The final dividend was increased from 45 cents to 55 cents and was paid on 9 May 2008.

Directors

Mr M. C. Browne was appointed to the board on 1 July 2007. Messrs M. C. Browne, C. D. Boyce and P. M. Schuyt retire by rotation and, being eligible, offer themselves for re-election.

Auditor

It is proposed the auditor, Ernst & Young, continues in office in accordance with Section 200(1) of the Companies Act 1993.

Disclosures

The shareholders of the company have exercised their right under Section 211(3) of the 1993 Companies Act and unanimously agreed that this Annual Report need not comply with paragraphs a) and e) to g) of Section 211(1) of the Act for the year ended 31 March 2008.

Appreciation

Once again we can look back on a successful year with pride that we have grown the business while maintaining our focus on providing our customers with the best service we possibly can. The dedication and contribution from our staff remains the key ingredient in our success and it is with pleasure that I can record the Board's appreciation to our staff for their efforts over the last year.

For and on behalf of the Board.

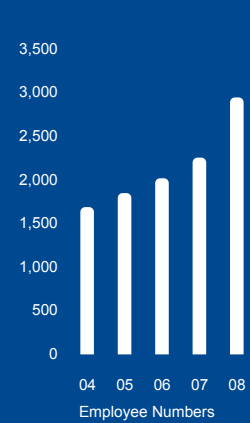
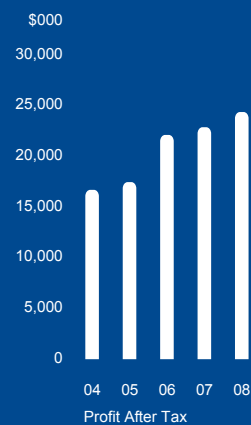
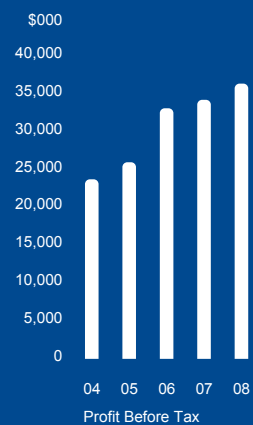
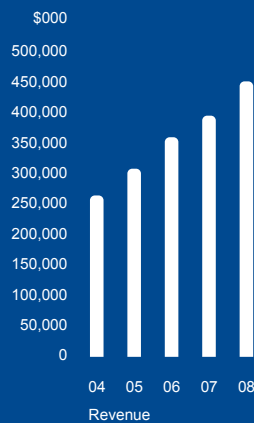


J. W. Holdsworth, Chairman
Datacom Group Limited

Financial Summary

For the year ended 31 March 2008

	2008 \$000	2007 \$000
Revenue	449,915	391,567
EBITDA	45,207	42,032
Net surplus before tax	35,923	33,806
Tax	11,610	11,015
Net surplus after tax	24,313	22,791
Total assets	201,827	149,982
Shareholders' funds	89,860	74,157
Return on average shareholders' funds	30%	34%
Earnings per share	\$3.82	\$3.52
Net asset backing per share	\$14.26	\$11.89



Datacom's most significant differentiator remains its people and communities of practice.

G. L. Davidson
Chief Executive



New Zealand Chief Executive's Report

Staying Ahead in a Changing Market

Datacom New Zealand showed growth ahead of market trends in 2007 / 2008 through a balance of expansion of successful lines of business, carefully managing areas of rapid change and nurturing emerging new lines of business.

While the diversity of business undertaken in New Zealand has always been a strength for Datacom – this year was particularly notable for growth in our core systems businesses (infrastructure and development / integration) and in payroll outsourcing. Revenue grew at a faster rate than profits reflecting the competitive market.

As the New Zealand economic climate darkened in late 07 and early 08, Datacom's strong value proposition combined with scale, infrastructure and expertise has seen us responding to a much larger number of outsourcing opportunities than previous years. This proves that our core offering is even more relevant in tighter financial times. Our customers consistently look for flexibility, innovation and commitment to continuous improvement across all the outsourcing activities we are involved in.

The IT market has continued its relentless march forward with quick changes in fortunes for companies which struggle to match customer expectations or don't keep their market offerings up to date. There were significant acquisitions

(including the massive HP / EDS purchase) along with many changes in the competitive landscape – most notably the breakup of Telecom. These changes simply remind us of the need to balance excellent execution of core business with continuous renewal of our market offerings.

Financial Summary

Earnings of \$29.0 million represented a growth of 7% on the year prior. This was despite the beginning of the much tougher economic climate being experienced at the start of the 2008 calendar year. Revenues grew to \$277 million, with services revenue growing over 10%. Over the last five years growth has primarily been achieved through winning new business, as revenue, profit and headcount have all grown at a similar rate – nearly doubling over the period. Margins have stayed consistently low and costs below industry averages for an organisation our size.

IT Outsourcing and Systems Management

Increased expectations of reliability / uptime along with the increased efficiency possible



from economies of scale continue to make the core activities in managing IT infrastructure an obvious target for customer outsourcing. Most new opportunities seen in this financial year had a ‘multi-sourcing’ flavour; with the customer tendering individual lines of service and making any decisions about efficiency of having the work delivered by one provider after evaluating each service on its own merits.

ITIL adoption continued to be a customer focus, although an increasingly pragmatic view was taken to ensure that the focus remained on the outcomes the ITIL processes were in place to achieve rather than the processes themselves. Our outsource teams are backed by our 24/7 ITIL based service desk and our enterprise automated monitoring and alerting framework. Outsourcing management works on a programme of “shift left”, reducing costs and improving customer experience by adopting self service and reducing the need for intervention by system engineers. Within the enterprise environments we manage, automation through use of tools, standardisation of environments (desktop and server alike) and use

of virtualised infrastructure (server and storage) are three of the leading techniques being used to reduce effort and increase flexibility to changing business needs.

The data centre market throughout the country has been struggling to deal with the dramatic change in the nature of the equipment being installed into these centres along with increasing expectations of availability and security. Most existing dedicated facilities were built in the 1970s and are no longer able to be upgraded to a modern standard. They are underpowered and overheating as customers look to consolidate their server environments into high density blade / SAN infrastructure which requires power and cooling at as much as 10 times the rate of old equipment.

An increasing customer focus on sustainability and the growth in power costs as a proportion of the total housing bill has turned the focus onto the efficiency of data centres in delivering power to the computer equipment along with detailed reporting capabilities to enable customers to benefit from the energy savings made through latest generation management techniques. Datacom New Zealand’s

Our work with these organisations helps them increase the depth of functionality offered as well as expanding their online offering into new parts of their business.

investment in a next generation data centre facility to cope with this new standard of equipment is described in more detail elsewhere in this report.

Datacom's ability to manage and run mission critical applications – as we do for the Reserve Bank ESAS Austraclear clearance system, NZ Customs CusMod board security system and the Foodstuffs procurement exchange – is a frequently under appreciated strength. This ability to successfully deliver against demanding expectations is enabled by a combination of leading design expertise, robust management discipline, highly secure infrastructure and instant access to leading application / integration skills when required.

Field Service and Telephony

Datacom's field engineering business is about providing a consistent level of service to our regional customers and the branch offices of the national organisations we service.

Our inventory stores holding and logistics capability was proven throughout the year to be market leading and Datacom's investment in this space provides our customers with an unparalleled ability to recover from incidents.

