DATATEC

Driving Technology

2020

2020 ANNUAL AND INTEGRATED REPORT

Creating value and improving performance

Founded in 1986, Datatec is an international ICT solutions and services group that has been listed on the JSE since 1994, with revenues in excess of US$4 billion.

FORWARD-LOOKING STATEMENTS

The Integrated Report may contain statements regarding the future financial performance of the Group which may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty, and although the Group has taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct. The Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements.

There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

It is important to note that:

- unless otherwise indicated, forward-looking statements indicate the Group's expectations and have not been reviewed or reported on by the Group's external auditors;
- actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate;
- the Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements; and
- the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

ONLINE

- Direct access to all our reports
- Our website has detailed investor, corporate governance and business information

Datatec Limited

Incorporated in the Republic of South Africa

Registration number: 1994/005004/06

ISIN: ZAE000017745

JSE Main Board: Computer Services

Listing date: 1994

Share code: DTC

Shares in issue at 29 February 2020:
201 450 000 (of which 1 000 000 held in treasury)

FEEDBACK

We value feedback from our stakeholders and use it to ensure that we are reporting appropriately on the issues that are most relevant to them.

Please take the time to give us your feedback on this report.

Email: ir@datatec.com

@DatatecGroup

https://www.linkedin.com/company/datatec-limited

www.datatec.com

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Many shareholders are now benefitting from more accessible information and helping the environment too. If you have not already tried it, visit our online Integrated Report website on your mobile device by scanning the QR code with a QR code reader smart app.

About **this report**

Our Integrated Report is the principal communication interface with our shareholders and other stakeholders of Datatec Limited who have a vested interest in our Company and its commitment to create value and ensure a sustainable business for the future.

Scope and boundary

The Integrated Report endeavours to present an overview of the financial, economic, environmental, social and governance performance of the Group for the year 1 March 2019 to 29 February 2020 ("FY20"). Datatec's aim is to present a holistic overview of the value the Group seeks to create for stakeholders by communicating content that is useful and relevant in an open and balanced manner. The report summarises the Group's strategy, business model, operations, risks, stakeholder interests, governance and its approach to sustainability that takes account of resources employed in its business activities and resources and groups on which Datatec has an impact.

The information disclosed encompasses all divisions and subsidiaries of Datatec Limited, across all regions of operation unless indicated otherwise.

Datatec published its FY20 results on 27 May 2020 which is the effective date of this Integrated Report with the exception of the following:
- Notice of Annual General Meeting ("AGM") and form of proxy on pages 242 to 252 dated on publication date in June 2020.

Assurance

To ensure the integrity of reporting in the Integrated Report, the Group has a formal combined assurance model in place, which includes management, external audit, internal audit and other independent assurance providers.

The annual financial statements included in this Integrated Report have been audited by the external auditors, Deloitte & Touche.

The Integrated Report has been reviewed by the Audit, Risk and Compliance Committee, the Board, Company Secretary, sponsor and investor relations consultants.

Materiality

This report focuses on matters that materially impact Datatec's ability to create value over the short, medium and long term, execute its strategy and impair profitability.

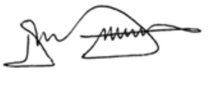
Identifying our potential material matters requires input from divisions and subsidiaries, and feedback from Datatec's shareholder engagement roadshows has been used to identify matters to report on.

An assessment of Datatec's material matters and ranking of importance is performed by the Board.

Framework

The following frameworks have been applied in the preparation of the Integrated Report:
- King IV™* Report on Corporate Governance in South Africa 2016 (King IV™)
- Companies Act 71 of 2008 ("the Companies Act")
- JSE Listings Requirements
- The International Integrated Reporting Framework
- Discussion Papers issued by the South African Integrated Reporting Committee ("IRC") and the International Integrated Reporting Council ("IIRC")
- International Financial Reporting Standards ("IFRS") – applied in preparing the consolidated annual financial statements on pages 134 to 241 and all financial data derived therefrom elsewhere in the Integrated Report

Jens Montanana
Chief Executive Officer ("CEO")



Ivan Dittrich
Chief Financial Officer ("CFO")

Johnson Njeke
Chairman: Audit, Risk and Compliance Committee

Board confirmation

The Board acknowledges its responsibility for the integrity of this report.

The directors confirm they have collectively assessed the content and believe it addresses the material matters that substantively affect the organisation's ability to create value over the short, medium and long term and is a fair representation of the integrated performance of the Group.

The Audit, Risk and Compliance Committee, which has oversight responsibility for the Integrated Report, acknowledges its responsibility to ensure the integrity of this Integrated Report and has applied its mind to the preparation and presentation of the report. It has concluded that the report has been presented in accordance with the International Integrated Reporting Framework and recommended the report for approval by the Board of directors.

The Board has therefore approved the 2020 Report for release to stakeholders.

The Board is committed to providing effective leadership to the Group and fully embraces the principle of ethical leadership in setting and implementing the strategy and Group's approach to governance, guided by the principles of King IV™.

In addition, the Board takes full responsibility for the management, direction and performance of the Group by exercising independent judgement on all issues reserved for its review and approval while taking cognisance of the needs of stakeholders.

Stephen Davidson
Chairman

Jens Montanana
Chief Executive Officer

Ivan Dittrich
Chief Financial Officer

Ekta Singh-Bushell
Senior independent non-executive director

Maya Makanjee
Independent non-executive director

John McCartney
Independent non-executive director

Rick Medlock
Independent non-executive director

Johnson Njeke
Independent non-executive director

Navigation icons

These icons refer to our strategic objectives:

Improving shareholder returns

Business development

Enhancing competitiveness and profitability

Corporate social responsibility

Datatec has identified and prioritised the following Sustainable Development Goals ("SDGs"):

SUSTAINABLE DEVELOPMENT GOALS

GOOD HEALTH AND WELL-BEING

QUALITY EDUCATION

DECENT WORK AND ECONOMIC GROWTH

CLIMATE ACTION

Further information is available online

Further information is available within this report

Linked to executive remuneration

Statement **of commitment to good governance and assurance**

Chairman's statement on corporate governance

Datatec believes that good corporate governance contributes to enhanced accountability, fairness and transparency. Good governance exists in an environment where roles and responsibilities are clearly defined, forums are conducive to robust debate and performance is regularly reviewed. We outline our progress and describe our governance efforts below.

The Datatec Board is committed to providing effective leadership to the Group. The Board embraces the principles of ethical leadership in setting and implementing Datatec's strategy and is guided by the principles of King IV™, the Companies Act, the JSE Listings Requirements and all other applicable laws, standards and codes.

The Board exercises independent judgement on all issues reserved for its review and approval, while simultaneously considering the needs of stakeholders, and takes full responsibility for the management, direction and performance of the Group.

To ensure we make and execute good decisions, which are transparently in the interest of Datatec, its shareholders and other stakeholders, the Board works continuously to maintain and develop its governance framework.

Stephen Davidson
Chairman

Application of King IV™

Good corporate governance as envisaged in King IV™ is both pivotal and integral to every critical aspect of value creation. As such, the complete impact of the Board's application of King IV™, as it relates to governance and how it affects value creation, cannot be captured through a single-section disclosure. Accordingly, in the various sections of this Integrated Report, we have endeavoured to demonstrate how the Board applies the principles of King IV™ to govern, create, sustain and grow value for the Group as well as achieve the intended outcomes of the King IV™ Code. This theme will be one that is reflected in this Integrated Report and subsequent ones.

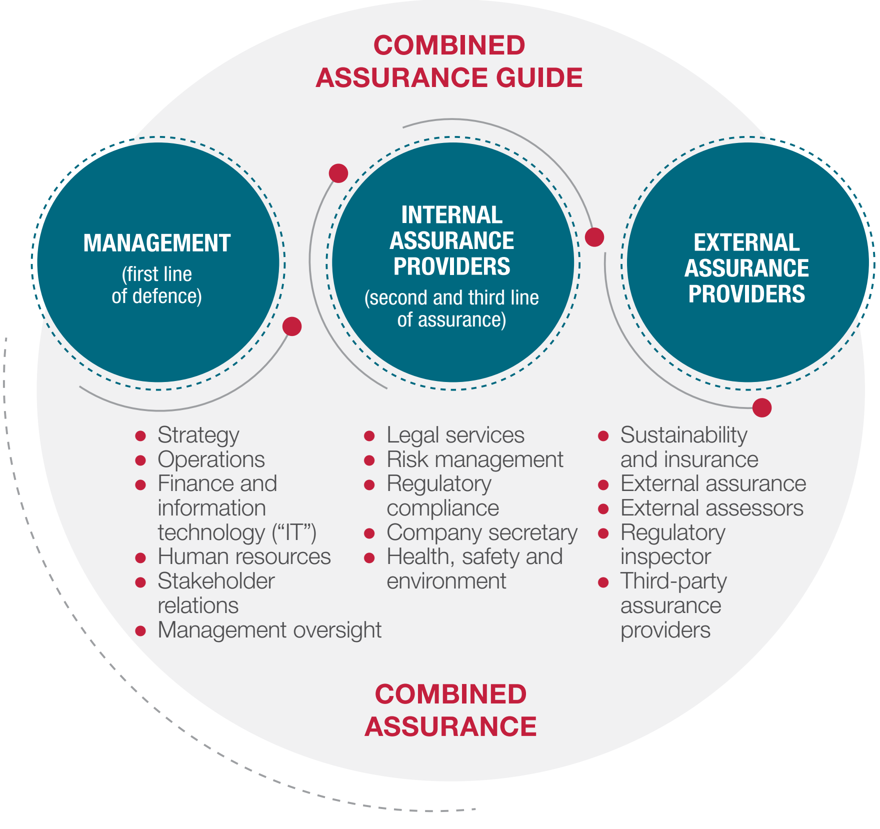
Further information on the Group's application of King IV™ can be found on **www.datatec.com**.

Datatec combined assurance model

A combined assurance framework for monitoring and evaluating the effectiveness of the Group's internal controls is in place throughout the Group. This framework deploys and co-ordinates internal and external assurance providers to report on the effectiveness or otherwise of the internal controls.

The combined assurance model is designed to ensure optimisation of the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Group. Within Datatec, there are a number of assurance providers that either directly or indirectly provide the Board and management with certain assurances over the effectiveness of those controls that mitigate the risks as identified during the risk assessment process. Collectively, the activities of these assurance providers are referred to as the combined assurance framework.

For more information on the combined assurance model, please refer to the risk report, page 90.



Datatec is committed to maintaining the highest standards of ethics and business conduct. The Group has a Code of Conduct ("the Code") detailing the standards expected from all Datatec employees, including addressing specific matters such as bribery and corruption. The Code is uniformly applied across all divisions.

Ethics

The Code is founded on the 10 principles of the United Nations Global Compact and the Organisation for Economic Co-operation and Development ("OECD") policy guidelines for preventing corruption. It is reviewed annually.

All Datatec employees are required to undertake annual training on the Code. Westcon International and Logicalis organise this training through an annual online programme which is also utilised by Datatec Financial Services and Datatec head office employees. Analysys Mason has an annual employee briefing session.

The Datatec Social and Ethics Committee and the Datatec Audit, Risk and Compliance Committee monitor implementation of the Code. The divisions are required to report any unethical or fraudulent conduct in contravention of the Code to the Datatec Audit, Risk and Compliance Committee and the Datatec Social and Ethics Committee and to provide formal semi-annual assurance to the Board on these matters.

The Group has a whistleblowing hotline for anonymous reporting of any unethical conduct. Westcon International and Logicalis also operate separate whistleblowing hotlines for their employees. All the hotlines are operated by third-party suppliers independently of the Group and divisions.

Any complaints received via the hotlines or any other means are investigated in accordance with the Group's procedures for investigating complaints. These procedures are under the direction of the Audit, Risk and Compliance Committee and the results of any investigations are reported to the Audit, Risk and Compliance Committee. No significant incidents of unethical behaviour were reported at Group or divisional level during the year.

Who **we are**

Datatec is an international information and communication technology ("ICT") solutions and services group operating in more than 50 countries across six continents.

- **Over 10 000 employees**
- **Revenue of US$4.3 billion**
- **Over 20 000 corporate and public sector customers**
- **Founded in 1986**
- **Listed on JSE since 1994**

OUR VISION

To be a global leader in speciality, high-value ICT solutions through distribution and integrated services businesses, in collaboration with leading vendor technology partners.

We have built an extensive global footprint through our entrepreneurial expansion, which we plan to continue.

OUR PURPOSE

To deliver value to all stakeholders through technology agility and service excellence

SUSTAINABLE DEVELOPMENT GOALS

Datatec supports the United Nations SDGs and is committed to playing its role in ensuring that these goals are attained. Four goals have been identified in areas which Datatec believes it can have the most impact and are aligned with Datatec's focus areas. These goals are:

- GOOD HEALTH AND WELLBEING
- QUALITY EDUCATION
- DECENT WORK AND ECONOMIC GROWTH
- CLIMATE ACTION

OUR VALUES

Datatec is committed to maintaining the highest standards of ethics and business conduct. Our business philosophy has its roots in an entrepreneurial culture. We are committed to being ethical, honest, socially responsible corporate citizens and strive to be an employer of choice, attracting, developing and retaining talented people. We value business partnerships and we work towards creating shareholder value by developing a best-in-class portfolio of actively managed businesses operating in the high-value, fast growing sectors of the ICT market.

WE LIVE BY THE FOLLOWING DATATEC VALUES

INNOVATION
We embrace change and creativity to deliver the best practical outcomes

EXCELLENCE
We strive to exceed expectations and be the best that we can be, maintaining the highest level of quality

INTEGRITY
We champion an environment of honesty, transparency, fairness and high moral standards

PARTNERSHIPS
We build strong relationships and alliances to achieve success for the long term

EMPOWERMENT
We encourage initiative and provide opportunities for our people

Datatec's portfolio of businesses operates in the high-value, fast growing sectors of the global ICT market and is split into three core divisions:

INTEGRATION AND MANAGED SERVICES

Over 7 000 employees

Over 25 countries worldwide

International solutions provider of digital services currently accelerating the digital transformation of its 10 000 global customers

Logicalis drives digital enablement through a variety of services including:

- Integrated and professional services
- Lifecycle and managed services
- Cloud solutions

Customer advocate with some of the world's leading technology companies including Cisco, IBM, Microsoft, Oracle, HPE, NetApp and VMware

Operates in Europe, North America, Latin America, Asia-Pacific and Africa

LOGICALIS
Architects of Change

TECHNOLOGY DISTRIBUTION

Over 3 000 employees

Over 50 countries worldwide

Value-added technology distributor of industry-leading solutions

Cyber security, network infrastructure, unified communications products, data centre solutions and channel support services

Goes to market under the Westcon and Comstor brands

Westcon International's portfolio of market leading vendors includes Cisco, Palo Alto Networks, Avaya, Extreme, Juniper, Amazon Web Services, Check Point, F5 and Symantec

11 000+ partners

18 logistics and staging facilities

Westcon Comstor
Delivering Results Together

MANAGEMENT CONSULTING AND FINANCIAL SERVICES

Over 250 employees

Over 10 countries worldwide

Analysys Mason
Global consulting and research specialists in telecommunications, media and technology ("TMT")

Datatec Financial Services
Provides innovative financial solutions to Datatec Group customers

Analysys Mason

Provider of strategic, trusted advisory, modelling and market intelligence services to the telecommunications, media and technology industries

Datatec Financial Services

A specialist team of financial experts who support the Datatec Group and any partnering organisations

Provides customers with a financed alternative method of acquiring technology hardware, software and services

analysys mason

DATATEC FINANCIAL SERVICES

Our **operating context**

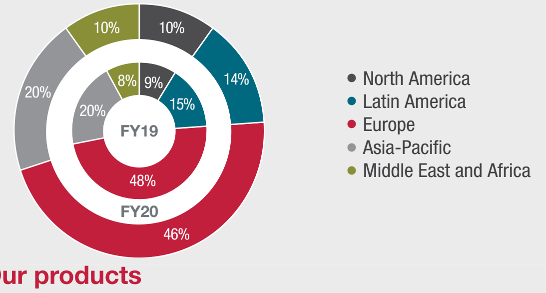
Where we operate

Datatec operates in more than 50 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific.

Our biggest revenue contribution is from Europe followed by Asia-Pacific.

There has been a decreased revenue contribution from Latin America in Logicalis as a result of the decline of the Brazilian Real against the US Dollar. Westcon International continues to see geographic improvements in the Africa and Middle East region.

Revenue % contribution by geography



Our products and services

ICT infrastructure solutions
Digital enablement services
Security
Collaboration
Networking
Data centre products and solutions

Our vendors

Cisco	Juniper
Avaya	F5
IBM	Palo Alto Networks
HPE	Symantec
Extreme	NetApp
Check Point	Oracle
Microsoft	among others

Our operating environment

As an ICT group with operations and activities across both established and emerging markets, we face challenging risks as well as numerous opportunities. The strategic objectives affected by each key risk are illustrated using our strategic objectives icons.

COVID-19

On 11 March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic. This was followed by most countries in which the Group operates instituting lockdown restrictions to slow the spread of the disease. The countries in which the Group operates are all in different stages of lockdown, including travel and trade restrictions as well as social distancing measures. Datatec is monitoring the developments closely and continuously adjusting across all its operations.

Global macroeconomic uncertainty

The most recent months have shown the potential for economic risk on the downside with global macroeconomic volatility. We are impacted by global trade disputes and have yet to see the full impact of the coronavirus. We are faced with a great deal of uncertainty and this has the potential to negatively affect our results.

Fluctuating exchange rates

Exchange rate volatility has a big impact on Datatec, especially in emerging markets. We are exposed to the effects of negative fluctuations in the Brazilian Real and South African Rand in particular. This affects both Logicalis and Westcon International. Our revenue growth is generally significantly higher when viewed in constant currency terms.

Our key risks

Impact of COVID-19

The economic effects arising from the COVID-19 outbreak may materially affect the consolidated results of the Group for the first half and full year of its FY21 financial year and the social impact could negatively affect staff's wellbeing.

Our strategic response

- Review of future profit and cash flow projections including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19
- Monitoring developments closely and continuously adjusting across all operations
- Contingency planning in place for restructuring actions to be taken in response to the more severe scenarios
- Follow WHO guidelines and ensure employee wellbeing
- Leverage demand for remote working solutions

Technological market disruption

The Group's operations focus on the higher value, faster growing products and services in the ICT supply chain. It is essential to anticipate the impact of the rapid technological change which is a feature of the sector.

Our strategic response

- Careful partner selection in terms of vendors
- Work closely with our vendor partners
- Employ qualified staff at operating divisions who can pre-empt market changes resulting from new technology
- Provide products and services ahead of competitors

Dependence on key vendors

The Group is dependent on certain vendors, particularly Cisco, whose products and services accounted for approximately 40% of the Group's revenue.

If any one of the Group's principal vendors terminates, fails to renew or adversely changes its agreement or arrangements with the Group materially, it could materially reduce the Group's revenue and operating profit and thereby seriously harm the Group's business, financial condition and results of operations.

Our strategic response

- Maintain strong and transparent relationships

Internal technological risks

The Group's internal systems are at risk, both from planned changes leading to business interruption and disruption by external "cyber" threats.

The Group continued to face the threat of financial crime attempted by "phishing" emails and "social engineering". The Group has high dependence on its key information systems.

Our strategic response

- Deploy significant resources on its own information security defences
- Utilise enhanced data privacy policies and procedures
- Utilise technological means such as anti-virus and anti-phishing software as well as the expertise of IT experts
- Education/awareness campaigns among employees

Dependence on key customers

The Group's customer base is much larger than its vendor base but nevertheless includes large individual customers in specific regions. Accordingly, the exposure to credit risk must be noted as a key risk of the business.

Our strategic response

- Maintain close relationships with key customers of the Group
- Operate rigorous credit assessment and control procedures

Mismanagement of payment discounts, product rebates and allowances

The Group receives significant benefits from purchase and prompt payment discounts, product rebates, allowances and other programmes from vendors based on various factors.

A decrease in purchases and/or sales of a particular vendor's products could negatively affect the amount of discounts and volume rebates the Group receives.

Because some purchase discounts, product rebates and allowances are based on percentage increases in purchases and/or sales of products, it may become more difficult for the Group to achieve the percentage growth in volume required for larger discounts.

In addition, vendors may exclude the Group from time to time from participation in some of their programmes.

Our strategic response

- Maintain strong and transparent relationships with our vendor partners

Execution risk of major projects

The implementation of major new systems carries particular risks.

Our strategic response

- Perform detailed risk assessment of major projects at the planning stage
- Perform careful planning and phased introduction of new systems

Risk of failure to fund working capital needs sufficiently

The Group's business is working capital intensive; this is particularly relevant for Westcon International.

Westcon International's financing facilities are utilised to finance accounts receivable and inventories.

Westcon International largely relies on asset backed and vendor inventory purchase financing for its working capital needs.

The availability of these facilities and any material changes thereto may affect the business's ability to fund its working capital requirements.

Our strategic response

- Manage working capital through inventory control and effective accounts receivable management
- Working capital is a key focus area of management
- Working capital is a key focus area of the review processes in the risk management framework
- Ensure sufficient liquidity available

Value generation: disposals and acquisition risk

The execution of the Group's strategy requires:

- reshaping the Westcon International business; and
- further growth and improvement of the Logicalis business.

Both these goals will continue to place additional demand on management, customer support, administrative and technical resources. If the Group is unable to manage its restructuring and growth effectively, its business operations or financial conditions may deteriorate.

If the Group is unable to successfully integrate an acquired company or business, it could lead to business disruptions.

Our strategic response

- Consider further acquisition opportunities
- Undertake extensive due diligence of potential acquisitions, including detailed integration planning
- Process management and oversight by Datatec's central team

Risk of overdependence on key personnel

The Group's future success depends largely on the continued employment of its executive directors, senior management and key sales, technical and marketing personnel.

Certain key employees have relationships with principal vendors and customers which are particularly important to the business of the Group.

The executive directors, senior management team and key technical personnel would be difficult to replace and the loss of any of these key employees could harm the business and prospects of the Group.

Our strategic response

- Maintain a high standard of employment conditions and working environment
- Provide benefits and share incentive schemes
- Ensure proper succession planning in place

COVID-19

On 11 March 2020, the WHO declared COVID-19 a global pandemic. This was followed by most countries in which the Group operates instituting "lockdown" restrictions to slow the spread of the disease. The Datatec Group's priority during this pandemic is its people.

LOGICALIS
Architects of Change

- Implementing business continuity plans
- Ensuring consistent communication regarding the symptoms of the virus and prevention methods
- Taking full advantage of virtual meetings using collaboration technology
- Working remotely
- Training employees on how to react in crises
- Building infrastructure capable of supporting employees in remote work
- Putting procedures in place to deal with short or prolonged absence of colleagues
- Implementing disease prevention controls to delay the spread of the virus

Westcon Comstor
Delivering Results Together

- Implementing business continuity plans
- Implementing workplace and travel restrictions and enabling employees to work from home
- Providing secure applications access and communications facilities for all teams, enabling employees to work flexibly, providing continuity of support for partners and customers
- Establishing management protocols and implementing formal training for remote working to mitigate possible feelings of isolation, supporting closer collaboration and maintaining wellbeing and focus
- Continuously updating policies and communications in line with recommendations from the WHO, local government and health organisations

Most of the Group's business activities are able to continue under lockdown conditions and the provision of IT and communications equipment and services is often an essential component of the global response to the pandemic. Datatec is monitoring developments closely and continuously adjusting across all its operations. The Group follows guidelines from the WHO and abides by the requirements as activated by local governments.

New **opportunities**

Increased demand for the Group's technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, visualisation, security and unified communications remains strong. The positioning of the Group's divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments toward digital transformation accelerate.

LOGICALIS

In Asia, Logicalis teams designed and quickly implemented a brand new network infrastructure for a community hospital that is being used as extra capacity to support COVID-19 patients.

In the USA, Logicalis scaled the computing resources in an Indiana state hospital to staff who normally had no means of remote working. This enabled them to continue to assist those seeking critical care in a race against time before the governor announced the lockdown.

In Latin America, Logicalis was able to support a large financial institution with its immediate need to enable a remote workforce. This involved providing 50 000 collaboration licences in addition to training and monitoring activity.

Hybrid infrastructure solutions, which have been increasingly common in recent years, have also become more sought after. Logicalis has been responding to a significant rise in demand for its production-ready cloud platform, which provides a pre-packaged, pre-configured cloud environment, designed to get a business cloud-enabled in a matter of weeks.

Solutions like these support businesses in the resilience and agility of their operations.

WESTCON INTERNATIONAL

Westcon International has expertise in collaboration, infrastructure and security which is essential in assisting businesses to implement and extend their remote working capabilities.

Westcon International has a wide range of technology solutions which include remote professional services and virtual learning offerings.

GOOD HEALTH AND WELL-BEING

The Datatec Group responded by ensuring the safety and wellbeing of its employees and enabling working from home to maintain social distancing. Travel and face-to-face meetings were quickly reduced and eliminated completely in accordance with prevailing regulations. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

The effect on the Group's business at the date of this report has been considered in detail by the Board in approving the annual financial statements for FY20. The impact of the pandemic on global markets could not have been sufficiently anticipated at 29 February 2020 and the financial effects of COVID-19 have not been reflected in the financial statements. The financial effects of COVID-19 on the Group's financial statements cannot be reliably estimated and the economic effects arising from COVID-19 may materially affect the consolidated results of the Group for the first half and full year of its FY21 financial year.

LOGICALIS

The impact of COVID-19 on business performance remains unclear, but Logicalis has focused on cash preservation activities to ensure it can withstand the pressure that may come from short-term delays to orders from customers, or an inability to deliver and install due to the response from national governments.

In determining the possible extent of future credit losses as a consequence of COVID-19, a range of possible scenarios has been considered. While some of the scenarios suggest that credit losses could be incurred if COVID-19 affects the ability of large sections of Logicalis' customer base to delay payment for a period of six to 12 months, collections from customers subsequent to the year-end were in line with historic norms.

COVID-19 could have a significant impact on the performance of the Logicalis Group during FY21. Logicalis' order book remains strong in the period immediately following the end of FY20. However, Logicalis expects there to be some difficulty in delivering these orders in the short term due to supply chain problems and difficulties accessing client sites. Revenues for the first quarter of FY21 are slightly lower than the corresponding period last year.

Action plans have been prepared to respond to various scenarios during this period of uncertainty, including cost reduction initiatives.

WESTCON INTERNATIONAL

COVID-19 is likely to have some impact on the ability of customers to settle debts and could cause an increase in the level of exposure to credit risk and therefore expected credit losses that Westcon International may incur in the future.

Westcon International has also considered a range of possible scenarios to determine the extent of possible credit losses.

While some of the scenarios suggest that credit losses could be incurred if COVID-19 affects the ability of large sections of Westcon International's customer base to delay payment for a period of six to 12 months, collections from customers subsequent to the year-end were in line with historic norms.

There have been some disruptions in the business, especially in countries under complete lockdown, but conversely there has been an increase in demand for remote access computing solutions: software, security and unified communications.

Westcon International has specific actionable plans to ensure the continuation of the business based on identified scenarios of reduced sales and/or cash collection.

Initial indications are that Westcon International's revenues and order intake for the first quarter of FY21 are similar to the same period last year.

Going **concern**

The Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its core segments to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of the annual financial statements, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group's liquidity is dependent on customers continuing to pay their invoices. Between the reporting date and effective date of the Integrated Report, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

The Group's forecasts and projections of its current and expected financial performance, show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of its annual financial statements.

Trading has remained steady since the beginning of the FY21 year, although some delays and supply disruptions were experienced, especially in countries with highly restrictive lockdowns.

The multi-year investment in systems and processes in Westcon International was a key enabler to move all its employees to working remotely, with the exception of warehouse staff who continue to work in the warehouses subject to increased safety protocols. Most of the Logicalis global workforce also successfully works from home in the current environment.

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations. As a result, it is appropriate to prepare the financial statements on a going concern basis. This is further supported by trading after the financial year-end, as outlined above.

In line with other South African businesses, Datatec pledged its support towards The Solidarity Fund created by the South African government in response to the COVID-19 pandemic. Datatec has donated R1 million to The Solidarity Fund and this has been matched by a personal contribution of R1 million from the CEO, Jens Montanana.

Our **value creation business model**

WHAT MAKES US DIFFERENT

Datatec offers shareholders an opportunity to invest in a leading international ICT group that is uniquely positioned to take advantage of best-in-class solutions in information security, networking, unified communications, cloud and data centre technologies.

DATATEC

The Group has a decentralised business model which empowers its divisional management teams to make operational decisions that are best suited to their individual operating needs but within a strategic operating and financial framework set by the Group to ensure sustained value for all stakeholders.

OUR INVESTMENT PROPOSITION

- **GLOBAL PRESENCE** – located in over 50 countries supported by close to 11 000 skilled employees and experienced multinational management
- **DIVERSITY** – related but operationally dissimilar businesses diversify income and provide unique growth opportunities
- **FOCUS** – on high-value, fast growing sectors of the ICT market
- **OPERATE** – at multiple points of the ICT supply chain
- **STRATEGIC RELATIONSHIPS** – well positioned in strong technology areas and managed services with leading technology vendors and quality customer profile

KEY RESOURCES

FINANCIAL

EQUITY: US$572 million (attributable to equity holders of the parent)

DEBT: US$223 million interest-bearing debt

HUMAN

- 10 924 employees
- Employees' time, skills and knowledge

SOCIAL AND RELATIONSHIP

- Stakeholder relationships
- Strong compliance and governance culture
- Board diversity and succession planning

INTELLECTUAL

- Technical expertise
- Strategic partnerships

NATURAL

- Group-wide power-saving and recycling initiatives

MANUFACTURED

- Data centres
- Warehouses (distribution centres)

KEY RELATIONSHIPS

KEY PARTNERS

- Cisco

KEY RELATIONSHIPS

- Customers
- Employees
- Shareholders
- Vendors

KEY REVENUE SEGMENT

DIVISION

- Westcon International
- Logicalis

GEOGRAPHIC

- Europe
- Asia-Pacific
- Latin America

KEY REVENUE DRIVERS

- Volumes
- Exchange rates (in relation to US Dollar)
  - Material currencies:
    - Australian Dollar
    - British Pound
    - Euro
    - Singapore Dollar
    - South African Rand
    - Brazilian Real

GOVERNANCE AND ETHICS

OUR ACTIVITIES

The Group's offering spans various sectors of the ICT market

LOGICALIS

Integration and managed services

Logicalis' principal revenue stream is product sales

WESTCON INTERNATIONAL

Technology distribution

Westcon International's principal revenue stream is product sales

MANAGEMENT CONSULTING AND FINANCIAL SERVICES

Specialist consulting and research offerings

Alternative financing expertise

Management Consulting and Financial Services' principal revenue streams are professional services

HOW WE CREATE VALUE

We are improving shareholder returns by optimising our business for the current environment which will include cost and liquidity management.

We continue to pursue organic and acquisition expansion activities.

LOGICALIS Architects of Change

Provides wide geographical exposure

Westcon Comstor Delivering Results Together

Improving operating profitability

analysys mason DATATEC FINANCIAL SERVICES

Improving revenues and profit margins

WHAT IMPACTS OUR ABILITY TO CREATE VALUE

- Fluctuating exchange rates
- Global macroeconomic and COVID-19 uncertainty
- Cash generation ability
- Acquisition opportunities

KEY OUTCOMES FOR STAKEHOLDERS

SHAREHOLDERS

- Improved shareholder returns and value
  - 9.9 US cents underlying* earnings per share ("uEPS")
  - Strong balance sheet
  - 288 US cents net asset value per share

FINANCIAL INSTITUTIONS AND PROVIDERS OF FINANCING

- US$41 million in interest to providers of financing

EMPLOYEES

- Fair remuneration
  - US$649 million in salaries and benefits

CUSTOMERS

- Strong customer relationships
  - Positive feedback from customer satisfaction surveys

VENDORS (SUPPLIERS)

- Strong vendor relationships
  - Positive feedback from vendor satisfaction surveys

FOUNDATION BENEFICIARIES

- Improved education and opportunities created for less fortunate
  - R8 million spent on corporate social investment ("CSI") activities at Datatec head office

GOVERNMENTS AND REGULATORS

- Compliance with regulatory requirements
  - US$32 million directly distributed to governments

ENVIRONMENT

- Reduced carbon footprint
- Energy savings
- Reduced waste

Datatec's business model is underpinned by strong governance and ethics. Datatec is committed to maintaining the highest standards of ethics and business conduct and to being ethical, honest, socially responsible corporate citizens.

** Underlying earnings exclude impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, and the taxation effect on all of the aforementioned.*

Our **strategy**

Datatec's strategy is to improve shareholder returns over the medium term through a combination of corporate and business development actions aimed at enhancing the competitiveness and profitability of its subsidiaries and operating divisions.

Logicalis

Logicalis' strategy is to be the leading ICT services and solutions partner to customers in its key markets around the world.

Westcon International

Westcon International's strategy is to be the leading value-added distributor for networking and cyber security vendors across Europe, the Middle East, Africa and Asia-Pacific.

Analysys Mason

Analysys Mason's strategy is to focus on specialised research and management consulting in the TMT sector with international coverage.

The Group provides leadership and sets the direction and strategy for each business, together with divisional management. It identifies potential areas for growth and supports the realisation of growth both organically and through acquisition by allocating capital and financing.

The Group targets profit growth, earnings before interest, taxation, depreciation and amortisation ("EBITDA") margins and return on invested capital ("ROIC") to drive financial returns.

The Group's decentralised operating model, extensive geographic footprint, positioning across the ICT value chain and strong vendor and customer relationships combine to create a strategic competitive advantage.

Strategic **roadmap**

The Group has identified the following strategic priorities to drive future performance across its divisions

THE DATATEC GROUP

IMPROVING SHAREHOLDER RETURNS

- Considering listing of Logicalis' Latin American business on the B3 S.A./Brazilian stock exchange
- Focus on operating cost optimisation
- Balance near-term COVID-19 impact with anticipated recovery

BUSINESS DEVELOPMENT

- Continue to look for optimum value realisation opportunities
- Focus on process efficiency
- Continue to develop capabilities within cloud services
- Strategic acquisitions
- Enhanced flexible working opportunities

ENHANCING COMPETITIVENESS AND PROFITABILITY

- Focus on balance sheet optimisation and working capital
- Exploit growing demand for cloud computing, remote access solutions software, virtualisation and cyber security
- Medium-term operating margin expansion in Westcon International
- Enhance customer experience and retention

CORPORATE SOCIAL RESPONSIBILITY

- Initiatives around diversity and inclusion as well as sustainability, in recognition of our corporate social responsibility

LOGICALIS

- Ensure that Logicalis successfully navigates the COVID-19 pandemic
- Continued focus on operating cost optimisation
- Enhance common platforms for global service delivery
- Continue to focus on growing annuity services revenue streams
- Ongoing innovation and development of services around cloud, software and security technologies
- Successful employee engagement using the division's "Pulse" platform

WESTCON INTERNATIONAL

- Ensure that Westcon International successfully navigates the COVID-19 pandemic
- Grow revenue contribution from next generation technology providers
- Further central cost optimisation
- Continued focus on automation through the increasing capabilities of digital technologies productivity
- Continue to nurture internal talent while developing a positive external employer brand through advocacy of performance and values
- Continue to innovate in digital distribution platforms to enhance customer experience and vendor ecosystem

Our **strategic progress**

OUR 2020 DELIVERY

GROUP STRATEGIC PROGRESS

The Group provides leadership and sets the direction and strategy for each business, together with divisional management. It identifies potential areas for growth and supports the realisation of growth both organically and through acquisition by allocating capital and financing.

The Group targets profit growth, EBITDA margins and ROIC to drive financial returns. The Group's decentralised operating model, extensive geographic footprint, positioning across the ICT value chain and strong vendor and customer relationships combine to create a strategic competitive advantage.

Below are the FY20 strategic objectives as published in the previous year, as well as our progress against these objectives.

2020 STRATEGIC PRIORITY	2020 DELIVERY	
• Continuing share repurchases	• US$44.3 million (19.0 million) shares repurchased • Share repurchase programme has been completed	ACHIEVED
• Consolidate Logicalis' position through organic and acquisition activities	• Acquisitions of Cilnet and Orange Networks – expanded Logicalis' presence in Iberian region and cloud technologies • Acquisition of Mars Technologies – strengthened and expands its managed services	ACHIEVED
• Improve revenue growth, EBITDA and cash generation in Logicalis	• Revenue decreased by 2.34% in US$. However, in constant currency*** terms, Logicalis' revenue increased by 4.28% • Logicalis' EBITDA increased by 32.7% to US$123.9 million • Net cash in Logicalis decreased by US$3.8 million in US$ terms	ACHIEVED
• Improve revenue growth and profitability in Westcon International	• Revenue growth is 0% in US$ • However, revenue growth in constant currency*** is 2.7% • Gross profit growth of 5.9%, gross margin improved to 10.8% from 10.2% • Operating profit increased to US$19.0 million from a US$4.2 million operating loss in FY19	ACHIEVED
• Improve working capital and operating cash flow in Westcon International	• Net working capital improved by US$92 million or six days • Positive cash flow from operations in FY20 (FY19: cash outflow)	ACHIEVED
• Reduce central costs in Westcon International	• Central costs of US$29 million, 33% lower than FY19 and 12% below targeted levels • 0.9% of gross revenue of US$3.4 billion	ACHIEVED
• Improve quality of earnings and profit margins	• Underlying* earnings per share increased by 50% to 9.9 US cents • EBITDA margin improved to 3.7% from 2.0% in FY19 • Operating profit margin improved to 1.9% from 1.1% in FY19	ACHIEVED
• Growth in market share	• Increased demand for the Group's technology solutions particularly cloud solutions – cloud revenue grew by 181%	STILL IN PROGRESS
• Continue to look for optimum value realisation opportunities	• Multi-year investment in Westcon International's global Enterprise Resource Planning ("ERP") system has delivered benefits with significant business automation • Logicalis' common services platform has resulted in further efficiencies in the division and an investment plan has been approved to further expand its technology capabilities • Continued area of focus for FY21	STILL IN PROGRESS
• Focus on process efficiency	• Significant improvements have been made in Westcon International – continued area of focus for FY21	STILL IN PROGRESS
• Leverage common services and digital distribution platforms	• Approved an investment plan for the common platform to expand its technology capabilities to include Artificial Intelligence ("AI") and predictive capabilities in Logicalis	STILL IN PROGRESS
• Closing the valuation gap	• Decrease in Datatec's market capitalisation from FY19 as a result of COVID-19 pandemic	NEGATIVELY IMPACTED BY COVID-19 PANDEMIC

ACHIEVED   STILL IN PROGRESS   NEGATIVELY IMPACTED BY COVID-19 PANDEMIC

LOGICALIS STRATEGIC PROGRESS

Logicalis' strategy is to be the leading ICT services and solutions partner to customers in its key markets around the world.

2020 STRATEGIC PRIORITY	2020 DELIVERY	
• Focus on improving the services and annuity revenue mix	• Services mix has improved from 38% to 41%	ACHIEVED
• Continued bolt-on acquisitions	• Acquisitions of Cilnet and Orange Networks – expanded Logicalis' presence in Iberian region and in cloud technologies • Acquisition of Mars Technologies – strengthens and expands its managed services	ACHIEVED
• Grow sales of IT products and services that drive cloud-based solutions	• Cloud-based services grew by 12%	STILL IN PROGRESS
• Focus on cost reduction activities in legacy areas of the business	• A leader for customer experience was appointed during the year and will be responsible for building efficiencies into the mature areas of the business	STILL IN PROGRESS
• Add to the capabilities of the common services platform to ensure it remains a business enabler	• Plan for the common services platform to expand its technology capabilities approved	STILL IN PROGRESS

ACHIEVED   STILL IN PROGRESS

WESTCON INTERNATIONAL STRATEGIC PROGRESS

Westcon International's strategy is to be the leading value-added distributor for networking and cyber security vendors across Europe, the Middle East, Africa and Asia-Pacific.

