itX Group Limited
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itX Group Limited

Annual General Meeting

29 November 2010

Chairman's Address

The 2010 financial year was one of two distinct halfs. itX performed well in the first half to 31 December 2009, with a strong 20.9% increase in revenue and a 25.5% increase in Net Profit After Tax. This pleasing performance was followed by a second half of the year which was much tougher. The second half result was adversely affected by the acquisition of Sun Microsystems by Oracle in January 2010. The market took time to come to grips with the implications of this major occurrence and, at the same time, Oracle sought to implement changes to processes and procedures. As a result, our second half performance was adversely impacted for this important segment of the itX business.

Notwithstanding, our more recently acquired businesses ICO and Briell Marketing performed quite well in their respective markets and added positively to the overall group result.

The full year Net Profit After Tax increased by 6.5% over the prior year. Taking into account the various negatives affecting the economy and the IT market, plus the significant disruption occasioned by the sale of Sun Microsystems to Oracle, the overall result for the year can be considered satisfactory. I would like to congratulate the Managing Director, Laurie Sellers and the team at itX for producing another record profit in a difficult and disrupted year.

In March 2010, Andrew Moffat was appointed to the Board as an independent non-executive director. We were pleased to welcome Andrew to the Board as he has a wealth of experience in banking and finance, corporate advisory, mergers and acquisitions and as a listed public company director.

In May 2010 we acquired the business and assets of Sydmed Pty Ltd, a company that distributes medical devices in the field of Urology. This business met all our stringent acquisition criteria and dovetails conveniently into our Technology Products Distribution business alongside Briell Marketing. The Board expects that this business will be a significant contributor going forward,

providing itX with opportunities over time to participate in the large and growing medical device market.

The Board declared a fully franked final dividend of 4.25 cents per share, which was paid on 26 August 2010. An interim fully franked dividend of 2.75 cents per share was paid in March 2010. The total dividend of 7.0 cents per share for 2009/2010 was an increase of 17% over 2008/2009 and represents a payout ratio of 46.2% compared to 42.2% last year.

On 13 August 2010, we announced that the Company had entered into a Scheme Implementation Agreement (Scheme) with Avnet Technology Solutions (Australia) Pty Limited for the acquisition of all the shares of itX. Each of the itX Directors has recommended that Shareholders vote in favour of the Scheme, in the absence of a superior proposal being received. The lengthy Scheme process will culminate in the Scheme Meeting which is to be held at 12 noon today at which time the Shareholders will decide whether the Scheme will be approved or not.

Should the Scheme be approved by the Shareholders and subsequently by the Federal Court, this will be my last Annual General Meeting as Chairman of itX. I am comforted that the Company has achieved a great deal since its inception and following its listing on the ASX in April 2007 has provided a reasonable return to the Shareholders. Thank you for your support.

I will now hand over to Laurie Sellers, our Managing Director, to provide his report on the performance of itX in 2010.

Dinshaw H. Katrak
Chairman

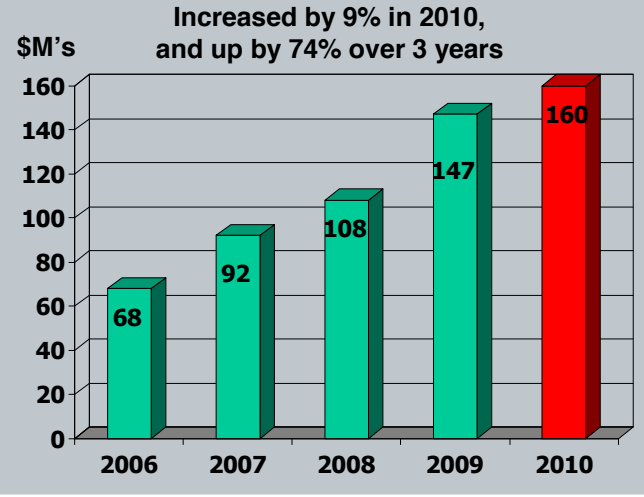
itx
Group Limited
2010 Annual General Meeting
Laurie Sellers
Managing Director
1983
Over 25 years of excellence in IT distribution
2010