We have 26 locations throughout NZ and aim to provide the right engineer with the right part, onsite, within two hours (and if required within 30 minutes within a CBD).

Our highly skilled engineering workforce has a greater IT focus than competitors (who are frequently diverted by the telco or consumer electronics markets) and we have confidence that we have the best reach of any provider within New Zealand. This expertise is supported by a

major investment in service and logistics tools ensuring quick and accurate handling of jobs.

In addition to SLA driven activity Datacom's nationwide field service project capability continued to provide a wide variety of technical and management skills; delivering upgrade projects across the country. Activities included:

- The delivery of the Computerworld Excellence Award winning 'Project Collect' for Foodstuffs, upgrading all Foodstuffs North Supermarket and Four Square EFTPOS Equipment to make it EMV Compliant.
- Large scale deployment of new terminals and self checking infrastructure for NZ Lotteries.
- Year 1 of the Southern Cross VOIP deployment – installing 700 handsets in 10 locations and removing reliance on individual location PBXs. Desktop Videoconferencing was deployed as a first step to unified communications.
- Placemakers Wireless – largest CISCO wireless deployment in the country to deliver wireless access to handheld devices for inventory and price checking activity in 82 locations nationwide. The project has also delivered significant cost saving on network infrastructure and support / maintenance.

With the explosion of customer adoption of wireless LAN and VOIP our project capability continued to expand to match demand. The deregulation of the telecommunications market and the increasing competition in providing network services is already changing the nature of our role as an independent network integrator. We have long provided customers network monitoring and management; we are now being asked to manage and optimise costs across networks provided by a multitude of vendors as well as to monitor/support the voice traffic and equipment that now shares these links. The rapid advances in both technology and market offerings are likely to see a continued growth in project activity over the next year as customers change their environments to take advantage of the potential savings.



Software and Integration

Datacom's software and integration capability continue to enhance its market leading reputation for delivery through excellent and diverse project delivery. Leading examples of this included:

- The legacy migration of the Reserve Bank ESAS / Austraclear whole system settlements systems, which clears over NZD\$50B a night of interbank settlement and member trading. The Bank decided in 2005 that the system, at that time in an older version of Oracle and with the associated escalating costs and complexities of maintaining a large legacy-technology application, would be converted to a modern technology platform with some functional updates including provision of an internet access option (previously private network). During 2005 through to late 2007 the system conversion to Java was planned, scoped and successfully delivered to production in September 2007. A measure of the meticulous planning for this large-scale technology refresh was that the new system was launched in late 2007 within two weeks of the plan first set
- in early 2005 – unheralded dependability in a sector / domain more often noted for large project date slips.
- The Animal Health VectorNet software application for designing, planning, contracting and managing all the activities involved in the bovine TB vector control programme on a three year rolling basis. Data collected in the system is used to help make decisions on future operations and refine best practice. This system won both the Overall Excellence in the Use of ICT and the Innovative Use of ICT awards at the Computerworld Excellence awards.
- Another winner at the Computerworld awards was the project to integrate the Foodstuffs exchange with the global product description standards maintained by GS1 Net and the inevitable move to virtualisation technologies as part of the push for sustainability. The Foodstuffs Exchange is a B2B portal for the three Foodstuffs companies and their hundreds of suppliers; handling billions of dollars worth of purchase orders, acknowledgments, shipping notes and invoices.

We continued to work throughout the year as the online partner for Air New Zealand and ASB Bank assisting them in consolidating their leading positions as online businesses. This year ASB Fastnet Business turns seven years old and Air New Zealand online turns six. These are two of the top 20 most popular web sites in New Zealand (ref Hitwise), and two of only three in the top 20 that provide commercial products via self service. Air New Zealand now attributes over a billion dollars in annual transactions to its online channel, from a \$6m channel pre launch in 2002. Our work with these organisations helps them increase the depth of functionality offered as well as expanding their online offering into new parts of their business. The programmes these customers run reflects the maturity and in some cases dominance of online as a channel for customers to do business.

Telecom Mobile Provisioning Application turned six this year and has now processed 1.5 billion messages, peaking at over 40 thousand transactions in a day; a great example of business transformation and automation. This platform has paved the way for a next generation solution providing Telecom's UMTS network with similar flexible and high volume provisioning support.

The line between integration and development is continuing to blur with many larger projects increasingly being built on top of higher level tools to take advantage of the existing functionality. Common examples include:

- Microsoft Office Server is frequently used as the basis for intranet and document management projects, with more specialised workflow solutions such as K2 also gaining prominence.
- Nearly all inter system or inter enterprise integration projects are built upon dedicated specialised platforms such as Microsoft Biztalk, IBM Crossworlds and Sun JCAPS (Java Composite Application Platform Suite).

- Customer online initiatives are typically composite solutions built upon content management, identity solutions and integration platforms – with development pulling these solutions together with functionality to provide the exact customer self service workflow and experience appropriate to the transaction being completed.

This integration part of this business is increasingly built around very specialised professionals with deep knowledge in a specific product set or platform (Microsoft Biztalk, Microsoft MOSS) or a specific business area (Council work, Health sector). Many organisations are finding decisions around legacy systems too easy to put off and too challenging to make headway on. Their only option is to progressively chip away at dependence and make progress over time by gradually replacing the system with new development that reduces the dependence on the old system. Much of our custom development practice is now focused on helping customers with these replacement projects: employing expertise, tools and techniques to assist with automated migration of code and data along with sophisticated integration tools to allow co-existence of new and legacy development.

One of the hallmarks of long term successful relationships, particularly in the software space has been a tight collaboration with the customer team(s) irrespective of the software methodology being used. Many customers are now working with us using Agile methodologies to reduce the time spent in specification and design, and to increase the flexibility available to them to alter project deliverables to ensure best fit to their business and reduce rework of design during development. This working style requires a greater degree of trust as project outcomes are harder to contract and ongoing teamwork between business and IT staff is essential to a successful outcome.

Business Process Outsourcing

The large scale call centre activity of multinationals is moving off shore at a rapid pace – seeing our Australia and Asia operations growing to over 1,000 people. What have remained in New Zealand are those services that require a convergence of Datacom's strengths – clerical, telephony, and local logistical ability along with excellent front line customer service. Our ongoing business process outsourcing relationships with GSF, ACC and Minedu require unique combinations of these skills along with local knowledge and management ensuring quality of service.

Datacom's focus on value for money IT applies in payroll where our goal is to deliver the economies of scale of big businesses to our small and medium sized clients. With the economy in recession clients are looking for quantifiable value for money computing from Datacom's payroll systems. A business with 200-300 employees that may previously have employed in-house payroll services at \$60,000 per annum is now looking for an outsourced payroll at \$20,000 per annum representing significant and immediate savings. According to IRD statistics Datacom is New Zealand's leading provider of the PAYE intermediary services we pioneered.

NetPay, our TUANZ award winning internet payroll, has grown strongly during the year and our EasiPay service has also experienced growth. The channel partnership with Smart Business Live has been particularly successful. We have continued to invest in our payroll systems and HR tools to support recruitment, training, performance assessment and cost analysis are our next focus. New functionality to provide Client Self Service and the Executive Dashboard are discussed in the DataPay briefing in the investments section of this report. Overall in 2007/08 Datacom's payroll client base increased by almost 600 companies.