2020 STRATEGIC PRIORITY	2020 DELIVERY	
• Improve working capital and operating cash flow generation	• Net working capital improved by US$92 million or six days • Positive cash flow from operations (FY19: cash outflow)	ACHIEVED
• Reduce central costs to below 1% of gross revenue	• Central costs of US$29 million, 33% lower than FY19 and 12% below targeted levels • 0.9% of gross revenue of US$3.4 billion	ACHIEVED
• Improve internal delivery of shared services	• Stable platforms and operations supporting improved profitability	ACHIEVED
• Expand security portfolio in emerging technologies	• Security continues to grow and is now 32% of revenue mix	ACHIEVED
• Deployment of digital disruption technology – Cloud/aaS enabled ERP	• Delivered on a roadmap of improvements to core capabilities	ACHIEVED
• Focus on revenue growth and overall profitability	• Revenue growth is 0% in US$ • However, revenue growth in constant currency*** is 2.7% • Gross profit growth of 5.9%, gross margin improved to 10.8% from 10.2% • Operating profit increased to US$19.0 million from a US$4.2 million operating loss in FY19	STILL IN PROGRESS
• Continued focus on cost management and operational performance	• Overall operating costs decreased by 7% • Central costs reduced • Further cost reductions targeted	STILL IN PROGRESS

ACHIEVED   STILL IN PROGRESS

* *Excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.*

*** Pro forma *financial information is included for the Group's revenue for the current reporting period, had it been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information").*

The pro forma IFRS 16 and constant currency financial information contained in this Integrated Report has been reported on by the Group's external auditors. The Group's auditors Deloitte & Touche, have issued two unmodified reasonable assurance reports (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Prospectus*), a copy of which is available for inspection at the Company's registered office.*

Value **creation through governance**

Corporate governance and how it links to value creation

Compliance with applicable laws, regulations and governance practices

Collective responsibility or primary governance structures and roles

Custodians of corporate governance

Cultivation and exhibition of ethical characteristics

ACTIVITIES

Leadership, ethics and corporate citizenship	Risk, oversight, compliance and assurance	Stakeholder relations	Strategy, performance and reporting	Remuneration	Corporate governance

VALUE CREATION

1 Achievement and benefits realised through good governance outcomes

- Ethical culture
- Effective control
- Solid financial performance
- Legitimacy

2 Delivery on strategic objectives

- Operate efficiently
- Invest strategically
- Engage and nurture talent
- Grow reputation
- Optimise capital

3 Achievement of stakeholder goals

- Preferred business partner
- Employer of choice
- Good corporate citizen

Governance creating and protecting value

The Board contributes to strategic delivery and value creation by focusing on responsible and ethical leadership to ensure a sustainable business. The Board periodically reviews opportunities and threats it believes could have the most significant impact on the Group's ability to have sustainable value for its stakeholders.

Datatec's view on corporate governance is to approach it as more than just a compliance exercise, but rather, as a tool that contributes to improved operational decision-making and business performance.

The Board is confident that the improved corporate governance achieved through the Group's governance structures has created value in the form of improved financial performance, sustainable business model, transparent shareholder relationships and high-reputational integrity.

Governance during COVID-19

The declaration of COVID-19 as a pandemic by the WHO on 11 March 2020 heralded an unprecedented global economic and humanitarian crisis. The Board of Datatec recognises its responsibility to oversee the Group's actions and to manage the increasing risks associated with the pandemic. Focus will be placed on optimising the business for the current environment which will include cost and liquidity management as well as ensuring the wellbeing of our staff across the Group. The Board is monitoring developments closely and Datatec is continuously adjusting across all its operations.

Board representation and contribution to value creation

Diversity is enshrined in Datatec's Code of Conduct and the Board strongly supports the principle of diversity at Board level as an essential element of good corporate governance. A diverse Board includes differences in the skills, industry experience, cultural background, race, gender and other distinctions between members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately. This diversity facilitates an environment for constructive dialogue and enables the Board to consider the needs of a wide range of stakeholder interests.

During the year under review, there were some changes to the composition of the Board. The Board is of the view that the most recent changes to the Board will result in greater diversity in terms of skills and experience, race, age, gender and culture.

The Board believes that these governance qualities enable the Group to create value for stakeholders in a sustainable manner as described in the strategy section on page 14 of this report.

Please refer to page 95 of the Investor Information for more details on diversity at Board level.

The policy on promotion of diversity at Board level is available on the website **www.datatec.com**.

Board **of directors**

The Board is responsible for the leadership and guidance of the Group and exercises control over all divisions and subsidiaries by monitoring the executive management.

Stephen **Davidson**

Independent non-executive Chairman

Tenure: 13 years

Committees: S R N

+ Stood down from Remuneration Committee with effect from 31 May 2020

Chairman of Nominations Committee

Jens **Montanana**

Chief Executive Officer

Tenure: 25 years

Committee: S

Ivan **Dittrich**

Chief Financial Officer

Tenure: 4 years

Maya **Makanjee**

Independent non-executive director

Tenure: 1 year

Committees: S R

Chairman of Remuneration Committee (from 1 September 2019)

Chairman of Social and Ethics Committee (from 1 June 2019)

John **McCartney**

Independent non-executive director

Tenure: 12 years

Committees: A R N

+ Stood down from Remuneration Committee and Audit, Risk and Compliance Committee with effect from 31 May 2020

Chairman of Remuneration Committee (to 31 August 2019)

Rick **Medlock**

Independent non-executive director

Tenure: 5 months

Committee: A

Information available in the Investor Information section

** Tenure is as at date of publication.*

BOARD COMMITTEE MEMBERSHIP

A Audit, Risk and Compliance Committee S Social and Ethics Committee R Remuneration Committee N Nominations Committee

Ekta **Singh-Bushell**

Senior independent non-executive director

Tenure: 2 years
Committees: A N

+ Joined Remuneration Committee with effect from 31 May 2020

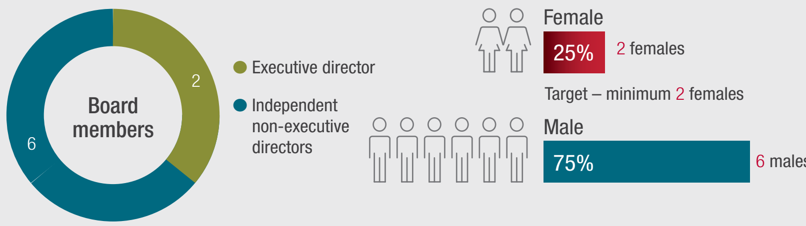
Johnson **Njeke**

Independent non-executive director

Tenure: 3 years
Committees: R A

Chairman of Social and Ethics Committee (to 31 May 2019)
Chairman of Audit, Risk and Compliance Committee

BOARD DIVERSITY



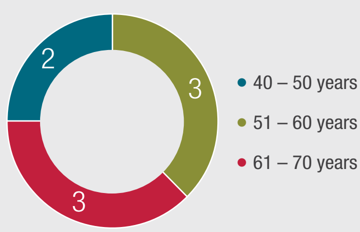
BOARD NATIONALITIES

South African – 3

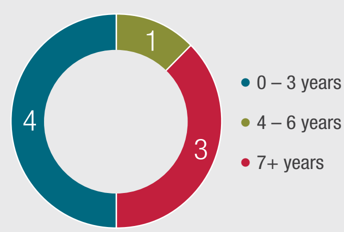
American – 2

British – 3

BOARD AGE



BOARD TENURE*



** As at date of publication.*

SKILLS AND EXPERTISE

- Finance
- Business management
- Strategy
- Information technology
- Cyber security
- Telecommunications
- Risk
- Mergers and acquisitions
- Environment and sustainability
- Leadership
- Emerging markets
- Public sector

Board **of directors** continued

Stephen Davidson

Independent non-executive Chairman

Age: 64

Committees: S R N

+ *Stood down from Remuneration Committee with effect from 31 May 2020*

Chairman of Nominations Committee

Appointed to the Board:

1 February 2007

Skills, expertise and experience:

Stephen was previously Vice-Chairman, Investment Banking, at WestLB Panmure and CEO and Finance Director of Telewest Communications plc. He has a first-class honours degree in Mathematics and Statistics from the University of Aberdeen.

Other directorships:

- Non-executive Chairman of Actual Experience plc (AIM London)
- Non-executive Chairman of PRS for Music
- Non-executive director of Informa plc (LSE)
- Non-executive director of Rosenblatt plc (AIM London)

Jens Montanana

Chief Executive Officer

Age: 59

Committee: S

Appointed to the Board:

6 October 1994

Skills, expertise and experience:

Jens is the founder and CEO of Datatec Limited, established in 1986. Between 1989 and 1993, Jens served as Managing Director and Vice-President of US Robotics (UK) Limited, a wholly owned subsidiary of US Robotics, Inc. which was acquired by 3Com in 1997. In 1993 he co-founded US start-up Xedia Corporation, which was subsequently sold to Lucent Corporation in 1999. In 1994 Jens became Chairman and CEO of Datatec. In 2001 Datatec established an independent non-executive Chairman role after which Jens continued to serve as CEO. He became Executive Chairman of Westcon International in 2017.

Other directorship:

- Chairman of Corero plc (AIM London)

Ivan Dittrich

Chief Financial Officer

Age: 47

Appointed to the Board:

30 May 2016

Skills, expertise and experience:

Ivan rejoined Datatec on 30 May 2016 from Vodacom, where he had been Group CFO from 15 June 2012 to 31 July 2015. Prior to that, he held a number of senior executive positions at Datatec, including Group CFO from May 2008 to June 2012, in a career that spanned 13 years.

Ivan qualified as a Chartered Accountant (South Africa) at Deloitte South Africa and also worked for PricewaterhouseCoopers in London. He completed the Oxford Advanced Management and Leadership Programme at Saïd Business School.

Ekta Singh-Bushell

Senior independent non-executive director

Age: 48

Committees: A N

+ *Joined Remuneration Committee with effect 31 May 2020*

Appointed to the Board:

1 June 2018

Skills, expertise and experience:

Ekta serves on public and private corporate boards bringing diverse global management experience and expertise in financial, digital technology, cyber security and risk operations. She was Chief Operating Officer, Executive Office at the Federal Reserve Bank of New York, and previously had a 17-year career in senior managing partner roles with EY, such as US Innovation and Digital Strategy Leader, Northeast Advisory People Leader and Chief Information Security Officer. She has led transformations across multiple industries impacted by digital technology and information management advances. Ekta is a Certified Public Accountant (USA) and holds advanced international certifications in governance, information systems security, audit and control. She has a Master of Electrical Engineering and Computer Science degree from the University of California, Berkeley, and a Bachelor of Engineering degree from the University of Poona, India.

Other directorships:

- Non-executive director of TTEC (NASDAQ)
- Non-executive director of Net 1 UEPS Technologies Inc. (NASDAQ, JSE)
- Non-executive director of Huron Consulting Group (NASDAQ)
- Non-executive director of Designer Brands Inc. (NYSE)

Maya Makanjee

Independent non-executive director

Age: 58

Committees: S R

Chairman of the Remuneration Committee
Chairman of the Social and Ethics Committee

Appointed to the Board:

1 November 2018

Skills, expertise and experience:

Maya is an experienced independent non-executive director who currently sits on public and private company boards, as well as on those of non-profit organisations. She has gained executive experience in the telecommunications, financial services, consulting and fast moving consumer goods industries, and has held director positions in human resources, marketing communication, corporate affairs and reputation management, strategy, and business re-engineering. Maya has extensive experience in SADC countries, as well as in some markets in Asia.

She was previously an executive director of Vodacom (Pty) Ltd, Nestlé South Africa (Pty) Ltd and SABMiller (Africa and Asia), Chairman of the Vodacom Foundation South Africa and a board member of World Wide Fund for Nature. Maya holds a Master of Business Leadership *(cum laude)* degree, from the University of South Africa, a Bachelor of Commerce degree from the University of KwaZulu-Natal in Durban and a Bachelor of Fine Arts degree in Dance from the University of Mumbai.

Other directorships:

- Non-executive director of Tiger Brands Limited
- Non-executive director of Mpact Limited
- Non-executive director of AIG South Africa Group
- Non-executive director of Truworths International Limited
- Non-executive director of the NOSA Group
- Trustee of the Nelson Mandela Foundation
- Non-executive director of FEM Education Foundation

John McCartney

Independent non-executive director

Age: 67

Committees: A R N

+ Stood down from Remuneration Committee and Audit, Risk and Compliance Committee ("ARCC") with effect from 31 May 2020

Chairman of the Remuneration Committee (up to 31 August 2019)

Appointed to the Board:

16 July 2007

Skills, expertise and experience:

John served as a non-executive director of Datatec from May 1998 to September 2002 and was then reappointed in July 2007. He was formerly President and Chief Operations Officer of US Robotics, Inc, which he joined in 1984, as well as President of 3Com Corporation's Client Access Unit.

Other directorships:

- Non-executive Chairman of Huron Consulting Group (NASDAQ)
- Non-executive director of EQT Corporation (NYSE)

Rick Medlock

Independent non-executive director

Age: 60

Committee: A

Appointed to the Board:

1 January 2020

Skills, expertise and experience:

Rick has been working in the technology, media and telecommunications sector for more than 30 years, specialising in fast growing globally focused technology companies, private equity-backed investments and initial public offerings ("IPOs").

He was the CFO of Synamedia after assisting with its buyout from Cisco in October 2018. Prior to that, Rick was the CFO of Worldpay from 2015 to 2018. During that period, Worldpay transitioned from the largest ever European private-equity IPO to a US$30 billion merger in January 2018 becoming the largest payments processor in the world listed on the NYSE. Prior to Worldpay, Rick held a succession of CFO roles at Misys, Inmarsat plc and NDS Group plc.

Rick is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA degree in Economics from the University of Cambridge.

Other directorship:

- Independent non-executive director of Sophos Group plc (LSE)

Johnson Njeke

Independent non-executive director

Age: 61

Committees: R A

Chairman of the Social and Ethics Committee (to 31 May 2019)

Chairman of the Audit, Risk and Compliance Committee

Appointed to the Board:

1 September 2016

Skills, expertise and experience:

Johnson was a Partner of PricewaterhouseCoopers from 1990 to 1994. In 1994 he co-founded Kagiso Trust Investments. He was the Managing Director of the Kagiso group until his resignation in 2010. He is currently the executive Chairman of Silver Unicorn Coal and Minerals (Pty) Ltd. He is a past Chairman of the South African Institute of Chartered Accountants and its Education Committee. He served in a number of prominent advisory roles for both the public and private sector. Johnson has a Bachelor of Commerce and Bachelor of Accounting Science (Honours) degrees and qualified as a Chartered Accountant (South Africa).

Other directorships:

- Non-executive director of Delta Property Fund
- Trustee and Chairman of Hollard Foundation Trust
- Non-executive director and Chairman of MMI Holdings Limited
- Non-executive director of Clicks Group Limited
- Non-executive director of Motus Holdings Limited
- Executive Chairman of Silver Unicorn Coal and Minerals (Pty) Ltd

Value creation at a glance

VALUE UNLOCKED IN FY20

Effective response to COVID-19 impact post-year-end

Safety and wellbeing of the Group's employees ensured and working from home enabled across all divisions

10 924 total employees

US$649 million invested in wages and benefits

R8 million CSI spend at Datatec head office

2 119 learners benefitting from school-level intervention in maths and science

7 787 individuals gaining access to computer technology

Strong partner and vendor relationships

Westcon SA **BBBEE** status Level 1

Logicalis SA BBBEE status **Level 2**

Datatec BBBEE status **Level 3**

Group revenue **US$4.3 billion**

EBITDA **US$158.7 million**

uEPS **9.9 US cents**

Significant **improvement** in Westcon International profitability

Cash generated from operations **US$215.6 million**

US$60 million returned to shareholders through a special dividend and share repurchases

Acquisitions

Analysys Mason Limited acquired 100% of the issued share capital of Stelacon Holding AB ("Stelacon"), a Swedish consulting company. This was an important further step in building Analysys Mason's pan-Scandinavian presence.

Logicalis SA (Pty) Ltd acquired 100% of the issued share capital of Mars Investment Holdings (Pty) Ltd ("Mars Technologies"), a South African IT services business, with offices in Cape Town, Johannesburg, Port Elizabeth, Durban and East London. This acquisition strengthens and expands Logicalis' South African managed services offering.

Logicalis Group purchased a 70% interest in Cilnet – Communicações e Projectos Especiais S.A. ("Cilnet") on 2 September 2019. The acquisition increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation.

Logicalis Group also acquired 100% of Orange Networks GmbH ("Orange Networks"). This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering.

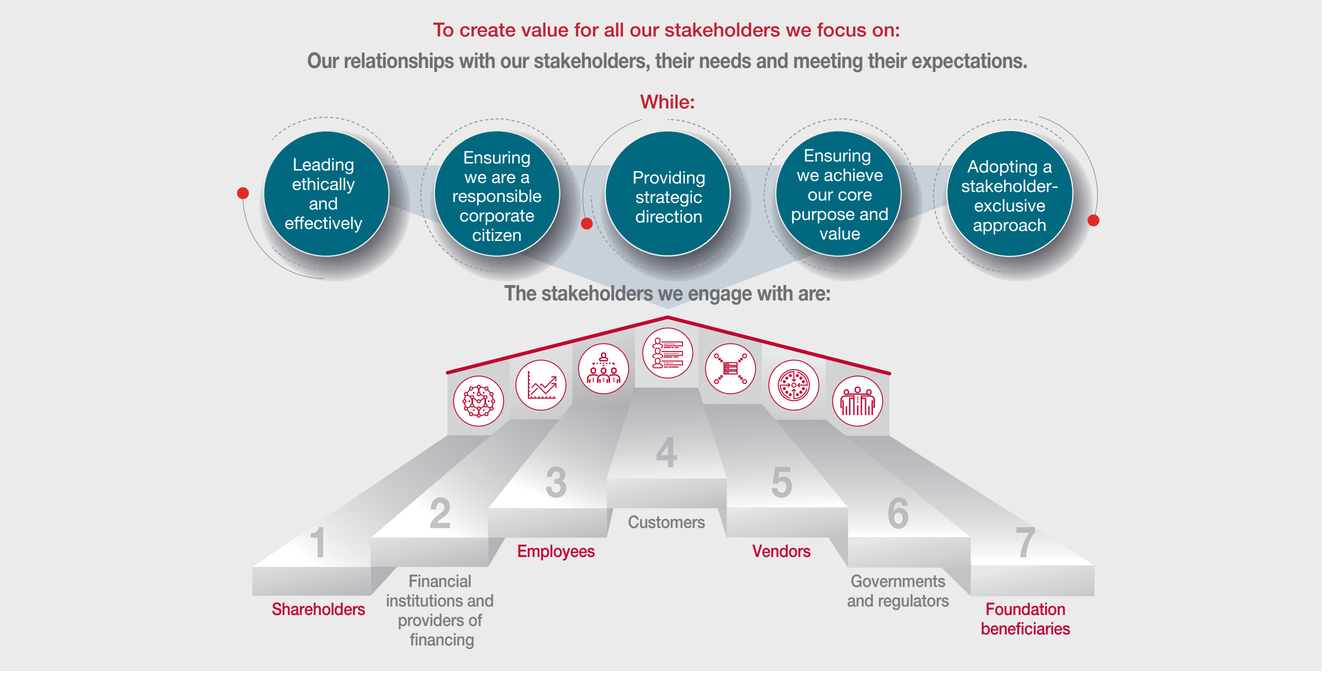
VALUE ADDED STATEMENT
for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
Revenue	4 304 845	4 332 381
Interest received	14 911	9 568
Gain on disposal of subsidiaries	1 332	11 694
Less: Paid to suppliers for materials and services	(3 432 431)	(3 555 313)
Total value added	**888 657**	798 330

[1] *Includes salaries, wages and benefits.*
[2] *Interest expenses.*
[3] *Dividends paid.*
[4] *Taxation paid in the jurisdictions in which the Group operates.*
[5] *Includes depreciation, amortisation, deferred taxes, profit attributable to the equity holders of the parent and profit attributable to non-controlling interests.*

Stakeholder **engagement**

Datatec aims to create value for all stakeholders in the short, medium and long term. Understanding the needs and expectations of our stakeholders is fundamental to achieving this.



Datatec has identified seven key stakeholder groups who may have an impact on or be impacted by its business strategy, activities and policies. We rely on these stakeholder groups to create value. Below, we have disclosed the key issues raised by each and our response in addressing these issues. The strategic objectives linked to the key outcomes are illustrated by our strategic objectives icons.

Our ability to create value is interdependent on the quality of our relationships with our key stakeholders, all of which are regarded as strong.

1. Shareholders

Key issues raised
- Remuneration policy
- Share-based payment schemes
- Value realisation
- Sustainable returns
- Governance
- Risk management

Our response
- Consulted extensively with shareholders on governance matters, remuneration and share-based payment schemes
- Implemented numerous initiatives to improve operational efficiencies, cut costs and enhance profitability
- Investor roadshows and one-on-one meetings with analysts

Key outcomes
- Refined remuneration policy
- Specific concerns addressed
- Refined share-based payment schemes
- EBITDA US$158.7 million
- 9.9 US cents uEPS
- 19 million shares repurchased
- Strong balance sheet
- Stringent focus on application of good governance principles
- Risk management focus in ARCC

2. Financial institutions and providers of financing

Key issues raised
- Financial health
- Liquidity
- Ratios
- Cash generation
- Risk management
- Growth prospects
- Compliance
- Covenant adherence

Our response
- Implemented cost reduction programme
- Renewal of debt facilities in Westcon International
- New banking facilities in Logicalis
- Deleveraging to strengthen balance sheet

Key outcomes
- Westcon International central cost reduction to below targeted levels
- US$41 million in interest to providers of financing
- Improved ROIC
- Improved interest cover (includes IFRS 16 interest)
- Improved operating cash flows
- Four strategic acquisitions made

3. Employees

Key issues raised
- Ongoing training and personal development
- Non-discriminatory work environment
- Nature, variety and breadth of work
- Performance management
- Incentives and rewards

Our response
- Decentralised engagement programmes – operation specific
- Education, training and development programmes – operation specific
- Employee performance assessments
- Group and regional tracking of employee turnover rate and drivers
- Refreshed share incentive schemes

Key outcomes
- US$649 million in staff salaries and benefits
- US$1.6 million cash paid for share-based payments
- Commitment to diversity and inclusion
- Ongoing employee development
- Long-term and short-term employee incentives

4. Customers

Key issues raised
- Effectiveness of processing and transacting systems
- Value for money and quality of service
- Premium (best-in-class) vendors
- Vendor profile (broad offering)
- High degree of technical competence
- Diverse product and service offering across the Group
- Innovation and early adaptation to emerging trends

Our response
- Implemented digital enablement technology tools to improve customer experience and speed to market
- Customer engagement programmes to ensure customer needs and expectations are met
- Strong partnership approach to deliver best results
- Customer satisfaction surveys
- Vendor incubation accelerates access to emerging technologies

Key outcomes
- Positive feedback from satisfaction surveys
- Strong vendor offerings
- Improving services and product mix – services revenue is now over 20% of total revenue

5. Vendors

Key issues raised
- Alignment with vendor "approach to market" messaging
- Meeting vendor financial targets
- Accreditations (training)
- Quality of training programmes
- Maintaining technical edge in light of ongoing market evolution
- Scope for alignment and scale of operations
- Geographic reach
- Financial health
- Innovation and early adaptation to emerging trends

Our response
- Differentiated global relationship management strengthens partnerships
- Active participation at global vendor conferences
- Partner enablement programmes to drive global expansion, channel development and scale
- Global services capabilities
- Vendor satisfaction surveys
- Vendor audits and assessments

Key outcomes
- Positive feedback from satisfaction surveys
- Strong vendor relationships
- Numerous partnership awards won
- Cisco Global Gold status in Logicalis
- Extended partner reach
- Vendor incubation provides competitive advantage
- Contract renewals

6. Governments and regulators

Key issues raised
- Investment
- Employment
- Taxation
- Governance
- Compliance
- Impact on energy usage (IT centres)
- Import and customs controls
- Diversity
- Empowerment and transformation
- Data privacy

Our response
- Maintain sound governance policies and processes
- Regulatory returns/submissions made on time
- Complied with JSE Listings Requirements
- Tax compliance policy (UK)
- BBBEE certification for SA operations and improved BBBEE ownership credentials
- Board policy on diversity
- Adhere to strict data protection policies and processes

Key outcomes
- Westcon SA BBBEE status – Level 1
- Improved Logicalis SA BBBEE status – Level 2
- US$32 million directly distributed to governments
- Increased energy savings initiatives
- Environmental certification

7. Foundation beneficiaries

Key issues raised
- Development of education (specifically mathematics, science and IT) in previously disadvantaged communities
- Charitable and compassionate aid

Our response
- Partnerships with various organisations committed to improving education in under-resourced schools and communities
- Partnerships with non-profit organisations that provide professional development to teachers
- Partnerships with organisations that provide secondary school-level intervention programmes focused on improving results in mathematics, science and English

Key outcomes
- Donated R8 million
- Provided over 7 000 individuals with access to computer technology
- Provided ICT skills training to over 1 000 individuals
- School level intervention programmes in mathematics and science benefitted over 2 000 learners

Chairman's **review**

Stephen Davidson
Chairman

The solid operational execution across the board underpinned the Group's strong financial performance in all divisions, including Westcon International. We are particularly pleased with Westcon International's return to profitability in all regions following multiple years of restructuring as well as system and process changes.

I am pleased to report that the Group demonstrated its ability to deliver on its strategic objectives and produced solid operational and financial results for the year ended 29 February 2020 ("FY20") despite continuing global macrovolatility. We are particularly pleased with Westcon International's return to profitability in all regions following multiple years of restructuring as well as system and process changes. Logicalis had a strong performance especially in its Latin America region and the Management Consulting division continued to benefit from demand for 5G expertise.

Our changing world

During FY20, our team successfully strengthened the foundations to deliver on the Group's strategy and did so while navigating very volatile environments. These foundations are more important than ever as we have seen our world change dramatically since the beginning of the new financial year.

The global COVID-19 pandemic, which was declared by the WHO on 11 March 2020, is the worst humanitarian crisis the world has faced since World War II according to the United Nations. Our management team responded swiftly to the crisis with a focus on ensuring the safety of our work colleagues around the world. To this end, measures were put in place to limit the spread of the virus and enable our colleagues to operate safely in line with WHO guidelines and the regulations of individual countries.

The multi-year investments in technology systems and business automation proved prescient with business continuity plans deployed effectively, enabling employees to work remotely and successfully limiting operational disruptions during prolonged lockdown periods.

Now more than ever businesses have realised the value of digital transformation. Business leaders have converted their organisations very rapidly, increasing demand for connectivity, cloud access and robust security. We are well positioned to support our customers in these transformations.

Financial and operational overview

The solid operational execution across the board underpinned the Group's strong financial performance in all divisions, including Westcon International.

Cash generation was strong while balance sheet and liquidity management remained priorities. Key banking facilities for both Westcon International and Logicalis were secured in May and February respectively.

In light of the COVID-19 crisis, particular attention has been given to assessing the outlook for liquidity across the Group and ensure that sufficient cash will continue to be generated to settle liabilities as they fall due. Each division has carried out scenario planning and stress testing; the necessary contingency plans are in place.

The Group produced flat revenues of US$4.30 billion compared to FY19 US$4.33 billion. However, in constant currency*** terms, revenues were up 4%. EBITDA grew by 83% to US$158.7 million or 42% to US$123.5 million when excluding the impact of IFRS 16. Underlying earnings per share ("uEPS") increased 50% to 9.9 US cents from 6.6 US cents a year ago.

We also returned US$60 million to shareholders through a special dividend and ongoing share repurchases during the year. Further details are included below.

Logicalis, the Group's largest profit contributor, had a strong performance particularly in its Latin America region despite currency headwinds. The Board explored the possibility of listing Logicalis' Latin American business on the B3 S.A. – Brasil, Bolsa, Balcão (www.b3.com.br – Brazilian stock exchange). However, due to the pandemic and its stock market consequences, timing for such an IPO is becoming increasingly indeterminable.

Westcon International returned to profitability in FY20. Following several years of transformation, systems and process investments, no restructuring costs were incurred in FY20. The business also exceeded its target for central costs reduction with central costs reduced to US$29 million in FY20 compared to the published target of US$33 million.

While the near term remains very uncertain, current conditions are driving demand for insight-led transformation and technologies that support remote access computing, cloud, the Internet of Things ("IoT"), virtualisation, security and unified communications.

Dividend and share repurchases

Following an arbitration process, the earn-out payment relating to the disposal of Westcon Americas to SYNNEX was determined to be US$14 million and this was returned to shareholders by way of a cash dividend of R1.00 per share with scrip distribution alternative on 29 July 2019 which totalled US$15.4 million. The special dividend resulted in US$12.2 million of cash being distributed to shareholders while 1.25 million shares were issued to shareholders who elected the scrip distribution alternative.

During FY20 the Company undertook general share repurchases under three separate shareholder mandates provided at general meetings on 15 January 2019 and 26 June 2019 and at the AGM on 29 August 2019. These repurchases amounted to US$44.3 million and totalled 19.0 million shares which have been cancelled, reducing the Company's shares in issue to 201.45 million at 29 February 2020.

Chairman's **review** continued

As a result of the current COVID-19 pandemic, the Group will not declare a dividend for FY20. The Group has also completed its share repurchase programme.

Governance and Board changes

Datatec is committed to the highest standards of corporate governance, which form the foundation for the long-term sustainability of our Company and creation of value for our shareholders.

In FY20, we continued to refresh the composition of the Board and its committees. Maya Makanjee became the Chair of the Social and Ethics Committee on 1 June 2019 and also became the Chairman of the Remuneration Committee on 1 September 2019.

Ekta Singh-Bushell and Johnson Njeke stepped down from the Social and Ethics Committee on 30 November.

On 1 January 2020 we welcomed Rick Medlock as an independent non-executive director and member of the Audit, Risk and Compliance Committee. Rick brings a wealth of international experience in the technology, media and telecommunications sector where he has held several senior positions over a period of more than 30 years, specialising in fast growing globally focused technology companies, private equity-backed investments and IPOs.

John McCartney and I are the two remaining long-serving directors and we are already in the process of transferring our experience to the newer non-executives and stepping down from our committee roles. Both John and I are retiring by rotation at the forthcoming AGM and seeking re-election for a final term in office. If shareholders approve, the intention is that John will then retire within one year of re-election and I will retire within two years, having first effected Chairman succession.

I would like to extend my appreciation to the Board for its strategic direction and robust oversight on the implementation of the strategy throughout the year. I am confident that we have strong leadership in place to navigate through the current environment.

Corporate social responsibility

The Group proactively manages its environmental, social and governance impacts and performance. As a global organisation we are committed to supporting the communities in the areas we operate. Our employees actively partake in identifying areas where we can make a difference with fundraising and volunteering initiatives. Since the start of the COVID-19 pandemic, we have also seen the best in humankind, including some meaningful initiatives across our operations.

More information on our social impact can be found on pages 62 to 65 and pages 126 to 133.

We continue to monitor our carbon footprint and we strive to reduce it as far as possible across all areas of the business.

Our Social and Ethics Committee monitors and regulates the impact of the Group on its stakeholders and reports to the Board which is ultimately responsible for Group sustainability.

Shareholder engagement

Engaging with our stakeholders is essential to developing trusted relationships, a critical foundation for delivering on our strategic focus areas. In FY20, we continued our comprehensive programme of shareholder consultation covering governance matters such as Board composition and, in particular, remuneration. Maya Makanjee, the Chairman of the Remuneration Committee, accompanied me on a series of meetings and consultations with major shareholders representing about 60% of our shareholder base. This consultation process resulted in further enhancements being made to the Company's remuneration policy and implementation thereof.

Please refer to pages 100 to 102 of the Investor Information where the consultation process and its results are set out. We will continue this annual engagement.

We also encourage shareholders to attend the AGM on 29 July 2020 which is being held as a virtual meeting for the first time.

Appreciation

I would like to express my thanks on behalf of the Board to all our 10 924 employees whose commitment and capabilities contribute to the Group's success. They have shown great resilience since the onset of the pandemic and I commend them for adapting so quickly to their new working environments both remote and onsite. Our number one focus is the safety and wellbeing of our colleagues and we continue to deploy protocols set in place by local governments in the regions where we operate.

We extend our deepest gratitude to healthcare workers around the world who have shown incredible commitment and selflessness while working tirelessly to take care of those in need.

Outlook

The macroeconomic indicators are extremely uncertain, but we are confident that Datatec is well positioned with good demand for its solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

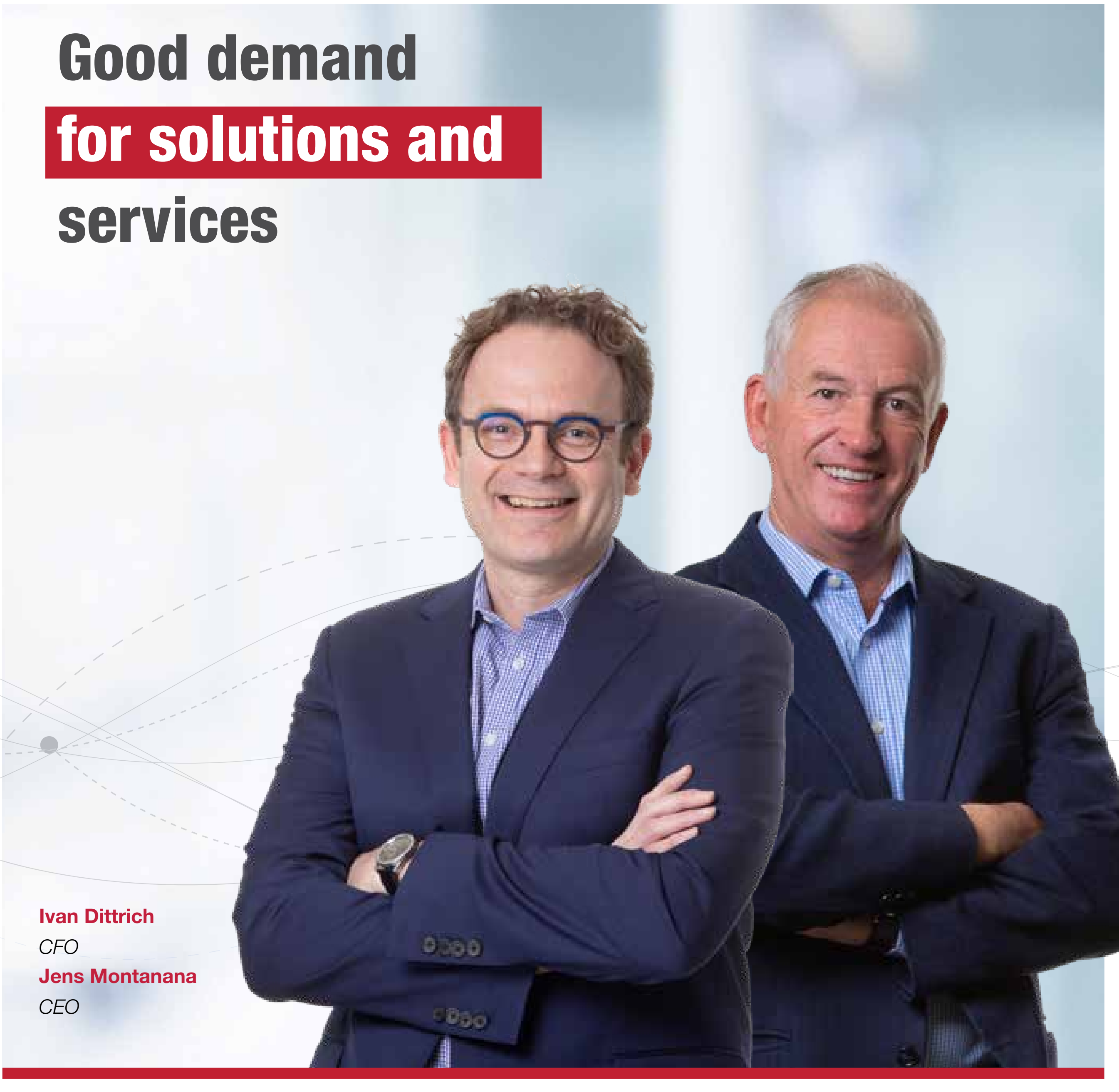
While our focus will remain on balance sheet strength, cash preservation and liquidity, we believe we have the right strategy in place to further unlock value for shareholders when market conditions improve.

Stephen Davidson
Chairman

27 May 2020

*** Pro forma *financial information is included for the Group's revenue for the current reporting period, had it been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information").*
The pro forma *IFRS 16 and constant currency financial information contained in this Integrated Report has been reported on by the Group's external auditors. The Group's auditors Deloitte & Touche, have issued two unmodified reasonable assurance reports (in terms of ISAE 3420:* Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Prospectus)*, a copy of which is available for inspection at the Company's registered office.*

Executive **directors' report**



"The Group delivered strong results in the past year, supported by good operational execution in all divisions in the face of growing global economic uncertainty.

"Westcon International returned to profitability and Logicalis Latin America produced an exceptional performance, as did Analysys Mason, our Management Consulting division, which continued to benefit from demand for 5G expertise.

"The Group generated significantly improved cash flows while we returned US$60 million to shareholders through a special dividend and ongoing share repurchases during the year.

"Since the start of the new financial year, the COVID-19 pandemic has taken its toll on economies, communities and business everywhere. We were able to adjust and move rapidly to a remote working environment across the Group and all divisions. We have seen increased demand for technologies and services required to enhance remote working in areas such as security and network access solutions, cloud migration and infrastructure virtualisation, as well as unified communications.

"I would like to thank all of our employees, customers and suppliers for their continued support during these unprecedented times.

"Datatec is well positioned to navigate the current environment in spite of the extremely uncertain macroeconomic outlook. Good demand for our solutions and services is expected to continue, while we focus on costs, balance sheet and liquidity management."

Jens Montanana, CEO

Strategic overview

Datatec's strategy is to improve shareholder returns over the medium term through a combination of corporate and business development actions aimed at enhancing the competitiveness and profitability of its subsidiaries and operating divisions.

Logicalis is the largest profit contributor to the Group. The division also has the widest geographical exposure and Datatec intends to continue to develop and grow Logicalis globally, both organically and through acquisitions.

Datatec issued a cautionary announcement on 2 March 2020, informing shareholders that it is exploring the possibility of a listing (the "Potential Listing") of Logicalis' Latin American business (the "Latin American business") on the B3 S.A. – Brasil, Bolsa, Balcão (www.b3.com.br – Brazilian stock exchange). This would result in the Latin American business and its shareholders potentially carrying out a primary and secondary offering of the shares of the Latin American business, subject to satisfactory market conditions. A further cautionary announcement in this regard was issued on 15 April 2020.

While the Potential Listing remains of high interest, current market conditions are making the timing of the Potential Listing increasingly undeterminable. As a result, the Board has decided to withdraw the cautionary announcement.

Westcon International is 90% owned by Datatec following the sale of Westcon Americas to SYNNEX Corporation ("SYNNEX") together with 10% of Westcon International in FY18. The Group's strategy is to reshape the Westcon International business in order to improve profitability and reduce the central cost base which was retained after the SYNNEX transaction.

Westcon International returned to profitability in FY20 supported by excellent costs containment with the previously published target reduction in central costs for FY20 successfully exceeded. Following multiple years of restructuring, as well as system and process changes in Westcon International, no restructuring charges were incurred in FY20.

Following an arbitration process by an independent accountant, the earn-out payment relating to the disposal of Westcon Americas to SYNNEX was determined to be US$14 million on 29 May 2019.

This was returned to shareholders by way of a special dividend of R1.00 per share on 29 July 2019, which totalled US$15.4 million.

During FY20, the Company undertook general share repurchases under three separate shareholder mandates provided at general meetings on 15 January 2019 and 26 June 2019 and at the AGM on 29 August 2019. These repurchases amounted to US$44.3 million and totalled 19.0 million shares which have been cancelled, reducing the Company's shares in issue to 201.45 million at 29 February 2020.