Financial Highlights

2009/2010 Full Year results

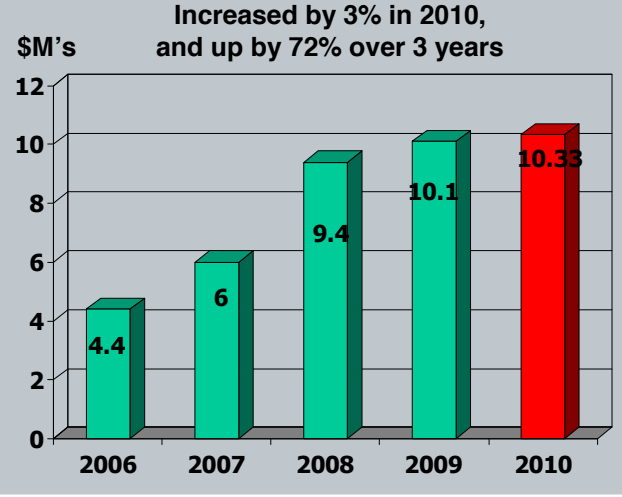
Revenue

Increased by 9% in 2010, and up by 74% over 3 years



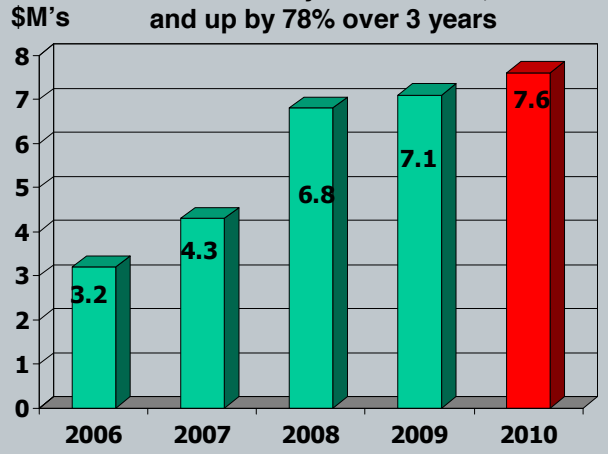
Earnings before interest and Tax

Increased by 3% in 2010, and up by 72% over 3 years



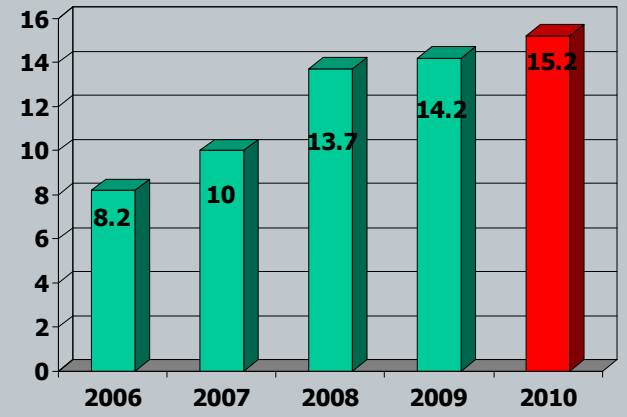
Net Profit after Tax

Increased by 6.5% in 2010, and up by 78% over 3 years



Earnings per share

Increased by 7% in 2010, and up by 52% over 3 years



Financial Highlights

2009/2010 Full Year results

Total revenue increased by 9% over FY2009.
$147 million FY2009
$160 million FY2010

Financial

Net Profit after tax increased by 6.5% over FY2009.
$7.1 million FY2009
$7.6 million FY2010

Cash balances of over $11M at 30 June 2010,
after making payments of $6.4M for business acquisitions and dividends

Earnings per share of 15.2 cents up 7%
from 14.2 cents in FY2010

Full year dividend of 7 cents per share
Up by 17% in the year

Payout ratio of 46.2%
compared to 42.2% in the previous year.

Highlights

No Debt

Positive 5 year growth across all financial metrics.

Financial Results Highlights

The 2010 financial year had contrasting results between the two halves;

- The overall business performed well in the first half, with a strong increase in revenue of 20.9% and a 25.5% increase in Net Profit after Tax.

The market conditions in the second half of the year were much tougher, however;

- Full year revenue increased by 9% over the previous year, and Net Profit after Tax increased by 6.5%.
- All business segments continued to perform well.
  - IT Distribution software segment grew revenue by 12.9%.
  - IT Services (ICO Web Hosting plus Managed Services) grew profit by 50%.
  - Technology Products Distribution segment grew revenue by 33%.
- The Oracle takeover of Sun Microsystems disrupted the normal flow of business in that sector which caused it to fall short.
- Overall expenses were well managed and reduced by 4.1% due to the continued success of our "cost optimisation program" initiatives.
  - Headcount was reduced by a further 6 non-sales people.
  - More cost saving initiatives in non payroll costs were also implemented.

IT Distribution
- Oracle/Sun Highlights

Australian Distribution Centre (ADC)

Our 12 year relationship with Sun Microsystems, as their sole full range Australian Distribution Centre, continued through 2010.