Outlook and Strategic Agenda

We are a provider whom our customers depend upon to develop and run the systems that underpin their businesses. Through this focus on efficient running of essential services, we actually do well during tighter economic times through remaining able to provide transformation of customers, IT activities and business processes through outsourcing along with shared services where they benefit from economies of scale.

Our substantial investment in state of the art data centre facilities will also see us roll out next generation shared or standardised network, server and storage offerings to our customers. While much of the IT industry portray a vision of totally shared "cloud computing" the appropriate solutions for New Zealand enterprise customers remain balancing utilisation of shared common infrastructure for cost effectiveness and designing / retaining the unique systems that provide competitive advantage. Ultimately New Zealand corporations need to store their data in the country. Building the systems that will provide a lead on the market needs to be in close co-operation with the business leaders who have the vision / innovation.

Datacom's most significant differentiator remains its people and communities of practice. Our commitment to invest in top quality people, processes and infrastructure ensures that we have staff that can go beyond just painting a vision of a future state but have the practical experience to help get there and realise the benefits. Following a 2007/08 year in which we have balanced evolving our core lines of business, nurturing new lines of activity and delivering proactive improvements to our existing outsource customers, we are in a good position to continue our growth in 2008/09 and beyond.



Top line indicators highlight a lift in employee numbers by 74% to 1,548, and an expansion in our revenue base from NZ\$137m to NZ\$187m.

M. C. Browne
Chief Executive Officer

Australia and Asia Managing Director's Report

Datacom's Australia and Asian strategic objective is to be our clients' regional partner of choice. Our supporting plan has long envisaged a company that presents the market with a wide geographic footprint, through which a substantial depth and breadth of skills is offered to our clients, their customers and the broader prospective client community.

A review of 2007/08 illustrates the extent to which a substantial level of progress was made against many of the measures the company benchmarks its progress. Top line indicators highlight a lift in employee numbers by 74% to 1,548, and an expansion in our revenue base from NZ\$137m to NZ\$187m per annum and a significant expansion in our client base to over 800 active client relationships. The pace of growth was such that short term profitability was restrained.

Datacom Australia and Asia now has a direct presence in nine regional centres, from 14 separate sites, with four data centres.

Expanding our Reach

In April 2007 Datacom extended its reach within Queensland through the acquisition of Agire Pty Ltd, a long established Townsville based IT procurement and services company, thereby offering our customers a direct point of presence in the state's north. This move was quickly followed by the acquisition of a Brisbane based managed services provider, gaining valuable technical

skills plus a concentration of customer support contracts, both adding new depth to our Brisbane based service delivery capability. These purchases were a timely catalyst to rebrand all of the Queensland activity under the Datacom Systems Pty Ltd umbrella.

In November Datacom gained a direct presence on Australia's west coast through the establishment of the Perth based Datacom Systems WA. This business has enjoyed an unsurpassed level of early success expanding from a product-lead point of market entry to quickly establish an IT projects / consulting arm, managed printer servers business unit and the core of a managed services capability. This company achieved a profit in month one and has remained solidly profitable ever since.

Market volatility afforded the opportunity to realise Datacom's ACT aspirations in March of 2008 with the founding of Datacom Systems ACT. This business was launched in conjunction with a core team of industry professionals well versed in



the unique challenge of being competitive within the federal market place.

Building our Capability

The NSW Systems business presented a major strategic imperative to the business in 2007 in that new data centre capacity was much needed. The acquisition of Hansen Professional Services in June 2008 satisfied that demand. This purchase offered a going concern underpinned by a substantial and high quality data centre facility, many long term customer support contracts generating A\$17 million in annual revenue, backed by 95 IT professionals. The acquisition cost of A\$10.5 million allowed the NSW Systems business to be combined together in one location and positioned it competitively within the market. Subsequent new business including AUSMAQ, Aussie Home Loans, ASIC and the NSW Department of Commerce speak to the compelling nature of this business's market positioning.

As many elements of the IT services spectrum become increasingly commoditised, Datacom

continues to recognise the importance of being able to deliver transformational business solutions to the market. Solutions that in many cases rely on the ability to define, design, architect and deliver bespoke applications to a client's unique business needs. To advance our Australian based capability a small software development business was acquired in Sydney and merged with the existing business solutions team to form Datacom Relate Pty.

Additional capital investment during the period included A\$2.5 million to expand the capacity of the Melbourne data centre; the commissioning of two additional floors in the Kuala Lumpur facility; a relocation of Systems Adelaide to accommodate continued growth and the establishment of a CBD based office in Sydney.

In response to continued demand from our call centre services client base, a partnership relationship was established to gain coverage in north Asia, the result of which saw the establishment of a delivery location in Shanghai,

China delivering technical support services to Logitech's domestic customer base.

While the volume of acquisition activity was high, organic growth played a more significant part in the expansion of Datacom Australia and Asia throughout the year. Prospective clients evaluate us in many ways looking to our people, our projects and our client's references during their assessment process, the strength of each helped contribute to a substantial volume of new business being won.

By way of example Datacom Connect's success with Hewlett Packard south east Asia, Lexmark, Polycom, Computer Associates, Solarhart, Linksys and Brother can be noted. Telstra BigPond was also secured to support 180,000 technical calls per month, the single largest deal won to date, resulting in the employment of 220 technicians to fulfil our commitments, based in Sydney and Melbourne.

Our systems businesses also enjoyed great success with managed services relationships being established with many companies including ConnectEast, Hasties Group, BDO Kendalls, Fulton Hogan, Department of Infrastructure and Planning (QLD), ETSA (SA); project and infrastructure services relationships were secured with AGL, Coca Cola, MacMahons Mining, University of Adelaide, iiNet, Bunnings Warehouse, Rio Tinto, Alcan, Padua College and the Townsville Port Authority. Our application development team added several new clients including APN, Down Town Duty Free, Australian HPS Pharmacies, Dept of Tourism Regional Development QLD and Symbion Health.

Importantly key clients re-signed during the year in the Systems business include: GE Commercial, GE Money, Manpower, Sanofi Aventis, Defence Force Recruiting and Medibank Private. Our

Datacom is committed to the principles of corporate responsibility and environmental sustainability.

customer contact business, Datacom Connect, re-signed with the key clients of Hewlett Packard, Sun Microsystems and AusIndustries.

Peer Group Recognition

The company's consistent delivery of high quality outcomes was acknowledged with Datacom being recognised for the "Best Outsourced Call Centre of the Year" for Asia at the annual CCMA awards. Our commitment to quality is also evidenced through once again being certified COPC compliant in both Australia and Asia and our continued adherence to ITIL and ISO. This underpinned the company's success at this year's Australian Business Excellence Awards being recognised as the winner in the "Quality Management Excellence" category.

Our growth has been such that Datacom was again placed in the "MIS Strategic 100", we were delighted to gain the prestigious "MSC Status" from the Malaysian Government. Our progress with Datacom's Green Initiative was recognised by the IT&T industry through being awarded the "Green Project of the Year".

Employee Engagement

For our people we continue to strive to create a meaningful and rewarding work environment. We aim to foster an environment where the opinions of our employees count, where everyone identifies with the mission and purpose of our company, feels that they are able to do what they do best every day.