Executive **directors' report** continued

Group results

US$000	February 2020	February 2019
Revenue	**4 304 845**	4 332 381
Gross profit	**741 578**	687 744
Gross margin %	**17.2%**	15.9%
Operating costs	**(582 921)**	(600 983)
Operating profit before interest, tax, depreciation and amortisation ("EBITDA")	**158 657**	86 761
EBITDA margin %	**3.7%**	2.0%
Operating profit	**82 537**	48 423
Net finance costs	**(25 874)**	(22 577)
Profit before taxation	**58 488**	24 215
Taxation	**(31 809)**	(20 959)
Profit for the year from continuing operations	**26 679**	3 256
Underlying earnings/(losses) per share (US cents)	**9.9**	6.6
Net debt	**139 867**	100 753

Revenue
Group revenues in FY20 of US$4.30 billion were flat compared to the financial year ended 28 February 2019 ("FY19") in reported US Dollar terms. In constant currency*** terms, Group revenues increased by 3.6% reflecting the impact of foreign currency translation effects on the results.

Gross profit
Group gross margins in FY20 were 17.2% (FY19: 15.9%). Gross profit was US$741.6 million (FY19: US$687.7 million).

Operating costs
Overall operating costs were US$582.9 million (FY19: US$600.9 million). There are no fundamental restructuring costs within operating costs in FY20 (FY19: US$17.5 million restructuring costs).

EBITDA
EBITDA for FY20 was US$158.7 million, representing an increase of 83% on FY19 (US$86.8 million). EBITDA margin was 3.7% (FY19: 2.0%). Excluding the adoption of IFRS 16**, EBITDA would have been US$123.5 million representing a 42% increase over the prior year and EBITDA margin would have been 2.9%.

Operating profit
Operating profit was US$82.6 million, a notable increase on the US$48.4 million operating profit in FY19.

Net finance costs
The net interest charge increased to US$25.9 million (FY19: US$22.6 million), mainly as a result of the adoption of IFRS 16** which added US$4.6 million to the net interest charge during the year.

Profit before tax
Profit before tax was US$58.5 million (FY19: US$24.2 million).

Taxation
A tax charge of US$31.8 million has arisen on pre-tax profits from continuing operations for the year of US$58.5 million. The effective tax rate of 54.4% continues to be adversely affected by losses arising in Westcon International's UK and Asia operations for which no deferred tax assets have been recognised. As at 29 February 2020, there are estimated tax loss carry forwards of US$215.6 million with an estimated future tax benefit of US$46.2 million, of which only US$17.8 million has been recognised as a deferred tax asset.

uEPS*
uEPS* increased by 50% to 9.9 US cents (FY19: 6.6 US cents). Headline earnings per share were 5.9 US cents (FY19: 0.7 US cents).

Cash and net debt
The Group balance sheet remains strong with net debt of US$139.9 million compared to US$100.8 million in FY19. Excluding the IFRS 16 adoption, net debt would have reduced to US$55.1 million. The net debt has been calculated as: cash of US$83.4 million (FY19: US$40.4 million); short-term borrowings and current portion of long-term debt of US$109.5 million (FY19: US$109.8 million); and long-term debt of US$113.8 million (FY19: US$31.4 million). The Group generated US$215.6 million of cash from operations during FY20 (FY19: US$69.0 million).

The adoption of IFRS 16** lease accounting has added US$84.8 million to net debt. For comparative purposes, excluding IFRS 16, net debt would have reduced to US$55.1 million. The net debt excluding IFRS 16 has been calculated as: cash of US$83.4 million (FY19: US$40.4 million); short-term borrowings and current portion of long-term debt of US$88.1 million (FY19: US$109.8 million); and long-term debt of US$50.4 million (FY19: US$31.4 million).

IFRS 16 adoption
IFRS 16 *Leases* has been adopted for FY20 which has had a significant effect on the Group's financial reporting in several areas. Operating expenses have reduced as the majority of rental costs of leased assets are no longer included and depreciation and interest expense have both increased by an approximately commensurate amount. On the statement of financial position, fixed assets have increased with the inclusion of right-of-use assets and borrowings have increased with the equivalent lease liabilities affecting the net debt metric. The detail of this accounting change is set out in the Group consolidated annual financial statements on pages 134 to 241.

* *Excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.*

** *Certain information presented in these results constitutes* pro forma *financial information. The responsibility for preparing and presenting the* pro forma *financial information and for the completeness and accuracy of the* pro forma *financial information is that of the Datatec directors. This is presented for illustrative purposes only. Because of its nature, the* pro forma *financial information may not fairly present the Group's financial position, changes in equity, and results of operations or cash flows. The Group has included* pro forma *IFRS 16* Leases*, financial information that represents the results and statement of financial position showing the impact on FY20 as if IFRS 16 had not been applied.*

*** Pro forma *financial information is included for the Group's revenue for the current reporting period, had it been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information").*
The pro forma *IFRS 16 and constant currency financial information contained in this Integrated Report has been reported on by the Group's external auditors. The Group's auditors Deloitte & Touche, have issued two unmodified reasonable assurance reports (in terms of ISAE 3420:* Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Prospectus)*, a copy of which is available for inspection at the Company's registered office.*

Acquisitions

On 1 March 2019, Analysys Mason Limited acquired 100% of the issued share capital of Stelacon, a Swedish consulting company, for US$2.6 million (including a deferred purchase consideration of US$1.2 million). This was an important further step in building a pan-Scandinavian presence, after Analysys Mason's successful expansion into Norway. Stelacon brings experience in areas including smart cities, regional development, digital services, policy and regulation, and telecoms and digital communications.

Effective 30 June 2019, Logicalis SA (Pty) Ltd, acquired 100% of the issued share capital of Mars Technologies, a South African IT services business, with offices in Cape Town, Johannesburg, Port Elizabeth, Durban and East London for US$0.4 million (including a deferred purchase consideration of US$0.1 million). Mars Technologies offers managed IT services ranging from the remote monitoring of networks and servers, managed desktop, anti-virus, cloud backup, and printers, to full outsourcing, with a strong offering to small and mid-market enterprises. This acquisition strengthens and expands Logicalis' South African managed services offering.

Logicalis Group purchased a 70% interest in Cilnet on 2 September 2019. Cilnet is a Cisco systems integrator and managed services business in Portugal. The purchase consideration was US$8.8 million (including a deferred purchase consideration of US$2.3 million and US$0.7 million non-controlling interest that was raised at acquisition). The acquisition increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region.

Logicalis Group also acquired 100% of Orange Networks on 2 September 2019. Orange Networks is a Microsoft services business focused on Microsoft cloud and managed services, with Germany-wide presence, including Hamburg, Munich, Offenbach and Düsseldorf. The purchase price was US$2.9 million (including a deferred purchase consideration of US$0.6 million). This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering.

As a result of these acquisitions, goodwill and other intangible assets increased by US$13.0 million and US$3.9 million respectively. None of the goodwill recognised is expected to be deductible for income tax purposes. The revenue and EBITDA included from the acquisitions in FY20 are US$23.3 million and US$2.6 million respectively; profit after tax included from these acquisitions was US$1.7 million. Had the acquisition dates been 1 March 2019, revenue and EBITDA attributable to these acquisitions would have been approximately US$42.8 million and US$4.9 million respectively.

It is not practical to establish profit after tax that would have been contributed to the Group if they had been included for the entire year. All trade receivables are measured at amortised cost. The carrying value of trade receivables balances approximates their fair value. All identifiable intangible assets have been recognised and accounted for at fair value.

Acquisition-related costs of the above acquisitions of US$0.3 million are included in operating costs in the consolidated statement of comprehensive income.

Executive **directors' report** continued

Liquidity and borrowing facilities

In light of the COVID-19 crisis, particular attention has been given to assessing the outlook for liquidity across the Group and ensuring that sufficient cash will continue to be generated to settle liabilities as they fall due. Each division has carried out scenario planning and stress testing for the 12 months following the date of this report and has contingency plans in place to adapt to the more severe scenarios.

In January 2020, Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities. The facility is used to fund working capital requirements and also includes a new acquisition credit line. In addition, the Latin American credit facilities are considered adequate in the current environment.

On 14 May 2020, Westcon International extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced with effect from 4 June 2020 to US$224 million with an accordion provision to increase the facility to US$280 million during the period from November 2020 to February 2021 when working capital utilisation is typically at its highest. This extended facility is considered adequate for Westcon International's working capital requirements, based on historical utilisation as well as projected headroom requirements as per the scenario modelling and stress testing.

The Group performed covenant projections for the next 12 months to confirm that banking covenants will continue to be met.

The Group's liquidity is dependent upon customers continuing to pay their invoices on a timely basis. To date in FY21, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

Working capital was very well controlled across the Group in FY20 and net working capital days continued to improve in Westcon International as detailed in the Westcon International divisional review. Trade receivables and inventory are of a sound quality and adequate provisions are held against both.

Shareholder distributions: dividend policy and share repurchases

The Group's policy is to maintain a fixed three times cover relative to underlying* earnings when declaring dividends. However, as a result of the current COVID-19 pandemic and stated focus on preserving cash, the Board has decided not to declare a dividend for FY20.

Following an arbitration process by an independent accountant, the earn-out payment relating to the disposal of Westcon Americas to SYNNEX was determined to be US$14 million and was returned to shareholders by way of a cash dividend of R1.00 per share with scrip distribution alternative on 29 July 2019, which totalled US$15.4 million. The special dividend resulted in US$12.2 million of cash being distributed to shareholders who did not elect the scrip distribution alternative and 1.25 million shares were issued to shareholders who elected the scrip distribution alternative.

The Board had previously instituted a structured programme of general share repurchases in order to return cash to shareholders. During FY20, the Company undertook general share repurchases under three separate shareholder mandates:

- General meeting on 15 January 2019 – 4.40 million shares
- General meeting on 26 June 2019 – 4.05 million shares
- AGM on 29 August 2019 – 10.55 million shares

These repurchases amounted to US$44.3 million and totalled 19.0 million shares which have been cancelled, reducing the Company's shares in issue to 201.45 million at 29 February 2020.

The Company has undertaken all its share repurchases in accordance with the JSE Listings Requirements.

Datatec has completed its share repurchase programme.

Divisional reviews

Logicalis

A review of Logicalis' financial performance can be found in the Logicalis divisional review on pages 42 to 49.

Logicalis continues to seek enhancements in its long-term capabilities within cloud, IoT, software, security, data management and intelligent networks to promote long-term value and insight-led transformation to its customers.

While it is certain that technology will be even more firmly embedded in customers' operations following this pandemic, the exact impact of COVID-19 on Logicalis' short to medium-term trading is difficult to establish at this stage.

Regional leadership teams within Logicalis have prepared action plans to respond to different scenarios that they may encounter. At the same time, each region has put together compelling offers to customers and markets, including rapid remote deployment of essential solutions and services. These are designed to support customers in the areas that are most relevant to them right now, including secure remote working solutions, collaboration packages and improvements to IT resilience.

Logicalis remains confident about the long-term prospects for the industry and its positioning within it. Emerging markets currencies are expected to remain volatile over the short term.

Westcon International

A review of Westcon International's financial performance can be found in the Westcon International divisional review on pages 50 to 61.

In September 2019, the Group announced a change in the black economic empowerment ("BEE") partner of its subsidiary Westcon Southern Africa Holdings (Pty) Ltd ("Westcon SA"). This followed the disposal by MIC Investment Holdings (Pty) Ltd of its 40% equity interest in Westcon SA to Ascension Capital Partners (Pty) Ltd, a South African private equity investor. Westcon SA has maintained its Level 1 BEE rating pursuant to this transaction.

Westcon International continues to monitor and respond to the COVID-19 pandemic with its priority on maintaining the health and welfare of its staff in compliance with relevant government directives, while limiting business impacts for channel and vendor partners.

Westcon International's key logistics centres in the UK, Netherlands, Middle East, South Africa and Asia-Pacific remain open and are being managed under strict measures to assure the wellbeing of logistics and warehousing teams while maintaining service levels. This has enabled the division to take an active role in servicing the needs of critical business sectors alongside partners during the pandemic.

The multi-year investments in Westcon International's advanced systems and business automation enabled business continuity plans to be deployed seamlessly, with almost the entire workforce switching to remote working.

Executive **directors' report** continued

The reshaping of Westcon International is proceeding according to plan and the business is now operating profitably. While the near term remains very uncertain, current conditions are driving demand for technologies that support remote access computing, cloud computing, virtualisation, security and unified communications.

Corporate, Management Consulting and Financial Services

This segment accounted for 1% of the Group's revenues (FY19: 1%).

The Management Consulting unit comprises Analysys Mason, a provider of strategic, trusted advisory, modelling and market intelligence services to the telecoms, media and technology industries.

Analysys Mason delivered an excellent performance in FY20. Management Consulting revenues were US$58.7 million (FY19: US$45.7 million) and EBITDA was US$9.4 million (FY19: US$2.8 million). This strong performance was reflected across all 16 offices worldwide and across the main propositions of Strategy, Transaction Support, Regulatory Advice and Research. In particular, areas such as 5G and fibre, where Analysys Mason has unrivalled deep domain expertise, were significant drivers of revenue growth.

Effective 1 March 2019, Analysys Mason acquired Stelacon in Sweden as the next step in building a pan-Scandinavian team, following the earlier acquisition of Nexia Management Consulting in Norway.

On 1 April 2020, Analysys Mason acquired Allolio&Konrad, a consultancy based in Bonn, Germany, with an extensive track record in the telecommunications industry and long-term client relationships with Europe's leading telecom operators.

The acquisition of Allolio&Konrad builds logically on other recent acquisitions, strengthening Analysys Mason's position in the strategic, digital transformation, IT transformation, and performance consulting market, and broadening its skills base to support the accelerating demand for 5G expertise.

The Datatec Financial Services business provides financing/leasing solutions for ICT customers. The business recorded revenues of US$1.0 million in FY20 (FY19: US$0.9 million) and an EBITDA loss of US$1.2 million (FY19: US$1.7 million).

The Corporate reporting segment includes the net operating costs of the Datatec head office entities, which were US$15.3 million (FY19: US$16.8 million). These costs include the remuneration of the Board and head office staff, consulting and audit fees. In FY20, foreign exchange gains were US$1.9 million (FY19: US$3.5 million).

As at 29 February 2020, Datatec head office entities held cash of US$67.5 million of which US$14.5 million (the equivalent of ZAR226.8 million) is held in South Africa and subject to the South African Reserve Bank regulations.

Current trading and outlook

The declaration of COVID-19 as a pandemic by the WHO on 11 March 2020, at the start of the Group's new financial year, heralded an unprecedented global economic and humanitarian crisis.

The Group's immediate response was to keep employees safe in accordance with government guidelines in all geographies of operation which typically involved maximising working from home, social distancing and all advised measures to limit the spread of COVID-19.

The multi-year investments in Westcon International's advanced systems and business automation enabled business continuity plans to be deployed effectively with almost the entire workforce switching to remote working. Most of Logicalis' global workforce is also working from home, limiting operational disruptions during lockdown periods.

Trading has remained steady since the beginning of the 2021 financial year, although some delays and supply disruptions were experienced especially in countries with highly restrictive lockdowns. Initial indications are that Westcon International's revenues and order intake for the first quarter of FY21 ("Q1 FY21") are similar to the same period last year. For Logicalis, order intake for Q1 FY21 is similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

The foreign currency exchange effects have been exacerbated so far in Q1 FY21 with the Rand and the Brazilian Real in particular depreciating dramatically against the US Dollar. Sustained emerging markets' currency weakness is expected for the near term.

Collections from customers during the first few months of FY21 have remained in line with historic norms. As intermediaries in the supply chain, both Logicalis and Westcon International are working with vendors to provide support to customers experiencing adverse effects from the pandemic.

Increased demand for the Group's technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, virtualisation, security and unified communications remains strong. The positioning of the Group's divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

The COVID-19 pandemic has created a lot of uncertainty over the macroeconomic outlook, both in the short and medium term. As a result, the Group will not be issuing any forward-looking guidance.

Our focus will remain on optimising our business for the current environment which will include cost and liquidity management.

Jens Montanana
CEO

Ivan Dittrich
CFO

27 May 2020

Five-year **review**

US$'000	2020	2019	2018	2017	2016
Revenue^Δ	**4 304 845**	4 332 381	3 923 715	3 861 991	4 126 279
Continuing operations^Δ	**4 281 591**	4 277 186	3 881 547	3 859 775	4 072 668
Revenue from acquisitions^Δ	**23 254**	55 195	42 168	2 216	53 611
Operating profit before interest, depreciation and amortisation ("EBITDA")^Δ	**158 657**	86 761	26 697	29 041	79 019
Operating profit/(loss) before goodwill, investment and intangible asset adjustment/impairment^Δ	**82 537**	48 423	(24 866)	(23 289)	33 349
Westcon International^Δ	**18 972**	(4 226)	(71 822)	(61 102)	(12 546)
Logicalis^‡Δ	**72 287**	65 949	59 483	52 017	53 931
Corporate, Management Consulting^‡ and Financial Services	**(8 722)**	(13 300)	(12 527)	(14 204)	(8 036)
Profit/(loss) before taxation^Δ	**58 488**	24 215	(99 352)	(31 789)	(16 398)
Profit/(loss) for the year from continuing operations^Δ	**26 679**	3 256	(117 817)	(53 031)	(37 964)
Profit for the year from discontinued operations^Δ	**1 332**	11 694	159 608	63 780	86 442
Profit after taxation	**28 011**	14 950	41 791	10 749	48 478
Attributable profit^Δ	**14 237**	13 134	44 359	3 038	39 949
Headline profit/(loss)^Δ	**12 491**	1 658	(41 337)	4 293	40 016
Capital distribution and dividends to shareholders (cash component)	**(12 167)**	–	(244 193)	(20 949)	(22 200)
Non-current assets	**512 598**	437 786	417 370	786 361	766 142
Current assets	**2 083 928**	2 284 521	2 244 228	2 698 539	2 616 800
Equity attributable to equity holders of the parent	**572 315**	648 927	721 603	854 986	830 366
Non-controlling interests	**70 778**	63 303	69 217	51 889	39 054
Non-current liabilities	**187 610**	100 805	120 685	127 056	112 645
Current liabilities	**1 765 823**	1 909 272	1 750 093	2 450 969	2 400 877
Net cash inflow/(outflow) from operating activities	**147 656**	8 025	(50 605)	(105 884)	68 018
Net cash(outflow)/inflow from investing activities	**(30 966)**	(59 286)	683 187	(69 673)	(119 289)
Net cash outflow from financing activities	**(76 781)**	(54 584)	(175 487)	(3 527)	(33 407)
Cash net of overdraft	**83 389**	40 381	161 342	(299 852)	(132 685)
Net debt	**(139 867)**	(100 753)	(6 380)	(396 541)	(205 398)
IN US CENTS					
Headline earnings/(losses) per share	**6**	1	(19)	2	19
Underlying* earnings/(losses) per share	**10**	7	(6)	11	32
Basic earnings per share	**7**	6	21	1	19
Net asset value per share	**288**	298	297	404	397
Tangible net asset value per share	**142**	167	186	125	115
Distribution per share	**7**	–	165	4	17
IN ZA CENTS					
Distribution per share	**100**	–	2 300	60	241
RATIOS					
Return on capital employed	**10.6%**	5.9%	(2.7%)	6.6%	12.1%
Return on invested capital	**5.2%**	1.1%	(1.1%)	0.8%	6.5%
Return on average shareholders' equity	**3.4%**	2.3%	(1.5%)	2.7%	7.8%
Net debt-to-equity ratio	**0.24:1**	0.16:1	0.01:1	0.46:1	0.25:1
Current ratio	**1.2:1**	1.2:1	1.3:1	1.1:1	1.1:1
EBITDA margin^Δ	**3.7%**	2.0%	0.7%	0.8%	1.9%
Operating profit/(loss) margin^Δ	**1.9%**	1.1%	(0.6%)	(0.6%)	0.8%
Interest cover^Δ	**3.9**	2.7	1.0	1.7	5.2
Percentage change in SA Consumer Price Index	**4.6**	4.1	4.0	6.3	7.0

	2020	2019	2018	2017	2016
STOCK EXCHANGE PERFORMANCE					
Total number of shares traded ('000)	**128 887**	174 397	202 681	145 093	149 707
Total number of shares traded on the JSE as a percentage of total shares traded	**60.4%**	72.7%	91.7%	68.8%	72.3%
Total value of shares traded (R million)	**4 405**	4 132	10 340	6 953	8 901
Prices (cents)					
Closing	**3 060**	3 150	2 500	5 458	4 648
High	**3 797**	3 300	6 499	5 848	8 088
Low	**2 800**	1 715	2 301	4 006	3 820
Market capitalisation (R million)	**6 164**	6 905	6 074	11 569	9 735
Adjusted for the special dividend of 2 300cps in January 2018					
Prices (cents)					
Closing	**3 060**	3 150	2 500	3 158	2 348
High	**3 797**	3 300	4 199	3 548	5 788
Low	**2 800**	1 715	2 301	1 706	1 520
P/E ratio (underlying* earnings) – adjusted prices	**21**	35	(34)	20	5
SHARES ISSUED					
Issued (million) – excluding deferred bonus plan shares and treasury shares	**198**	218	243	212	209
Weighted average (million)	**210**	238	216	211	206
EMPLOYEES					
Number of employees at the end of the year – continuing operations$^{\Delta}$	**10 924**	10 130	8 616	7 659	7 198
Average number of employees$^{\Delta}$	**10 527**	9 373	8 138	7 429	7 017
Operating profit/(loss) per average employee (US$'000)$^{\Delta}$	**8**	5	(3)	(3)	5
Gross assets per employee (US$'000)$^{\Delta}$	**238**	269	309	455	470
EXCHANGE RATES					
Rand/US$ statement of comprehensive income translation rate	**14.7**	13.6	13.0	14.2	13.7
Rand/US$ statement of financial position translation rate	**15.6**	13.9	11.8	13.0	16.2

Notes:

– Tangible net asset value per share is calculated using net asset value exclusive of intangible assets, goodwill and capitalised development expenditure and the number of shares in issue (excluding deferred bonus plan shares and treasury shares) at the end of the financial period.

– Return on capital employed is calculated using operating profit before goodwill, investment and intangible asset adjustment/impairment and the average of opening and closing capital employed. Capital employed is calculated using total shareholder funds plus all long-term liabilities including amounts owing to vendors of a long-term nature but excluding deferred tax liabilities, provisions and liability for share-based payments.

– Return on invested capital is calculated using net operating profit after tax and average invested capital. Net operating profit after tax is calculated using operating profit before goodwill, investment and intangible asset adjustment/impairment to which amortisation of acquired intangible assets is added back, and is tax effected at the normalised effective tax rate. Invested capital is calculated using total shareholder funds plus long-term interest-bearing liabilities and short-term interest-bearing liabilities (excluding interest-bearing trade payables) less cash and cash equivalents.

– Return on average shareholders' equity is calculated using underlying earnings and the average of opening and closing equity attributable to the equity holders of the parent.*

– Debt, for the purposes of the debt-to-equity ratio, includes all long-term interest-bearing liabilities and includes short-term interest-bearing liabilities (excluding interest-bearing trade payables) but excludes deferred tax liabilities, amounts owing to vendors and liability for share-based payments. Net debt includes cash and cash equivalents.

– The P/E ratio (price-earnings ratio) is calculated using underlying earnings per share and the closing share price.*

– Ratios referring to operating profit use operating profit before goodwill, investment and intangible asset adjustment/impairment.

– Interest cover is calculated using EBITDA and finance costs.

– The SA Consumer Price Index is sourced from Statistics South Africa.

– Detailed segmental information is set out in Note 33 of the Group consolidated annual financial statements on pages 134 to 241.

** Excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.*

‡ The results of Via have been included in Logicalis from FY17 and in the Corporate, Management Consulting and Financial Services segment in preceding periods.

Δ Re-presented. The statement of comprehensive income for FY16 – FY17 has been re-presented to show comparative results from continuing and discontinued operations. The re-presented information for FY16 has not been audited. Only certain ratios which are related to the statement of comprehensive income only have been re-presented. Ratios which are affected by both the statement of comprehensive income and the statement of financial position have not been re-presented.

Logicalis **divisional report**

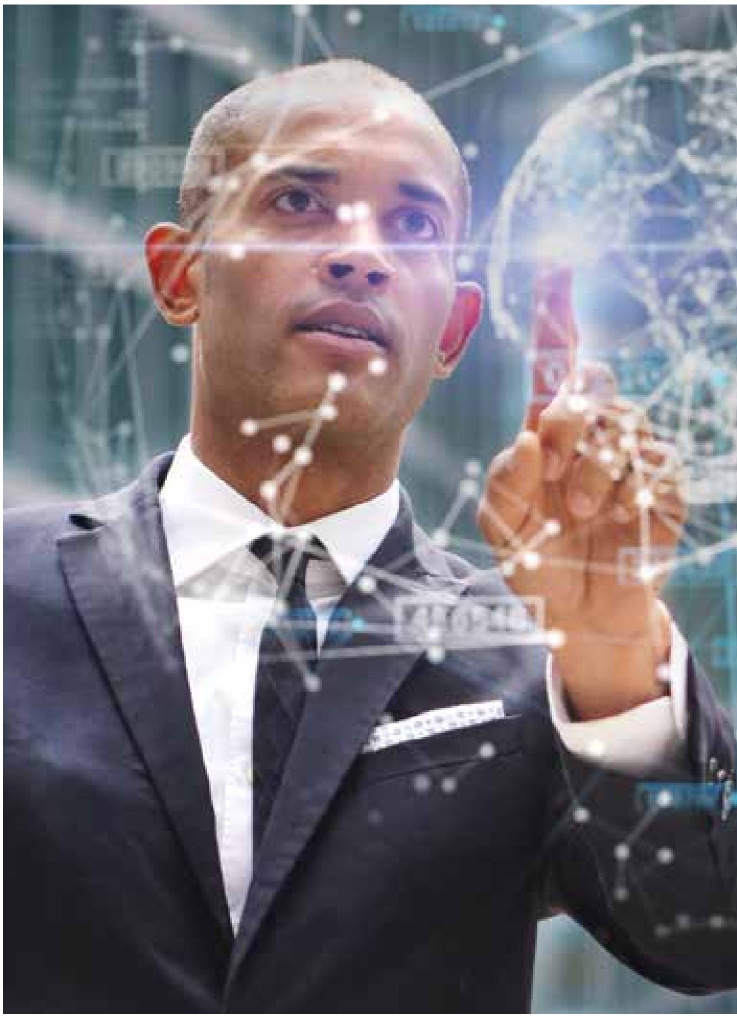
LOGICALIS
Architects of Change

Logicalis' strategy

Logicalis' strategy is to be the leading ICT services and solutions partner to customers in its key markets around the world.

Logicalis' operations

- **10 000** customers globally
- Operates in over **25** countries
- Over **7 000** employees (permanent and contractors)
- Strategic partnerships – Cisco, Micro-soft, HPE, IBM, NetApp, Oracle, Service Now, Dell/EMC and VMware



Executive team

Bob Bailkoski
Chief Executive Officer

Stuart Radcliffe
Chief Financial Officer

Material risks

- **Impact of COVID-19 on performance**
  Response: Focus on cash preservation activities to ensure it can withstand pressure from short-term delays to orders from customers or an inability to deliver and install. Long-term funding for both working capital and growth needs secured during the year – this committed facility will provide additional support to the division if necessary.
- **Customers moving to public cloud as part of hybrid cloud strategies**
  Response: Build skills and capability in public cloud along as well as enhancing relationships with major providers.
- **Dependence on key market (Brazil) and impact of shift in market position or local economy**
  Response: Conduct regular reviews of the performance of the Brazilian business.
  Monitor the Brazilian economy so that it can be proactive in its response to a long-term decline.

Performance highlights

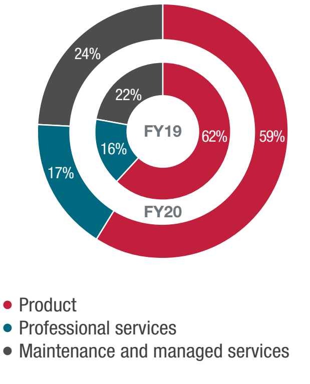
Services mix remains strong at **41%** of revenue (FY19: 38%)

EBITDA increased by 33% to **US$123.9 million** (FY19: US$93.4 million)

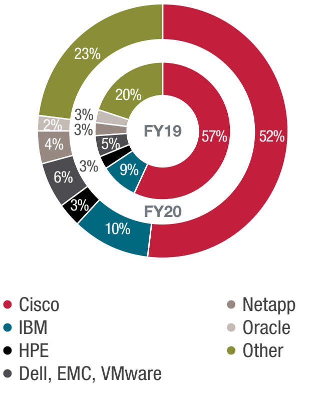
Operating profit margin of **4.3%** continues to improve (FY19: 3.8%)

New **US$155 million** committed facility secured to support working capital and growth

Revenue by segment



Product revenue by vendor



Educational impact through business activities

Logicalis helped its customer National Cheng Kung University ("NCKU") to build the first AI-enabled, cloud-based virtual learning platform, that would provide AI courses for primary and secondary school students.

The university needed a professional team that could not only establish a platform for high-performance computing in AI applications, but one that also possessed requisite knowledge and expertise in the basics and higher theories of AI and machine learning.

Logicalis designed and delivered an integrated high-performance computing infrastructure with a cloud virtual desktop infrastructure ("VDI") and developed a tailor-made AI course providing NCKU with the practical know-how to inspire students to pursue advanced degrees and research opportunities in the AI field.

Logicalis **divisional report** continued

Corporate overview

Logicalis is an international multi-skilled IT services and solutions provider that supports its customers through the design, planning and execution of their digital transformation. With sector-leading experience and insight, its unique approach enables progress at pace and with purpose.

Logicalis' customers span industries and geographical regions. It operates in several vertical markets including financial services, telecommunications, education, healthcare, retail, government, manufacturing and professional services.

Logicalis applies the skills of its more than 7 000 employees to design, transform, deploy and operate companies' IT infrastructure through on-premise, cloud and hybrid solutions. Logicalis modernises its customers' data centres, offers security and network infrastructure expertise, workspace communications and collaboration capability, and designs and implements data and advanced telemetry projects.

Logicalis' people are considered to be "Architects of Change™", using their technology and markets expertise to support their clients through the challenges brought by transformation.

Logicalis acts as a customer advocate with some of the world's leading technology companies including Cisco, IBM, Microsoft, Oracle, HPE, NetApp and VMware.

Logicalis has revenues of over US$1.7 billion and operates in Europe, North America, Latin America, Asia-Pacific and Africa.

Purpose

Logicalis exists to accelerate its customers' progress, keeping them relevant in the digital economy and directly contributing to their success. This vision is central to Logicalis' strategy which is executed while living its values. Logicalis maintains an environment of honesty, transparency, fairness and high-moral standards which encourages initiative and provides opportunity for its people. Change and creativity are embraced to deliver the best practical outcomes. Logicalis strives to exceed expectations and be the best while maintaining the highest level of quality. It relies on the strong relationships and alliances that it has built to achieve success for the long term.

How Logicalis creates value

Logicalis' go-to-market strategy is based on delivering the desired business outcomes of its customers through the implementation of a variety of technology solutions and services. Logicalis works with both IT and line-of-business stakeholders to align technology investments with business strategy, driving critical business objectives through the adoption and application of technology for competitive advantage.

Customers' business outcomes often revolve around the following areas:
- Getting closer to their customers
- Engaging their employees
- Optimising their operations
- Transforming their business and operating model

The solutions that Logicalis offers have been specifically designed to achieve these outcomes. These include technologies such as digital networking, cloud, modern data centre, communication and collaboration solutions, workforce mobility, automation, application modernisation and advanced telemetry in the IoT.

A key element of the Logicalis value proposition is its extensive service portfolio. This offers a wide variety of services including product integration and associated professional services, lifecycle and managed services and cloud solutions, with a focus on embedding security across all technology offerings. Logicalis delivers consistent, digital global services using shared, best practice platforms.

In 2019, Logicalis was positioned as a leader in the IDC MarketScape: Worldwide Network Consulting Services Vendor Assessment. IDC noted that worldwide, buyers of network consulting services regard Logicalis as particularly strong in providing and building a faster and more secure on-ramp to the cloud, increased competitive advantage, and increased profitability for its customers.

Logicalis' goal is to be a strategic partner to the Chief Information Officer ("CIO"), enabling them to satisfy and operate all aspects of IT more effectively and supporting them as they contribute to the strategic development of their organisation. Every CIO's goal is to improve the satisfaction of their organisation's users by responding to the changing demands for technology-led business innovation across all areas: Logicalis supports them in delivering this goal.

LOGICALIS' VALUE CREATION BUSINESS MODEL

Logicalis creates and maintains relevance for both customers and stakeholders through its agility from local business innovation and management to execute its strategy, which is leveraged globally via a collaborative culture and exchange of skills and knowledge.

WHAT MAKES LOGICALIS DIFFERENT

- **Empowering its people to be innovative**
- **Dedicated business focused on specific needs of global customers**
- **Consistent service delivery and quality across geographies**
- **Focused on longer-term, more strategic relationships with customers**
- **Driving customers' success by bringing together their vision with Logicalis' industry knowledge and deep technological expertise to design and deliver its customers' digital transformation**

KEY RESOURCES

Financial
Other receivables and prepayments – US$178 million
Net debt – US$157 million

Human
7 339 employees
Employees' time, skills and knowledge

Social and relationship
Vendor relationships
Customer relationships
Stakeholder relationships

Intellectual
Technical expertise
Sector experience
Strategic partnerships

Natural
Carbon energy management
Energy management
Recycling initiatives

Manufactured
Data centres

KEY PARTNERS AND RELATIONSHIPS

Key partners
Cisco
Microsoft
IBM

Key relationships
Customers
Employees
Vendors
Communities

KEY REVENUE SEGMENTS

Categories
Direct product sales
Annuity services

Vendors
Cisco
IBM
Microsoft

Geographic
Latin America

KEY REVENUE DRIVERS

- Volumes
- Exchange rates, particularly in Latin America
- Multinational deals

OUR ACTIVITIES

- Green IT solutions
- Extensive service portfolio
- On-premise, cloud and hybrid solutions
- Security expertise
- Network infrastructure expertise
- Workspace communications
- Collaboration capability
- IoT, data analytics and AI expertise
- Acquisition activities

HOW LOGICALIS CREATES VALUE

As "Architects of Change™" Logicalis adds value by delivering complex IT solutions and services to achieve business transformation for its clients and society.

Logicalis provides a single source to navigate the intricacies of global business.

Logicalis is continually expanding its partnership ecosystem with vendors and core partners and building long-term relationships.

WHAT IMPACTS LOGICALIS' ABILITY TO CREATE VALUE

- Fluctuating exchange rates
- Global macroeconomic uncertainty

KEY OUTCOMES FOR STAKEHOLDERS

Shareholders
33% EBITDA growth
Increased operating profitability
Increased services and annuity revenue

Financial institutions and providers of financing
US$26 million in interest to providers of financing

Employees
Recognition of employees through performance rewards
Investment in business and technical expertise for employees

Customers
A dedicated, committed partnership and superior customer experience

Vendors (suppliers)
Recognition by vendors through partner awards and joint investment
Committed and strategic long-term profitable vendor relationships

Corporate social responsibility beneficiaries
Improved quality of life for local communities
More inclusive and diverse workplace

Governments and regulators
Compliance with regulatory requirements
US$22 million in taxes

Environment
Energy savings and reduced carbon footprint
Environmental certifications

Logicalis **divisional report** continued

Performance

Logicalis accounted for 40% of the Group's revenues (FY19: 40%).

US$ million	February 2020	February 2019	% movement
Revenue	**1 700.4**	1 741.1	(2)
Gross profit	**441.2**	410.1	8
Gross margin %	**25.9%**	23.6%	
Operating costs	**(317.3)**	(316.7)	0
Operating profit before interest, tax, depreciation and amortisation ("EBITDA")	**123.9**	93.4	33
EBITDA margin %	**7.3%**	5.4%	
Operating profit	**72.3**	65.9	10
Net finance costs	**(14.1)**	(16.8)	(16)
Profit before taxation	**58.7**	49.6	18
Net debt	**(156.7)**	(109.2)	43

Revenue

Revenue decreased by 2.34% to US$1.7 billion (FY19: US$1.7 billion). In constant currency*** terms, Logicalis' revenue increased by 4.28% in FY20. Services revenues were up 6.32% with growth in both professional services and annuity revenue.

Revenue increased across North America, Asia-Pacific and Africa in absolute terms. The decrease in Europe was attributable to the rightsizing of the UK business and the decrease in Latin America was attributable to worsening exchange rates, although local currency revenue showed an increase over FY19.

Revenues from product sales were down 7.5%, affected mainly by Latin America which benefitted from large volumes of Cisco business in FY19.

Gross profit

Logicalis' gross margin was 25.9% (FY19: 23.6%).

This increase was partly due to the major multi-year Latin American contract which included a large product component in FY19 that transitioned to include a more substantial services element as the contract progressed. In addition, a once-off tax credit in Brazil increased gross profit by US$13.6 million in FY20, following a court ruling in favour of Logicalis with regards to certain overpaid indirect taxes. This ruling is not subject to appeal by the Brazilian tax authorities. Logicalis Brazil also recognised interest income of US$7.5 million on these multi-year overpaid taxes during FY20.

Gross profit was up 7.6% to US$441.2 million (FY19: US$410.1 million).

EBITDA and operating profit

EBITDA was US$123.9 million (FY19: US$93.4 million), with a corresponding EBITDA margin of 7.3% (FY19: 5.4%). Operating profit was US$72.3 million (FY19: US$65.9 million). Excluding the effects of IFRS 16**, EBITDA and operating profit would have been US$103.9 million and US$69.3 million respectively.

Net finance costs

The net interest charge decreased by US$2.7 million, largely as a result of interest receivable on the tax credit received in Brazil, which offset increased finance lease interest charges resulting from the application of IFRS 16.

Net debt

Net debt of US$156.7 million (FY19: US$109.2 million) consisted of: net cash of US$12.6 million (FY19: US$16.4 million); short-term borrowings and current portion of long-term debt of US$100.8 million (FY19: US$94.4 million); and long-term debt of US$68.5 million (FY19: US$31.2 million). Excluding the impact of IFRS 16**, net debt would have been US$112.4 million. The increase in net debt compared to FY19 was driven primarily by financing related to multi-year deals in Germany, offset by seasonal outflows associated with the Americas and the reduction in working capital requirements associated with the large multi-year Latin American contract.

The working capital requirements linked to both the German and Latin America contracts are expected to unwind as the projects advance.

Argentina continued as a hyperinflation economy during FY20 although the impact on the Group results was not material.

Logicalis continues to have a contingent liability in respect of a possible tax liability at its subsidiary in Brazil.

** *Certain information presented in these results constitutes* pro forma *financial information. The responsibility for preparing and presenting the* pro forma *financial information and for the completeness and accuracy of the* pro forma *financial information is that of the Datatec directors. This is presented for illustrative purposes only. Because of its nature, the* pro forma *financial information may not fairly present the Group's financial position, changes in equity, and results of operations or cash flows. The Group has included* pro forma *IFRS 16* Leases, *financial information that represents the results and statement of financial position showing the impact on FY20 as if IFRS 16 had not been applied.*

*** Pro forma *financial information is included for the Group's revenue for the current reporting period, had it been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information"). The* pro forma *IFRS 16 and constant currency financial information contained in this Integrated Report has been reported on by the Group's external auditors. The Group's auditors Deloitte & Touche, have issued two unmodified reasonable assurance reports (in terms of ISAE 3420:* Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Prospectus), *a copy of which is available for inspection at the Company's registered office.*

Strategic overview

Logicalis' strategic aim is to drive its customers' success by using its technological expertise, industry knowledge and innovation to ensure their transformation outpaces the momentum of change in their sector.