Channel Development Partner (CDP)

The Sun CDP business was disrupted in the second half by the Oracle takeover of Sun Microsystems.

Oracle's plan to acquire Sun Microsystems for US$7.4 billion (US$9.50 per share) was approved by Sun stockholders on 17th July 2009 and sanctioned by various global authorities in January 2010. The resulting takeover caused considerable disruption to the flow of business in the second half.

IT Distribution (including Sun) Highlights

- Major focus on distribution of world class IT software products.
- Long standing vendor relationships and an excellent reputation for adding value to and servicing the reseller channel.
- Over 20 IT vendors with more than 1,000 products.

- Despite the disruptions caused by the Oracle takeover of Sun, total IT Distribution (inc Sun) grew its revenue by 10.5% compared to FY2009.

- Virtualisation software products remained the fastest growth area in IT. itX's VMware business in particular posted solid sales growth of more than 50% compared to FY2009.

- Our distribution business was again recognised as a centre of excellence and major supplier, particularly to the software market, with several leading products including; VMware, IBM, Citrix and Trend all performing extremely well along with good hardware growth from both Apple and Wyse.

- Overall, our sales grew quite strongly despite a tougher economic climate.

Distribution Product Summary

vmware®

ORACLE®

CITRIX® partner
Distributor

Authorised
Distributor

IBM Business Partner

hp

AppSense®

WYSE

QUEST SOFTWARE®
Authorized Distributor
SERVER VIRTUALIZATION MANAGEMENT

socomec
Innovative Power Solutions UPS

KASPERSKY lab

Raritan.
Know more. Manage better.

TREND MICRO™

redhat.

stm
protecting your digital cargo

ThinPrint®

SafeNet.

DataCore™
SOFTWARE

IT Services
Hosting and Managed Services

Serious hosting. We guarantee it.

Highlights

- Hosted solutions, through the acquisition of ICO in July 2007.
- Managed service customers include; The Arts Council, Compass Group, Hayes Personnel.

- ICO, incorporating hosting and managed services, performed well increasing its profit contribution by more than 50% compared with FY2009.

- Overall expenses were well managed resulting in a cost reduction of more than 10% when compared to FY2009.

- We are now very close to ICO completing its accreditation as ISO 27001 compliant. The ISO 27001 standard specifies the requirements for establishing, implementing, monitoring and maintaining a documented Information Security Management System and will enable ICO to compete for much larger hosting opportunities in the future.

- A number of non-staff related cost reduction initiatives were successfully negotiated, including a more cost effective supplier of data links into the data centre, which reduced our data transfer bills in the second half.

Technology Products

- Briell grew strongly, increasing gross margin by more than 23% and profit contribution by 33% over FY2009.
- Fargo ID products including printers, consumables and spare parts all posted solid results throughout the year.
- Sony sales into the medical market remained strong with good results from both printers and consumables.
- A new web site for ID Easy was launched during the year resulting in a boost to overall sales during the second half.
- The acquisition of Sydmed was completed on 10th May 2010 and was therefore only able to contribute one month's trading. In total our Technology Products segment grew its gross margin by >30% compared to FY2009.

Overall Summary

- The year began well posting strong growth all round during the first half. The market conditions toughened considerably in the second half, which was further disrupted by the Oracle takeover of Sun Microsystems. Despite this, itX managed to deliver full year growth in revenue, margin and profit.
- The Group remains financially healthy and well regarded with a solid base of customers, suppliers and market intelligence built up over more than 25 years of successful operations in Australia.
- Cost reduction initiatives were well managed, helping to secure the year's positive results.
- IT Distribution successfully grew its overall business with most key products, particularly market leading software virtualisation products, delivering a positive result.
- Aggressive marketing of existing and new ICO hosted products helped maintain our IT Services growth trend. In addition, ICO's accreditation as ISO 27001 compliant will enable us to compete for larger opportunities in the future.
- Briell continues to cement its position as Australia's leading distributor of Fargo and Sony specialised printers and media. The development of a new web site is also fuelling further growth of ID Easy.
- The acquisition of Sydmed, a niche medical device distributor on 10th May 2010, is already helping to boost the rate of growth in the Technology Products Distribution segment.

Acquisition of itX by Avnet

- itX has entered into a Scheme Implementation Agreement with Avnet Technology Solutions Australia for the acquisition of all the shares of itX.
- If the Scheme goes ahead this will be our last Annual General Meeting.
- I would like to thank you all for your continued support during the past three and a half years since our listing on the ASX.

Thank you for your support.