Throughout the year and across all elements of our business we continued to formally monitor our employee engagement via Gallup's Q12 methodology, with the express aim being to continually enhance the satisfaction our employees derive from working at Datacom.

We remain heavily committed to our value set:

- Committed to customers, quality and continuous improvement.
- Integrity – respect – consideration.
- Teamwork and individual excellence.
- Enjoy the journey – celebrate success.

Our commitment to the learning and development of our employees led to the Department of Education and Training NSW awarding the company "Employer of Choice for 2007".

Confirming Datacom's Stakeholder Commitment

As a responsible corporate citizen, and as a member of the community at large, Datacom is committed to the principles of corporate responsibility and environmental sustainability. Datacom acknowledges the commitment and obligations we have to our employees, to our communities and to the environment.

During the year the Board endorsed programmes that seek to promote all three and within the general policy principles of:

- Adherence to all relevant statutory and legislative requirements.
- Adopting world's best practice where applicable.
- Utilising relevant industry benchmarks to measure programme relevance and progress.
- A commitment to continuous improvement.

Environmental Sustainability

Datacom recognises that it has a strong responsibility to minimise the environmental impact of our people, our facilities and of the projects we deliver. Datacom is committed to the protection of the environment and the continuous improvement of its performance in the reduction of environmental impacts across its business activities.

We are committed to the adoption of the ISO14001 framework to govern our environmental programmes and to ensure that the company acts in accordance with this undertaking we will:

- Continually assess those aspects of our business that have an environmental impact, both internally and externally and understand the extent of that impact.
- On an ongoing basis work to mitigate those impacts through the setting of appropriate environmental objectives and targets, with specific regard to:
 - Energy consumption savings.
 - Waste reduction.
 - Increased recycling.
 - Reduction of greenhouse gas emissions.
- Favour associations with business partners who are able to demonstrate active environmental impact management programmes.
- Continuously communicate our environmental policy and performance to our stakeholders including customers, partners, suppliers and employees.
- Actively comply with all relevant legislation and applicable codes of conduct.
- Seek independent governmental and industry audit and certification of our programmes and progress.

We encourage our team members to become actively involved in their local communities...

- Provide appropriate training to relevant staff to ensure proper operation of the environment management system.

Community Contribution

Datacom operates across many communities with diversity in culture and diversity in needs. We are committed to making a meaningful contribution to those communities and recognise the interests of stakeholders beyond that of our shareholders, being the wider community.

We seek to do this through the support of cultural and educational institutions and charities, via financial grants, in-kind donations and sponsorships and through supporting the volunteer activities of our employees.

We encourage our team members to become actively involved in their local communities and will make contributions towards that activity on a case by case basis.

Examples of Datacom supported programmes include but are not limited to:

- Environmental work – such as clean up Australia Day and the National Plant a Tree Day.
- Participation in charitable events – by way of example sponsoring the participation of our employees in the Corporate Games run for the benefit of the Diabetes Foundation of Australia.
- Working for a charity – which has ranged from coordinating employee donations of blood to the Malaysian and Australian Red Cross Blood Societies, to the Kuala Lumpur engagement with the Malaysian Orphanages and the IHC in New Zealand.
- Working at a community project for the day – for example providing paid leave for members of the Volunteer Bush Fire-fighters during times of significant community risk.

At the corporate level Datacom continued to support broader community initiatives, including:

- Contribute to the educational advancement of our communities through the Datacom Scholarship Programme, which offers five university sponsorships throughout Australia.
- Sponsorship of the Chair of e-Government at Victoria University.
- Sponsorship of Queensland Opera and the New Zealand Symphony Orchestra.

Delivery Management Highlights – Large Outsourcing

New Zealand Post

New Zealand Post is Datacom's largest customer and is our flagship for large outsourcing. The account team comprises a dedicated staff of 35 plus over 100 staff from shared teams. These teams do everything from managing the networks, to break-fix in the retail shops, to answering calls on the Service Desk.

The relationship between Datacom and New Zealand Post over the last three years has gone from strength to strength with the time now ripe to move to a new contract showing the increased maturity of both organisations. There have been a significant number of achievements during the contract.

These teams do everything from managing the networks, to break-fix in the retail shops, to answering calls.

Some of the highlights include:

- Executing a joint investment programme specifically targeting areas for reducing Total Cost of Ownership. As a result it reduced the costs to New Zealand Post by \$2 million per annum over the contract.
- Implementing ITIL into the environment. The maturity level is now high and is on par or above industry standard for each of the service areas



- Implementing a service improvement culture. On average three service improvement initiatives are completed every month which has seen improvements to both our delivery to service levels and user satisfaction results.
- Supporting 420 New Zealand Post sites through over 60 relocations, renovations and closures.

The focus for the New Year is to drive infrastructure cost reductions and innovation into the environment to allow New Zealand Post to grow into new markets.

Delivery Management Highlights – Large Outsourcing

PlaceMakers



PlaceMakers is the distribution business of the Fletcher Building Group, with a nationwide network of over 60 branches providing building supplies to both trade and retail customers nationwide, seven days a week. PlaceMakers relies on Datacom's dedicated onsite team of 14 people who provide IT infrastructure management and service management support to over 2,500 staff. This team also manages the associated distributed IT infrastructure which is focused on retail and the supply chain.

In our engagement with PlaceMakers, our focus is on providing operational excellence and continuous service improvement, and we have delivered the following key business outcomes for PlaceMakers:

- Significantly reduced business systems operating costs – dropping the overall cost per user by 25% since we started the engagement;

In our engagement with PlaceMakers, our focus is on providing operational excellence and continuous service improvement.

- Successful adoption of our “Shift Left” strategy for IT service management – as a result there were fewer incidents that impacted end users, fewer calls to the service desk, and customer satisfaction improved with a consistent score of over 95% in customer surveys;
- Ensured system availability was 98% or better despite floods, break-ins, a tornado and other near disaster events and all the other abnormal events that occur in the course of supporting a nationwide retail chain;
- Maintained an open and flexible relationship as a trusted partner to maximise value derived from the current infrastructure; for example passing third party savings on hardware maintenance, network provision and application support directly back to PlaceMakers;
- Designed and implemented a wireless network solution for 82 locations nationwide to improve inventory control and price checking – the largest Cisco based wireless solution in the Southern Hemisphere; and
- Supported the business as they worked through the design and customisation of a major systems replacement of their core ERP system.

Delivery Management Highlights – Software Development

IAG – EasyBiz

When IAG were considering their future Insurance Applications Systems Strategy in 2005 they evaluated a number of options including implementing a new insurance package. Finally IAG decided to ‘refresh’ an existing successful IAG NZ application, POLISY, in which they had invested significant IP.

Datacom as a key IT partner, and one who had an intimate knowledge of POLISY, was selected to deliver this ‘vision’. The programme of work became known as ‘Web Front End’ (WFE) and it delivered a number of discrete projects, all based upon the POLISY Insurance application, a reliable and proven insurance ‘engine’.

The aim of the WFE is to provide a modern and efficient user interface to POLISY thereby providing workflow and navigation that is customer focused and better aligned to the tasks and processes to be accomplished. To achieve this, the WFE utilises a browser based user interface, supported by a set of web services which interface with POLISY and its supporting Oracle database.

KiwiBiz was the name of the project that delivered a modern, user-friendly and branded interface for quoting, selling and maintaining EasyBiz commercial insurance policies.