Logicalis' success is based on several key factors:
- The ability to serve customers globally with solutions that are relevant to their market
- Building intimate business relationships with its customers
- A sharp focus on our partner ecosystem
- Knowledge and insight in advanced and emerging technologies

Logicalis has a strong customer base across Europe, North America, Latin America, Asia-Pacific and Africa and remains committed to the maximisation of growth in profit and value. It will achieve this by delivering on the key success factors as mentioned previously. These will enable the business to gain scale, capability and market share in its main markets.

Logicalis' key aims include the following:
- Focus on customer success at both the CIO and line-of-business levels to deliver business improvement outcomes
- Invest in processes, people and systems that provide its customers with industry best-in-class service
- Leverage knowledge and best practice processes across all territories
- Attract and retain high-calibre employees
- Deliver revenue growth which is balanced between organic and acquired growth
- Maintain leadership in innovation for its solutions and service offerings
- Increase recurring services sales

To achieve these key aims, Logicalis continues to:
- focus on business improvement outcomes and the value delivered to customers;
- engage with customers at all levels and across stakeholder communities, building long-term relationships;
- renew its focus on key vendor relationships;
- position itself as a trusted and capable partner for technology and service excellence; and
- expand its portfolio of products, solutions and services through investment in resources, expertise, partnerships and acquisitions.

Progress against strategic objectives

ACHIEVED / STILL IN PROGRESS

FY20 strategic objectives	FY20 execution of objectives	Status
Continue to focus on improving the services and annuity revenue mix	Services mix has improved from 38% to 41%	Achieved
Seek further acquisitions to boost existing territories' market share and to leverage Logicalis' footprint in emerging technologies	The acquisitions of Cilnet and Orange Networks have expanded Logicalis' presence in the Iberian region and in cloud technologies. The acquisition of Mars Technologies has strengthened and expanded its managed services	Achieved
Focus on cost reduction activities in heritage areas of the business and increasing order intake	Order intake grew during the year by 4%. A leader for customer experience was appointed during the year (effective 1 March 2020) and will be responsible for building efficiencies into the heritage areas of the business	Still in progress
Seek to add to the capabilities of the common platform to ensure it remains a business enabler	Approved a plan to expand the common services platform to support AI and predictive capabilities	Still in progress

FY21 strategic priorities
Ensure that Logicalis successfully navigates the COVID-19 pandemic
Continued focus on operating cost optimisation activities
Enhance common platform for global service delivery
Continue to focus on growing annuity services revenue streams
Ongoing innovation of services around cloud, software and security technologies
Successful employee engagement using the division's "Pulse" platform

Logicalis **divisional report** continued

In executing its strategy, certain trade-offs are often required made. During FY20 Logicalis expanded its market share both by organic growth and by acquisition. Occasionally, Logicalis enters new territories or technologies without acquisition, which is often cheaper but can come at much higher risk. Decisions about trade-offs are made after careful consideration. During FY20, Logicalis entered Portugal with the acquisition of Cilnet and expanded its German technology offering with the acquisition of Orange Networks.

Markets

In a period of uncertain near-term market performance, revisions to previous expectations from respected industry analysts are commonplace. While it may be difficult to predict the immediate impact of the COVID-19 outbreak on the market, the demand for global technology solutions and services in the longer term remains healthy.

Digital transformation will drive growth across all Logicalis markets in the long term. COVID-19 has shown the essential need for organisations to have an effective response to the potential closing down of their physical routes to market, and the requirement to have a digital response available as a complementary, or replacement option, to enable them to trade.

In responding to COVID-19, many organisations found that they were able to act more effectively and with more urgency than they had perhaps thought was possible in relation to aspects of their digital transformation. This experience may be a catalyst for rapid acceleration in that arena.

Logicalis' annual global CIO report, which in 2019 surveyed almost 900 CIOs, identified significant changes in the role of CIOs across Europe, the Americas, the Far East and Australia. The role of the CIO is evolving with more of a focus on revenue and strategy. The study found that 61% of CIOs have spent more time on strategic planning in the last 12 months while 43% are now being measured on their contribution to revenue growth. Those in IT leadership positions will therefore almost certainly be driving the move towards digitisation.

The survey also reveals that although CIOs are becoming more strategic and accountable, they are under pressure with reduced budgets and higher security risks. Almost half of respondents (48%) say that their time spent on security defence has increased in the last year, with CIO's spending 25% of their time on information and security compliance.

Logicalis' clients want secure, reliable networks supporting superior computing technology which generates intelligent insights on their business. Logicalis is well positioned to support this objective.

Outlook

Logicalis continues to seek enhancements in its long-term capabilities within cloud, IoT, software, security, data management and intelligent networks to promote long-term value and insight-led transformation to its customers.

While it is certain that technology will be even more firmly embedded in customers' operations following this pandemic, the exact impact of COVID-19 on Logicalis' short to medium-term trading is difficult to establish at this stage. Order intake for the first quarter for FY21 ("Q1 FY21") is similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

The foreign currency exchange effects have been exacerbated so far in Q1 FY21 with the Rand, Indonesian Rupiah and the Brazilian Real in particular depreciating dramatically against the US Dollar. Sustained emerging markets' currency weakness is expected for the near term.

Collections from customers during the first few months of FY21 have remained in line with historic norms. As intermediaries in the supply chain, Logicalis is working with vendors to provide support to customers experiencing adverse effects from the pandemic.

Regional leadership teams within Logicalis have prepared action plans to respond to different scenarios that they may encounter. At the same time, each region has put together compelling offers to customers and markets, including rapid remote deployment of essential solutions and services. These are designed to support customers in the areas that are most relevant to them right now, including secure remote working solutions, collaboration packages and improvements to IT resilience.

Logicalis remains confident about the long-term prospects for the industry and its positioning within it. Emerging markets currencies are expected to remain volatile over the short term.

AWARDS AND RECOGNITION

Partner and vendor relationships

Logicalis continues to build strong relationships and partnerships with key stakeholders, including employees, customers, vendors and service partners. Its strategy of building strong customer intimacy continues to enable Logicalis to grow its relationships and solutions and service engagements with existing clients.

Logicalis has a historic strong relationship with Cisco and has obtained Global Gold status, Cisco's highest partner category. Beyond its core Cisco capabilities, Logicalis is building a reputation within Cisco for its innovation and focus on emerging technology. Several employees in the Logicalis Group are members of the elite DevNet500, a group of engineers who qualified early for Cisco's innovation certification. In addition, Logicalis was also awarded Cisco's Global IoT Industry Partner of the Year during FY20.

Logicalis has a fast growing relationship with Microsoft and is building global capability and expertise in Microsoft's infrastructure cloud, known as Azure, and Microsoft's modern workplace cloud, known as Office 365. This was recognised in FY20 when Logicalis achieved Azure Expert Managed Service Provider status, one of only 65 organisations globally to have achieved this certification.

Beyond these Group-related certifications, Logicalis was recognised with several partner awards at the regional level. Those highlighting its strategic focus include the following awards:

North America

- **CRN** – 2020 Managed Service Provider Elite 500 (announced February 2020)
- **Cisco** – 2019 SLED Partner of the Year, North America (announced November 2019)
- **Compass Intelligence** – IoT Innovator Award for Healthcare Solutions (announced November 2019)
- **CRN** – 2019 IoT Innovator Award (announced October 2019)
- **Channel Partner Insight Magazine** – MSP Innovation Best Project (announced June 2019)
- **Channel Futures** – MSP 501 (announced June 2019)
- **NetApp** – Central Partner of the Year (announced June 2019)
- **Veeam** – Growth Partner of the Year, North America (announced March 2019)

Americas

- **Citrix** – 2019 Americas Fastest Growing CSP – Logicalis (announced in January 2020)

Latin America

- **Cisco** – Top Partner of the Year – Chile, CoasinLogicalis (announced in January 2020)
- **Cisco** – Architectural Excellence: Enterprise Networks, Chile – CoasinLogicalis (announced in January 2020)
- **Citrix** – 2019 LAC Deal of the Year — Bradesco – Logicalis (announced in January 2020)
- **Cisco** – 2019 Partner of the Year, MCO (announced November 2019)
- **Cisco** – 2019 Ecosystem Partner of the Year, Peru – Coasin Logicalis (announced November 2019)
- **Cisco** – 2019 Architectural Excellence Service Provider Partner of the Year, Argentina (announced November 2019)
- **Cisco** – 2019 Architectural Excellence Security Partner of the Year, Brazil (announced November 2019)
- **Cisco** – 2019 Architectural Excellence Digital Transformation Partner of the Year, Brazil (announced November 2019)
- **Cisco** – 2019 Architectural Excellence Datacentre Partner of the Year Award, Mexico (announced November 2019)
- **Cisco** – 2019 Architectural Excellence Enterprise Networking Partner of the Year Award, Argentina (announced November 2019)
- **Cisco** – 2019 Customer Experience Partner of the Year Award, Brazil (announced November 2019)
- **Cisco** – 2019 Customer Experience Partner of the Year Award, Latin America (announced November 2019)
- **Cisco** – 2019 Customer Experience Partner of the Year, MCO (announced November 2019)
- **Cisco** – 2019 Enterprise Partner of the Year, Latin America (announced November 2019)
- **Microsoft** – Modern Desktop Partner of the Year, Latin America and Caribbean (announced November 2019)
- **Acquisition International Magazine** – CFO of the Year Award, Cassio Moura CFO of Logicalis Latin America

EMEA

- **Cisco** – 2019 Commercial Partner of the Year, Europe – Logicalis (announced November 2019)
- **Cisco** – 2019 IoT/Industry Partner of the Year, Germany – Logicalis (announced November 2019)
- **Cisco** – 2019 Commercial Partner of the Year, Germany – Logicalis (announced November 2019)
- **Cisco** – 2019 Transformation/Innovation Partner of the Year Award, Portugal – Logicalis (announced November 2019)
- **NetApp** – 2019 Flash Partner of the Year, EMEA – Logicalis (announced May 2019)

Asia-Pacific

- **ARN** – 2019 Innovation Awards: Partner Value, Enterprise – Thomas Duryea Logicalis (announced September 2019)
- **ARN** – 2019 Innovation Awards: Personal Innovation – Management Excellence: Awarded to Damian Zammit, Thomas Duryea Logicalis (announced September 2019)
- **NetApp Australia/New Zealand** – Partner of the Year 2019: Gold – Thomas Duryea Logicalis (announced November 2019)
- **NetApp** – Partner Awards, Partner of the Year and Global Star Partner 2019 – Thomas Duryea Logicalis (announced November 2019)

Westcon International divisional report

Westcon International's strategy

Westcon International's strategy is to be the leading value-added distributor for networking and cyber security vendors across Europe, the Middle East, Africa and Asia-Pacific.

Westcon International's operations

- Over 11 000 partners
- Operates in over 50 countries
- Over 3 000 employees (permanent and contractors)
- 35 years' experience in technology distribution
- Level 1 BBBEE rating in South Africa

Executive team

Jens Montanana
Chief Executive Officer

David Grant
Chief Operating Officer

Ivan Dittrich
Chief Financial Officer

Material risks

- **Impact of COVID-19**
  Response: Focus on cost and liquidity management.
- **Liquidity and financing – availability of working capital funding**
  Response: Regular monitoring of funding availability, sales and collection forecasts; and engaging in regular communication with providers of funding.
- **Inventory management – fast moving high obsolete inventory resulting in excessive write-offs**
  Response: Stringent inventory management controls and monthly inventory reviews; and stock rotation rights in vendor contracts.
- **Foreign exchange – impact of fluctuations on results and management of exposures**
  Response: Ensure that Westcon International is adequately hedged.
- **Macroeconomic environment**
  Response: Conduct thorough market analyses and monitor the macroeconomic factors in volatile markets. Westcon International has also prepared for Brexit.

Performance highlights

Gross profit expansion to **US$275.7 million** (FY19: US$260.4 million) on flat revenue of US$2.54 billion (FY19: US$2.54 billion)

7% decrease in operating costs

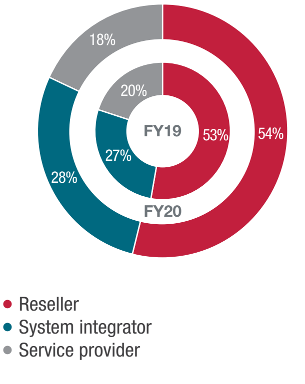
EBITDA increased by 614% to **US$40.0 million** (FY19: US$5.6 million)

FY20 central costs below target levels

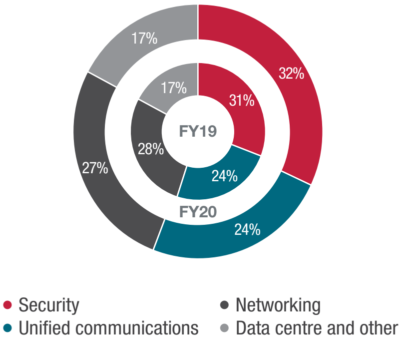
Improved DSO and inventory turns; six day improvement in net working capital days

Effective response to COVID-19 impact post-year-end – advanced systems and business automation facilitated seamless shift to remote working

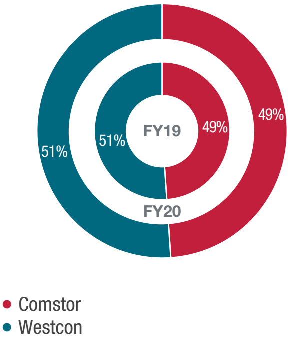
Product revenue by customer



Product revenue by technology category



Revenue by business unit



Environmental impact through business activities

Westcon International provides Circular Technology Solutions such as Cisco Refresh which offers like-new Cisco equipment at significant savings. Cisco Refresh offers risk-free, environmentally responsible remanufacturing by the original equipment manufacturer, improving sustainability and reducing carbon emissions.

Westcon **International divisional report** continued

Corporate overview

Westcon International is a value-added speciality distributor of industry leading cyber security, network infrastructure, unified communications products, data centre solutions and channel services with a global network of service providers, systems integrators and speciality resellers. Westcon International has operations in more than 50 countries. It goes to market under the Westcon and Comstor brands. Westcon International's portfolio of market leading vendors includes Cisco, Extreme, Juniper, Check Point, F5, Palo Alto Networks, Infoblox, Avaya, and Broadcom.

Westcon

Operating in Asia-Pacific, Europe, Middle East and Africa ("MEA"), Westcon provides solutions from a broad portfolio of premier vendors. Westcon has expertise with vendors in the following technologies:

- **Cyber and network security:** Arbor Networks, Beyond Trust, Check Point, F5 Networks, Infoblox, Palo Alto Networks, PulseSecure, Riverbed, Splunk, Symantec, Tenable and TrendMicro
- **Networking infrastructure:** APC, Ciena, Extreme Networks, Juniper, Nokia Nuage, Ruckus, Silver Peak, Solar Winds and VeloCloud
- **Collaboration and mobility:** Avaya, Jabra, Microsoft, Mitel, Poly, Zebra, Audiocodes
- **Data centre:** NetApp and VMware
- **Business productivity:** Amazon Web Services and Microsoft

Comstor

Comstor is the Cisco-centred business unit of Westcon International, shipping to more than 100 countries. Comstor distributes the full line of Cisco solutions:

- **Cisco security:** providing highly secure firewall, web and email threat detection and management services for network and mobile device protection
- **Cisco collaboration:** empowering people to engage and innovate through multiple endpoints and truly collaborative software; anywhere, any time, on any device
- **Cisco software:** flexible software licensing across the hardware estate combined with profitable annuity revenue
- **Cisco data centre:** allowing data to be analysed, simplified, automated and protected for operational efficiency through storage of digital information on mission-critical applications
- **Cisco enterprise networking:** covering SMB and enterprise solutions across core switching, wireless and routing technologies – without the enterprise costs
- **Cisco services:** providing customer support on Cisco solutions through its global support and solutions team of experts, serving over 180 countries and responding in 17 languages

Westcon International

Westcon International also has capability practices and specialities, that it offers globally under its Westcon-Comstor brand:

- **Cloud:** Amazon Web Services, Microsoft Azure and Microsoft Office 365
- **Services:** supply chain, financial, education, technical support and professional
- **Global supply chain services:** logistics, staging, strategic stocking, configuration, project co-ordination, VAT recoverability; global contracting and global credit management

How Westcon International creates value

Westcon International's people are dedicated to delivering outstanding performance and customer satisfaction. Westcon International has a wealth of industry insight, market leading digital platforms to support solution design and procurement, innovative marketing and business generation tools, technical expertise and decades of distribution experience.

Westcon International has long established strategic vendor engagements and leverages these relationships to ensure its partners can access established and emerging technology solutions. With over 30 years' distribution success as a strategic partner to the world's leading IT brands Westcon International combines global reach, digital capability and scale with a personalised, local footprint to provide capabilities and services that outshine the traditional distribution experience.

Westcon International offers employees rewarding and challenging work in an inspiring, fast moving environment. It has established a culture where people are valued and respected and where everyone can contribute, collaborate and reach their potential.

WESTCON INTERNATIONAL'S VALUE CREATION BUSINESS MODEL

Westcon International's business model is aimed at enabling partners and improving their performance and potential through focus and value-added capabilities, creating sustained value for all stakeholders.

WHAT MAKES WESTCON INTERNATIONAL DIFFERENT

- **International presence – located in over 50 countries supported by more than 3 200 skilled employees**
- **Wealth of industry insight, technical expertise and decades of distribution experience**
- **Strong relationships with industry-leading vendors**
- **Global digital platform and systems capability for device, subscription, recurring offers and cloud solutions**

KEY RESOURCES

Financial
Net debt – US$49 million
Working capital – US$200 million

Human
3 281 employees
Employees' engagement, skills and knowledge

Social and relationship
Vendor partner relationships
Customer engagements
Stakeholder relationships

Intellectual
Technical expertise
Strategic partnerships
Digital specialist solutions

Natural
Energy management
Recycling initiatives

Manufactured
Warehouses (distribution centres)

KEY PARTNERS AND RELATIONSHIPS

Key partners
Cisco
Palo Alto Networks
Extreme
F5
Check Point

Key relationships
Customers
Employees
Vendors

KEY REVENUE SEGMENTS

Categories
Devices, software, subscriptions and recurring offers

Vendors
Cisco

Geographic
Europe

KEY REVENUE DRIVERS

- Volumes
- Exchange rates

OUR ACTIVITIES

- Technology distribution
- Channel services
- Data and analytics for demand generation
- Digital distribution platforms
- Advanced technical services
- Capital into the channel

HOW WESTCON INTERNATIONAL CREATES VALUE

Westcon International has extensive operations in over 50 countries.

Westcon International has strong foundation vendor relationships with over 30 years' distribution success as a strategic partner to the world's leading IT brands.

Westcon International has skilled employees who are dedicated to delivering outstanding performance and delivering customer satisfaction.

WHAT IMPACTS WESTCON INTERNATIONAL'S ABILITY TO CREATE VALUE

- Fluctuating exchange rates
- Global macroeconomic uncertainty
- Vendor channel programmes may change at short notice
- Competition

KEY OUTCOMES FOR STAKEHOLDERS

Shareholders
0% revenue growth (2.7% in constant currency***)
Increased operating profitability
Reduction in net debt
Improvement in working capital days

Financial institutions and providers of financing
US$15 million in interest to providers of financing

Employees
Employee training initiatives
Recognition of employees through performance evaluation programmes

Customers
Customer satisfaction
Successful Comstor security initiative

Vendors (suppliers)
Recognition by vendors through partner awards
Strong vendor relationships and focused sales teams

Corporate social responsibility beneficiaries
Improvements in the communities where its employees live and work

Governments and regulators
Compliance with regulatory requirements
US$6 million in taxes

Environment
Energy savings
Reduced waste through recycling initiatives

Westcon **International divisional report** continued

Performance

US$ million	February 2020	February 2019	% movement
Revenue	**2 544.6**	2 544.8	0
Gross profit	**275.7**	260.4	6
Gross margin %	**10.8%**	10.2%	
Operating costs	**(235.7)**	(254.8)	(7)
Operating profit before interest, tax, depreciation and amortisation (“EBITDA”)	**40.0**	5.6	614
EBITDA margin %	**1.6%**	0.2%	
Operating profit/(loss)	**19.0**	(4.2)	552
Net finance costs	**(13.6)**	(12.2)	11
Profit/(loss) before taxation	**6.3**	(18.9)	133
Net debt	**(48.7)**	(109.5)	(56)

Revenue

Westcon International’s revenues for FY20 were flat at US$2.54 billion (FY19: US$2.54 billion) as higher sales in Asia-Pacific and MEA were offset by lower sales in Europe. In constant currency*** terms, Westcon International’s revenues increased by 2.7% and revenues in all regions except Europe, were up year-on-year.

Gross profit

Westcon International’s gross profit increased by 5.9% to US$275.7 million (FY19: US$260.4 million) with increases across all regions. Gross margins increased to 10.8% (FY19: 10.2%) with higher margins in Europe and Asia-Pacific.

Operating costs

Operating costs decreased 7.5% to US$235.7 million (FY19: US$254.8 million). Operating costs in FY19 benefitted from a US$15.0 million SYNNEX transitional costs credit in the first half. Part of the decrease in FY20 operating costs has resulted from the adoption of IFRS 16.

Following several years of transformation, systems and process investments, no restructuring costs were incurred in FY20. Central costs of US$29 million were incurred in FY20, coming in significantly below the published target of US$33 million.

EBITDA

EBITDA was US$40.0 million (FY19: US$5.6 million), benefitting by US$13.0 million from the adoption of IFRS 16**.

Working capital and net debt

Net working capital days decreased to 22 days (FY19: 28 days) primarily due to lower days sales outstanding (“DSO”) and increased inventory turns. Net debt was US$48.7 million (FY19: US$109.5 million) reflecting the adoption of IFRS 16 in FY20 which increased debt by US$31.3 million. Excluding the effect of IFRS 16**, net debt decreased to US$17.4 million.

The net debt consisted of: net overdrafts of US$4.5 million (FY19: US$94.4 million); short-term borrowings and current portion of long-term debt of US$6.6 million (FY19: US$15.0 million); and long-term debt of US$37.6 million (FY19: US$0.1 million).

** *Certain information presented in these results constitutes* pro forma *financial information. The responsibility for preparing and presenting the* pro forma *financial information and for the completeness and accuracy of the* pro forma *financial information is that of the Datatec directors. This is presented for illustrative purposes only. Because of its nature, the* pro forma *financial information may not fairly present the Group’s financial position, changes in equity, and results of operations or cash flows. The Group has included* pro forma *IFRS 16* Leases, *financial information that represents the results and statement of financial position showing the impact on FY20 as if IFRS 16 had not been applied.*

*** Pro forma *financial information is included for the Group’s revenue for the current reporting period, had it been translated at the average foreign currency exchange rates of the prior reporting period (“constant currency financial information”). The* pro forma *IFRS 16 and constant currency financial information contained in this Integrated Report has been reported on by the Group’s external auditors. The Group’s auditors Deloitte & Touche, have issued two unmodified reasonable assurance reports (in terms of ISAE 3420:* Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Prospectus), *a copy of which is available for inspection at the Company’s registered office.*

Strategic overview

Westcon International has developed its strategy according to its core values, enabling its partners and improving their business potential and performance. Westcon International's strategic framework aims to create value for all stakeholders via seven strategic pillars that define its priorities, namely customer-oriented; vendor-aligned; solutions portfolio; execution excellence; data-driven; digital first and people.

Westcon International will continue the model of specialisation for vendor solutions and will enhance the customer and market segment orientation with appropriately tailored propositions. It remains focused on process stability, automation and back office efficiency with an emphasis on accuracy, quality and urgency in all functions.

Progress against strategic objectives

ACHIEVED STILL IN PROGRESS

FY20 strategic objectives	FY20 execution of objectives	Status	FY21 strategic priorities
Business restoration			
Focus on revenue growth and overall profitability	Revenue growth is 0% in US$, 2.7% growth in constant currency*** Gross profit growth of 5.9% (1% due to IFRS 16) Gross margin improved to 10.8% from 10.2% Operating profit increased to US$19.0 million from a US$4.2 million operating loss in FY19	Achieved	Ensure that Westcon International successfully navigates the COVID-19 pandemic
Working capital improvement and operating cash flow generation	Net working capital improved by US$92 million or six days Positive cash flow from operations in FY20 (FY19: cash outflow)	Achieved	Focus on working capital and liquidity
Reduce ongoing central costs to below 1% of gross revenue (central costs target of US$33 million in FY20)	Central costs of US$29 million, 33% lower than FY19 and 12% below targeted levels 0.9% of gross revenue of US$3.4 billion	Achieved	Further central cost optimisation
			Grow revenue contribution from next generation technology providers

Westcon **International divisional report** continued

FY20 strategic objectives	FY20 execution of objectives		FY21 strategic priorities
Customer engagement			
Continue to build strong line-of-business model providing vendors with focus and alignment to their objectives	Piloted a vendor key performance indicator ("KPI") alignment and reporting solution with two strategic vendors (Cisco and Palo Alto Networks) with support and endorsement of their global channel leadership		Successful deployment of KPI solution with additional four strategic global vendor partners
Define/refine customer segmentation and develop go-to-market models, support and organisational capability to maximise success in each segment (including Velocity)	Undertaken a thorough review and re-definition of customer segmentation model which is now being deployed in data architecture, sales automation systems and business intelligence systems		Successful adoption of a sales commission system that enables the alignment of sales rewards and incentives directly with the achievement of specific vendor objectives
Drive PartnerView (reseller online portal) adoption with enhanced e-commerce capability	Steady growth in the adoption of PartnerView across all customer segments and technology types, complemented by rapid growth in the adoption of the BlueSky cloud billing and subscription platform for relevant solutions from Microsoft Azure and Amazon Web Services		Continue to evolve value propositions, go-to-market models, capabilities and platforms to reflect the needs of these customer segments and drive improved growth, profitability and customer satisfaction

FY20 strategic objectives	FY20 execution of objectives		FY21 strategic priorities
Solutions and services			
Invest in Global Deployment Services ("GDS") capability and ensure retained leadership position	The GDS underwent a thorough assessment against customer requirements and benchmarks, with some consequent process redesign and retraining of delivery and sales teams		Successful rebranding of global services under the ORBIT programme which integrates a number of value propositions and delivery models in a compelling and customer-centric solution set
Complete integration and alignment of services organisation and technology solutions operations, and develop compelling offers	The process of integrating the services organisation into the geographic business units and aligning capabilities more closely with largest customer needs has begun		Further integration and evolution of services capabilities to drive deeper customer relationships
Develop core solutions to provide differentiated offers	The effective combination of solutions from multiple vendors to solve recognised business problems in a single commercial offer remains a key focus		Roll out of intelligent demand programme in FY21 – increased use of big data and analytics to identify opportunities for integrated solutions in key technology, customer and industry segments

Westcon **International divisional report** continued

FY20 strategic objectives	FY20 execution of objectives		FY21 strategic priorities
Winning team			
Continue to develop best talent in all areas while promoting from within wherever possible	The use of recognised talent identification and development techniques complemented by leadership mentoring has proved effective in retaining talent and ensuring continuity and longevity in key customer and vendor relationships		Continue to nurture internal talent while developing a positive external employer brand through advocacy of performance and values
Create career path framework to enable the retention of the best talent	Begun to define and formalise career development and recognition paths for all functions in the business		Continue to develop people and their potential for successful careers through a combination of formal training and development and a collaborative cross-functional ethos based on our core values
Launch executive leadership training programme for senior leaders	Engaged on a leadership training and development programme for senior executive team and their direct reports – this has been positively received		Ensure further delivery of the leadership training and development programme

FY20 strategic objectives	FY20 execution of objectives	FY21 strategic priorities
Execution excellence		
Process optimisation project initiated – driving end-to-end improvements to develop "frictionless transactional capability" with emphasis on balancing "front office versus back office" ratios	Overall operating costs decreased by 7%. Improvements in end-to-end processes have been made as demonstrated by cost reduction performance and productivity gains in the operations functions	Continued focus on process automation through the increasing capabilities of digital technologies productivity
Ensure accuracy, quality and urgency in all activities	Results this year demonstrate stability in platforms and processes.	
Drive adoption and utilisation of digital distribution platform tools	See PartnerView comments above	
Digital enablement		
Continued development of digital distribution platform suite in line with customer and market requirements	Delivered on a roadmap of improvements to the core capabilities in digital distribution platforms enabling the addition of new vendor solutions and the addition of effective cloud and subscription billing capabilities	Continue to innovate in digital distribution platforms to enhance customer experience and vendor ecosystem
Partner Digital Transformation – deliver phase 1 integrations (foundational and enhanced) utilising application programming interface ("API") gateway software development kit	Initial customer integrations using APIs and API manager have been successfully delivered for two of Westcon International's largest global customers	Undertake further targeted sales and marketing activity with named global and enterprise customers to drive further integration and adoption of the API toolset
Accelerate best-in-class enhancement for sales tools	Continued to develop the SalesView CRM platform in line with the requirements of sales teams, driving global adoption and improved data integrity	Integration of SalesView with the Pardot Marketing Automation platform to enable a seamless lead management, allocation and tracking solution that is designed to improve opportunity identification and conversion for sales and marketing teams

Westcon **International divisional report** continued

Markets

Westcon International's revenues for FY20 were flat at US$2.54 billion (FY19: US$2.54 billion) as higher sales in Asia-Pacific and MEA were offset by lower sales in Europe. In constant currency*** terms, Westcon International's revenues increased by 2.7% and revenues in all regions except Europe, were up year-on-year.

While on a consolidated basis Westcon International's revenues were flat year-on-year, the organisation experienced growth during FY20 in the Middle East, sub-Saharan Africa and parts of Asia. In Europe, the impacts of Brexit, associated economic uncertainty and some vendor consolidation resulted in revenue headwinds with overall lower results in the UK, Germany, Spain and Sweden which were offset by growth in the Netherlands. However, the Comstor division recorded strong market share gains in most major countries and the Westcon division showed good growth in cyber security and networking technologies.

MEA saw double digit growth. Asia-Pacific revenue increased 1% as higher results in Asia offset lower revenue in Australia. The Asia-Pacific, Middle East and sub-Saharan African regions all made strong profit contributions.

The improving financial performance, improvement in net working capital, market share gains across all markets and vendor recognition all demonstrate that Westcon International is providing excellent customer experiences through traditional and digital transaction execution. These capabilities have been invaluable and pivotal to the turnaround.

Outlook

Westcon International continues to monitor and respond to the COVID-19 pandemic with its priority on maintaining the health and welfare of its staff in compliance with relevant government directives, while limiting business impacts for channel and vendor partners.

Westcon International's key logistics centres in the UK, Netherlands, Middle East, South Africa and Asia-Pacific remain open and are being managed under strict measures to assure the wellbeing of logistics and warehousing teams while maintaining service levels. This has enabled the division to take an active role in servicing the needs of critical business sectors alongside partners during the pandemic.

Initial indications are that Westcon International revenues and order intake for the first quarter of FY21 are similar to the same period last year.

The multi-year investments in Westcon International's advanced systems and business automation enabled business continuity plans to be deployed seamlessly, with almost the entire workforce switching to remote working.

The reshaping of Westcon International is proceeding according to plan and the business is now operating profitably. While the near term remains very uncertain, current conditions are driving demand for technologies that support remote access computing, cloud computing, virtualisation, security and unified communications.

AWARDS AND RECOGNITION

Westcon International's leadership, vision, programmes and performance continue to draw the attention of the technology market it serves. Westcon International's relentless commitment to excellence transcends all facets of the organisation. Most recent accolades include:

Northern Europe

- **Infoblox** – Westcon EMEA – Northern European Distributor of the Year (2020)

Germany

- **IT-BUSINESS (German newspaper)** – Westcon EMEA – Gold Distri Award 2020 UC and Telekommunikation (2019)
- **Cisco** – Comstor EMEA – Distributor of the Year for EMEAR (2019)
- **Cisco** – Comstor EMEA – Distributor of the Year for Central Region (2019)

France

- **Cisco** – Comstor EMEA – Distributor of the Year for South Region (2019)

Norway

- **Cisco** – Comstor EMEA – Distributor of the Year for North Region (2019)
- **Cisco** – Comstor EMEA – Distributor of the Year (2019)

United Kingdom

- **CRN** – Sales and Marketing Awards – Westcon EMEA – Best Distributor Marketing Campaign 2019 (2019)
- **CRN** – Sales and Marketing Awards – Westcon-Comstor EMEA – Best Distributor Graduate/Apprenticeship Programme 2019 (2019)

Middle East

- **Zebra technologies** – Westcon EMEA – Regional Alignment and Support (2020)
- **Smart Technologies** – Westcon EMEA – Achievement Award – for the highest SLS sales within the region (2019)
- **Sonicwall** – Westcon EMEA – Sonicwall Distributor of the Year – Middle East (2019)
- **Palo Alto Networks** – Westcon EMEA – Distributor of the Year Middle East (2019)
- **Ruckus Networks** – Westcon EMEA – 2019 Distributor of the year ME (2019)
- **CPI Media Group** – Future Security Awards 2019 – Westcon-Comstor EMEA – Best Cyber Security Distributor (2019)

EMEA

- **Extreme Networks** – Westcon EMEA – Distributor of the Year (2019)
- **Avaya –** Westcon EMEA – Next Gen Devices Distributor of the Year – International (2019)
- **Ribbon Communications** – Westcon EMEA – Distributor of the Year 2019 (2019)
- **Palo Alto Networks** – Westcon International – Distributor of the Year (2019)

Sub-Saharan Africa

- **CONTEXT ChannelWatch** – Survey 2019 – Westcon-Comstor EMEA – Winner in the "Innovation" category of its distributor awards (2019)
- **Ruckus Networks** – Westcon EMEA – 2019 Distributor of the Year (2019)

Asia-Pacific

- **Palo Alto Networks** – Westcon International – Distributor of the Year (2019)

Singapore

- **Cisco** – Comstor APAC – Top Overall Distributor 2019 (2020)
- **Channel Asia** – Innovation Awards 2019 – Westcon-Comstor APAC – Distributor Value Specialist (2019)

Australia

- **Juniper Networks** – Westcon APAC – Distributor of the Year (2019)

Corporate **social investment**

Datatec is deeply committed to empowering people at grassroots level to reduce poverty and inequality. It has been another successful year for the Datatec Educational and Technology Foundation ("the Foundation") in which it met its principal objective to improve the quality of education in South Africa and create opportunities for those less fortunate.

Overview of the Foundation

The Foundation funds educational organisations whose purpose is to improve education within underprivileged communities in South Africa.

As a competitive global market leader in ICT, Datatec regards it as a moral imperative to in some way address the grassroots needs of its founding country's people and give back where it is needed most – education in South Africa.

The Foundation funds organisations whose purpose is to improve education within underprivileged communities in South Africa. Datatec's corporate social investment ("CSI") spend is directed into educational initiatives consisting of school-level intervention programmes for learners and teachers, and educational bursaries. Other initiatives include the provision of technology infrastructure and skills development for unemployed youth.

FY20 IMPACT

- Increased the number of learners gaining access to tertiary studies as a result of improved grades
- Increased the number of students emerging from universities with science, technology, engineering and mathematics ("STEM") qualifications, thereby closing the skills gap in South Africa
- Better prospects for a better future for young underprivileged South Africans

2 119
Total number of learners benefitting from school-level intervention in mathematics and science

5
Total number of students gaining access to bursaries

733
Total number of learners receiving career guidance

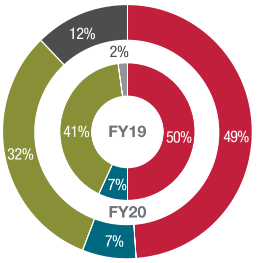
51
Total number of teachers benefitting from extra training in mathematics and science

7 787
Total number of individuals gaining access to computer technology

1 019
Total number of individuals benefiting from ICT skills training

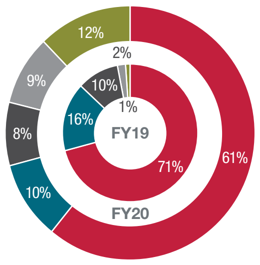
Olico maths club

CSI spend by geography



- Gauteng
- KwaZulu-Natal
- Eastern Cape
- Western Cape
- Outside South Africa

CSI spend by project type



- School-level intervention
- Technology infrastructure
- ICT skills development
- Bursaries
- Other

Vula Maths Project

Learners on the Promaths Programme

CSI OUTCOMES

- Better equipped teachers to confidently teach mathematics
- Improved learner understanding of mathematics and science as a result of better equipped teachers
- Improved learner performance and confidence
- 100% pass rate on mathematics programmes with a total of 74 distinctions
- 77% of learners on grade 12 programmes achieved Bachelor-level passes
- Enabled access to quality technology infrastructure for learners and communities
- Developed skills for the fourth industrial revolution
- Enabled computer literacy training to reduce youth unemployment
- Provided free access to secondary and tertiary studies for underprivileged learners/students
- Provision of facilities to enable learning and teaching

QUALITY EDUCATION

Corporate **social investment** continued

The Foundation supports:

Teacher and learner development at a secondary school level through:
- Kutlwanong Promaths
- The Tomorrow Trust
- The Olico Foundation
- Numeric
- The Vula Programme

Improving technology infrastructure and access to computers through:
- Afrika Tikkun
- The Durban High School Foundation Trust

ICT skills development for the unemployed through:
- Code4Change
- The Siyakhula Computer School

Bursaries for disadvantaged students through:
- A partnership with Belgium Campus iTversity

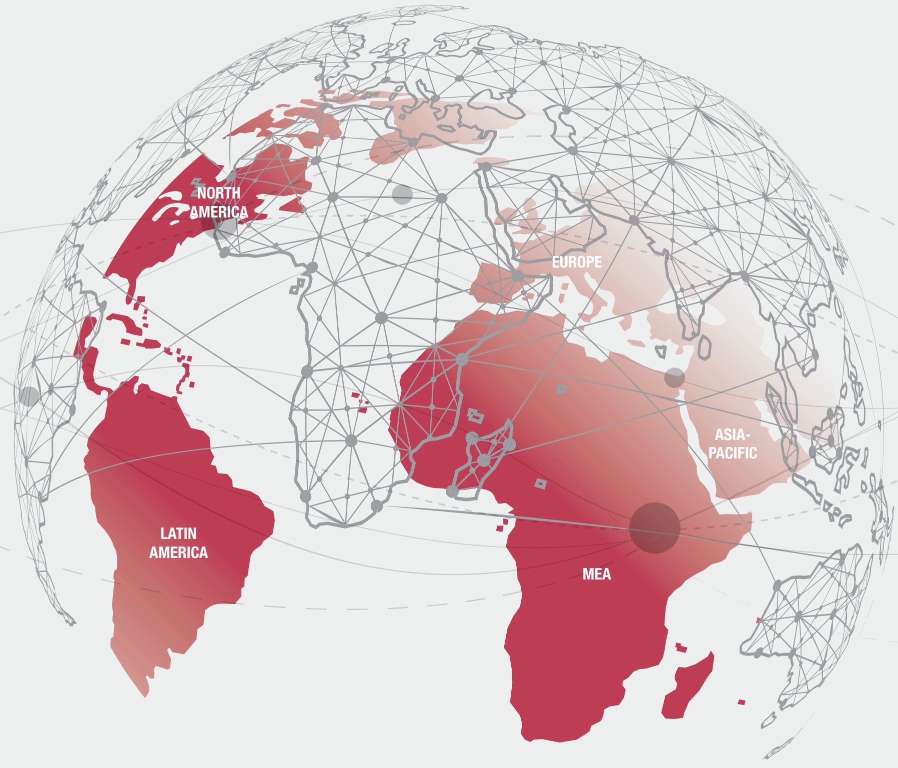
Communities in need by:
- Donating R1 million to Doctors Without Borders to respond to the medical needs of the people of Mozambique after the devastating effects of Hurricane Idai

SUCCESS STORIES

Karabo Hlaka (pictured below) showed sheer determination on the Olico Foundation's programme, which offers academic support in maths for learners in grade R to grade 12. When he first joined Olico at the beginning of high school, his maths mark was 13%, he matriculated with a Bachelor-level maths result, and is studying a BSc degree in Mathematical and Computer Science at the University of Limpopo.

Kutlwanong's Promaths learner programme provides additional maths and science tuition to grade 10, 11 and 12 students. Promaths also focuses on upskilling teachers by providing teaching aids to help educators deliver lessons in a more engaging and memorable way. Datatec funds a 90-strong group of learners in the Mdantsane district just outside of East London. The group achieved a 100% pass rate across all subjects, with top achievers being awarded distinctions in maths and physical science. This is striking compared to the provincial average of 77.9% for all subjects. Of the Promaths group, 79% (71 learners) achieved a Bachelor pass, compared to 32.3% for the Eastern Cape.

Luthando Sebe, a matriculant from Buchule Technical High School, achieved 94% in maths and 97% in physical science; Imitha Goduka from Clarendon High School for Girls scooped 89% for maths and 88% for physical science; Sibahle Mavuso from Khulani Commercial High School scored 89% for maths and 84% for physical science; Lukhaya Ntsabo from Ngwenyathi High School scored 83% for maths and 92% for physical science; and Lihlomile Yanxa from Khulani High School achieved 86% for maths and 91% for physical science.



NORTH AMERICA

- Logicalis US donated in excess of US$130 000 to 96 charities

LATIN AMERICA

- Logicalis supported several community education schemes

EUROPE

- Logicalis supported charitable initiatives including helping disadvantaged communities and animal welfare. Logicalis' employees invested their time in local charity events
- Westcon International has continued to support local small businesses during the COVID-19 pandemic to help them stay afloat

ASIA-PACIFIC

- Logicalis supported blood donations, disaster relief and disadvantaged children, among others
- Westcon International raised funds for the Australian Bushfire Appeal

MEA

- Westcon International invested in multiple employment and learnership programmes and the provision of bursaries
- The Foundation supported educational initiatives in South Africa and donated to relief efforts in Mozambique

LOGICALIS
Architects of Change

Logicalis' CSI goal is to support education to empower Architects of Change™ across the world

Logicalis spent US$250 000 on CSI activities

Logicalis supported a range of community and environmental initiatives in 18 countries

Westcon Comstor
Delivering Results Together

Westcon International's CSI goal is to improve education for the next generation and to support local charities in the communities that they operate in

Westcon International provided both time and resources to the communities where its employees live and work

The non-profit organisations supported by Datatec have been effective in adjusting their strategies to respond to the COVID-19 pandemic. Refer to pages 128 and 129 for more information.

Our **people**

Datatec Group

Datatec believes that its employees are a key driver of its success and relies on their knowledge and skills. Employees are aligned with the Group's purpose and are expected to uphold its values. They are a key stakeholder group whose needs and expectations are recognised and focused on.

Datatec employs close to 11 000 employees across more than 50 countries. The Group strives to attract and retain employees of the highest calibre to uphold performance and build sustainability, and in parallel prioritises optimal working conditions and opportunities for development. The Group seeks to develop skills and talent inherent in its workforce.

The Group is an equal opportunities employer and is committed to a working environment that is free from discrimination in every region in which it operates. The divisions accord completely with this commitment. All reported incidents are investigated and if substantiated, a disciplinary enquiry will be convened, the outcome of which may lead to termination of employment.

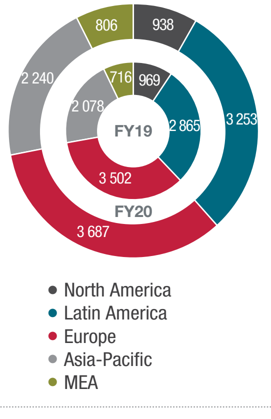
We create value for our employees through engagement programmes, education, training and development, rewards and recognition and long-term and short-term incentives. This, in turn, ensures that our employees are motivated and engaged and contribute positively to the Group's performance and ultimate success.

10 924 employees* **(FY19: 10 130)**

** Includes both permanent employees and contractors.*

DECENT WORK AND ECONOMIC GROWTH

Employees by geography



Logicalis

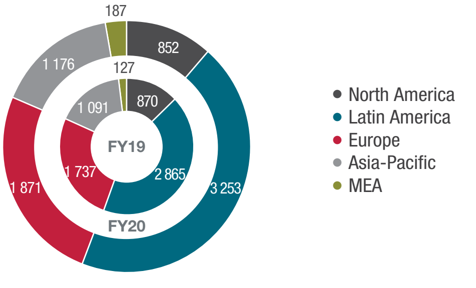
LOGICALIS
Architects of Change

7 339 employees* (FY19: 6 690)

** Includes both permanent employees and contractors.*

- **Over US$2.5 million spent on development programmes and training accreditations**

Employees by geography



A great place to work

Logicalis recognises that its people are critical to the ongoing success of the business and, by striving to attract the best talent, develop and reward its people for great performance and engage effectively with them, Logicalis aims to optimise the performance of the division. Logicalis aims to be an employer of choice and was recognised in FY20 as being a "great place to work" in four countries within the technology industry and is targeting several more countries to take part in similar awards in 2020.

Developing talent

In Logicalis, the focus on advanced technologies requires a high level of technical expertise and management works closely with its vendors to ensure that employees are trained appropriately and have the necessary accreditations.

In the interests of its long-term sustainability and in order to develop and retain its top leadership talent, Logicalis has established a series of international development programmes. These programmes develop its senior leaders to be ready for some of the most challenging executive roles in the business in the future, develop the best senior technical talent to become more rounded business professionals and increase international collaboration across Logicalis.

In order to develop its future leaders internally, Logicalis run a high-potential development programme to fast track the development of some of its employees who show signs of having the capability and ambition to assume senior leadership roles in the future. In FY20 there were three high-potential programmes run across Europe, Latin America and the US, with 55 high potentials benefitting from the investment. All of these programmes have high-retention and promotion rates for those who attended.

Rewarding performance

The majority of employees at Logicalis have performance objectives which are linked to the strategy of the local business. Talent and succession management reviews of the leadership team in each business are held annually, to focus on the retention of top leadership talent and effective succession management.

Continuous listening to employees

To enable Logicalis to understand what their employees think about working for Logicalis, a continuous listening "Pulse" platform was successfully trialled in FY20 and is now being launched across the whole division in FY21. This will replace the previous biennial employee engagement surveys, and give business leaders access to real-time feedback and analytics from their teams, where improvement opportunities can be easily identified in each operation, followed up by action plans which managers and employees agree upon together.

Living its values

To further embed Logicalis' group-wide values, in FY20 Logicalis launched a new competency framework to support various people practices such as recruitment, talent development discussions and a 360 framework. Employees can also nominate each other for value awards for living the values. Both the values and the competency framework helps the division develop a common identity across all of its international operations.

Fair and transparent policies

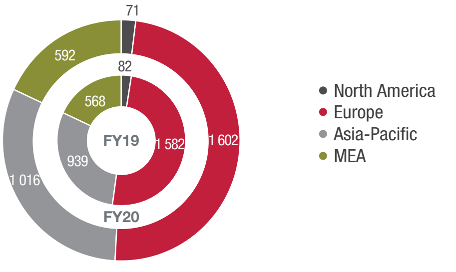
Human resource practices and policies ensure that all employees, wherever they work, whatever their role, are treated equally, fairly and respectfully at all times. Logicalis maintains consistent and transparent diversity policies across all its markets, and has very active diversity steering committees in its two largest operations in Brazil and the US.

Westcon International

3 281 employees* (FY19: 3 171)

** Includes both permanent employees and contractors.*

Employees by geography



- **Over US$0.8 million spent on training programmes**
- **2 000 hours of centrally managed training campaigns**

Recruiting the best talent

Westcon International's strategy clearly articulates that the core strength of its division is its people. Attracting, developing and retaining the best employees across its international business will enable Westcon International to deliver its business priorities and goals.

Supportive environment

Westcon International believes in creating a friendly, supportive and forward-thinking work environment in order to position it as employer of choice. This is underpinned by its values which are at the heart of everything it does – partnership, excellence, innovation, empowerment and integrity.

Employee recognition gifts are sent to employees at key personal landmark moments.

Employee development

Westcon International continues to provide structured learning opportunities for all staff based on requirements outlined in personal objectives discussed during the annual performance review and aligned with the division's strategic goals. Opportunities exist to develop personal and professional skills utilising a range of mediums: face-to-face, independent study or virtual classes. Learning and development initiatives continue to evolve to support the current environment while still providing tangible objectives to those outlined face-to-face.

Employee learning and development initiatives conducted include:
- Induction
- Systems training
- Selling skills and sales training
- E-learning
- Personal development
- Management development
- Health and safety compliance

Early careers

Westcon International's early careers programme is an opportunity for new entrants to enter the exciting world of technology. During this year, the schemes have been successfully expanded across the business:

Spain

The "Level Up" Programme; an internship programme to attract young talent in the areas of services and sales, where the participants undergo staged development and training in advanced telecoms technologies, has enrolled 33 new trainees.

South Africa

The "Level Up" Programme has also been rolled out in South Africa. Twenty disadvantaged students have been appointed onto the programme and 16 unemployed youth have been employed.

Europe

There are a number of apprentices, interns and student employees employed in the UK, Germany, France, the Netherlands and Belgium.

United Arab Emirates

A four-month internship programme is in place for mainly MBA and Global Business graduates who specialise in global logistics and supply chain management as well as IT management. After successful completion of the internship programme, interns are employed full time, mainly in operations. Through this programme, two managers within the division's top talent pool have been hired.

Diversity and inclusion

As a global business, Westcon International believes that the best work comes from a workforce that reflects the world around us. Different ideas and perspectives help it innovate, manage risk, and grow the business in a sustainable way. That is why it is committed to creating a diverse and inclusive workplace.

Westcon International continues to monitor potential differences in gender pay in adherence with government guidelines. There is an improving situation in gender pay and is broadly in line with industry. However, there remains a challenge to encourage more women into technical roles. This year, Westcon International supported International Women's Day, with events taking place to consider what equality in the workplace means, and to share experiences of working at Westcon. Westcon International continues to work hard to create an environment where all employees have the same opportunities to develop their careers.

BBBEE **and transformation**

As a South African company, Datatec is required to comply with the Codes of Good Practice on BEE issued by the Department of Trade and Industry ("the Codes"), as well as the BBBEE Act 53 of 2003 ("BBBEE Act"), amended by the BBBEE Act 46 of 2013, specifically the ICT sector codes. In this regard, the South African-based operations are required to comply with the Codes. In terms of section 13G(2) of the BBBEE Act, read with regulation 12(3) of the BBBEE Regulations, all public companies listed on the JSE are required to provide the BBBEE commission, on an annual basis, with a report on their compliance with BBBEE.

WestconGroup SA (Pty) Ltd, Datatec's South African operating subsidiary, has achieved a Level 1 BBBEE status under the ICT charter codes, giving its customers 135% procurement spend recognition.

Logicalis SA (Pty) Ltd, an operating subsidiary, achieved a Level 2 BBBEE status under the ICT charter codes, giving its customers 125% procurement spend recognition.

Datatec's consolidated BBBEE status, which includes the non-operating Datatec Limited head office, WestconGroup SA (Pty) Ltd and Logicalis SA (Pty) Ltd, is Level 3. Datatec takes BBBEE and transformation very seriously and will continue to comply with legislation and work on areas of improvement.

Annual BBBEE audits are performed by accredited BBBEE verification agents.

In its broadest sense, transformation is a strategic priority for the Company. Datatec is committed to BBBEE in its South African operations and transformation across all business practices and levels.

To view the WestconGroup SA (Pty) Ltd, Logicalis SA (Pty) Ltd and the consolidated Datatec scorecards, please visit Datatec's website **www.datatec.com**.

Health **and safety**

Ensuring the health and safety of its employees across the Group is one of Datatec's priorities. In addition to occupational compliance practices, employee wellness and ensuring that employees lead a healthy and balanced lifestyle are a focus. A healthy work organisation results in productive and focused employees equipped with the tools to contribute to the Group's success.

The declaration of COVID-19 as a pandemic by the WHO on 11 March 2020, at the start of the Group's new financial year, heralded an unprecedented global economic and humanitarian crisis. The Group's immediate response was to keep employees safe in accordance with government guidelines in all geographies of operation which typically involved maximising working from home, social distancing and all advised measures to limit the spread of COVID-19. Travel and face-to-face meetings were quickly reduced and eliminated completely in accordance with prevailing regulations.

Further health and safety information can be found on page 125.

GOOD HEALTH AND WELLBEING

Logicalis

Commitment to health and safety

Logicalis recognises its obligation to reduce the risk of injury in the work environment and to provide a clean and safe place to work. Logicalis undertakes to comply with health and safety regulations as set out in the jurisdictions in which Logicalis operates around the world.

Policies

Each Logicalis operation has its own health and safety policy which is consistent with best practice in the applicable jurisdiction, and regularly undertakes programmes and procedures to mitigate health and safety risks, such as risk assessments and safety audits.

Training

Logicalis also ensures that the appropriate health and safety training is provided for its employees for the role that they perform, which includes, where appropriate, the training of first aiders and fire marshals.

All employees within Logicalis annually complete an online Code of Conduct training course which covers the responsibilities of Logicalis as an employer and all Logicalis employees with regard to health and safety in the workplace.

Encouraging employees to take care of their health

Logicalis US encourages all employees to get a physical examination through their primary physician each year that is paid for by Logicalis. Employees who get a physical examination in a particular year pay discounted premiums on their Logicalis-provided medical coverage for the entire calendar year. In addition, in the winter, employees are encouraged to get flu vaccinations which are covered by their medical plans.

Latin America

Logicalis Brazil supports the welfare of its employees by offering free flu vaccinations. It has also increased awareness of breast and prostate cancer among employees, promoting a series of actions for "Pink October" and "Blue November", bringing in expert speakers and encouraging staff to walk and move more. The number of steps taken by employees were converted into donations for entities that support the importance of a healthy lifestyle and the prevention of these diseases.

Health **and safety** continued

In Logicalis Argentina, all employees are assisted with first-class health plans and offered a variety of *ad hoc* health events throughout the year such as exercise hours and massage sessions. Logicalis provides fruit for its staff on a daily basis and also offers a free flu vaccination.

Europe

Logicalis UK has created a health and safety forum that meets once a month, with inter-departmental reporting on health and safety issues. A Health and Safety Manager has been appointed to make the management of health and safety issues a priority within the business. It also offers best-in-class health plans to all employees.

In Logicalis Ireland, all employees have completed a manual handling course. Employees were trained on how to perform specific manual handling tasks and identify ergonomic factors associated with their work activities. This course has now been included in Logicalis Ireland's induction process for all new employees. A refresher course will be undertaken by all employees on a biannual basis.

At Logicalis Germany, every location has trained employees to administer first aid. Furthermore, there are regular audits by an external consultant on health and safety. Logicalis Germany offers fresh seasonal fruits to employees on a weekly basis.

Asia-Pacific

Logicalis Singapore has renewed their certification for bizSafe Level 4, awarded by the Singapore Workplace Safety and Health Council for three years. The bizSafe Programme promotes workplace safety and health through the recognition of safety efforts. Selected staff are trained in first aid and CPR courses that equip them with better skills and knowledge in handling emergency situations. To promote a healthy lifestyle and good eating habits, staff get to enjoy generous servings of fresh fruit, courtesy of Logicalis, on a designated day each month.

For the wellbeing of employees, Logicalis Taiwan offers its employees a free health screening once every two years. Periodic fire and earthquake drills are also held to ensure readiness and safe evacuation of employees.

Thomas Duryea Logicalis ("TDL") has trained employees in its Australian and Malaysian operations to provide first aid assistance, should the need arise. TDL Australia has also trained fire wardens. TDL Malaysia has a health and safety committee that meets regularly to review management of incidents and provide feedback on ways to improve health and safety systems and procedures. TDL Australia also provides fresh fruit daily and offers free flu vaccinations to all employees.

Westcon International

Commitment to health and safety

Westcon International has provided additional professional health and safety resources to meet growing demands for legislative compliance and stakeholder requirements.

It has recruited a UK-based Facilities Co-ordinator and a Health, Safety and Quality Management Co-ordinator.

The team will help maintain a safe and environmentally conscious workplace and business environment, which is managed in accordance with local standards and regulations.

Training

Westcon International is increasing safety promotional information and training, raising the profile of health and safety across the division. This includes standardised safety reporting, health and safety awareness e-learning, employee feedback on potential issues, and reviewing "near-miss" incidents to help reduce potential workplace accidents. A health, safety and quality module is also included in the EMEA New Starter Induction event.

Environment

Datatec is currently in the process of developing and submitting its fifth CDP climate response. The CDP is an internationally acclaimed initiative that is driven by over 800 institutional investors representing in excess of US$100 trillion in assets with the objective of gaining greater visibility into how companies are managing the risks and opportunities in response to climate change.

The world is moving ahead into the low carbon transition and shareholders are increasingly demanding such visibility. In an effort to provide more transparency to shareholders, Datatec has once again teamed with GCX Africa to develop, collate and submit the 2020 CDP report.

The CDP report will provide Datatec with an opportunity to identify specific risks, opportunities and mitigation options that could have a material impact on Datatec's business operations over the medium to long term. The Company will engage with external professionals to mitigate and adapt to the risks identified and to take advantage of available opportunities in order to unlock maximum strategic business value from the initiative.

CLIMATE ACTION

LOGICALIS
Architects of Change

Logicalis

- **ISO 14001 and OHSAS 18001 certifications**
- **Reduced carbon footprint**
- **Saving energy**
- **Increased recycling**
- **Move to paperless business**

Commitment to greener practices

As a responsible international provider of IT solutions, Logicalis seeks to **measure and minimise** the way in which its commercial activities may **impact the environment**. Logicalis is also committed to providing practical advice and support to its customers and vendor partners to help them along the path to ever cleaner and greener IT solutions.

Logicalis recognises that a **responsible attitude to green IT** can lead to significant reductions in energy consumption and carbon emissions. As well as reducing greenhouse gases and operational costs, the technologies it promotes, such as remote working and video and teleconferencing, enables flexible working environments, greater productivity and improved business continuity.

Environment continued

Logicalis supports initiatives for **reducing power and water usage** and monitoring **waste reduction** in its offices. These range from paper and plastic recycling to water filtration and office lighting efficiency systems.

Policies

Logicalis US seeks to conduct its operations in compliance with applicable laws, regulations and standards concerning environmental protection. It **continually improves environmental management policies**, programmes and performance based on regulatory developments, technical developments and community expectations.

Logicalis Brazil ensures that all its offices comply with the **local environmental laws**. Prior to initiating projects, Logicalis conducts several preventive actions like risk anticipation and control actions planning, expressed in occupational safety, health and environmental programmes.

Certifications

Logicalis Brazil has obtained **ISO 14001 and OHSAS 18001 certifications**, showing that the division is committed to the prevention of environmental impacts and continuous improvement, as part of the normal business management cycle.

Logicalis UK has obtained a recertification of ISO 14001, the Environmental Management System that sets out **best practice for environmental issues** and helps to outline local legislation for compliance, as well as monitoring all the energy consumption of the UK data centres.

Reducing its carbon footprint

Logicalis promotes **remote working and video-conferencing** across its offices to minimise car or air transportation and reduce its carbon footprint. This is also supported through Logicalis' schemes to encourage employees to use public transport.

Logicalis Ireland promotes the use of **public transport** and **cycling to work**. Logicalis Ireland also promotes the government tax saver initiative through which employees can receive commuter tickets tax-free as part of their employment package.

Employees in Asia-Pacific are encouraged to take public transport or **carpool** when attending meetings and corporate recreational events to minimise carbon footprint.

Saving energy

As an early adopter of green IT ideas and activities, Logicalis welcomed the introduction of the **Energy Savings Opportunity Scheme** in the UK. The purpose of the scheme is to require qualifying organisations to measure total energy consumption, identify areas of significant energy consumption and identify cost-effective energy-efficiency opportunities.

The assessment noted Logicalis' commitment to sustainability through the provision of a number of policies and initiatives, namely an **energy management policy**, a **transport policy** and a **sustainable policy**.

Logicalis has moved to **completely renewable energy** from its energy suppliers and has replaced lighting with low wattage, energy-saving lighting solutions.

Logicalis in Asia-Pacific has replaced inefficient, high-energy lightbulbs with lower wattage, **energy-saving lights** (compact fluorescent and LEDs).

Across offices in the region, Logicalis works to ensure that office cooling systems are set up at an **optimal temperature** and switched off after work hours and over weekends.

Recycling

Logicalis Ireland promotes recycling internally with bins located in a number of key areas. The print management strategy has focused on **reducing the number of printing devices**, eliminating unnecessary printing and purchasing recycled paper.

In Asia-Pacific, **recycled paper and green office stationery** are purchased for staff usage, with the latter making up part of Logicalis' inventory on corporate premiums, which are given out during client events.

TDL Australia continues to partner with PonyUp, an organisation which turns unwanted, second-hand technology into charitable currency which, in turn, **reduces** the level of **waste into landfill**.

Paperless business

In Singapore, Logicalis has an e-claims portal where employees can now submit claims electronically in a more efficient and simplified manner, while further **reducing paper wastage**.

Logicalis Hong Kong uses a cloud platform service to submit e-leave applications to **avoid wasting paper**. The cloud platform service also allows Logicalis Hong Kong to save all personnel filing along with employees' certificates, which enables easy reference for the management team.

Westcon International

- **On average, Westcon International's offices and warehouses across EMEA recycled approximately 50 tonnes of paper and cardboard**
- **Recycling prioritised**
- **Energy-efficient equipment used**

Energy management

Westcon International monitors and reviews energy usage every year across the division and **updates equipment** to **increase efficiency** and effectiveness. This includes equipment such as air-conditioning, LED lighting replacement and movement sensing switches. To reduce the temperature variations in warehouses and protect product, heat/cool sensors and fans are used to maintain optimum energy efficiency and avoid overheating or being too cool. Fans are installed at height in warehouses to push the hot air down to maintain constant temperature generated by heating in the winter and circulate cool air from the air-conditioning in summer.

The UK is conducting an analysis of all UK printers and their usage to establish the most efficient and effective usage of printers, paper and ink used. This will identify more effective ways of working, **reduce paper usage** and the impact on the environment while making savings at the same time.

Recycling

Recycling within offices and warehouses is a priority, with enhanced recycling provisions being made available. Examples include:

South Africa: working with a third-party provider Hlangane Recycling to **record** the amount and types of **waste currently recycled**.

UK and Spain: installed **battery recycling bins** in each office and is proving very successful in encouraging staff to recycle batteries from both work and from home.

Westcon International has implemented **paper recycling bins** in offices and has established several providers across the division who recycle its waste. All end-of-life electrical equipment used within the offices and warehouses is recycled by **approved specialist recyclers**. The division has established a network of waste schemes across Europe to recycle its end-of-life product, batteries and packaging placed on the market across Europe. The UK is investigating zero landfill waste for its general office waste. Currently some 40% of all office general waste goes to landfill and should this scheme be successful, landfill will be a thing of the past.

Vendor collaboration

Following business and legislation changes, vendors are being targeted to provide **more product data** that further assists in meeting Westcon International's environmental waste obligations.

Our **leadership**

Corporate governance practices

Datatec believes that good corporate governance contributes to enhanced accountability, fairness and transparency.

The Board is ultimately accountable and responsible for the performance and affairs of the Company and is committed to upholding the King IV™ principles. The Board sets the tone for the Company through ethical leadership and is committed to maintaining the highest standards of ethics and business conduct. The Board members act with independence, competence, diligence, awareness, insight and information. The Board ensures that the Group is a responsible contributor in society by facilitating economic growth, paying taxes, providing skills and improving the communities in which it operates.

The Board provides guidance to the Group on strategic objectives and takes accountability for the performance of the Group. There is oversight from the Board to the Group on the management of compliance risk, remuneration governance and ICT governance, which support good governance practices. Sustainable growth and delivery of strategic purpose are key objectives of the Board.

The Board appreciates that these principles are essential for good governance and are important to successful stakeholder engagement.

The standards of disclosure are regulated by the Companies Act, the JSE Listings Requirements and the King IV™ Code.

The Board appreciates that effective corporate governance is a key driver of sustainability and acknowledges its responsibility in this regard, including to report openly thereon to stakeholders. Throughout the year (and up to the date of approval of this Integrated Report and annual financial statements) the principles articulated in the King IV™ Code have been applied or, if not applied, explained.

Further information on the Group's application of King IV™ can be found on **www.datatec.com**.

The Board

The Board is responsible for the leadership and guidance of the Group and exercises control over all divisions and subsidiaries by monitoring executive management and subsidiary committees. The Board is at the head of the Group's corporate governance structure and ensures the Group is a responsible corporate citizen, cognisant of the impact its operations may have on the environment and society in which it operates, while acting in accordance with Datatec's Code of Conduct.

The Board is governed by a formal Board charter that regulates the parameters within which it operates and defines its roles and responsibilities in accordance with legislation and global best practice with particular reference to the King IV™ Code and the Companies Act. The directors are of the opinion that they have adhered to the terms of reference set out in the Board charter for the year.

A copy of the Board charter is available on the website **www.datatec.com**.

The Board ensures that the governance of risk and technology and information through the Board committees supports the organisation in setting and achieving its strategic objectives. The assurance services, in the form of external and internal audit functions, further enable an effective control environment which supports the Board's decision-making.

The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of authority which precludes any one director from exercising unfettered powers of decision-making.

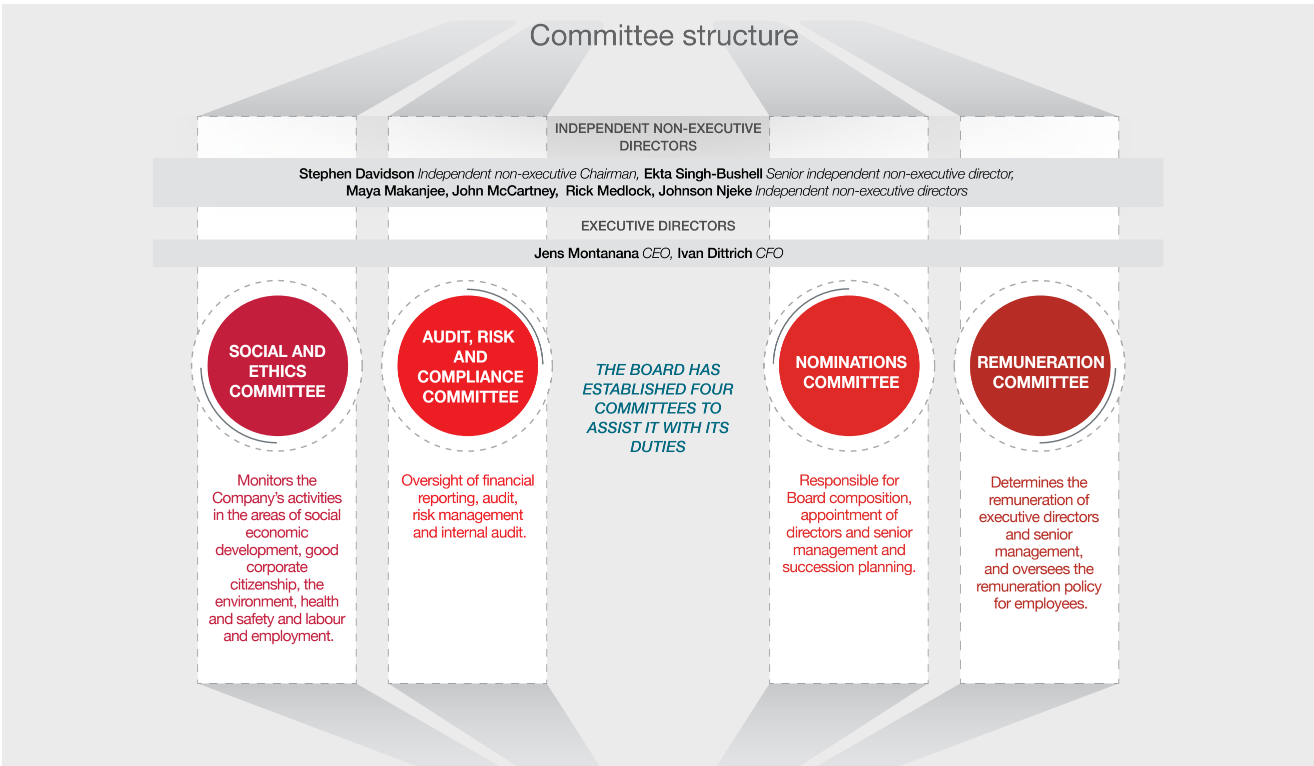
The non-executive directors draw on their experience, skills and business acumen to ensure impartial and objective viewpoints in decision-making processes and standards of conduct. The mix of technical, entrepreneurial, financial and business skills of the directors is considered to be balanced, thus enhancing the effectiveness of the Board.

To fulfil their responsibilities adequately, directors have unrestricted access to timely financial and other information, records and documents relating to the Group. The Board receives presentations from the management teams of its major subsidiaries, enabling it to explore specific issues and developments in greater depth.

Directors are provided with guidelines regarding their duties and responsibilities and a formal orientation programme has been established to familiarise incoming directors with the Group's business, competitive position, strategic plans and objectives. The Board has established four committees to assist it with its duties:

- Social and Ethics Committee
- Audit, Risk and Compliance Committee
- Nominations Committee
- Remuneration Committee

More information about the Board's committees is available in the Investor Information section.



Outcomes of the Board's leadership

- Ethical culture
- Compliance culture
- Effective controls
- Effective risk management processes
- Improved performance

Board activities

The Board is cognisant of its responsibilities recommended in the King IV™ Report:

- To set and steer Datatec's strategic direction
- To approve policy and planning
- To oversee and monitor management's implementation and execution
- To ensure accountability for performance

The Board is guided by its responsibilities and this is taken into account when setting agenda for Board meetings.

Typical Board meetings include:

- Reports from the various Board committees
- Reports on material matters arising out of their latest meetings
- Corporate governance updates
- Updates of regulatory considerations
- Review of shareholder analyses and share price information
- Financial performance updates
- Discussions of strategic matters

A key focus area of Board is monitoring the COVID-19 pandemic and its financial implications on the Group as well as the impact on staff's wellbeing. The Board will focus on optimising the business for the current environment which will include cost and liquidity management.

Board reviews

Annual Board reviews were performed during 2019 and the Board was satisfied with the manner in which it performed while executing its roles and responsibilities. There were no material issues which were identified during the Board review.

Changes to the Board and committees

As previously announced:

- Rick Medlock joined the Board as an independent non-executive director and member of the ARCC with effect from 1 January 2020
- Maya Makanjee was appointed as the Chairman of the Social and Ethics Committee on 1 June 2019 and also became the Chairman of the Remuneration Committee on 1 September 2019
- Johnson Njeke and Ekta Singh-Bushell stepped down from the Social and Ethics Committee on 30 November 2019

In addition, Stephen Davidson, the Group Chairman, and John McCartney will step down from their committee roles on the ARCC and Remuneration Committee on 31 May 2020.

Ekta Singh-Bushell will be appointed to the Remuneration Committee effective 31 May 2020.

Attendance

The Board and Board committee attendance was very good during FY20 to the date of this report. This illustrates the Board's high levels of engagement.

The full Board and Board committee attendance is available in the Investor Information section.

Strategic **risk management**

Risk-based leadership with the Board at its apex is fundamental to Datatec's approach to its operations. In line with the King IV™ Code, the Board governs risk in a way that supports the organisation in setting and achieving its strategic objectives.

Our risk management process

The Group's risk management process has three key steps:

1. Identify key risks – key risks are threats that have the ability to adversely affect the Group's ability to achieve its objectives and successfully execute its strategies. These are documented in risk registers
2. Implement controls to mitigate risk – monitor through continuous review
3. Obtain assurance that controls are effective – combined assurance programme. Adapt and improve controls where necessary

How do we identify risks

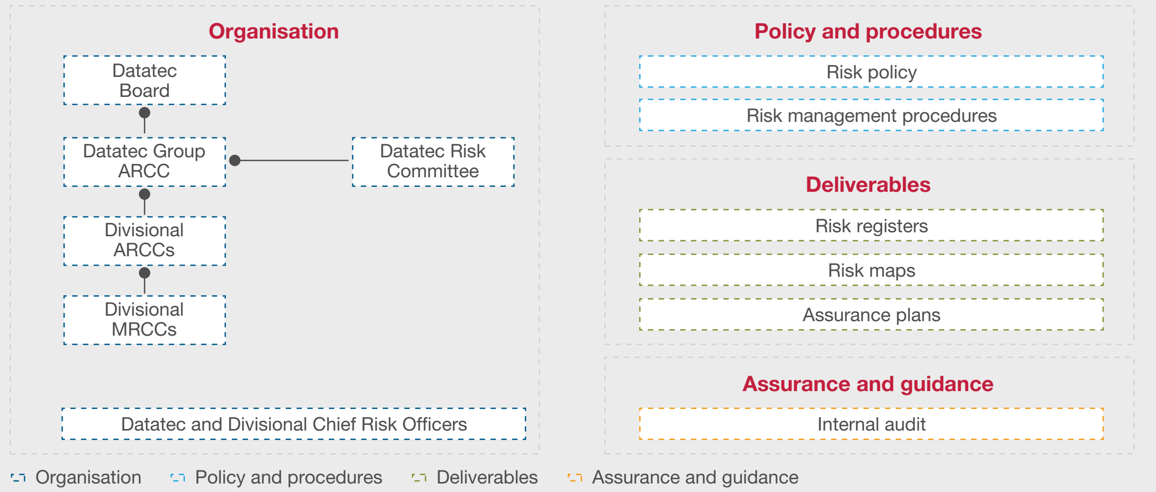
Our risks are identified as threats that can impact the Group's ability to deliver its objectives and its strategy. Our risks are regularly reviewed in the context of our operating environment.

How do we respond to our risks

Our risks are assessed and prioritised. The relationship between the impact and likelihood of risks is recorded in risk registers. Key risk responses are identified and reviewed to ensure that our process continually improves and evolves.

Risk oversight

RISK MANAGMENT FRAMEWORK



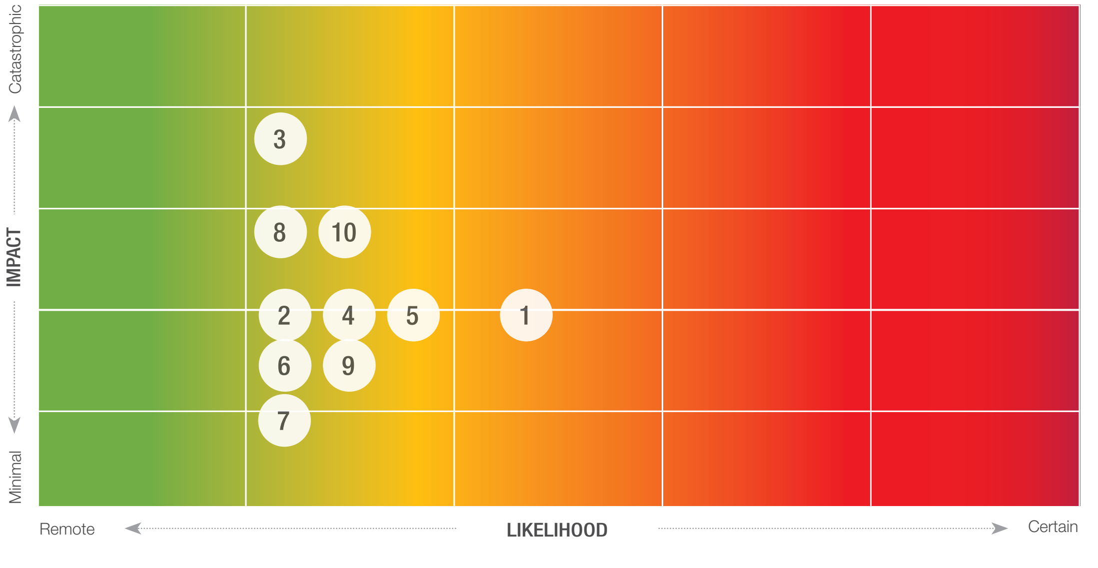
Risk management at Datatec is not viewed as a task that is performed in isolation. It is part of the day-to-day practices and staff at all levels are familiar with Datatec's risk policy. The Board is responsible for Datatec's strategy, leadership and decision-making which are all impacted by risk. Risk-based leadership is therefore fundamental to Datatec.

Board	• The Board determines the level of risk tolerance and limits of risk appetite are set as part of the strategic direction of the Group • The Board is ultimately responsible for the governance of risk
Audit, Risk and Compliance Committee	• Monitors risk management activities at the Group and subsidiary level on an ongoing basis
Group Chief Risk Officer	• Ensures that the risk management framework is operating effectively in the divisions
Divisions – divisional boards and executive committees	• Regularly reviews strategic and emerging risks and identifies and prioritises high-risk areas on risk maps based on impact and likelihood • Analyses high-risk areas to identify potential root causes • Identifies mitigating controls and associated monitoring/assurance activities for each high-risk area
Head office – Datatec Risk Committee	
Divisional Chief Risk Officers	• Ensures divisional risk procedures are in accordance with and support the Group's risk management framework • Oversees management's response to matters identified as requiring improvement

The Board is responsible for approving Datatec's risk appetite and when the risk tolerance is exceeded, it is management's responsibility to take action.

Refer to our operating context on pages 8 and 9 for details of our key risks.

Outlined in the risk map below is the risk rating for our top 10 key risks after all measures to mitigate these risks have been applied.



1. Impact of COVID-19
2. Technological market disruption
3. Dependence on key vendors
4. Internal technological risks
5. Dependence on key customers
6. Mismanagement of payment discount, product rebates and allowances
7. Execution risk of major projects
8. Risk of failure to fund working capital needs sufficiently
9. Value generation: disposals and acquisition risk
10. Risk of overdependence on key personnel

Fair **and responsible remuneration**

Remuneration structure

Datatec's purpose is to deliver value to all stakeholders through technology agility and service excellence. In order to do so, our executive directors and staff are incentivised to achieve outcomes aligned with this objective in their individual key performance areas for both STIs and LTIs. The Group's remuneration policy seeks to align remuneration to the achievement of the Group's strategic objectives.