EasyBiz was introduced into New Zealand by IAG as a packaged set of insurance products sold through the STATE Insurance brand of IAG aimed at small office, home office, or self-employed type businesses. The products include insurance cover for business assets, business interruption, public liability, commercial motor vehicles and income protection. EasyBiz is broken into two distinct package sets – EasyBiz Retail and EasyBiz

It was essential that the solution was designed to reflect the targeted customer and the packaged approach for the insurance product.

Trade, with different targeted businesses and combinations of mandatory and optional insurance components. It was essential that the solution was designed to reflect the targeted customer and the packaged approach for the insurance product.

The KiwiBiz project extended the existing WFE development for the validation, rating, acceptance, creation, storage and retrieval of EasyBiz quotes and policies. It also enhanced the client-centric UI to provide for management of client portfolios including quotes and policies, and added further search criteria.

When creating a quote, the WFE allows a user to create the customer record and qualify them for the product utilising ANZSIC codes. The details for the insurance risk cover required are captured, and the insurance quote is rated through the IAG generic rating and acceptance engine (RAE).

If the customer chooses to take up the insurance offer then the user converts the existing quote into a new insurance policy. At each step of the process there is integration with the PolyDoc documentation system to allow a modern and attractive documentation set to be produced as required.

Delivery Management Highlights – Software Development

Air New Zealand – Data Link

Datacom has been actively involved with Air New Zealand since 2002 when we were selected as a development partner for Air New Zealand’s online strategy. Since this time Datacom has assisted in the delivery of award-winning sites such as “Grab-a-seat” and “How far can I go?”.

In 2008, Air New Zealand IT initiated a significant programme of work aimed at improving the customer experience. One of the key aspirations of the programme was to enable a domestic customer to “walk up to the gate and board” without checking-in, thus introducing a requirement to reduce the time lag between final boarding and takeoff from 15 minutes to 5 minutes – met through a solution called DataLink.

“As we moved ahead with the project, we realised that we needed to shelve our initial approach ... and our window of opportunity was rapidly narrowing. We called on Datacom as a proven partner, whom we trusted to deliver on an outcome, rather than follow a prescribed plan,” said Eli Weir, Air New Zealand Manager IT Innovation & Ventures.

Throughout the project, Datacom collaborated with Air New Zealand through a pragmatic and extremely “agile” method of engagement, meeting daily to review a flexible and constantly evolving scope.

Using this agile approach and the Datacom Mobility mRoute framework running on mobile handsets, Datacom has been able to deliver a fully featured application within weeks, meeting the Air New Zealand “go live” date while utilising existing Datacom IP and proven technologies. The implementation of this core feature-set will



As we moved ahead with the project, we realised that we needed to shelve our initial approach...

allow Datacom to work with Air New Zealand to increase the scope and functionality of the software as needed, with relative ease and lower development overheads.

Successful delivery of this project has demonstrated Datacom’s ability to deliver business value quickly and flexibly via an agile methodology. The effort made by Datacom to ensure that there was an atmosphere of joint ownership, and a minimum of constraint on the outcome has been received favourably and has improved the client perception of our ability to deliver and manage key projects within tight timeframes.

Delivery Management Highlights – Nationwide Field Services

Foodstuffs Auckland

Foodstuffs Auckland Site Support Services developed from an in-store upgrade deployment project in 2006 to a full outsource of all field and parts distribution services to over 200 stores throughout the Foodstuffs Auckland region (from Taupo north).

The engineering field operation service to Foodstuffs provides 24x7 support for point of sale (POS) and back office devices for all stores across the region. By doing good work, we were getting more work.



I have said in the past that you can't contract enthusiasm. The efforts from Datacom in supporting project Collect has shown that while it's not in any contract, enthusiasm and perseverance can be delivered.

As part of this transition of service we strategically used our regional locales as parts distribution hubs for the hardware spares and engineers nearest each store. The parts distribution strategy provided an immediate improvement to the end users' experience with part availability improved from up to 36 hours to two hours – Datacom's agility, passion and enthusiasm in motion.

Datacom was selected to work as part of the Foodstuffs extended team due to our 'can do' approach, culture and relentless commitment to delivering the best service to our customers.

We consistently deliver and drive the service levels for Foodstuffs to an exemplary standard without jeopardising the end user experience or quality in service.

In 2007/2008 Datacom and Foodstuffs embarked on another joint Project 'Collect' which was nominated and won the Computer Excellence Awards Winner in 2008 for the 'Infrastructure Innovation' award. This project was another example of our commitment to diversity, innovation and integration with our customer's objectives. This project was successfully delivered by two organisations but one team.

Delivery Management Highlights – Software Development

Reserve Bank of New Zealand

The Reserve Bank of New Zealand (RBNZ) holds overall responsibility for maintaining the financial stability and efficiency of the New Zealand financial system. ESAS / Austraclear is the wholesale settlements system which settles over NZ\$30 billion each night in interbank settlement and member trading activities.

With the system built in the early 1990s, by 2005 the business challenge had clearly become how to ensure that the application was robust, supported and had the confidence of the finance sector. Compounding the risks posed by the age of the system, was a need for functional upgrades to meet change in online trading behaviours, and changes to the support commitment from Oracle.

Released in late 2007, the new version of the system has been converted to a rich-client Java application, served by a WebLogic EAI layer and based on an Oracle 10G database. The business criticality of the system resulted in a tremendous focus on ‘zero-defect code’ and this translated to the high quality of the final system in production. A measure of the meticulous planning for this large-scale technology refresh was that the new system was launched in late 2007 within two weeks of the plan first set in early 2005 – unheralded delivery accuracy in a sector often noted for date slips in complex projects.

The upgraded application provides the Bank with a modernised, future-focused and secure application that retains all the operating efficiencies of a modern yet familiar interface.

Bank commitment to ongoing functional enhancements can (and has) now been made to the industry and the modernised system represents an efficient trading platform that the industry can be confident in.



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Delivery Management Highlights – Large Outsourcing

Southern Cross

Southern Cross Healthcare is one of New Zealand's best known and most trusted brands with a mission to provide a broad range of health-related services to hundreds of thousands of New Zealanders. Southern Cross operates through a number of distinct business groups with different business offerings, operational models and strategies.

Southern Cross has outsourced core infrastructure support services to Datacom. Our service has to include the distinctive IT requirements of each Southern Cross business group, as well as providing a central shared service that capitalises on the economies of scale that comes with being a member of the Southern Cross group.

Southern Cross operates through a number of distinct business groups with different business offerings, operational models and strategies.

A summary of some of our recent achievements include:

- As the group grows, Datacom is actively working to reduce IT costs. A server virtualisation programme has meant that new systems can be deployed with reduced hardware costs, which has seen the number of virtual servers increase by 40% in the past year. This has resulted in further reducing the server support unit price by 11% compared to the original contract pricing



models, resulting in lower operating costs to the business units.

- The wider Datacom resource pool has undertaken additional significant project work across the group that has been delivered with a minimum disruption to business. Examples are re-platforming of the core insurance system, deployment of a VOIP solution across the business, and moving the Wellington Sales Office.
- We have worked with the Hospital IS leadership to design and implement a new generation hospital specific IT digital network. The Datacom design will allow Southern Cross Hospitals to offer surgeons the latest technology and operating environment within Southern Cross facilities. The new network is based on a commercial model that addresses the needs of the Southern Cross Group level as well as individual business entities, offering unit pricing that gives the business better visibility and more control over their IT spending.