Aligning remuneration to our strategic objectives

SHORT-TERM INCENTIVE ("STI")	STRATEGIC OBJECTIVE	LONG-TERM INCENTIVE ("LTI")
	Value generation	**FY20:** Performance condition for 50% of conditional share plan ("CSP") awards vesting in 2023 is return on invested capital ("ROIC") **FY21:** Performance condition for two-thirds of CSP vesting in 2024 is absolute total shareholder return ("TSR"). Executive share ownership requirements and the deferred bonus plan ("DBP's") additional two-year holding period post-vesting ensure shareholder alignment over the long term
FY20 target for 50% of STI was budget uEPS **FY21** target for 25% of STI is target uEPS	uEPS	**FY20:** Performance condition for 50% of CSP vesting is uEPS growth over three years to FY22 **FY21:** Performance condition for one-third of CSP vesting is uEPS growth over three years to FY23
FY20 target for 30% of STI was the budget for Group EBITDA **FY21** target for 25% of STI is target Group EBITDA	EBITDA	
FY20 metrics focused on Westcon International turnaround **FY21** metrics addressing Logicalis and Westcon International working capital	Other quantitative measures addressing current short-term priorities	
FY21 metrics address crisis management and post-COVID-19 strategy	COVID-19	**FY21:** CSP starting point for TSR performance condition will be average share price over 30-business days to the date of the FY20 results announcement (27 May 2020) to take account of the uprecendented market effects of the COVID-19 pandemic arising after the year-end date (29 February 2020)

Objectives of our remuneration policy

- Set remuneration levels to attract and retain the best local and international talent who will enhance business performance
- Recognise and reward superior performance when it occurs
- Direct employees' energies and activities towards key business goals and strategic outcomes
- Align employees' and shareholders' interests

Key principles of our remuneration policy

- Reward all employees suitably for their contribution to the Group's operating and financial performance
- Apply fair and responsible pay principles to all employees across the Group
- Promote a common interest with shareholders
- Consider the international ICT industry, market and country benchmarks to ensure the Group's remuneration is competitive in regions in which the Group operates, particularly the US, Brazil and the UK
- Make a significant proportion of the remuneration of executive directors and senior managers performance-based
- Balance the performance-based element of remuneration between the achievement of short-term and long-term objectives

The key principles of our remuneration policy are enshrined in the three main elements of remuneration:

ELEMENT OF REMUNERATION	DESCRIPTION AND POLICY	ELIGIBILITY
Guaranteed package	Base salary and benefits including retirement and medical scheme contributions	All employees
STIs	Annual bonus plan with performance targets, subject to deferral as explained in the remuneration report on page 103	Group executives participate in an annual STI as explained in detail in the remuneration report on page 103. Management of divisions participate in STI plans similar to the Group executives but based on divisional performance targets and personal performance targets. Non-management employees typically receive lower levels of STIs based more on personal targets rather than on corporate goals
LTIs	Share-based remuneration plans with performance targets. Two share-settled Group plans are used, namely: ● CSP – a performance share plan ● DBP – a portion of the bonus is deferred and the Company contributes a co-investment. Both of these components are in the form of shares which are forfeitable A number of cash-settled share-based remuneration plans are operated in divisions. These are explained in further detail in the remuneration report on page 106.	Datatec Group executives and senior management participate in the Datatec CSP Executive directors and two other senior managers participate in the DBP Senior management of Logicalis, Westcon International and Analysys Mason participate in divisional share schemes

The STI is calculated in relation to base salary as follows:

Base salary x on-target STI percentage x [(personal score x personal weighting) + (corporate score x corporate weighting)]

For executive directors:
80% corporate
20% personal – with the exception of FY21 as it has been changed to 70% corporate; and
30% personal as a result of the global COVID-19 pandemic

For other senior management:
50% corporate
50% personal (with exceptions where appropriate as agreed by the Remuneration Committee)

Fair **and responsible remuneration** continued

Shareholder engagement

A programme of shareholder consultation was undertaken both in FY19 and FY20 to ensure shareholders' views on remuneration were properly and accurately addressed and taken into account in the Group's remuneration policy and implementation practices.

Details can be found in the remuneration report on page 100.

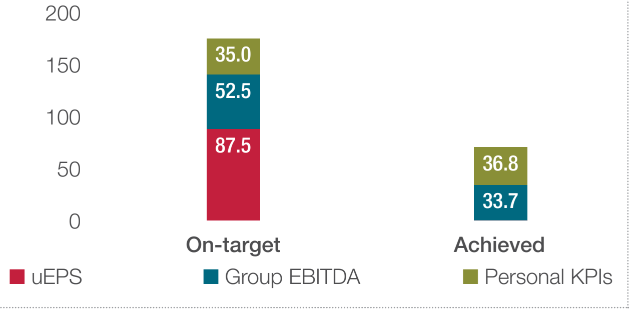
Directors' remuneration

Some of the main remuneration outcomes, after extensive shareholder engagement, are as follows:

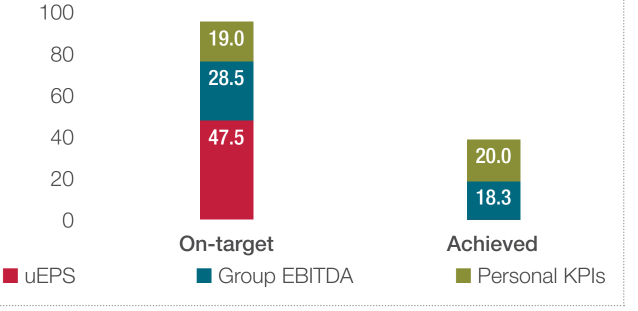
- Base pay of the CEO and CFO was reduced in FY20 by 20% and 10% compared to FY19
- Executives received no increases to guaranteed pay for the forthcoming year due to COVID-19. Likewise non-executive directors will receive no fee increases
- STIs earned for FY20 decreased 56% compared to FY19
- We awarded LTIs, but as a result of our lower STI levels, the deferral and co-investment by the Company into the DBP was lower compared to previous years. CSP awards were made in line with our normal policy
- A clawback and malus policy was implemented with effect from 1 March 2020

The targets and outcomes of the annual bonuses of the executive directors for FY20, shown as a percentage of base salary and split by the bonus elements, are illustrated below:

CEO FY20 bonus composition as a percentage of basic salary



CFO FY20 bonus composition as a percentage of basic salary



The FY20 STI bonus structure comprised Company and individual performance targets. The outcome is set out in the following table:

Datatec
FY20 bonus outcome

				FY20 Target	FY20 Outcome
(1) uEPS		**US cents**	**Bonus**		
Actual		9.9	0%		
Lower guard-rail	-18%	12	40%	50%	0.0%
On-target	FY20 budget	15	100%		
Upper guard-rail	22%	18	160%		
(2) EBITDA		**US$ million**	**Bonus**		
Lower guard-rail	-13%	150	40%		
Actual		159	64%	30%	19.3%
On-target	FY20 budget	171	100%		
Upper guard-rail	17%	200	160%		
(3) Personal KPIs • Westcon International EBITDA • Westcon International reduction in central costs • Culture/leadership (CEO) • ESG (CEO) • Westcon International refinancing (CFO)				20%	21.0%
TOTAL ON-TARGET AND ACTUAL BONUS OUTCOME				100%	40.3%

Information on the FY21 bonus structure can be found in the remuneration report in Investor Information.

The metrics used for the FY21 STI include cash/working capital targets which the Remuneration Committee views as particularly critical under the COVID-19 environment in addition to uEPS and EBITDA targets. Personal KPIs include COVID-19 crisis management, culture/leadership (CEO), post-COVID-19 crisis strategy (CEO), Westcon International refinancing (CFO) and external auditor transition (CFO).


Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management
90.50.3.2
60.50.3.1
90.50.3.2
Jul
Aug
Sep
Monday
Sunday
Tuesday
Saturday
Manufacturing
Supply chain
Product
Cargo
Customer
Delivery
Inventory
Management
Freight
Friday
Wednesday

INVESTOR INFORMATION

Corporate governance reports

Corporate social investment reports

Board **of directors**

The Board

The Board is responsible for the leadership and guidance of the Group and exercises control over all divisions and subsidiaries by monitoring executive management. The Board is at the head of the Group's corporate governance structure and ensures that the Group is a responsible corporate citizen, cognisant of the impact its operations may have on the environment and society in which it operates, while acting in accordance with Datatec's Code of Conduct.

Board meeting attendance

The directors' attendance at Board meetings during FY20 and subsequently to the date of this report is as follows:

	14 March 2019	14 May 2019	18 July 2019	15 October 2019	**19 March 2020**	**19 May 2020**
SJ Davidson	P	P	P	P	**P**	**P**
IP Dittrich	P	P	P	P	**P**	**P**
M Makanjee	P	P	P	P	**P**	**P**
JF McCartney	P	P	P	P	**P**	**P**
CRK Medlock					**P**	**P**
JP Montanana	P	P	P	P	**P**	**P**
MJN Njeke	P	A	P	P	**P**	**P**
E Singh-Bushell	P	P	P	P	**P**	**P**

P = present
A = apologies – unavoidable absence
= not a director at the time

Rotation and appointment of directors

In terms of the Group's Memorandum of Incorporation ("MoI"), one-third of the Board's directors must retire from office at each AGM on a rotation basis. Retiring directors may make themselves available for re-election, provided that they remain eligible as required by the Memorandum of Incorporation and in compliance with the JSE Listings Requirements.

At the upcoming AGM, Stephen Davidson, John McCartney and Ekta Singh-Bushell will retire by rotation and, being eligible, will offer themselves for re-election. Rick Medlock will offer himself for election onto the Board of the Company. Datatec is seeking a final re-appointment for Stephen Davidson, with the intention that a successor as Chairman of the Board will be identified early in his term, enabling him to retire as a director of the Company within two years of his re-election. The Company is seeking a final re-appointment for John McCartney with the intention that he will retire within one year of his re-election.

On behalf of the Board, the Chairman confirms that on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of John McCartney, Ekta Singh-Bushell and Rick Medlock throughout their periods of office have been highly satisfactory. On behalf of the Board, the senior independent non-executive director confirms that on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of Stephen Davidson throughout his period of office has been highly satisfactory.

The Board unanimously recommends shareholders to vote in favour of the re-election of Stephen Davidson, John McCartney, Ekta Singh-Bushell, as well as the election of Rick Medlock at the AGM.

Annual Board and committee reviews

In addition to Board and committee self-evaluations, the directors were evaluated during the year as follows:

- Individual assessments conducted by the CEO and Chairman
- Non-executive directors were assessed for independence by the Nominations Committee and the Board (as noted in the Nominations Committee report)
- The Chairman was assessed by the non-executive directors and CEO
- The CEO was assessed by all the non-executive directors
- The CFO was assessed by the Audit, Risk and Compliance Committee

The evaluations during the year did not identify any issues with the Board performance.

Support functions

Independent advice

All directors have access to seek professional and independent advice about the affairs of the Group at the Group's expense.

Company Secretary

All directors have unlimited access to the advice and services of the Company Secretary. The Company Secretary is responsible for the duties set out in section 88 of the Companies Act, including governance and proper administration of the Board, regulatory advice, monitoring the implementation of Board decisions and ensuring that ethical governance standards are implemented.

Datatec Management Services (Pty) Ltd, a South African company, is the Company Secretary. This company is managed by Simon Morris.

The Board undertakes an annual evaluation of the Company Secretary in accordance with the JSE Listings Requirements. The evaluation criteria for the Company Secretary includes assessing the qualifications, knowledge of or experience with relevant laws, ability to provide comprehensive support and the ability to provide guidance to directors as to their duties, responsibilities and powers. The annual evaluation in October 2019 involved the completion of a questionnaire by Board members and a discussion during a meeting of the Board in the absence of the Company Secretary. Based on the results of the evaluation, the Board is comfortable that the Company Secretary maintains an arm's length relationship with the Board at all times, has the relevant experience to discharge his duties and is sufficiently qualified and skilled to act in accordance with, and advise directors in terms of the JSE Listings Requirements and update the directors in terms of the recommendations of the King IV™ Code and other relevant local and international law.

Simon Morris is a qualified Chartered Accountant.

Board committees

The Board has established four committees to assist it with its duties:

- Social and Ethics Committee
- Audit, Risk and Compliance Committee
- Nominations Committee
- Remuneration Committee

Social **and Ethics Committee report**

Maya **Makanjee**

Social and Ethics Committee Chairman

The Social and Ethics Committee's responsibilities encompass monitoring and regulating the impact of the Group on its stakeholders. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business, and reporting thereon to the Social and Ethics Committee, the Board remains ultimately responsible for Group sustainability. The committee was established under the terms of the Companies Act.

During the year under review, Johnson Njeke chaired the committee until 1 June 2019 and resigned as a member on 30 November 2019. Maya Makanjee became Chair from 1 June 2019. The committee further comprises Stephen Davidson, Jens Montanana and Ekta Singh-Bushell (until 30 November 2019). The committee meets at least twice a year.

The Social and Ethics Committee operates within defined terms of reference as set out in its charter, the Companies Act and the authority granted to it by the Board. Broadly, the committee is tasked with overseeing the good corporate citizenship of the Group on behalf of the Board. In conjunction with the Board, the Social and Ethics Committee has applied the principles of King IV™.

The committee's role is to regularly monitor the Group's activities, with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of the following:

- Social and economic development, including the Group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact;
  - anti-bribery and corruption legislation and best practice from around the world, including OECD policy guidelines for preventing corruption, US Foreign Corrupt Practices Act and UK Bribery Act;
  - Employment Equity Act;
  - Broad-Based Black Economic Empowerment Act;
- Good corporate citizenship, including the Group's:
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed;
  - record of sponsorship, donations and charitable giving;
  - environment, health and public safety, including the impact of the Group's activities and services;
  - stakeholder relationships and public relations;
  - labour and employment, including the Group's:
    - standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
    - employment relationships and the Group's contribution towards the educational development of its employees.

The Social and Ethics Committee examines the application of the Group's Code of Conduct which provides a framework of "how we do business" in an honest and ethical way across the Group. On an annual basis, the Group conducts Code of Conduct training and all employees are required to complete it. The committee reviews the reports from the subsidiaries relating to Code of Conduct training and anti-bribery and corruption.

Health and safety reports are reviewed annually by the committee and at least quarterly at the subsidiary level.

Since the start of the COVID-19 pandemic, the committee in consultation with the Board has prioritised employee safety and wellbeing during this challenging period. Since the start of March, COVID-19 impact spread rapidly to Europe resulting in offices in both Asia and Europe being closed. Management is keeping a close watch on the situation with daily and weekly update sessions.

All subsidiaries released communication to employees emphasising employee health and safety measures to take during this time. Employees were encouraged to work from home with those returning to the office implementing health and safety guidelines. To date, there are no Datatec employees who have contracted COVID-19 and any employees who do not feel well are asked to stay at home and seek medical attention.

For more information on health and safety, refer to pages 69, 70 and 125.

The committee also monitors the Group's application of BBBEE legislation in its South African operations and the promotion of equality and prevention of unfair discrimination throughout the global operations of Datatec. Datatec's South African operating subsidiaries, WestconGroup SA (Pty) Ltd and Logicalis SA (Pty) Ltd, achieved Level 1 and Level 2 respectively in terms of their BBBEE accreditation scores for the period under review. Furthermore, the committee oversees the Group's contribution to the development of communities in South Africa through the Datatec Educational and Technology Foundation.

More information on our BBBEE and transformation can be found on page 68.

The committee draws matters relating to employment equity, BBBEE, CSI and labour to the attention of the Board and reports on them to shareholders at the AGM.

No human rights incidents were reported during the financial year.

In South Africa, aspects such as prohibition of child labour, compulsory labour and discriminatory practices are monitored by the Department of Labour in addition to the committee. Subsidiaries operating in other jurisdictions adhere to the laws labour relevant to them.

Maya Makanjee
Chairman
Social and Ethics Committee

Social and Ethics Committee constitution and operation

The Board has established a Social and Ethics Committee under the terms of the Companies Act 71 of 2008.

The committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board and meets at least twice a year.

The Social and Ethics Committee charter is available on the Group's website **www.datatec.com**.

The composition of the Social and Ethics Committee during FY20 was:

- Maya Makanjee (Chairman from 1 June 2019)
- Johnson Njeke (Chairman until 31 May 2020 and member until 30 November 2019)
- Jens Montanana (CEO)
- Stephen Davidson (Group independent non-executive Chairman)
- Ekta Singh-Bushell (senior independent non-executive director) (member until 30 November 2019)

Directors' attendance at Social and Ethics Committee meetings during FY20 and subsequently to the date of this report (all meetings were scheduled) is as follows:

	13 March 2019	14 October 2019	**18 March 2020**
M Makanjee	P	P	**P**
MJN Njeke	P	P	
JP Montanana	P	P	**P**
E Singh-Bushell	P	P	
SJ Davidson	P	P	**P**

P = present
= not a member

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude that it is operating effectively under the terms of reference set out in its charter. There were no issues identified in the committee appraisals and the committee was satisfied with the manner in which it has operated during FY20.

The Chairman of the committee will be available at the AGM to present its report noted above and to answer queries about the work of the committee.

Risk report

The Board is responsible for Datatec's strategy, leadership and decision-making which are all impacted by risk. Risk-based leadership, with the Board at its apex, is fundamental to Datatec.

Johnson **Njeke**

Audit, Risk and Compliance Committee Chairman

Risk policy

The Group's risk policy:

- sets out and explains Datatec's approach to risk and risk management;
- records the Board's evaluation of Datatec's risk appetite for the main categories of risk;
- explains the principles behind Datatec's risk management framework which contains the procedures by which the policy is implemented; and
- supports management in managing risk, allowing risk to be managed on a decentralised basis subject to Group overview.

The approach to risk management and internal control defined in the risk policy has been applied throughout the year under review and up to the date of approval of this Integrated Report and annual financial statements.

The risk policy is reviewed by the ARCC and approved annually by the Board. The latest update was approved on 19 March 2020.

While all risks are continually monitored, the ARCC is paying particular attention to the impact of COVID-19 on the business, and on going concern in particular. The risk of cyber security threats continued to be monitored during FY20.

The risk management framework for maintaining sound risk management and internal control systems throughout the Group is explained in more detail later in this report.

The key risks to the Group are set out on pages 8 and 9.

Board assessment of the Group's system of internal controls and risk management

Nothing has come to the attention of the Board or has arisen out of the internal control self-assessment process, internal audits or year-end external audit that causes the Board to believe that the Group's system of internal controls and risk management is not effective or that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The Board's opinion is based on the combined assurances of external and internal auditors, management and the ARCC.

Risk management framework

The Group's risk management process has three key steps:

- Identify key risks – document in risk registers
- Implement controls to mitigate risk – monitor through continuous review
- Obtain assurance that controls are effective – combined assurance programme

Within this framework, the specific responsibilities of different designates and the processes they follow are set out below:

Responsibility	Process
Board • Extensive experience in the Group's main business streams • Experience of the non-executive directors in other fields of business	• Level of risk tolerance and limits of risk appetite are set as part of the strategic direction of the Group • A combined assurance framework is in place to ensure adequate assurance that the controls over the identified risks are operating effectively • A Group risk register is maintained and risks across all aspects of the Group's operations are considered, including financial, market, political and operational risks, as well as social, ethical and environmental risks Information available elsewhere in the risk report.
Audit, Risk and Compliance Committee	• Monitors risk management activities on an ongoing basis • Discusses risk topics raised • Reviews divisional summary risk registers semi-annually • Reviews divisional audit, risk and compliance committee meeting minutes • Reviews divisional management risk committee meeting minutes
Group Chief Risk Officer ("CRO")	• Chairs CRO forum • Chairs ICT Governance Committee • Maintains Group risk register • Reports to CFO • Reports to ARCC • Ensures that the risk management framework is operating effectively in the divisions • Ensures improvements in the controls and risks identified in the Group risk register
Divisions – divisional boards and executive committees **Head office – Datatec Risk Committee**	• Regularly review strategic and emerging risks • Input to risk registers • Identify and prioritise high-risk areas on risk maps based on impact and likelihood • Impact ratings are broadly defined in terms of financial thresholds, operational impacts, regulatory compliance, customer and community impacts, employee impacts and reputational impacts • Likelihood ratings are defined in terms of the overall likelihood of a risk materialising • Further analyse high-risk areas to identify potential root causes • Identify mitigating controls and associated monitoring/assurance activities for each high-risk area • Assign an executive to monitor and manage specific risk areas • Review risk registers and risk maps semi-annually
Divisional Chief Risk Officers	• Ensure divisional risk procedures are in accordance with and support the Group's risk management framework • Maintain divisional risk registers • Co-ordinate the execution at divisional level of the risk management framework • Identify emerging risk and compliance issues • Report on divisional management of risk to divisional audit, risk and compliance committees (which report to the divisional boards) • Oversee management's response to matters identified as requiring improvement

Risk **report** continued

Financial and internal control

The Group's internal control and accounting systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard, verify and maintain accountability of its revenues and assets. These controls are implemented and maintained by skilled personnel.

The operation of key internal controls is assessed annually using an internal control questionnaire ("ICQ") which is completed by all Group subsidiaries with operational accounting functions. The results of the ICQ are critically assessed by divisional and Group management and assist in harmonising controls and setting standards across the business.

Combined assurance

A combined assurance framework for monitoring and evaluating the effectiveness of the internal controls is in place throughout the Group. This framework deploys and co-ordinates internal and external assurance providers to report on the effectiveness of the Group's internal controls.

A combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Group. Within Datatec there are a number of assurance providers that either directly or indirectly provide the Board and management with certain assurances over the effectiveness of those controls that mitigate the risks as identified during the risk assessment process. Collectively, the activities of these assurance providers are referred to as the combined assurance framework.

Information available on page 4.

As the nature and significance of risks vary, assurance providers are required to be equipped with the necessary expertise and experience to provide assurance that risks are adequately mitigated. External assurance providers include external audit, internal audit, regulators, sustainability assurance providers and other professional advisers.

In the combined assurance model, each control is linked to a specific assurance provider, where applicable, to enable the following to be identified:

- risk areas where no/insufficient controls have been identified;
- risk areas where controls have been identified, yet insufficient assurance is provided (gaps); and
- risk areas where duplicate or "excess" assurance is provided (duplication).

Combined assurance framework

- Management-based assurance: Management oversight, including strategy implementation, performance measurements, control self-assessments and continual monitoring mechanisms and systems:
  - Local management is required to complete and submit the ICQ annually and this is monitored against internal control norms. Action is taken where ratings are considered to be inadequate. Ratings are also reviewed by the Audit, Risk and Compliance Committee.
  - In addition, the Board obtains a formal letter of assurance twice a year from each of its subsidiary divisions (supported by similar representations from the divisions' own subsidiaries) which provides the Board with assurance over the operation of the risk management processes described above, including the operation of internal controls over financial and IT risks, compliance with legislation, and the ethical and sustainable management of the business.

- Internal assurance: Risk management (adopting an effective enterprise risk management framework), legal, compliance, health and safety, and quality assurance departments are included. They are responsible for maintaining policies, minimum standards, oversight and risk management performance and reporting.
- Independent assurance: Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance and internal control within the organisation is predominantly the role of internal audit, external audit and other expert assurance providers required from time to time.
- Oversight committees: Appropriate assurance providers under each of the above categories have been identified:
  - The ARCC
  - The Social and Ethics Committee with regard to oversight of the Group's controls in the sphere of ethics, corporate social responsibility and sustainability
  - The Remuneration Committee with regard to controls in the remuneration sphere
  - The Nominations Committee in relation to Board diversity and corporate governance structures
- Management has used this model to conclude on the completeness and appropriateness of the current assurance activities for each risk identified and that the level of assurance provision is satisfactory. It continues to maintain the framework as part of the ongoing risk management process.
- The ARCC has reviewed the combined assurance frameworks for the Group and the three divisions to satisfy itself with management's conclusions and will continue to review them as part of its role in oversight of risk management.
- In light of its review of the combined assurance framework, the ARCC has recommended to the Board that appropriate assurance activities are in place in relation to the controls operating over each risk identified in the risk management process.

The governance of ICT

The Board has the responsibility to govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives (King IV™ Principle 12). To achieve this, the governance of ICT is firmly embedded in the Group's risk management framework. ICT risk is managed across all operations with controls and assurance provision to be maintained and reviewed in the same way as for other risks. The Board has adopted an ICT governance policy setting out the Group's approach to ICT governance. Within this policy, an ICT Governance Committee has been established comprising divisional ICT risk management and ICT executives with the aim of reinforcing the integration of IT risk issues into the Group's risk management framework.

The Board includes a review of ICT governance procedures operated by the Group's major divisions in its annual timetable to assist in its ICT governance role.

Risk **report** continued

There are documented and tested procedures in the major subsidiaries which will allow them to continue their critical business processes in the event of a disastrous incident impacting their activities. Such business continuity planning procedures are reviewed annually and, where weaknesses are identified, the relevant subsidiaries are required to rectify them.

Management reporting

The Group operates management reporting disciplines which include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against approved budgets. Project projections and cash flow forecasts are reviewed regularly, while working capital, borrowing facilities and bank covenant compliance is monitored on an ongoing basis.

All financial reporting by the Group, including external financial reporting and internal management reporting, is generated from the same financial systems which are subject to the internal controls and risk management procedures described below.

Compliance framework and processes

The Board governs compliance with applicable laws and adopted non-binding rules, codes and standards in a way which supports the organisation being ethical and a good corporate citizen (King IV™ Principle 13). Each division manages compliance with relevant laws and regulations, which the ARCC has divided into the following broad categories for the purposes of monitoring. These are considered to be the main themes/classes of legislation which pose the biggest risk to Datatec in the event of breach:

- Corporate law – companies acts, financial reporting
- Financial law – anti-money laundering and fraud
- Export regulations – trade sanctions and foreign corrupt practices
- Import regulations – including duty and VAT
- Taxation
- Securities law – insider dealing and stock exchange compliance
- Employment law – unfair dismissal, employment practices, health and safety
- Intellectual property, trademarks and patents
- Competition legislation
- Customer protection legislation

Each category is considered in the risk assessment process and, if appropriate, a risk is recorded on the relevant risk register and managed in accordance with the risk management framework set out in this report. The divisions' audit, risk and compliance committees report on each category of legislation above, noting whether any breaches of compliance have been identified.

Internal audit

Internal audit is an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance. The internal auditor is the key assurance provider in the Group's combined assurance framework described on page 4. The function provides the Board with a report of its activities which, along with other sources of assurance, is used by the Board in making its assessment of the Group's system of internal controls and risk management.

Datatec has an in-house internal audit function which operates within defined terms of reference as set out in its charter and the authority granted to it by the ARCC and the Board, and reports to the ARCC with notification to the CRO.

The internal audit team reports to the CRO on day-to-day matters, and to the Chairman of the ARCC and, in addition, has unfettered access to the Group CEO and CFO as required.

Audit plans are presented in advance to the ARCC for approval. The plans are based on an assessment of risk areas involving an independent review of the Group's own risk assessments which are recorded in the risk registers. Audits include Group-wide reviews of specific risk areas as well as "baseline control" audits of key controls applying to business processes at specific locations. Baseline control audits include an independent assessment by the internal auditor of the ICQ responses of the entity being audited for the controls in scope for the audit in order to validate the ICQ self-assessment.

The internal audit team attends and presents its findings to the ARCC. Management is responsible for acting on the findings of internal audit and implementing remedial action to correct identified control weaknesses. Internal audit reviews management's actions on the findings and reports back on the effectiveness of the response. An example of an internal audit finding which is being addressed by management across the Group is weakness in access controls to IT systems. The internal audit process and management's response to the findings thereby contribute to a continuous improvement culture in the Group's risk management function.

The ARCC is satisfied that internal audit has met its responsibilities for the year with respect to its terms of reference.

External audit

The ARCC is responsible for recommending the external auditor for appointment by shareholders and for ensuring that the external auditor is appropriately independent. Following the 2019 AGM, the Company undertook a process to identify a new external audit firm for the year ending 28 February 2021 ("FY21") and the ARCC took a leading role in the selection process. After meeting in January 2020, the committee recommended to the Board that PricewaterhouseCoopers ("PwC"), be appointed as the new external auditors for the Group subject to shareholder approval at the 2020 AGM on 29 July 2020.

The external auditor carries out an annual audit of all the Group's subsidiaries in accordance with international auditing standards and reports in detail on the results of the audit both to the audit, risk and compliance committees of the Group's divisions and to the Group ARCC. The external auditor is therefore the main external assurance provider for the Board in relation to the Group's financial results for each financial year.

The ARCC regularly reviews the external auditor's independence and maintains control over the non-audit services provided, if any. Pre-approved permissible non-audit services performed by the external auditors include taxation and due diligence services. The external auditor is prohibited from providing non-audit services such as valuation and accounting work where its independence might be compromised by later auditing its own work. Any other non-audit services provided by the external auditor are required to be specifically approved by the Chairman of the ARCC or by the full committee if the fees are likely to be in excess of 50% of the audit fee.

Johnson Njeke
Chairman
Audit, Risk and Compliance Committee

Risk **report** continued

ARCC constitution and operation

The committee operates within defined terms of reference as set out in its charter which has been approved by the Board.

The ARCC charter is available on the Group's website **www.datatec.com**.

The ARCC during FY20 consisted of the following independent non-executive directors:

- Johnson Njeke (Chairman)
- John McCartney
- Ekta Singh-Bushell
- Rick Medlock

The ARCC meets at least three times a year and the external auditors, the internal auditors, CEO, CFO, CRO and Group Legal are invited to attend.

Directors' attendance at ARCC meetings during FY20 and subsequently to the date of this report (all meetings were scheduled) is as follows:

	13 March 2019	13 May 2019	14 October 2019	**14 January 2020**	**18 March 2020**	**18 May 2020**
MJN Njeke	P	P	P	**P**	**P**	**P**
CRK Medlock				**P**	**P**	**P**
JF McCartney	P	P	P	**P**	**P**	**P**
E Singh-Bushell	P	P	P	**P**	**P**	**P**

P = present
= not a director at the time

Note: John McCartney stepped down from his committee role on the ARCC with effect from 31 May 2020.

The principal functions of the committee are to:
- review the annual financial statements, the half-yearly results announcement and other financial reports;
- ensure the Group has established appropriate financial reporting procedures and that those procedures are operating effectively;
- assess the risks facing the business and review the Group's risk management procedures;
- monitor the effectiveness of internal controls and comment on the state of the internal control environment;
- review the internal and external audit plans and discuss the findings and recommendations of the internal and external auditors; and
- review the effectiveness of the external auditors including considering the findings of: the inspection performed by the auditors' regulatory body; the auditors' internal engagement monitoring inspection; the outcome of any legal or disciplinary procedures; and review the effectiveness of the internal auditors.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude that it is operating effectively under the terms of reference set down in its charter.

The committee is satisfied that it has met its legal and regulatory responsibilities for the year under review and to the date of this report with respect to its terms of reference as set out in its charter.

The Chairman of the committee will be available at the AGM to answer queries about the work of the committee.

Nominations **Committee report**

Stephen **Davidson**

Nominations Committee Chairman

The Nominations Committee's role is to review succession planning for executive and non-executive directors and to advise the Board on new appointments and the composition of Board committees. An important aspect of the committee's role is to ensure the Board's stated aims in terms of diversity are met and that the Board comprises a diverse and appropriate balance of individuals and skills to optimise its performance in delivering against the Company's strategic objectives.

Details of the Nominations Committee's constitution and operation are given on page 97.

During FY20, the Nominations Committee oversaw the continuing refreshment of the Board.

On 1 June 2019, Maya Makanjee took over as Chair of the Social and Ethics Committee and on 1 September succeeded John McCartney as Chair of the Remuneration Committee. In both these roles the Board will benefit from her experience in the fields of leadership, ethics, authenticity, principles and values, as well as diversity and inclusion.

On 1 January 2020, Rick Medlock joined the Board as an independent non-executive director and member of the Audit, Risk and Compliance Committee. Rick has a wealth of international experience in the technology, media and telecoms sector where he has held several senior positions over a period of more than 30 years, specialising in fast growing globally focused technology companies, private equity-backed investments and IPOs.

Following these changes, the Board now comprises eight directors: two executives, the CEO and CFO, and six independent non-executive directors including the Chairman. The Nominations Committee considers the current Board to be very well balanced in terms of skills and experience. The gender diversity of the Board meets the Board's policy requirements by having two female members. As an international group, Datatec requires an international perspective at Board level and this is represented by a range of nationalities and geographic experience among the directors.

Diversity

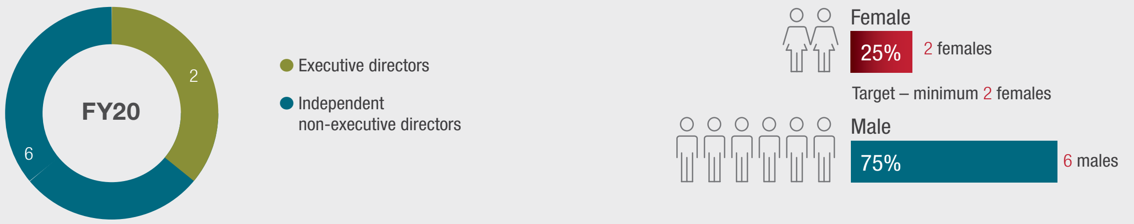
In terms of gender diversity, the Nominations Committee has given priority to seeking female candidates to fill non-executive director vacancies. In terms of race diversity, it is Datatec's policy to promote race diversity at Board level and the Board is satisfied that this aim is being achieved.

Annually, the Nominations Committee will discuss and agree on proposed objectives, including, without limitation, the setting of voluntary targets, for achieving diversity on the Board and recommend the same to the Board for approval and adoption. During FY19, the Board achieved its voluntary target of having two female directors on the Board and maintained that position during FY20.

The policy on promotion of diversity at Board level is available on the website **www.datatec.com**.

Nominations **Committee report** continued

BOARD DIVERSITY



Independence and length of service

The Nominations Committee and the Board review the independence of the non-executive directors thoroughly each year and this review of independence takes into account the length of service as a factor to be carefully considered in the assessment of independence among other factors. The review process followed by the Nominations Committee and Board highlights issues such as whether a non-executive director has the ability to control or significantly influence management, controls a significant number of shares in the Company or any of its subsidiaries, has any contractual relationships with the Company or if the non-executive director is a member of a board of another company with one or more Datatec directors.

The Company will continue to review the independence of its non-executive directors and regularly engage with its stakeholders to ensure good governance.

Succession planning

Succession planning for the Board, management team and senior executives is the responsibility of the Board, assisted by the Nominations Committee. There is a formal succession plan in place for the Chairman, CEO, CFO, Board, Board committee chairs and senior management that is reviewed annually by the Nominations Committee. The committee then reports to the Board, which determines if any action needs to be taken.

Two directors have more than 12 years' service on the Board: John McCartney and myself. We are already in the process of transferring our experience to the newer non-executives and stepping down from our committee roles. Both John and I are retiring by rotation at the forthcoming AGM and seeking re-election for our final terms in office. If shareholders approve, the intention is that John will then retire within one year of re-election and I will retire within two years, having first effected Chairman succession.

New appointments

A formal induction programme for directors is in place which comprises a presentation on responsibilities, familiarisation meetings and reviews of prior Board and committee meetings as well as meetings with the executive teams at Group and divisional levels. Training is provided with regard to the Companies Act, JSE Listings Requirements and King IV™ Code. The management appointments made by the Board ensure that the appointment of and delegation to management contribute to role clarity and effective exercise of authority and responsibilities.

Outlook

During the shareholder consultation undertaken by Maya Makanjee and myself following the 2019 AGM, shareholder views on the Board structure and succession were sought and discussed. Having refreshed the Board and its committees, the Nominations Committee will focus in FY21 on succession planning for the role of Chairman of the Board.

Stephen Davidson
Chairman
Nominations Committee

Nominations Committee constitution and operation

The Nominations Committee operates within defined terms of reference as set out in its charter which has been approved by the Board.

The Nominations Committee charter is available on the Group's website **www.datatec.com**.

The Nominations Committee during FY20 consisted of the following independent non-executive directors:

- Stephen Davidson (Chairman)
- John McCartney
- Ekta Singh-Bushell

The Nominations Committee's meetings during FY20 and subsequently to the date of this report (all meetings were scheduled), together with the attendance of the committee members, are as follows:

	14 March 2019	15 October 2019	**19 March 2020**	**19 May 2020**
SJ Davidson	P	P	**P**	**P**
JF McCartney	P	P	**P**	**P**
E Singh-Bushell	P	P	**P**	**P**

P = Present

The CEO and CFO may be invited to attend the committee's meetings, but neither may take any part in decisions regarding their own succession. The committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference.

The committee is responsible for making recommendations to the Board regarding the appointment of new executive and non-executive directors and makes recommendations on the composition of the Board generally. The committee ensures that director appointments are formal and transparent and oversees succession planning for the Board and senior management.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude that it is operating effectively under the terms of reference set out in its charter.

The Chairman of the committee reports on the committee's activities at each Board meeting and will be available at the AGM to answer questions about the committee's work.

Remuneration **report**

Part 1 – Background statement

Maya **Makanjee**

Remuneration Committee Chairman

Dear stakeholders

Introduction

On behalf of the Board of directors and the Remuneration Committee, I am pleased to present the remuneration report ("the report") for 2020.

The Remuneration Committee aims to ensure that Datatec remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long terms (King IV™ Principle 14). Our committee's focus remains to ensure that the remuneration structures at Datatec drive value creation for our stakeholders, with a reward framework and value proposition for our executives which complies with best practice corporate governance standards.

Our performance and pay outcomes in FY20

All Datatec's divisions delivered solid operational execution in FY20 with Logicalis' performance especially strong in Latin America.

Westcon International returned to profitability and its central cost reductions were achieved. Analysys Mason had a record year. However, the macroeconomic background presented problems and the ambitious short-term incentive ("STI") targets set for management were only partly achieved.

Shortly after the year-end, the COVID-19 pandemic escalated to crisis levels with an immediate impact on the setting of remuneration targets for FY21.

A brief summary of the main remuneration outcomes follows with the detail set out in the policy and implementation sections of this report:

- Base pay of the CEO and CFO was reduced by 20% and 10% respectively compared to FY19
- Executives received no increases to guaranteed pay for the forthcoming year due to COVID-19. Likewise non-executive directors will receive no fee increases
- STIs earned for FY20 decreased 56% compared to FY19
- The SYNNEX transaction earn-out element of the FY18 STI which was previously deferred, was paid out in FY20 upon receipt of the earn-out payment
- We awarded long-term incentives ("LTIs"), but as a result of our lower STI levels, the deferral and co-investment by the Company into the deferred bonus plan ("DBP") was lower compared to previous years. Conditional share plan ("CSP") awards were made in line with our normal policy
- None of the historic share appreciation rights ("SARs") granted in 2016 and 2017 have vested but the 2016 and 2017 long-term incentive plan ("LTIP") awards are vesting

Linking pay to our strategy

Datatec's strategy remains to improve shareholder returns over the medium term through a combination of corporate and business actions aimed at enhancing the competitiveness and profitability of our subsidiaries and operating divisions. The Group's remuneration policy seeks to align remuneration to the achievement of the Group's strategic objectives.

Aligning remuneration to our strategic objectives

STI	STRATEGIC OBJECTIVE	LTI
	Value generation	**FY20:** The performance condition for 50% of CSP awards vesting in 2023 is return on invested capital ("ROIC") **FY21:** The performance condition for two-thirds of CSP vesting in 2024 is absolute total shareholder return ("TSR"). Furthermore, executive share ownership requirements and the DBP's additional two-year holding period post-vesting ensure shareholder alignment over the long term
FY20 target for 50% of STI was budget uEPS **FY21** target for 25% of STI is target uEPS	uEPS	**FY20:** Performance condition for 50% of CSP vesting is uEPS growth over three years to FY22 **FY21:** Performance condition for one third of CSP vesting is uEPS growth over three years to FY23
FY20 target for 30% of STI was budget Group EBITDA **FY21** target for 25% of STI is target Group EBITDA	EBITDA	
FY20 metrics focused on Westcon International turnaround **FY21** metrics addressing Logicalis and Westcon International working capital	Other quantitative measures addressing current short-term priorities	
FY21 metrics address crisis management and post-COVID-19 strategy	COVID-19	**FY21:** CSP starting point for TSR performance condition will be average share price over 30-business days to the date of the FY20 results announcement (27 May 2020) to take account of the unprecedented market effects of the COVID-19 pandemic arising after the year-end date (29 February 2020)

The context in which the committee has set STI and LTI targets for FY21 flows from the strategic imperatives of the Group.

As the Group has moved into a strategic value creation and realisation phase of its development, the committee is of the view that the LTI performance conditions should better reflect this. As a result, the ROIC measure used previously in the CSP will be replaced by absolute TSR which will make up two-thirds of the weighting. The committee believes the use of absolute TSR will align remuneration with value creation for shareholders. Performance conditions are normally set with reference to the start of the Company's financial year. As this fell before the unprecedented market effects of the COVID-19 pandemic were widely felt, the committee will take the impact of the pandemic into consideration and will use an average share price over 30 business days to the date of the FY20 results announcement as the share price for the start of the TSR performance period. By the same token, a stretching and wider range of targets will be used to reflect the starting point of TSR at a depressed price with the aim to achieve a balanced and fair approach to shareholders and management.

Motivating the drive to improve profitability remains of high importance for which the uEPS and EBITDA growth targets are key in the STI. The uEPS growth performance condition remains part of the LTI via the CSP, constituting one-third of the weighting.

The management of Westcon International is incentivised to realise its strategy, which is to establish itself as the leading go-to-market distribution partner for vendors in the networking and cyber security sectors serving international markets in Europe, the Middle East, Africa and across the Asia-Pacific region.

For Westcon International the Equity Appreciation Plan ("EAP") is the primary incentive programme intended to retain key line executives in the organisation and motivate them to attain the strategic objective. As the Datatec CEO and CFO also manage Westcon International directly in the leadership roles of CEO and CFO there, they also participated in the Westcon International EAP grants made in FY19 but their participation is subject to important caveats to prevent "double dipping". Their grants of Datatec LTI in the form of the Datatec CSP are being reduced every year proportionately to their participation in the Westcon International EAP. Further, their ultimate opportunity to benefit under the EAP has been capped. The operation of these provisions is explained in detail in this report.

The Remuneration Committee is satisfied that the remuneration policy has achieved its objectives in FY20, and that the refinements to the policy and implementation introduced after consultation with shareholders continue to improve the equitable alignment of shareholder and management interests.

Remuneration Committee constitution and operation

The role of the committee is to assist the Board in ensuring that the Company remunerates directors and executives fairly and responsibly in alignment with the creation of long-term shareholder value and to ensure that the disclosure of director and senior management remuneration is accurate, complete and transparent. The Remuneration Committee operates under terms defined in its charter, which has been approved by the Board.

The Remuneration Committee charter is available on the Group's website **www.datatec.com**.

The Remuneration Committee comprises the following independent non-executive directors:

- Maya Makanjee (Chairman)
- Stephen Davidson
- John McCartney
- Johnson Njeke

I took over the Chairmanship of the committee on 1 September 2019. Stephen Davidson and John McCartney will stand down from the committee on 31 May 2020 and Ekta Singh-Bushell will join the committee on that date.

The Remuneration Committee's meetings during FY20 and subsequent to the date of this report (all meetings were scheduled), together with the attendance of the committee members, are shown in the table below:

	14 March 2019	14 May 2019	18 July 2019	15 Oct 2019	**19 March 2020 (video-conference)**	**19 May 2020 (video-conference)**
M Makanjee	P	P	P	P	**P**	**P**
JF McCartney	P	P	P	P	**P**	**P**
SJ Davidson	P	P	P	P	**P**	**P**
MJN Njeke	P	A	P	P	**P**	**P**

P = present
A = absent (medical reason)

Remuneration **report** continued

Part 1 – Background statement continued

The CEO and the CFO may be invited to attend portions of meetings of the Remuneration Committee, but neither may take part in any discussions regarding their own remuneration.

The Remuneration Committee employs the services of specialist consultants in the field of executive remuneration to provide advice. The consultants have been retained in this role during FY20 and to date are PricewaterhouseCoopers and Vasdex Associates. The committee is satisfied that the consultants have provided independent and objective advice and, while giving due consideration to any advice received, has made its decisions independently in accordance with its charter.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude whether it is meeting its objectives as described in its charter.

The committee's main functions and the specific activities during 2020 were as follows:

Executive remuneration

- Determining specific remuneration packages for executive directors of the Company, including basic salary, benefits, pension, annual performance-based bonuses (STIs) and share incentives (LTIs)
- Ensuring the STI and LTI elements of remuneration provide adequate incentive to executive directors and senior management to deliver, and at the same time stretch them to overachieve (pay for performance)
- Determining any grants to executive directors and other senior employees made pursuant to the Company's share schemes, and satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives
- Designing share incentive schemes to motivate the retention of key executives

Company-wide remuneration

- Ensuring the remuneration strategy facilitates the attraction and retention of key talent
- Developing the Company's general strategy and policy on executive and senior management remuneration so that it will promote the achievement of strategic objectives and encourage individual performance
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value creation and that these are administered in terms of the rules – the committee undertook a review of the LTIs during 2020 and as a result introduced new performance conditions for the CSP and a post-vesting holding period for the DBP

Non-executive directors

- Ensuring the Company's recommendation for remuneration of non-executive directors is equitable and based on third-party advice where appropriate

Compliance

- Ensuring that the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM of shareholders
- Consulting with shareholders in the light of the AGM votes
- Overseeing the preparation of, and recommending to the Board, the annual remuneration report and the summary for inclusion in the Company's annual Integrated Report
- Consideration of market trends – in this regard a clawback and malus policy was adopted during 2020

Performance relating to past performance cycle

- Assessment of STI outcomes for FY20
- Assessment of the achievement of performance targets for LTI awards vesting in 2020

Performance relating to the forthcoming performance cycle

- Setting of STI targets for FY21
- Setting of performance conditions for LTI awards granted in 2020

Future focus areas

The committee intends to continue the consultation process with shareholders and discuss the continuing evolution of the remuneration policy. During the next financial year, the committee also intends to review fair and responsible pay, diversity and inclusion and talent management.

Shareholder engagement

Last year, the Remuneration Committee undertook a fundamental review of its role and of the remuneration policy and how remuneration decisions are implemented. This involved a major enhancement of reporting in the remuneration report. A programme of shareholder consultation was undertaken to ensure shareholders' views on remuneration were properly and accurately addressed by the committee and taken into account in the Group's remuneration policy and implementation practices. This consultation process was continued this year with a further round of shareholder visits in December 2019 conducted by Stephen Davidson, the Chairman of the Board and myself. During our road show we addressed remuneration-related issues and concerns directly with investment managers, following the non-binding advisory votes on remuneration at the August 2019 AGM. The key matters discussed during the FY20 consultation and the outcomes for our remuneration policy and implementation report are summarised on the following pages. The shareholders' views are matters raised by more than one shareholder, which we have taken to be indicative of the concerns of shareholders. The main outcomes of the consultation were changes to the participation of executive directors in the Westcon International EAP and the implementation of a clawback and malus policy.

Committee's rationale	Shareholders' views	Actions taken
Remuneration policy The committee had made several important changes to the remuneration policy in the previous year and felt that the policy is fit for purpose with its emphasis on aligning remuneration with shareholders' interests. The committee has proposed some further enhancements which are set out below	Shareholders generally agreed that the policy aligned with their interests and were supportive of the policy in FY19. However, a proxy voting advisor did not support the policy in FY19	Further refinements to the policy are explained below The consultation process in December 2019 included the proxy voting adviser and the specific concerns cited in relation to the FY19 policy have been addressed
STI metrics The committee has used budget metrics as STI targets (typically uEPS and EBITDA) which are not disclosed at the start of the financial year as they are linked to budget and considered to be commercially sensitive information	Some shareholders expressed preference for STI metrics not being based on budgets or year-on-year growth but on a target which could be disclosed at the start of the financial year	The committee assured shareholders that the targets based on budget were disclosed at the end of the financial year when the achievement of the STI is assessed and reported in the implementation section of the remuneration report. Such targets had not been changed while in operation at any time to date. The committee intends to continue with its current STI methodology as set out in the remuneration policy on page 103
Westcon International EAP The committee discussed the refinements to the participation of the Datatec shared executives (ie the CEO and CFO) in the Westcon International EAP made in the prior year: (a) The Datatec shared executives' participation in the CSP will from FY20 be reduced in proportion to the valuation of their holding in the Westcon International EAP (b) The valuation threshold for gains under the Westcon International EAP will be escalated each year by a 10% compound annual growth rate ("CAGR") However, the committee noted that further work to clarify the arrangements was needed	A proxy adviser had raised two further issues in relation to the Datatec shared executives' participation in the Westcon International EAP: • The potential remuneration arising from the Westcon International EAP is not capped • Disclosure of potential rewards/outcomes is not set out clearly	• Both these issues have been addressed: A cap on the maximum pay-out achievable by the Datatec shared executives has been specified • To better disclose the potential outcomes of participation in the EAP, an analysis is now included showing the outcome for the Datatec shared executives in a series of growth scenarios for the Westcon International business Both these items are explained in the policy section on page 108 of this report
Clawback and malus policy As noted in last year's remuneration report, the committee has developed a clawback and malus policy	The importance of such a policy was discussed with shareholders and the committee was in full agreement with shareholders' concerns on this topic	A clawback and malus policy was implemented with effect from 1 March 2020 and is explained in the policy section on page 112 of this report

Remuneration **report** continued

Part 1 – Background statement continued

Committee's rationale	Shareholders' views	Actions taken
Deferred Bonus Plan ("DBP")		
The committee had noted some concerns among shareholders about the DBP which rewards participants who invest part of their STI bonus in Datatec shares with a co-investment from the Company. Notwithstanding that such concerns were not reflected in the 90% approval vote when the DBP was implemented in 2017, the committee discussed the possible implementation of performance conditions for the co-investment element of shares from the Company	Shareholders who disagreed with the current retentive structure of the DBP preferred that there should be no co-investment from the Company. However, their second preference was that such a co-investment be subject to performance conditions	In response to shareholder comments, the committee's view is as follows: The committee carefully considered the previous intention to impose performance vesting conditions on the co-investment portion and have decided to defer the implementation. In the current COVID-19 environment, the committee is of the view that the setting and calibration of a set of new forward-looking performance conditions is challenging and poses risks to all stakeholders. However, the committee wishes to highlight the following features of the DBP which address some of the concerns raised: (i) Both the deferred and co-investment elements of the DBP are subject to forfeiture – this means the total offering is at risk if employment is terminated before the vesting period (ii) To ensure long-term shareholder investment, the current vesting period of three years will be followed by a mandatory two-year holding period (iii) All dividends earned on the deferred and co-investment portions are repayable should a participant leave the services of the Company before the expiry of the three-year vesting period (iv) If a satisfactory personal performance rating (which by implication includes metrics aligned with shareholder value creation), is not maintained over the three-year vesting period, the committee retains the discretion to recoup the awards
Fair and responsible pay		
Currently under review by the committee, this topic was discussed during the consultation	Shareholders' views on fair and responsible pay, diversity and inclusion were all discussed	There is good alignment with shareholders' views and the committee will continue to devote attention to this area

At the AGM on 29 July 2020, you will be requested to endorse our remuneration policy and the implementation thereof. We will continue our engagements with shareholders to discuss areas of concern; your constructive input is valued and appreciated as we continue to improve our remuneration framework. On behalf of the Remuneration Committee I thank you for your continued support and feedback.

Maya Makanjee
Chairman
Remuneration Committee

Part 2 – Remuneration policy

Objectives of the policy

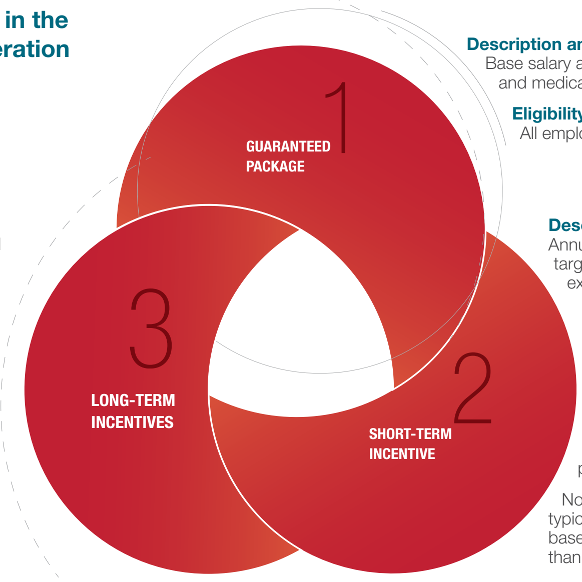
The objectives of the remuneration policy are to:
- set remuneration levels to attract and retain the best local and international talent who will enhance business performance;
- recognise and reward superior performance when it occurs;
- direct employees' energies and activities towards key business goals and strategic outcomes; and
- align employees' and shareholders' interests.

To achieve this, Datatec rewards its executives and managers in a way that reflects market dynamics and the context in which it operates. Datatec is structured as a group which actively manages its two principal divisions, Logicalis and Westcon International. The remuneration policy applies throughout the Group but the details provided are applicable to the Datatec executives. All elements of the remuneration policy are aligned to the strategic goals of the Group. For purposes of this report, a high level overview of the remuneration elements and design principles informing remuneration arrangements for all employees are provided, with in-depth focus on Datatec executives.

Key principles

Key principles of the remuneration policy are to:
- reward all employees suitably for their contribution to the Group's operating and financial performance;
- apply fair and responsible pay principles to all employees across the Group. The committee intends to further enhance implementation practices and monitoring procedures in this area in the future;
- promote a common interest with shareholders;
- consider the international ICT industry, market and country benchmarks to ensure the Group's remuneration is competitive in regions in which the Group operates, particularly the US, Brazil and the UK;
- make a significant proportion of the remuneration of executive directors and senior managers performance-based; and
- balance the performance-based element of remuneration between the achievement of short-term and long-term objectives.

These principles are enshrined in the three main elements of remuneration



1 – Guaranteed package

Description and policy
Base salary and benefits including retirement and medical scheme contributions

Eligibility
All employees

2 – Short-term incentive

Description and policy
Annual bonus plan with performance targets, subject to deferral as explained below

Eligibility
Group executives participate in an annual STI as explained in detail below. Management of divisions participate in STI plans similar to the Group executives but based on divisional performance targets and personal performance targets

Non-management employees typically receive lower levels of STIs based more on personal targets rather than on corporate goals

3 – Long-term incentives

Description and policy
Share-based remuneration plans with performance targets. Two share-settled Group plans are used, namely:
- CSP – a performance share plan
- DBP – a portion of the bonus is deferred and the Company contributes a co-investment. Both of these components are in the form of shares which are forfeitable

A number of cash-settled share-based remuneration plans are operated in divisions. These are explained in further detail below.

Eligibility
Datatec Group executives and senior management participate in the Datatec CSP

Executive directors and two other senior managers participate in the DBP

Senior management of Logicalis, Westcon International and Analysys Mason participate in divisional share schemes

The **base salary** provides individuals with a fixed income and is subject to annual review by the Remuneration Committee. Executive directors and senior executives are entitled to employment benefits determined by the level of base salary including defined contribution pension; medical insurance; and death and disability insurance. When executive roles change or new appointments are made, the committee makes use of external market data relating to comparable international ICT companies, including those based in the USA and the UK, and benchmarking exercises are carried out by third-party advisers in determining appropriate levels of base salary.

Short-term incentives refer to the annual bonus plan. All executive directors and senior executives participate in the STI based on the achievement of short-term (annual) performance targets. These targets are determined by the Remuneration Committee and primarily comprise measures of corporate financial performance with an element of individual objectives (which may include non-financial metrics), congruent with the Group's business strategy. At the end of each financial year, the achievement of the corporate financial targets is measured and the achievement of the personal targets is assessed by the Remuneration Committee.

The STI is calculated in relation to base salary as follows:
Base salary x on-target STI percentage x [(personal score x personal weighting) + (corporate score x corporate weighting)]

For executive directors:
80% corporate
20% personal – with exception for FY21 this has been changed to 70% corporate; 30% personal as a result of the global COVID-19 pandemic

For other senior management:
50% corporate
50% personal (with exceptions where appropriate as agreed by the Remuneration Committee)

Remuneration **report** continued

Part 2 – Remuneration policy continued

The majority of the corporate element of the bonus will always comprise financial metrics (eg earnings per share and/or EBITDA). Each element of the bonus is based on the achievement of a target: if that target is reached the bonus element is described as "on-target". The Remuneration Committee establishes the target and a range around the target demarcated by "guard-rails" such that the bonus for each element is capped if the upper guard-rail is reached. Below the lower guard-rail, zero bonus is earned and at the lower guard rail, 40% of on-target bonus is earned. Between the guard-rails and the on-target position the bonus outcome is obtained by linear interpolation.

For FY20 and FY21, the on-target bonus levels in relation to base salary are set out in the table below. The maximum bonus achievable, referred to as the cap, is 143% of the on-target STI for the CEO and 153% of the on-target STI for the CFO. The on-target bonus levels for FY20 are: 175% of the base salary for the CEO capped at 250%; and 95% of the base salary for the CFO capped at 145%.

STI as a percentage of base salary	On-target STI	Maximum STI (cap)
CEO	175%	175% x 143% = 250%
CFO	95%	95% x 153% = 145%

Potential outcomes for the STI in relation to base salary are illustrated in the **scenario analysis** on page 110. The metrics used and bonus outcomes for FY20 are shown in the **implementation report** on page 114.

The metrics to be used for the STI in FY21 are set out on the following page. In response to the COVID-19 crisis, the Remuneration Committee has varied the corporate financial goals as well as the personal KPI targets.

The corporate financial goals constitute 70% of the total STI for FY21 and include cash management/working capital targets which the committee sees as particularly critical under the COVID-19 environment. There are separate metrics for Logicalis and Westcon International as the two businesses have different working capital dynamics.

FY21 bonus structure

(1) uEPS

		US cents	Bonus	
Lower guard-rail	-33%		40%	25%
On-target	FY21 target		100%	
Upper guard-rail	33%		160%	

(2) Adjusted* EBITDA

		US$ million	Bonus	
Lower guard-rail	-50%		40%	25%
On-target	FY21 target		100%	
Upper guard-rail	50%		160%	

(3a) Logicalis net overdraft – H1**

		US$ million	Bonus	
Lower guard-rail	25%		40%	5%
On-target	Target		100%	
Upper guard-rail	-25%		160%	

(3b) Logicalis net overdraft – H2**

		US$ million	Bonus	
Lower guard-rail	25%		40%	5%
On-target	Target		100%	
Upper guard-rail	-25%		160%	

(4a) Westcon net working capital days – H1**

		Days	Bonus	
Lower guard-rail	10%		40%	5%
On-target	Target		100%	
Upper guard-rail	-10%		160%	

(4b) Westcon net working capital days – H2**

		Days	Bonus	
Lower guard-rail	10%		40%	5%
On-target	Target		100%	
Upper guard-rail	-10%		160%	

(5) Personal KPIs

Refer to the following page	30%

TOTAL ON-TARGET BONUS	**100%**

* *Adjusted means excluding all restructuring costs.*
** *Based on budget for the six months.*

Remuneration **report** continued

Part 2 – Remuneration policy continued

The FY21 targets for profit and working capital metrics are not shown as this is commercially sensitive information but will be fully disclosed next year in the implementation section of the FY21 remuneration report. The personal KPIs agreed by the committee for the executive directors for FY21 are as follows:

For the CEO:
- **COVID-19 crisis management** – covering all aspects of the Group's response to the pandemic
- **Culture/leadership** – qualitative measure assessed by the Remuneration Committee considering how the executive director has led the Group while promoting its values and Code of Conduct
- **Post-COVID-19 crisis strategy** – development of the Group's operational and organisational strategy for the "new normal" post the pandemic

For the CFO:
- **COVID-19 crisis management** – covering all aspects of the Group's response to the pandemic
- **Westcon International refinancing** – to be assessed in relation to debt restructuring advisers' advice as to what a successful outcome is (note: this KPI is a continuation of the FY20 KPI as explained in the implementation report)
- **External auditor transition** – PwC replaces Deloitte as the Group's external auditor from FY21

The executive directors and senior Group executives are required to defer a portion of their cash bonus into the Company's **DBP**. The Company contributes a co-investment equal to the amount of the bonus deferred (ie a multiplier of x2 is applied) and Datatec shares are purchased at the prevailing market price. The Datatec shares acquired by participants under the terms of the DBP must be held for a retention period. If a participant resigns or is dismissed for fault during the vesting period, all the DBP shares (deferred and co-investment portion) are forfeited to the Company. Participants are also required to repay dividends earned on both portions if employment is terminated before the end of the vesting period.

With effect from 1 March 2020, ie for the DBP relating to the FY20 bonus to be awarded in June 2020, the Remuneration Committee has added a holding period of two additional years to follow the vesting period of three years.

The minimum participation level for executives in the DBP is on a sliding scale with a 20% mandatory investment between 50% of target and on-target bonus and 33% for above on-target bonus. The maximum proportion of annual bonus which participants may defer into the DBP is 75%.

The maximum number of shares which can be delivered to any individual participant in the DBP is 1.6 million shares. The maximum number of new shares which can be issued to participants to settle obligations under the DBP is 3.2 million shares.

LTIs: share-based incentive schemes for Group employees are in place to motivate and reward performance and to align the interests of participants as closely as possible with those of shareholders.

The Board has appointed Simon Morris as the Compliance Officer (as defined by section 97 of the Companies Act) for the Datatec share-based remuneration schemes, to be responsible for their administration.

In addition to the DBP referred to previously, the equity-settled share-based incentive scheme for Datatec Group executives is the Datatec **CSP** which was approved by shareholders at the 2017 AGM. The CSP operates by granting conditional awards of Datatec shares to participants annually. The quantum of awards is based on annual base salary and the face value of awards which is the current Datatec share price (using a 30-day volume weighted average price) as follows:

CEO – 150% x base salary	**CFO – 120% x base salary**
Datatec Group executives and staff – range from 100% to 50% of base salary	

The number of awards granted to participants who also participate in the Westcon International EAP is scaled down to avoid "double dipping" as explained on page 108.

Performance conditions apply to the grants and the conditional awards are held for a performance period of three years. At the end of the three-year performance period the performance conditions are tested and if met, awards vest on a sliding scale between 50% at threshold and 100% at the upper target. Up to and including the May 2019 ("FY20"), CSP grant, the performance conditions were based on uEPS growth for 50% of the award and ROIC for 50%. Shareholders are referred to the 2019 report for historic targets set. The outcomes against these targets will be disclosed in part 3 (implementation) as and when they vest.

Recognising that the Group has now moved into a strategic value creation/realisation phase of its development, the Remuneration Committee will implement new performance conditions for the May 2020 ("FY21") grant of CSP awards. The performance conditions will better reflect the strategic value creation/realisation goals of the business using a combination of absolute TSR and uEPS. Absolute TSR is considered a good proxy for ROIC over the long term and has a transparent basis as a market performance condition.

As explained in the background statement, the calibration of forward-looking performance conditions under the current circumstances are challenging and the wider stretch in targets reflects the starting point at a depressed base. For the May 2020 ("FY21") CSP grant the following performance conditions and targets will apply:

Condition	Weighting	Performance period	Threshold (50% vesting)	Target (100% vesting)
Absolute TSR	Two-thirds	Taking the impact of the COVID-19 pandemic into consideration, an average share price over 30 business days to the date of the FY20 results announcement will be used. In line with normal practice the performance period will end on 28 February 2023	11.34% CAGR	13.34% CAGR
uEPS growth	One-third	1 March 2020 to 28 February 2023	US CPI inflation +2% CAGR	US CPI inflation +4% CAGR

Linear vesting applies between threshold and target levels.

The maximum number of shares which can be delivered to any individual participant in the CSP is 3.7 million shares. The maximum number of new shares which can be issued to participants to settle obligations under the CSP is 7.4 million shares.

Potential outcomes for LTI in relation to base salary are illustrated in the scenario analysis on page 110.

Divisional LTIs

Share-based incentive schemes operate in the Group's divisions to incentivise management to generate value in the divisional entity. These schemes are cash-settled (with the exception of the Analysys Mason performance share scheme which is partly settled in Analysys Mason shares) and are based on the divisional entity's valuation/notional share price. Datatec shares are not used in the settlement of the subsidiary share schemes.

All the divisional share-based remuneration schemes operating in the Group are accounted for under IFRS 2.

Westcon International equity appreciation plan

The Remuneration Committee implemented an EAP for Westcon International senior management to incentivise value generation. Participants have been awarded a once-off grant of "units", whose value will be linked to the value of Westcon International; this is a notional base value which was estimated to be US$125 million (the "hurdle"). The units will not have any share rights, in particular they will not have the right to dividends or votes.

Ten percent of the value of Westcon International above the hurdle will be paid to the EAP pool on a sale of Westcon International. Each unit will receive a *pro rata* share of the EAP pool when Westcon International is sold.

For example, if Westcon International is sold for US$300 million, the EAP pool will be US$17.5 million: ((US$300 million – US$125 million) x 10%). If there are 100 000 units in issue, each unit will be worth US$175.

Remuneration **report** continued

Part 2 – Remuneration policy continued

If Westcon International is not sold within five years of the start of the scheme on 1 March 2018, the business will be valued by an independent valuer at 1 March 2023 and the EAP will pay out to participants on the basis of that valuation. Such a valuation will be undertaken using a methodology which is fair and reasonable to all stakeholders including Datatec shareholders and participants in the EAP.

The following arrangements are in place for the Datatec Group executives:

Because the executive directors of Datatec Group are also executives of Westcon International, they participate in the Westcon International EAP in addition to their participation in the Datatec CSP and DBP. The annual grant of Datatec CSP conditional shares for the Datatec executives who participate in the Westcon International EAP is reduced by an "equivalence" factor to avoid double participation in relation to reward opportunities.

In addition, for the Datatec executives who participate in the Westcon International EAP an adjustment of 10% carried interest (CAGR) will be added to the equity base of US$125 million. This annually increasing threshold will be used for the equivalence factor calculation above.

Potential outcomes for the executive directors of Datatec Group under the Westcon International EAP illustrating the effect of the reduction in CSP grants are set out in the Scenario Analysis section on page 110.

Logicalis and PromonLogicalis Latin America conditional share plan schemes

During FY19 Logicalis and PromonLogicalis Latin America Limited ("PLLAL") introduced CSP for the most senior tier of management with similar terms to the Datatec CSP but cash-settled and based on the Logicalis and PLLAL share price as determined by annual independent valuations.

Awards of conditional shares are granted annually to participants starting with the first grant in December 2018 during FY19. After a three-year performance period the CSP awards will vest as follows:

- 25% of each participant's award is subject only to an employment condition and will vest, provided the participant remains in the employment of Logicalis or PLLAL at the end of the three-year period since grant
- The remaining 75% of each participant's award is subject to performance conditions:
  - One-third (ie 25% of the total award) based on Logicalis or PLLAL share price growth
  - One-third (ie 25% of the total award) based on net income per share growth
  - One-third (ie 25% of the total award) based on ROIC

Each performance condition has a threshold level at which 50% vesting will occur and a target level for 100% vesting. Between the threshold and target, vesting will be calculated by linear interpolation.

Logicalis and PLLAL share appreciation rights schemes

Under the terms of the Logicalis share appreciation rights scheme 2005 ("the Logicalis SARs scheme"), SARs are granted annually to senior managers. Since the implementation of the Logicalis and PLLAL CSPs (above), participation in the Logicalis and PLLAL SAR schemes has been restricted to those senior managers who do not participate in the CSP.

Vesting of the SARs is subject to certain earnings performance conditions. Provided that the performance conditions are met, 50% of the SARs vest after 24 months and the remainder after 36 months. All rights lapse if not exercised by the end of the seventh year after grant.

Logicalis also operates the PLLAL SARs scheme for its 65% subsidiary PromonLogicalis Latin America Limited. The terms of this scheme are the same as those of the Logicalis SARs scheme, but the grants are made to key employees of PLLAL and the annual valuations and appreciation rights are based on the equity value of PLLAL.

Westcon International SARs scheme

Westcon International has implemented a SARs scheme to incentivise the cadre of senior management who were not awarded units in the EAP (previously mentioned).

SARs were granted in FY19 and some further awards were made in FY20 to additional participants. The SARs scheme is a once-off grant like the EAP and each SAR has an exercise price of US$1.25 based on a notional share capital for Westcon International of 100 million shares. The base valuation for the SARs was thus the same as the hurdle for the EAP. The SARs will vest after two years without performance conditions and thereafter may be exercised over the following three years (a maximum of one-third per year).

Analysys Mason performance share scheme

Analysys Mason operates a performance share plan, approved by its board of directors and shareholders, under the terms of which conditional shares are granted to participants. One-third of the conditional shares vest unconditionally after three years, if the participant is still an employee, and are settled with the same number of Analysys Mason ordinary shares. The vesting of the remaining two-thirds is conditional on an earnings-based performance condition and may be settled in cash or shares.

Other share schemes

Some start-up operations within the Group have involved the use of share incentive schemes for key management of the new operations whereby they will receive a cash-settled share of the equity growth in the business excluding any capital advanced by Datatec. Such schemes are in operation in Datatec Financial Services and Logicalis SA.

Details of the operation of the subsidiary division share schemes, including grants, exercises and lapses during FY20 and the prior year, are included in **Note 2 to the consolidated annual financial statements**.

Discretion

The remuneration policy set out in part 2 of the remuneration report sets out in detail the methodology, metrics and principles which will be used to determine the remuneration of Datatec directors and executives. It is not intended that there should be any departure from the policy in FY21. However, the Remuneration Committee notes that exceptional circumstances can arise, for example the COVID-19 pandemic and the global economic crisis as at the date of this report, which makes it expedient for the committee to retain the ability to exercise discretion in responding to particular situations.

If the committee's exercising of discretion necessitates any departure from the policy, such an occurrence would be reported in future implementation reports. Any significant changes to the policy will be undertaken only after consultation with shareholders.

Exceptional incentive awards

In addition to the three elements of remuneration noted above (base salary, STIs and LTIs) the Remuneration Committee may, in highly exceptional circumstances, award bonuses to management for the successful execution of significant disposal transactions which generate exceptional value for shareholders. In such rare circumstances the committee would consult with shareholders in advance of making such awards.

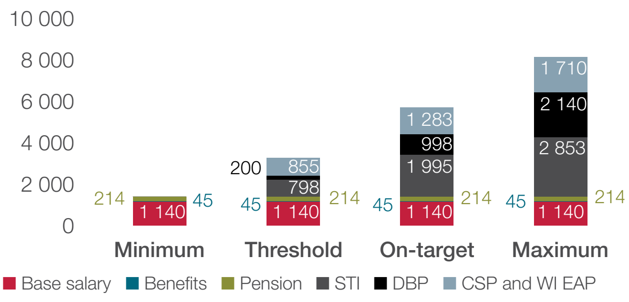
Remuneration **report** continued

Part 2 – Remuneration policy continued

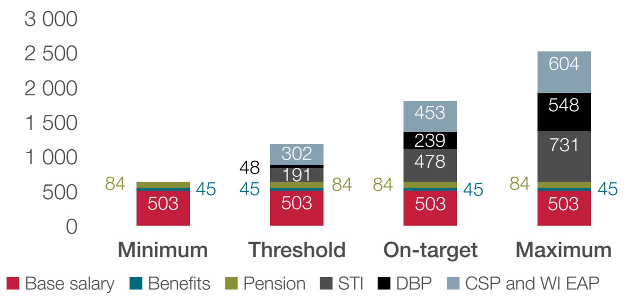
Scenario analysis

The following graphs show the minimum, threshold, on-target and maximum remuneration the executive directors can earn under the remuneration policy in the next financial year, FY21, compared to FY20. The actual remuneration earned in FY20 is shown in **part 3 of this report – implementation**.

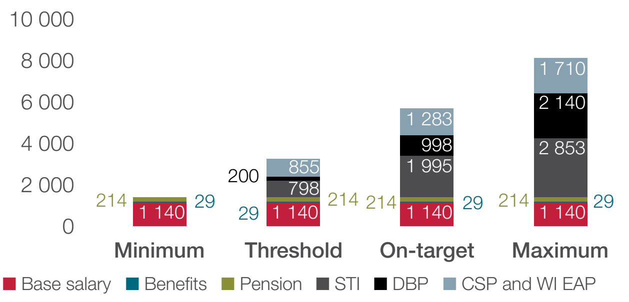
CEO – FY21 (US$'000)



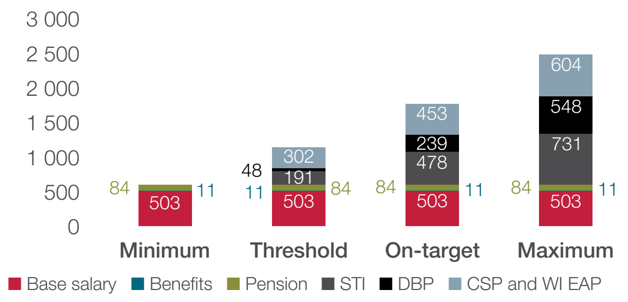
CFO – FY21 (US$'000)



CEO – FY20 (US$'000)



CFO – FY20 (US$'000)



*Under the **minimum scenario** the executives earn only their guaranteed package of base salary, benefits and Company pension contributions. All STI metrics are assumed to be below the lower guard-rail resulting in no STI payment and consequently no DBP deferral being possible. The CSP performance conditions are assumed not to be met resulting in no LTI value.*

*The **threshold scenario** includes the guaranteed package plus the minimum STI which would be earned if all STI metrics were triggered at the lower guard-rail threshold and 40% of on-target bonus was earned. It assumes that 25% of the bonus would be deferred into the DBP with the corporate co-investment multiplier of x2 applied. Under this scenario it is assumed that the CSP performance conditions are triggered three years after grant only at threshold level resulting in 50% vesting.*

*The **on-target scenario** assumes the achievement of STI targets and it assumes that 50% of the bonus will be deferred in the DBP with the corporate co-investment multiplier of x2 applied. In addition the CSP award is assumed to vest 75% (half-way between the threshold and maximum scenarios).*

*The **maximum scenario** assumes the all STI metrics are over-achieved above the upper guard-rail resulting in the maximum STI being earned (which is 143% of the on-target STI for the CEO and 153% of the on-target STI for the CFO). This scenario also assumes the executives will defer the maximum proportion of their bonus, 75%, into the DBP with the corporate co-investment multiplier of x2 applied. For the CSP, the assumption is that all performance conditions are met at target level resulting in 100% vesting of the conditional share awards (there is no "overperformance" provision in the CSP).*

It should be noted that the CSP and DBP components of the scenario analysis will only become available to the executives three and five years respectively after the financial year shown in the analysis. The LTI values shown in the above analysis are based on the share price at the date of grant and no discounting for the time value of money has been applied.

The annual grant of Datatec CSP conditional shares for the Datatec executives who participate in the Westcon International EAP is reduced by an "equivalence" factor to avoid "double dipping" in relation to reward opportunities. The equivalence factor was 27.1% for the May 2019 CSP grant in the FY20 figures above and 36.5% for the May 2020 CSP grant in the FY21 figures above. This reduction in the annual CSP grants is to take into account the potential benefit of the once-off Westcon International EAP grant in FY19 and consequently the potential benefit arising from the Westcon International EAP is illustrated in the above graphs using the element of the CSP grant foregone by the CEO and CFO as a proxy for the notional increase in the value of the Westcon International EAP units, even though the once-off grant of Westcon International EAP units was in FY19 before the years shown in the analysis.

Further scenario analysis of the executive directors' participation in the Westcon International EAP and the CSP grants foregone as a result is provided on the following page.

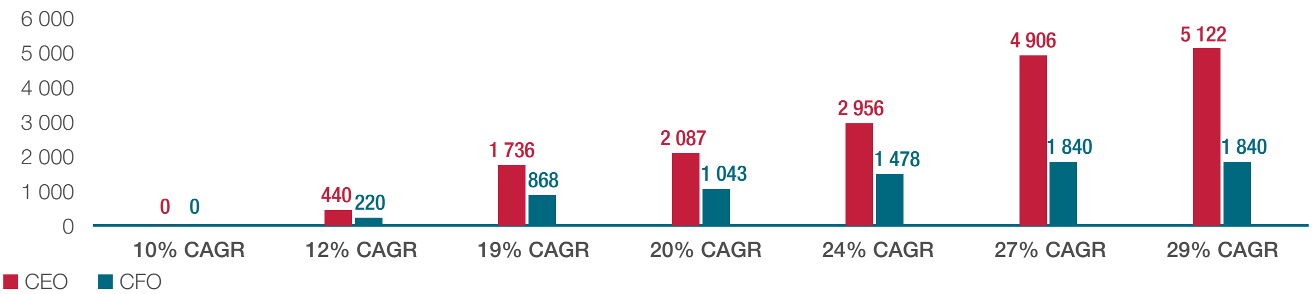
Westcon International EAP – Scenario analysis

As noted on the previous page, the executive directors of Datatec Group are also executives of Westcon International and they participated in the once-off grant of the Westcon International EAP in FY19 while continuing to participate in the Datatec CSP. The annual grant of Datatec CSP conditional shares for the Datatec executives is accordingly reduced by an "equivalence" factor to avoid double participation in relation to reward opportunities.

For the Datatec executives who participate in the Westcon International EAP an adjustment of 10% carried interest (CAGR) will be added to the equity base of US$125 million. This annually increasing threshold will be used for the equivalence factor calculation mentioned previously.

The value of the potential outcome of the Westcon International EAP at 28 February 2023 (ie five years after starting) to the Datatec executives is shown below (prior to adjusting for the CSP grants foregone) for a range of compound annual growth rates of the value of Westcon International starting from the notional value of US$125 million on 1 March 2018.

WI EAP benefit to participants (US$'000)
(before deducting value of CSP grants foregone)

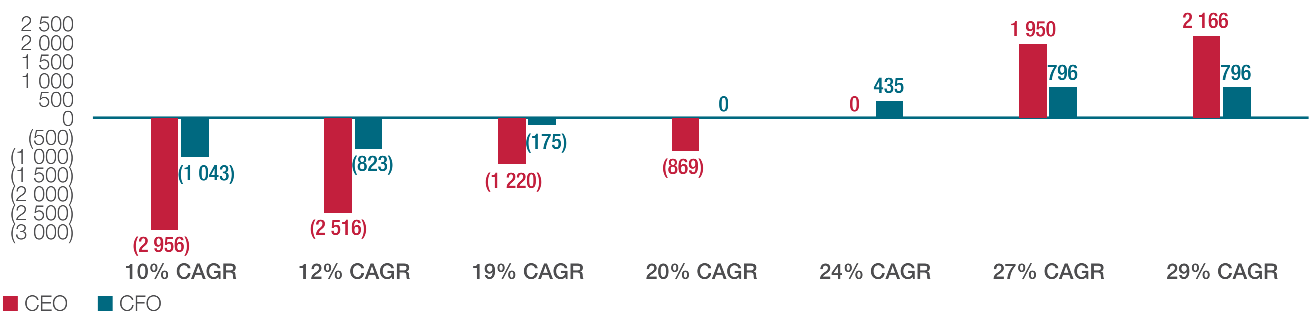


The net benefit to participants must be considered after the deduction of the CSP grants foregone over the five-year period of the Westcon International EAP. In the scenario analysis some assumptions need to be made about the value of the CSP grants and the assumption used to prepare the graph below are:

(i) the Datatec share price will increase by 20% per annum CAGR; and
(ii) 60% of the CSPs will vest on average (ie performance conditions will be met for 60% vesting).

The graph below shows the outcome for the same range of growth of Westcon International valuation from the notional starting value of US$125 million after deducting the economic value of the CSP awards foregone.

Net benefit to participants after deduction of value of CSP grants foregone (US$'000)
(assumptions – Datatec share price at 20% CAGR and CSP vesting at 60%)



Remuneration **report** continued

Part 2 – Remuneration policy continued

This analysis shows that the CEO will only benefit from the arrangement if the CAGR of Westcon International (above the notional starting point of US$125 million) over five years is 24%. This equates to a valuation of US$297 million for Westcon International on 28 February 2023.

Similarly, the CFO will only benefit from the arrangement if the CAGR of Westcon International (above the notional starting point of US$125 million) over five years is 20%. This equates to a valuation of US$264 million for Westcon International on 28 February 2023.

The CEO has an additional incentive in relation to Westcon International which will be earned if the business is sold for more than US$300 million. This additional incentive is equal to the cash value of 10 000 Westcon International EAP awards with the same condition of 10% CAGR in the threshold as the other awards. The economic value of this incentive for the CEO is shown in the above analysis at the 27% and 29% CAGR levels at which the valuation of Westcon International exceeds US$300 million.

Cap on the Westcon International EAP

The Remuneration Committee has determined that there will be a financial cap on the benefit the CEO and CFO can receive from their participation in the Westcon International EAP. The cap is based on the upper-end of the scenarios above at which the Westcon business is valued at/sold for US$350 million. The level of the cap is:

- CEO: US$5.2 million
- CFO: US$1.9 million

Shareholding guidelines

The Board has set out shareholding guidelines for executive directors whereby a shareholding with a market value of twice annual base salary should be built up over time. The LTIs are intended to enable new executive directors to achieve this shareholding guideline.