The Animal Health Board

The Animal Health Board's mission is to eradicate bovine tuberculosis (TB) from New Zealand, in order to protect New Zealand's access to export markets for dairy, beef and deer products.

In 2004 the AHB identified the need to improve data accuracy, remove duplication from operational process, provide a central web-enabled platform for suppliers, reduce business risk and reduce/streamline data capture costs.

During 2006/07 Datacom designed and custom engineered "VectorNet", a full line-of-business software application comprising web access, geospatial mapping, mobility integration, user workflow and integrated business rules. Built using our agile methodology / frameworks and based on a technical architecture comprising ASP. Net / AJAX, Windows Workflow, ESRI GIS and Telerik controls, VectorNet is a highly complex system made easy to use through careful UI design and thorough architecture planning.

VectorNet has transformed the AHB business. The system has allowed AHB to proceed with significant business change, increase accuracy through removal of data / process duplication and better align organisational activity to areas of risk. The system has reduced ongoing operational costs by \$1.8 million per annum.

In mid 2007 VectorNet was awarded both the "Innovative use of IT" and the "Overall Excellence in the use of IT" awards at the annual Computerworld Excellence event.

ASB Bank Pago

Datacom has had a relationship with the ASB since 1996 where we have been involved in developing and supporting a wide range of applications including Fastnet Classic and Fastnet Business.

In November 2006, ASB launched Pago which revolutionised the way in which you pay friends, family, traders and online merchants. All you need is a Pago wallet, and then you can send cash mobile to mobile, via email or to buy goods online.

The Pago system is based around the ability for customers to make quick payments from their mobile phone using SMS technology, which is a universal and familiar method for mobile phone users. It is simple for customers to setup and use with no software to download or learn. A web site (www.pago.co.nz) allows users to register, view their balances and transactions, and transfer money between their Pago wallets and any bank account.

This solution has enabled ASB to become the first bank in New Zealand to offer people the ability to pay for purchases online without needing a credit card, reaching the teen and young adult buying market.

Pago users can be assured that before handing over goods sold through Trademe, or when accepting payments from their friends for their share of the pizza, that the transfer has been successfully made and the money is already in their wallet. Merchants can sell music downloads, ringtones or other items online to anyone with a mobile and a Pago wallet.

Pago was built using Microsoft .net technology and uses Datacom's SMS Gateway service.

DataPay

Datacom Group has committed to a major multi-year investment in modern payroll products and services.

The resulting applications, continually evolving, are a quantum shift in both technology and concept from the systems they replace. The core payroll is a modern rules based engine, date aware, flexible and efficient. This “plug in” architecture ensures that the system caters easily to the ever changing payments and tax rules so prevalent in the industry.

The decision to use Microsoft tools as the base technology for the core development platform continues to provide dividends. With the combination of the industry leading .NET framework coupled with the enterprise grade SQL Server database at the core of the product, these tools enable product features to be rapidly built and deployed.

Additionally, their use assists in attracting and retaining the highest calibre of IT professionals eager to be working on technology that is at the forefront of their field. Complementing the core, the online applications have utilised both Microsoft and other technologies such as Adobe’s Flash / Flex product to ensure the richest possible user experience and speed to market.

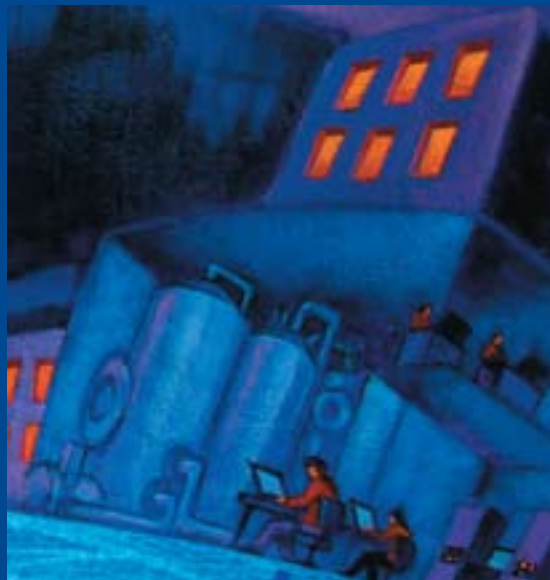
The result is a suite of applications that represent New Zealand’s most fully featured and modern payroll system, free of any legacy systems integration, and focused on the future.

As at 31 March 2008 over 500 EasiPay clients had been migrated to our new product. The migration has been completely painless for clients as Datacom payroll consultants have shielded the clients from the normally turbulent process

of moving from one payroll to another. The client experience is one of first finding that improved reports appear, second they are introduced to new tools such as web entry of timesheet data replacing spreadsheets, and finally the use of the new Executive Dashboard with an initial set of seven online HR reports generated direct from the payroll data.

Clients have been delighted with this process, the new tools and these outcomes. Pleasingly, all this has been achieved with an increase in overall EasiPay service productivity with payroll consultants now able to service a higher number of payees than before.

Ongoing software development work for remote clients is underway with the first clients scheduled for April 2009.



The Orbit Centre

In March 2008 the Datacom Group Board gave the final stamp of approval to a proposal to proceed with the detailed design and construction of a new data centre in Auckland.

Construction is now well advanced and the centre is expected to open in March 2009. The first customer installations will occur in April following facility handover.

The new centre is situated at Albany on Auckland's North Shore and will eventually replace the existing Vincent and Nelson streets facilities which while they have served the company and its customers well are now approaching an end of life status.

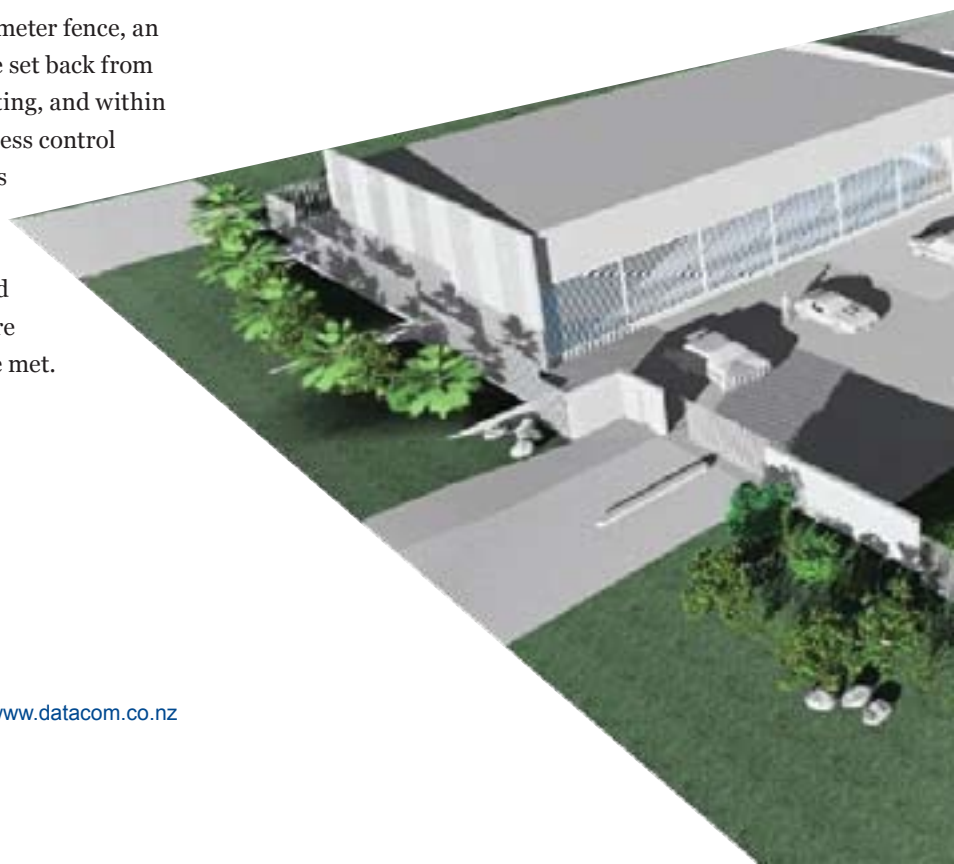
The Orbit Centre will set new standards in the New Zealand data centre market place and ensure Datacom is able to continue offering its customers the premium services they require. Underpinned by the new data centre, Datacom will continue to build a comprehensive array of virtualised and shared hosting services designed with the needs of its corporate customers in mind.

The site for the centre was carefully selected to ensure operations would not be compromised by adjacent land owner activities. To further enhance security the centre has a high perimeter fence, an access controlled gate, a 5–7 metre set back from boundary to building, ground lighting, and within the building itself a multi-zone access control system. Cameras monitor activities both within and outside the centre. The centre will be manned 24/7. Datacom has worked with government agencies to ensure their security requirements will be met.

At over 50 metres above sea level there are no concerns that the site will be threatened by rising sea levels or tsunami events. Based on an analysis of fault lines and historical evidence the likelihood of an earthquake is very low.

The site is well connected from a telecommunications perspective. Fibre networks from all the major providers are already in close proximity – as are their related core network nodes. Vector Communication's new managed Gigabit service will be available for customers that require the highest speed connectivity.

The relatively central location, minutes from the Northern motorway, means that third party service and spares for both the data centre plant and IT equipment are readily available if required.





Energy efficiency and eco-friendliness have been paid special attention during the design process. Datacom is keen to assist its customers with their sustainability initiatives and understands the social responsibilities companies must assume if they are to prosper. The centre collects and reuses rain water where possible and has been constructed in an environmentally sensitive manner.

Data centres consume relatively large amounts of energy and therefore are a natural focus of conservation efforts. Surprisingly, in most current generation centres only 50% of the energy supplied to a site actually makes it to the computers with the rest being lost in powering the cooling systems, electrical system inefficiencies, and other overheads.

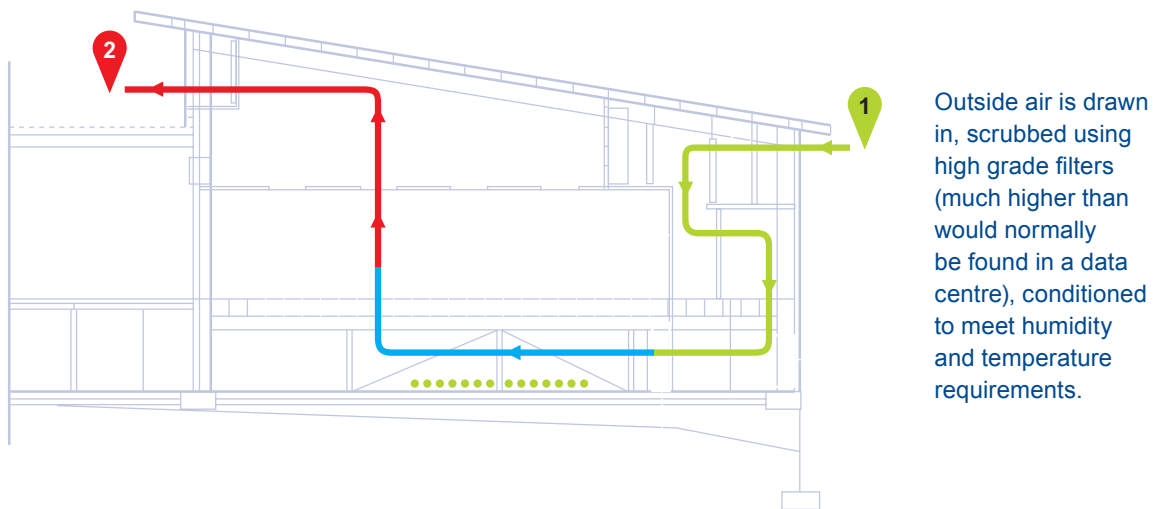


Key Attributes of the Orbit Centre Include:

- Capacity to accommodate 644 racks with no practical weight restrictions.
- IL3 certified structural strength (more strength than a normal commercial building).
- Flexibility to accommodate essentially any type of rack or equipment.
- Provision for caged customer specific zones.
- A site power capacity of 8MVA with the ability to support individual racks, without special assistance, of up to 15kw.
- Provision for in rack cooling systems.
- A dedicated power feed from the local electrical substation.
- Tier-3+ (nearly Tier-4 in all respects) plant redundancy.
- Inert gas fire protection.
- Dual feed redundant power by default to all rack locations.
- 24hr by 7 day on-site operational management.

The Orbit Centre continued

This is then passed through the equipment floor and then expelled – rather than being re-circulated.



Outside air is drawn in, scrubbed using high grade filters (much higher than would normally be found in a data centre), conditioned to meet humidity and temperature requirements.

In the new Orbit Centre components have been carefully selected to ensure optimum energy efficiency. Electricity to the centre will be supplied by Meridian Energy which offers the greenest energy supply available.

The centre has been designed such that when conditions are appropriate, outside air can be used to directly cool the equipment within the centre. Outside air is drawn in, scrubbed using high grade filters (much higher than would normally be found in a data centre), conditioned to meet humidity and temperature requirements, passed through the equipment floor and then expelled – rather than being re-circulated.

Auckland's climate is one of the most appropriate in the world for fresh air cooling – being neither too hot, nor too cold, nor too dry. Typically data centres run with equipment inlet side temperatures of about 23 degrees C and generally Auckland's air temperature is well below this. We expect

considerable energy savings over time.

The basic operation is shown above.

Of course if these savings aren't passed back to our customers they are of little consequence. Consistent with our general philosophy on third party costs Datacom plans to pass the benefit of all energy savings back to its customers.

We also recognise that evolving server and virtualisation technologies from companies such as VMware is providing the flexibility to selectively take servers out of a processing pool and be powered down with the objective of saving energy they would normally consume while idle. For this reason each power feed in the Orbit Centre is being fitted with an energy used (kilowatt hours) meter. This will enable power use to be accurately monitored by tariff band and savings achieved passed back to individual customers.

Service availability is of real concern to all IT managers and the Orbit Centre has been designed



to provide the highest levels available. A secondary but no less important design requirement is that any component in the centre can be replaced without service interruption but also without compromising an N+1 level of redundancy.

Each sub system has been considered. Dual feed power is supplied to each rack from an independent bank of UPS. Each power source has its own main board and its own generator. A spare generator is available to automatically take over should a primary fail. 80,000 litres of diesel will be held on-site.

The air-conditioning system is built around a chilled water ring main architecture that provides resiliency to failure and allows future upgrades if these are required to be undertaken without service disruption. Multiple chillers, coils and air handlers provide an N+2 level of resiliency to failure. The fresh air cooling system which operates independently of the mechanical systems provides a further level of comfort.

All areas of the facility are covered by fire protection systems – inert gas in the data centre itself, water mist in the generator rooms, and sprinklers in the office complex. Conventional smoke detectors exist throughout the centre. Within the equipment areas a super sensitive Vesda system provides early warning of any trouble.

The IL3 structural rating of the building provides extra protection against earthquakes. All external walls are constructed of concrete panels and a strengthened double skin roof provides extra protection from the elements. Datacom personnel will be on site 24 hours 7 days a week to ensure all systems are operating as required.

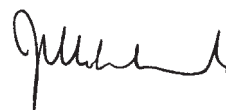
In conclusion the Orbit project is a significant investment for Datacom and signals our commitment to continue to provide our customers and New Zealand with world class computing infrastructure and systems.

Income Statement

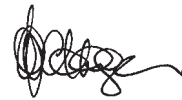
For the year ended 31 March 2008

		2008 \$000	2007 \$000
Continuing operations	Sale of goods	170,206	143,880
	Rendering of services	276,046	245,525
	Rental income	228	295
	Other revenue	2,766	1,759
Revenue		449,246	391,459
	Cost of sales	(190,402)	(164,084)
Gross profit		258,844	227,375
	Other income	669	108
	Employee benefits expense	(180,872)	(152,896)
	Other expenses	(40,468)	(39,203)
	Financial costs	(2,250)	(1,578)
Profit from continuing operations before income tax		35,923	33,806
	Income tax expenses	(11,610)	(11,015)
Profit after tax from continuing operations		24,313	22,791
	Equity holders of the parent	23,628	21,978
	Minority interest	685	813
		24,313	22,791

For and on behalf of the Board, which authorised the issue of the financial statements on:



J. W. Holdsworth
Chairman
Dated: 22 July 2008



J. C. Hagen
Director
Dated: 22 July 2008

Balance Sheet

As at 31 March 2008

		2008 \$000	2007 \$000
Current assets			
	Cash and cash equivalents	23,769	24,076
	Trade and other receivables	78,545	60,031
	Prepayments	4,326	3,465
	Finance lease receivables	266	249
	Current tax assets	521	-
	Inventories	4,849	3,029
	Derivative financial instruments	250	22
	Total current assets	112,526	90,872
Non-current assets			
	Property, plant and equipment	65,355	44,523
	Investment properties	-	-
	Other financial assets	299	674
	Investment in subsidiaries	-	-
	Investment in associates	-	160
	Intangible assets and goodwill	19,159	10,166
	Deferred tax assets	3,735	3,190
	Derivative financial instruments	535	43
	Finance lease receivables	218	354
	Total non-current assets	89,301	59,110
	Total assets	201,827	149,982
Current liabilities			
	Trade and other payables	50,888	38,549
	Loans and borrowings	9,854	5,404
	Employee benefits	12,215	10,269
	Provisions	596	171
	Current tax liability	-	535
	Dividends payable	2,788	3,718
	Total current liabilities	76,341	58,646
Non-current liabilities			
	Trade and other payables	628	522
	Employee benefits	2,280	1,178
	Provisions	2,494	908
	Deferred tax liabilities	-	-
	Loans and borrowings	30,224	14,571
	Total non-current liabilities	35,626	17,179
	Total liabilities	111,967	75,825
	Total net assets	89,860	74,157
Equity			
	Equity attributable to equity holders of the parent		
	Issued capital	9,618	9,618
	Retained earnings	68,392	55,686
	Other reserves	8,850	6,700
	Parent interests	86,860	72,004
	Minority interest	3,000	2,153
	Total equity	89,860	74,157

Cash Flow Statement

For the year ended 31 March 2008

	2008 \$000	2007 \$000
Cash flows from operating activities		
Cash was provided from:		
Receipts from customers	434,484	375,629
Rent	228	295
Dividends received	1	1
Interest received	2,045	1,761
Income tax refunded	-	655
Total cash provided	436,758	378,341
Cash was disbursed to:		
Payments to suppliers and employees	386,428	328,210
Interest paid	734	146
Income tax paid	12,434	10,442
Rent/operating leases paid	8,646	8,181
Total cash disbursed	408,242	346,979
Net cash flows from operating activities	28,516	31,362
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	-	1,408
Total cash provided	-	1,408
Cash was disbursed to:		
Prepayments for share sale	-	551
Purchase of property, plant and equipment	19,223	10,248
Purchase of intangibles	1,222	1,321
Investment in associates	-	165
Acquisition of additional equity in subsidiary	14,105	6,115
Total cash disbursed	34,550	18,400
Net cash flows from investing activities	(34,550)	(16,992)
Cash flows from financing activities		
Cash was provided from:		
Proceeds of borrowings – subsidiaries	-	-
Loans taken out	17,452	-
Proceeds from issue of shares	1,100	2,493
Finance leases	1,733	1,788
Total cash provided	20,285	4,281
Cash was disbursed to:		
Repayment of borrowings – subsidiaries	-	-
Repayment of borrowings – principal	3,000	3,593
Interest on borrowings	1,535	-
Repayment of finance lease principal	1,377	353
Repurchase of shares	1,864	3,407
Dividends paid on ordinary/employee shares	11,773	10,944
Dividends paid to minority interests	117	234
Total cash disbursed	19,666	18,531
Net cash flows from financing activities	619	(14,250)
Net increase (decrease) in cash and cash equivalent	(5,415)	120
Cash and cash equivalents at the beginning of the year	21,445	21,500
Net foreign exchange differences	82	(175)
Cash and cash equivalents at the end of the year	16,112	21,445

Directors on the Board

Directors

J.W. Holdsworth (Chairman)
J.R. Allen
C.D. Boyce
J.C. Hagen
P.M. Schuyt
S.L. Matheson
S.J. Holdsworth
M.C. Browne

Secretary

R.A. Keall

Auditor

Ernst & Young

Datacom Group

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PO Box 2063, Wellington 6140
Phone: + 64 4 460 1500

New Zealand Executive

G.L. Davidson
CEO, Datacom NZ

S. Matheson, Chief Operating Officer – Datacom NZ
S. Bennett, Director – Auckland Systems Management
K. Hall, Director – Systems Management
V. Kay, Director – Auckland Systems & Integration
G. Magness, Director – Datacom Services Limited
S. Thompson, Chief Financial Officer – Datacom NZ
M. Askew, Director – Wellington Systems Management
J. Gill, Director – Datacom Employer Services Limited
C. Stoddart, Director – Datacom Engineering Limited
A. Turrell, Director – Wellington Systems & Integration

Australia / SE Asia Executive

M.C. Browne
Managing Director, Australia / SE Asia

D. Williams, Managing Director – Adelaide
C. Hobson, Managing Director – ACT & Brisbane
B. Lenzo, Managing Director – Perth
K. Hunter, Managing Director – Sydney
M. McWilliams, Managing Director – Sydney
P. Wilson, Managing Director – Victoria
A. Goodwin, Managing Director – Kuala Lumpur



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