Directors' service contracts

In order to properly reflect their spread of responsibilities, executive directors have employment contracts as follows: Jens Montanana has a contract with Datatec International Services FZE, a 100% subsidiary of the Group registered in the Dubai World Trade Centre free zone, Dubai, UAE, and Ivan Dittrich has an employment contract with Logicalis, Inc, a 100% subsidiary of the Group registered in New York State USA.

The employment contracts of executive directors are terminable at six months' notice by either party and contain contractual provisions for payment on termination covering the guaranteed package but no commitment relating to STI.

If an executive director resigns from the Company or is terminated for fault, eg dismissal on grounds of misconduct, proven poor performance, dishonest or fraudulent conduct (bad leaver) all unvested LTI awards are forfeited. This includes shares in the DBP (both the employee's deferred STI element and the co-investment from the Company) within the three-year vesting period. In addition, such executives will be required to repay all dividends (pre-tax value) earned from the award date under the DBP.

If termination is at the Company's instigation and not for fault (good leaver), the executive will retain a portion of LTI share incentive awards which have been granted but not yet vested. The proportion will be determined *pro rata* to the time of the vesting period which has elapsed up to the termination date and will in the case of the CSP, be adjusted based on the extent to which performance conditions have been met. The terminated executive will continue to hold the reduced amount of awards until the vesting date when they will vest along with the other grants in accordance with the rules of the scheme if the relevant performance conditions are satisfied.

All non-executive directors have letters of appointment with Datatec Limited. Under these contracts, non-executive directors retire in accordance with the MoI of the Company, which is at least every three years. Retiring directors may offer themselves for re-election.

Clawback and malus policy

The Board has instituted a clawback and malus policy with effect from 1 March 2020 based on simple and logical principles:

- The quantum of STIs received by directors is a function of the financial results of the Group as published in the annual financial statements.
- Participants' investment and the Company's co-investment in the DBP is a mathematical consequence of the STIs.
- The vesting of the CSP is conditional upon performance conditions which are likewise a function of metrics published in the annual financial statements.
- If the annual financial statements are incorrect, all the logic above is faulty and the clawback and malus policy will take effect to correct all the elements of remuneration which have been obtained based on the incorrect financial statements.
- The definition of incorrect annual financial statements which would trigger the policy is a material restatement ("restatement") of the Company's financial results as a result of material non-compliance with financial reporting requirements.

As the restatement of annual financial statements is a published event, the trigger of the clawback and malus policy will be well defined and the process of clawing back STI and LTI which had been based on the annual financial statements before restatement will be transparent.

The committee notes that eventualities other than those which cause a restatement of annual financial statements may also arise which could inflict reputational damage on the Company. However, it believes the Board's fiduciary responsibility and the committee's ability to apply discretion in exceptional circumstances will enable appropriate actions to be taken without needing to address such hypothetical scenarios in the clawback and malus policy.

External appointments of executive directors

Subject to the approval of the Board, executive directors are permitted to hold a directorship in one non-Group listed company and to retain the fees payable from this appointment.

Non-executive directors' remuneration

The fee structure for non-executive directors, including the Chairman, is recommended to the Remuneration Committee by executive management. It is periodically reviewed based on benchmarking studies prepared by external advisers using data from comparable companies and taking account of the international nature of the business.

For FY21, no change in non-executive directors' annual fees is proposed so the fees will remain at the FY20 levels approved by shareholders at the last AGM on 29 August 2019 as set out in the Implementation Report on the following pages.

The Chairman's fee covers his role on the Board and its committees and attendance at subsidiary board meetings and shareholder meetings as required. Other non-executive directors receive a fee for their Board role plus fees for membership/chairmanship of individual committees.

The terms and conditions of appointment of non-executive directors are available on request from the Company Secretary. Non-executive directors are not eligible to participate in the annual bonus plan or any of the Datatec share incentive schemes.

The operation of the Group's remuneration policy in FY20 is described in the implementation report later in this remuneration report.

Approval of the remuneration policy

The FY19 remuneration policy was put before shareholders for an advisory vote at the AGM on 29 August 2019 and received support from 64.4% (2018 AGM: 50.1%) of shares voted.

Shareholder consultation was undertaken in December 2019 as summarised in part 1 of this report and was used to inform further refinements to the policy.

The remuneration policy set out herein will be put before shareholders for an advisory vote at the 2020 AGM.

The Remuneration Committee is committed to continuing open, constructive dialogue with shareholders.

Remuneration report continued

Part 3 – Remuneration implementation

Base pay adjustments

Following shareholder consultation which the Remuneration Committee undertook during November 2018, the committee implemented a change in the executive directors' remuneration structure, to take effect from 1 March 2019, as follows:

- For the CEO, a 20% reduction in base pay; 2% reduction in on-target earnings ("OTE"); and 7% reduction in capped (maximum achievable) pay
- For the CFO, a 10% reduction in base pay with no change to OTE or capped pay

There was no reduction in Company pension contributions for the executives as a result of this change which resulted in FY20 Company pension contributions for the executive directors of the CEO 18.8% and CFO 16.7% expressed as a percentage of base salary.

For FY21, the Remuneration Committee has kept base salary for the executive directors unchanged in light of the COVID-19 crisis.

Datatec Group STIs

The FY20 STI bonus structure comprised Company and individual performance targets. The outcome is set out in the following table:

FY20 bonus outcome

(1) uEPS

		US cents	Bonus	Target	Outcome
Actual		9.9	0%	50%	0.0%
Lower guard-rail	-18%	12	40%		
On-target	FY20 budget	15	100%		
Upper guard-rail	22%	18	160%		

(2) EBITDA

		US$ million	Bonus	Target	Outcome
Lower guard-rail	-13%	150	40%	30%	19.3%
Actual		159	64%		
On-target	FY20 budget	171	100%		
Upper guard-rail	17%	200	160%		

(3) Personal KPIs

	Target	Outcome
See commentary on the personal KPIs on the following page	20%	21.0%
TOTAL ON-TARGET AND ACTUAL BONUS OUTCOME	**100%**	**40.3%**

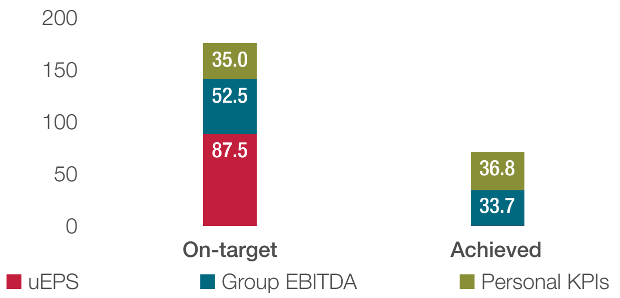
Recognising the crucial part the Westcon International reshaping continues to play in the Group's strategic goals, the Remuneration Committee gave both executive directors quantitative metrics for Westcon International as personal goals. The committee assessed achievement against the personal KPI goals as follows:

- **Westcon International EBITDA** – target was FY20 budget of US$52.7 million; achievement was US$40.0 million and in light of the considerable improvement in Westcon International profitability the Remuneration Committee decided that this metric had been sufficiently achieved to merit 3% out of the 5% on-target level.
- **Westcon International reduction in central costs** – the target of US$33 million for FY20 central costs was disclosed at the time of the FY18 results announcement. The actual central costs for FY20 were US$29 million which the committee considered to be a highly successful overachievement of the target and awarded 8% for this metric as against the 5% on-target level.
- **Culture/leadership (CEO)** – the committee discussed the CEO's leadership of the Group and his role in promoting an ethical culture and determined the outcome for this KPI should be on target at 5%.
- **ESG (CEO)** – the committee noted the Group's improving metrics in a number of areas and determined the outcome for this KPI should be on target at 5%.
- **Westcon International refinancing (CFO)** – very good progress had been made towards new financing options for Westcon International prior to COVID-19 being declared a global pandemic. Given the COVID-19 environment, it was considered expeditious and essential to rather renew the existing facilities for a further 12 months to secure liquidity. This has been achieved in extremely challenging circumstances. Therefore, it was determined the outcome for this KPI should be 10%.

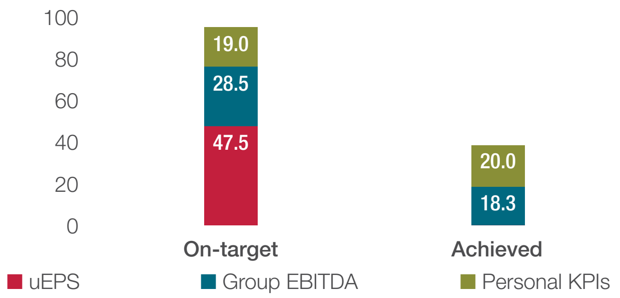
The bonus of 40.3% is less than half of the on-target bonus, therefore the executive directors have no obligation to invest any of their FY20 bonuses in the DBP. However, both have elected to do so. See the DBP to be awarded during FY21 section for details.

The targets and outcomes of the annual bonuses of the executive directors for FY20, shown as a percentage of base salary and split by the bonus elements, are illustrated below.

CEO FY20 bonus composition as a percentage of basic salary

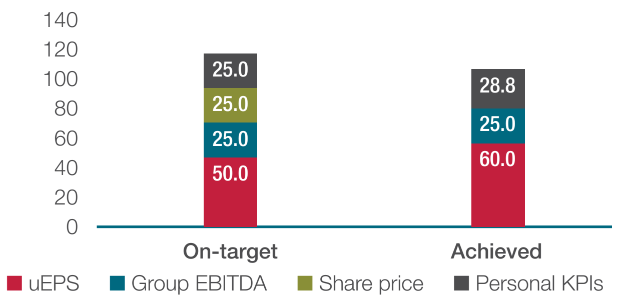


CFO FY20 bonus composition as a percentage of basic salary

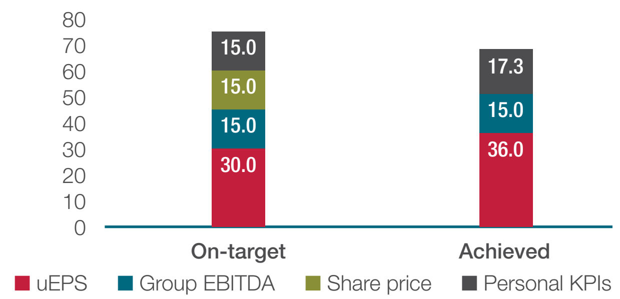


For comparison the FY19 bonuses of directors, shown as a percentage of base salary and split by the bonus elements, are illustrated below.

CEO FY19 bonus composition as a percentage of basic salary



CFO FY19 bonus composition as a percentage of basic salary



The metrics for the executive directors' STI in FY21 are set out in part 2 of this remuneration report.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

FY18 STI element deferred to FY20

One of the metrics for the FY18 STI was the SYNNEX transaction earn-out. As this earn-out had not been settled when the FY18 STI payment was determined by the committee, it was deferred until the earn-out was determined.

The SYNNEX transaction earn-out metric constituted 25% of the on-target bonus structure for FY18. The target was a SYNNEX transaction earn-out of US$100 million with a lower-end guard-rail of zero and an upper-end guard-rail of US$200 million (the maximum possible earn-out). The earn-out was determined on 29 May 2019 to be US$14 million. This translated to 3.5% of the on-target FY18 bonus and was paid in October 2019 as follows:
- CEO: US$58 643
- CFO: US$14 700

Datatec Group LTIs awarded during FY20

CSP awarded during FY20

The second annual grant of CSP awards was made on 1 June 2019 following approval by the Remuneration Committee. The awards will vest after three years subject to the Group meeting certain performance conditions set by the Remuneration Committee. The performance conditions used for the FY20 award are:

ROIC performance condition – 50% of grant: the threshold necessary for half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company's average reported ROIC for the three years ending 28 February 2022 must equal or exceed 10%. The target necessary for the second half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company's average reported ROIC for the three years ending 28 February 2022 must equal or exceed 12%. If the Company's average reported ROIC for the three years ending 28 February 2022 falls between levels above, ie between 10% and 12%, the proportion of conditional awards which vest will be determined by linear interpolation between 25% and 50% in proportion to the average reported ROIC for the three years ending 28 February 2022 between 10% and 12%.

The ROIC figures which will be used for the assessment of the performance condition in this section will be those reported in the FY22 Integrated Report of Datatec Group for FY20, FY21 and FY22.

uEPS performance condition – 50% of grant: the hurdle necessary for the full portion of the conditional award subject to the uEPS condition (ie 50% of the total conditional award) to vest is that the Company's reported uEPS for FY22 must equal or exceed 20.5 cents. If this target level in uEPS is not achieved, the portion relating to this condition will lapse.

The uEPS figure which will be used for the assessment of the performance condition in this section will be that reported in the FY22 Integrated Report of Datatec Group.

Executive directors' CSP awards are as follows

CSP	Grant date	Number of awards FY20	Number of awards FY19	Fair value of awards on grant US$'000	Grant fair value as % of base pay	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	1 Jun 18		1 291 148	2 142	150	277	2 704
	1 Jun 19	538 870		1 246	109	115	–
						392	2 704
IP Dittrich	1 Jun 18		405 066	672	120	87	848
	1 Jun 19	190 212		344	87	41	–
						128	848

The fair value of these awards at date of grant was R33.05 (FY19: R20.78) per award being the 30-day volume weighted average share price on the day the Group's FY19 results announcement. The fair value at 29 February 2020 is based on the 30-day volume weighted average share price on 29 February 2020 (R33.44) multiplied by an estimate of the performance conditions being achieved. In both cases the fair value assumes 10% vesting of the awards, ie that the performance condition targets will only be 10% achieved, mainly as a result of the COVID-19 crisis. In the prior year the fair value assumed 100% vesting. The actual value of any benefit received by the directors from these CSPs will be reported in future remuneration reports when the awards vest.

DBP awarded during FY20

Executive directors deferred part of their FY19 bonuses under the terms of the DBP in June 2019. In accordance with the policy, a co-investment multiplier of x2 was applied to the deferred bonus amount for which Datatec shares were purchased. These will be held for the benefit of the participants but forfeited should they leave the employment of Datatec within the following three years.

The DBP grants awarded during FY20 and in the prior year are shown in the table below:

DBP	Bonus year	Grant date	Amount of bonus deferred %	Amount of bonus deferred US$'000	Company contri-bution (x2 multiplier) US$'000	Total invested in shares US$'000	Total number of shares purchased	Fair value of awards on grant US$'000	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	FY18	Jun 18	83.3	837	837	1 675	1 000 000	1 675	**2 142**	2 094
	FY19	Jun 19	50.0	399	399	798	702 407	798	**1 504**	1 471
							1 702 407	2 473	**3 646**	3 565
IP Dittrich	FY18	Jun 18	20.4	40	40	80	47 000	80	**101**	98
	FY19	Jun 19	25.0	48	48	96	82 636	96	**177**	173
							129 636	176	**278**	271
							1 832 043	2 649	**3 924**	3 836

The fair value of these awards at date of grant was the share price at which the DBP shares were purchased on the dates shown in the table. The fair value at 29 February 2020 is R33.44 (FY19: R29.19) being the 30-day volume weighted average share price on 29 February 2020.

The DBP shares above are included in the directors' shareholdings at 29 February 2020 disclosed later in this report.

The fair value of the Company co-investment shares purchased in relation to the DBP is shown as LTI in total remuneration for the financial year in which the bonus (STI) was earned.

The value of dividends received on the above DBP shares was:

	FY20 US$'000	FY19 US$'000
JP Montanana	**120 185**	–
IP Dittrich	**9 152**	–

DBP to be awarded during FY21

Executive directors have deferred part of their FY20 bonuses under the terms of the DBP. In accordance with the policy, an equal co-investment from the Company was applied to the deferred bonus amount and Datatec shares will be purchased which are held for the benefit of the participants but will forfeited if they should leave the employment of Datatec as a "bad leaver" (ie resignation or dismissal for cause) within the following three years. Any dividends earned during the three-year vesting period are also repayable if they terminate their services. In addition, a further holding period of two years will apply during which participants will not be able to sell the vested DBP shares.

DBP	FY21 grant date (expected)	Amount of bonus deferred %	Amount of bonus deferred US$'000	Company contribution (x2 multiplier) US$'000	Total invested in shares US$'000	Fair value of awards on grant US$'000
JP Montanana	Jun 20	37.3	300	300	600	600
IP Dittrich	Jun 20	25.0	48	48	96	96

The table above shows the monetary amount of the FY20 STI deferral and Company co-investment to be used to purchase Datatec shares in June 2020. The fair value of the Company co-investment shares purchased in relation to the DBP is shown as LTI in total remuneration for the FY20 financial year in which the bonus (STI) was earned.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Directors' interests in subsidiary share schemes – awarded during FY19

The executive directors received once-off awards under the Westcon International EAP in FY19 by virtue of their leadership roles as CEO and CFO of Westcon International (in addition to their Datatec roles). The Westcon International EAP is explained in part 2 of this remuneration report. The Datatec executives who participate in the Westcon International EAP will have an adjustment made to the threshold of 10% carried interest (CAGR) annually added to the equity base of US$125 million and their ultimate pay-out from the plan, if any, is capped as described in the policy section above.

Westcon International EAP	Grant date (FY19)	Number of awards	Fair value of awards on grant US$'000	Grant fair value as % of base pay	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	14 Mar 18	30 000	–	–	**102**	88
IP Dittrich	14 Mar 18	15 000	–	–	**51**	44

In addition to the above, Mr Montanana was granted a conditional award equivalent to 10 000 Westcon International EAP units by Datatec on 14 March 2018. This award is conditional on the sale of Westcon International being for US$300 million or more. If that condition is met Mr Montanana will receive a cash payment equivalent to the value of 10 000 units in the Westcon International EAP. The award will have the same adjustment made to the threshold, 10% carried interest (CAGR) annually added to the equity base of US$125 million, as the other Westcon International EAP awards provided to Datatec executives. This award had a fair value of US$38 000 at 29 February 2020 (FY19: US$14 000).

The fair value of these awards on grant was deemed to be US$nil because the value of Westcon International based on book value was below the equity base threshold of US$125 million. The fair value of the Westcon International EAP awards at 29 February 2020 was determined by an actuarial calculation.

In accordance with US practice, John McCartney participated in the legacy Westcon Group, Inc SARs scheme which terminated on the change of control arising from the SYNNEX transaction in FY18. Participants were entitled to receive a final payment under the terms of the scheme upon determination of the SYNNEX transaction earn-out. The earn-out was determined in May 2019 (during FY20) and as a result John McCartney received a final settlement of US$14 731 in relation to his Westcon Group, Inc SARs.

Previous Datatec Group share schemes

The previous Datatec Group share schemes, the SARs, LTIP and old DBP, operated from 2005 with some modifications approved by shareholders in 2010 and 2011. The last grants under these schemes were in July 2017 (in FY18) and thereafter they were superseded by the CSP and new DBP. Existing grants under the previous share schemes remained active for the three-year performance periods and an update on vesting during FY20 follows.

Modification to previous Datatec Group share schemes

As was explained in last year's report, all share-based awards (SARs, LTIP and old DBP) in the course of their performance periods at the time were modified in FY18 to account for two material transactions: the sale of Westcon Americas to SYNNEX on 1 September 2017; and the disposal of Logicalis SMC. In addition, during FY18, a special dividend was paid to shareholders in January 2018. The modifications made to Datatec's share-based remuneration to keep the economic interests of participants unchanged were as follows:

- Number of awards increased by 69.7%
- Exercise price (if applicable) reduced by a factor of 1.697. The factor is calculated as R56/(R56 – R23) where R56 is the share price close the day prior to the ex-dividend date and R23 is the amount of the special dividend
- Non-market performance condition modified to account for the fact that Westcon Americas' profits were included in the performance targets at the start of the performance period but not at the end of the period (Westcon Americas having been disposed of during the performance period)

At the time, the Remuneration Committee decided the non-market performance condition would be modified by adding back the accounting profit on sale of the two disposals to underlying earnings in the third year of each award which was granted prior to the disposal. The accounting profit per share of the disposal of Westcon Americas and Logicalis SMC in FY18 should therefore be added to the final year uEPS used in assessing the vesting of the May 2015, May 2016 and July 2017 awards all of which are based on the reported uEPS of financial years which included the earnings of Westcon Americas and Logicalis SMC. The same logic was applied to the ROIC performance condition which applied to LTIP awards granted in May 2016 and July 2017 and in order to have time to determine and verify this issue properly, the Remuneration Committee extended the vesting period of the 2016 LTIP to four years to coincide with the vesting date of the 2017 LTIP.

The impact that the modification had on awards that vested during FY20 is explained below.

Datatec SARs scheme

The SARs granted in May 2016 (“2016 SARs”) were assessed for vesting in May 2019. The performance condition set by the Remuneration Committee was that the Datatec share price (30-day volume weighted average price) growth from 1 March 2016 to 28 February 2019 was required to be in excess of South African CPI. This is a market performance condition.

The performance condition was not met and therefore the 2016 SARs lapsed in May 2019 (during FY20).

Directors’ interests in Datatec SARs are shown in the following table:

	Grant date	Grant price (ZAR)	SARs held at beginning of year	Exercised during the year	Lapsed during the year	SARs held at year-end	Status at 29 Feb 20	Fair value of awards at 29 Feb 20 US$’000
JP Montanana	14 May 15	35.79	629 000	–	–	629 000	**Vested**	**–**
	12 May 16	27.20	1 122 269	–	(1 122 269)	–	**Lapsed**	**–**
	28 Jul 17	34.94	748 955	–	–	748 955	**Not vested**	**–**
Sub-total			2 500 224	–	(1 122 269)	1 377 955		**–**
IP Dittrich	12 May 16	27.20	308 665	–	(308 665)	–	**Lapsed**	**–**
	28 Jul 17	34.94	230 039	–	–	230 039	**Not vested**	**–**
Sub-total			538 704	–	(308 665)	230 039		**–**
Total			3 038 928	–	(1 430 934)	1 607 994		**–**

The fair value of the SARs granted in May 2015 (during FY16) which vested during FY19 is US$nil because the grant price (as modified) exceeds the share price at 29 February 2020.

The SARs granted in July 2017 (during FY18) will not vest in May 2020 (during FY21) because the performance condition for vesting (share price growth from 1 March 2017 to 29 February 2020 required to be in excess of South African CPI) has not been met. For this reason and because the grant price (as modified) exceeds the share price at 29 February 2020, the fair value of these SARs is nil.

Datatec LTIP

Conditional awards under the LTIP granted in May 2016 (“2016 LTIPs”) were assessed for vesting in May 2019. Non-market performance conditions were set by the Remuneration Committee for the 2016 LTIP as follows:

ROIC performance condition – 50% of grant: the threshold necessary for half of the conditional award subject to the ROIC condition (ie 25% of the total conditional award) to vest was that the Company’s reported ROIC for the year ended on 28 February 2019 (three years from grant) must equal or exceed 8%. The target necessary for the second half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company’s average reported ROIC for the year ended on 29 February 2020 must equal or exceed 12%. If the Company’s average reported ROIC for the year ended on 29 February 2020 fell between levels above, ie between the levels of 8% and 12%, the proportion of conditional awards which would vest is determined by linear interpolation between 25% and 50% in proportion to the reported ROIC for the year ended on 29 February 2020 between 8% and 12%.

uEPS performance condition – 50% of grant: the threshold set for half of the conditional award subject to the uEPS growth condition (ie 25% of the total conditional award) to vest is that the Company’s uEPS must increase by the increase in the US Dollar Consumer Price Index (“US CPI”) over the three-year performance period plus 6%. If the condition is met, 25% of the conditional awards will vest. The target necessary for the second half of the conditional award subject to the uEPS growth condition (ie 50% of the total conditional award) to vest is that the Company’s uEPS must increase by the increase in the US CPI over the three-year performance period plus 12%. If the condition is met, a further 25% of the conditional awards would vest making 50% in total. If the Company’s uEPS increased over the three-year performance period by the increase in the US CPI plus between 6% and 12% (ie an outcome in between the threshold and target), the proportion of conditional award which vests and becomes exercisable is determined by linear interpolation between 25% and 50% in proportion to the increase in the Company’s uEPS between 6% and 12% above US CPI inflation over the three-year performance period.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Conditional awards under the final LTIP grant in July 2017 ("2017 LTIPs") had the same performance conditions as the 2016 LTIP grant. The 2017 LTIPs were assessed for vesting in May 2020.

The modification explained above applied to the number of LTIP awards in issue which was increased by 69.7% and also to the non-market performance conditions.

The Remuneration Committee determined that the 2016 LTIP would vest 50% in May 2019 (during FY20) and 50% in May 2020 (during FY21) after postponing the vesting period while considering the modification to the ROIC performance condition. As mentioned above, the original performance period of three years was retained, but the vesting period for the portion of the award subject to ROIC was extended to four years to allow the Remuneration Committee to evaluate the outcome of the ROIC performance condition modification. The impact of the modification was assessed in FY20 and therefore included in FY20. Also in accordance with the modification described above, the committee has determined that the 2017 LTIP will vest 100% in May 2020.

Directors' interests in Datatec LTIP awards are shown in the following table:

	Grant date	Awards held at the beginning of the year	Vested and settled during the year	Lapsed/ forfeit during the year	Awards held at year-end	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	12 May 16	1 122 269	(561 134)	–	561 135	**1 202**	1 175
	28 Jul 17	748 955	–	–	748 955	**1 604**	784
Sub-total		1 871 224	(561 134)	–	1 310 090	**2 806**	1 959
IP Dittrich	12 May 16	231 499	(115 750)	–	115 749	**247**	242
	28 Jul 17	172 529	–	–	172 529	**370**	179
Sub-total		404 028	(115 750)	–	288 278	**617**	421
Total		2 275 252	(676 884)	–	1 598 368	**3 423**	2 380

All the awards held at the year-end will vest in May 2020. The fair value of these awards is accordingly the number of awards multiplied by the 30-day volume weighted average share price at 29 February 2020 which was R33.44.

The value delivered to participants from the LTIP awards vesting during the year was as follows:

	FY20 US$	FY19 US$
JP Montanana	**1 271 791**	–
IP Dittrich	**262 341**	–

Datatec old DBP

The previous Datatec DBP operated in a different way from the current DBP and the last grant was made in June 2016 based on deferring FY16 bonuses. The Remuneration Committee decided not to operate a grant under the old DBP in 2017.

The final settlements under the old DBP were explained in the FY19 remuneration report and the benefit to participants arising during the year was as follows:

	FY20 US$	FY19 US$
JP Montanana	**593 412**	577 169
IP Dittrich	**271 456**	–

Dilution attributable to Datatec Group share incentive plans

The estimated commitment to settle outstanding share-based payment awards would give rise to the dilution shown in the following table if new shares were to be issued in settlement:

LTI	Dilution
SARs	**0.00%**
LTIP	**0.82%**
Old DBP	**0.00%**
CSP	**0.00%**
Total	**0.82%**

In practice, the Company has not issued new shares in settlement of share schemes in the recent past and currently has no intention to do so in future. Instead, shares for settlement of share schemes are purchased in the market.

The new DBP does not give rise to any dilution effect because forfeitable shares are granted to participants at the start of the holding period and settled using shares purchased in the market. None of the divisional share-based remuneration plans could have any dilution effect as they are not settled with Datatec shares.

Single figure remuneration of executive directors

The following tables show the composition of a single figure of remuneration for the executive directors:

		CEO		CFO	
Component		**FY20 US$'000**	FY19 US$'000	**FY20 US$'000**	FY19 US$'000
Old LTI	SARs	**–**	–	**–**	–
	LTIP	**2 806**	1 175	**617**	242
	DBP	**–**	183	**–**	84
New LTI	CSP	**–**	–	**–**	–
	DBP	**300**	812	**48**	95
Total LTI		**3 106**	2 170	**665**	421
STI	FY18 – cash	**59**	–	**15**	
	FY19 – cash	**–**	812	**–**	287
	FY19 – deferred	**–**	812	**–**	95
	FY20 – cash	**503**	–	**144**	–
	FY20 – deferred	**300**	–	**48**	–
Sub-total STI		**862**	1 624	**207**	382
Pension		**214**	214	**84**	84
Benefits		**48**	28	**47**	43
Base salary		**1 140**	1 428	**503**	560
Guaranteed package		**1 402**	1 670	**634**	687
		5 370	5 464	**1 506**	1 490

Old LTI
No SARs vested in May 2019 or will vest in May 2020 so no LTI remuneration arises in either FY19 or FY20.

The May 2016 award of LTIPs vested 50% in May 2019 and 50% in May 2020. The May 2017 award of LTIPs vested 100% in May 2020. The fair value of the awards vesting in May 2020 at 29 February 2020 is shown as FY20 LTI in the above table.

The DBP pledged shares acquired by directors in May 2016 earned a 50% performance-based matching in addition to the matching shares arising from the employment condition. The performance-based matching element (which had a performance period ended 28 February 2019) plus the shares accruing to it in lieu of dividends during the performance period is shown as FY19 LTI in the above table at fair value (being the share price at 28 February 2019). There is no LTI arising from the old DBP in FY20.

New LTI
The value of the shares purchased by the Company equal to the amount of bonus deferred by the directors in respect of their bonuses for FY19 and FY20 is shown in the table.

For the CSP, LTI remuneration will only arise in the financial year preceding vesting subject to performance conditions being achieved.

STI
The deferred element of the FY18 bonus relating to the SYNNEX transaction earn-out was paid during FY20 and is disclosed separately in the table above.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Non-executive directors' remuneration

During FY20, non-executive directors received the following fees, as approved by shareholders at the AGM on 29 August 2019:

Role	Fee US$
Chairman of the Board (total fee inclusive of all committee and subsidiary board work)	201 552
Senior non-executive director	74 256
Non-executive director	63 648
Chairman of the Audit, Risk and Compliance Committee	31 824
Member of the Audit, Risk and Compliance Committee	15 912
Chairman of the Social and Ethics Committee	10 608
Chairman of the Remuneration Committee	15 912
Member of the Remuneration Committee	7 956
Member of the Nominations Committee	5 304
Chair of Datatec Technology and Education Foundation	12 000

Non-executive directors are reimbursed for travel costs necessary for attending Board meetings and do not receive any employment benefits.

For the year ending 28 February 2021, the Remuneration Committee proposes that fees for non-executive directors will remain at the levels set out above. These fees will be presented for approval by shareholders at the AGM on 29 July 2020.

Summary of directors' remuneration

The remuneration of directors serving on the Board in FY20 and FY19 is shown in the following tables:

	FY20						
	Guaranteed package						
US$'000	**Basic salary**	**Pension**	**Other benefits**	**Fees**	**STI**	**LTI**	**Total**
Executive directors							
JP Montanana	**1 140**	**214**	**48**	**–**	**862**	**3 106**	**5 370**
IP Dittrich	**503**	**84**	**47**	**–**	**207**	**665**	**1 506**
Total executive directors	**1 643**	**298**	**95**	**–**	**1 069**	**3 771**	**6 876**
Non-executive directors							
SJ Davidson	**–**	**–**	**–**	**202**	**–**	**–**	**202**
M Makanjee	**–**	**–**	**–**	**93**	**–**	**–**	**93**
JF McCartney	**–**	**–**	**–**	**101**	**–**	**15**	**116**
CRK Medlock (from 1 January 2020)	**–**	**–**	**–**	**13**	**–**	**–**	**13**
MJN Njeke	**–**	**–**	**–**	**109**	**–**	**–**	**109**
E Singh-Bushell	**–**	**–**	**–**	**99**	**–**	**–**	**99**
Total non-executive directors	**–**	**–**	**–**	**617**	**–**	**15**	**632**
Total directors' emoluments	**1 643**	**298**	**95**	**617**	**1 069**	**3 786**	**7 508**

	FY19						
	Guaranteed package						
US$'000	Basic salary	Pension	Other benefits	Fees	STI	LTI	Total
Executive directors							
JP Montanana	1 428	214	28	–	1 624	2 170	5 464
IP Dittrich	560	84	43	–	382	421	1 490
Total executive directors	1 988	298	71	–	2 006	2 591	6 954
Non-executive directors							
SJ Davidson	–	–	–	202	–	–	202
O Ighodaro (to 31 October 2018)	–	–	–	62	–	–	62
JF McCartney	–	–	–	90	–	–	90
M Makanjee (from 1 November 2018)	–	–	–	28	–	–	28
MJN Njeke	–	–	–	110	–	–	110
CS Seabrooke (to 20 September 2018)	–	–	–	50	–	–	50
E Singh-Bushell (from 1 June 2018)	–	–	–	71	–	–	71
NJ Temple (to 20 September 2018)	–	–	–	45	–	–	45
Total non-executive directors	–	–	–	658	–	–	658
Total directors' emoluments	1 988	298	71	658	2 006	2 591	7 612

Note: the non-executive directors' fees shown above do not include VAT.

Remuneration **report** continued

Directors' interests in shares

Directors' interests in the ordinary shares of the Company at 29 February 2020 and 28 February 2019 are shown below:

	At 29 February 2020				At 28 February 2019			
	Direct beneficial	**Indirect beneficial**	**Associates**	**Total**	Direct beneficial	Indirect beneficial	Associates	Total
Executive directors								
JP Montanana	**500 000**	**24 180 000**	**–**	**24 680 000**	–	24 004 635	–	24 004 635
IP Dittrich	**293 724**	**–**	**–**	**293 724**	93 329	–	–	93 329
Non-executive directors								
SJ Davidson	**–**	**–**	**11 001**	**11 001**	–	–	11 001	11 001
JF McCartney	**–**	**1 278 877**	**–**	**1 278 877**	–	1 278 877	–	1 278 877
	793 724	**25 458 877**	**11 001**	**26 263 602**	93 329	25 283 512	11 001	25 387 842

Of Mr Montanana's shareholding, 1 000 000 shares have been pledged as security for certain equity funding transactions.

Directors' interests in ordinary shares of the Company shown above are unchanged from 29 February 2020 to the date of this report. Non-executive directors not shown in the above tables did not hold any Datatec shares in either year. Executive directors' interests in shares via LTI share schemes (which have not vested/been exercised) are shown earlier in the implementation report. Shares held by executive directors in relation to the DBP (which are forfeited if they resign from the Company) are included in the above table.

The implementation of remuneration during FY20 as set out above has been in compliance with the policy in part 2 except as noted in the text.

The FY19 remuneration implementation report was put before shareholders for an advisory vote at the AGM on 29 August 2019 and received support from 64.41% (2018: 37.1%) of shares voted.

This FY20 remuneration implementation report will be put before shareholders for an advisory vote at the 2020 AGM.

Health and safety report

Safety, health and environment (“SHE”) policy and procedures

Datatec has a Group-wide SHE policy, which is complemented by individual policies at each subsidiary to ensure compliance with local regulations.

Management at each subsidiary is responsible for implementing and maintaining the policy throughout the organisation, and ensuring that health and safety considerations are given priority in planning and day-to-day supervision of work.

The Group CEO delegates the responsibility for maintaining a safe working environment to a Health and Safety Committee or nominated individuals at each subsidiary. Health and safety issues are collated by the committees, nominated individuals and the Group Company Secretary, who reports to the Board.

Health and wellness

The approach to health and wellness is on a per region/operation basis, in keeping with the decentralised management model of the Group. At most operations, employees are afforded health schemes with the operations contributing the entire or part of the employee membership fee.

Health and safety committees

The subsidiary health and safety committees’ members are permanent, full-time employees acquainted with conditions and activities in the workplace. Each subsidiary elects its health and safety committee and will include representatives from various departments within the subsidiary.

The committees are responsible for:

- reviewing and recommending changes to the SHE policy;
- investigating any accident which may occur, with the objective of achieving a factual and honest assessment of the causes and thereby preventing recurrence;
- proactively identifying health and safety hazards in the work environment;
- reporting hazards to management;
- making recommendations to management to reduce health and safety hazards;
- keeping abreast of relevant legislation;
- creating awareness of workplace risks with employees;
- investigating complaints by employees relating to health and safety at work;
- setting goals for improving health and safety within the business;
- identifying health and safety training needs in the different areas of the business; and
- attending meetings with health and safety inspectors if required.

Employees are responsible for taking reasonable care of their own health, carrying out lawful orders in terms of health and safety, and complying with notices, instructions, hazard and warning signs. Furthermore, it is their responsibility to report any safety risk and any accident, injury or health and safety incident to the designated health and safety representative or human resources manager.

Datatec **social investment report**

The Datatec Educational and Technology Foundation ("the Foundation") funds educational organisations whose purpose is to improve education within underprivileged communities in South Africa. Datatec's CSI spend is directed towards initiatives consisting of school-level intervention programmes for learners and teachers, and educational bursaries. Other initiatives include the provision of technology infrastructure and skills development for unemployed youth.

Science, technology, engineering and maths ("STEM") careers are in high demand due to the rapid rate of technological advancements and we believe it is imperative to support school-level intervention programmes aimed at improving learner results in maths and science to enable more learners to pursue STEM qualifications. Not only are these subjects a prerequisite for STEM degrees, they also teach valuable skills like problem solving, logical reasoning and critical thinking that are essential in today's fast-paced digital economy. The upskilling of teachers in maths and science is also critical. Other areas of focus include the granting of bursaries, the provision of technology infrastructure in disadvantaged communities as well as technology skills development for unemployed youth.

Numeric

Foundation beneficiaries

Teacher and learner development at a secondary-school level

Teacher and learner development are both critical areas of investment for the Foundation, especially in the realms of maths and science, in which public school teachers are heavily under-resourced. It has been proven that with public-private partnerships, the issue of poor school-leaver passes can be effectively addressed. The Foundation supports non-governmental organisations ("NGOs") working to improve learner participation and test results to enable learners to pursue tertiary education in fields that require maths and science as lead subjects.

The Foundation's total contribution in this area for FY20 was in excess of R5 million (61% of its total budget).

Kutlwanong Promaths assists learners from previously disadvantaged schools to get good passes (minimum C symbol) in maths and science. Kutlwanong is a key beneficiary of the Foundation which contributed to their Promaths outreach project in the East London Mdantsane area. Grade 10, 11 and 12 learners received extra tuition in maths and science. The overall pass rate was 100% for the group of 90 grade 12 learners, of whom 71 achieved Bachelor passes. All 90 learners in the group are pursuing tertiary studies either through universities or FET colleges.

The Tomorrow Trust provides integrated academic and psychosocial support to orphaned and vulnerable children. The Foundation contributed towards two programmes in which 30 grade 8 and 30 grade 10 learners received extra tuition in maths, science, English and life science, as well as career guidance support, leadership workshops and psychosocial support. The grade 8 group's baseline test results averaged 49% at the start of the programme and improved to 57% in the final term. The grade 10 group started off with 48% average and ended the year on 62%. Both groups had a 100% pass rate.

The Olico Foundation develops tailored education initiatives for township communities. The Foundation contributed towards their programme that offers academic support in maths for learners in grade R to grade 12. Olico ran 50 maths clubs in Diepsloot for learners in grade 1 to grade 6. Its 2019 matric class achieved a 100% pass rate and 75% of these learners scored Bachelor level matric passes which puts them in the top 20% of maths performers nationally.

Numeric provides after-school maths tutoring in previously disadvantaged schools in Gauteng, the Western Cape and KwaZulu-Natal. This year the Foundation contributed towards three groups at Ikaneng Primary School in Diepkloof, Soweto. Numeric had a 91% attendance rate for its after-school programme, and Numeric learners improved by 14.8% compared to the 5.0% of non-Numeric peers.

The Vula Programme provides educational outreach at Hilton College in KwaZulu-Natal which services 90 under-resourced schools from previously disadvantaged communities. In FY20, the Foundation funded projects which included the Vula Annual Careers Day, the Vula Maths Project and the Vula Science Project outreach.

The Vula Maths Project entailed 28 teachers attending 11 weeks of training at the Vula Academy campus. In the Vula Science Project outreach, more than 500 learners and teachers in rural and township schools received teaching and revision materials, a four-day residential workshop was held for 22 teachers, and groups of learners from local schools were transported to Hilton College to do practical science work in laboratories.

Improving technology infrastructure and access to computers

Datatec recognises that access to ICT is vital in a developing economy. A portion of its total budget is allocated to NGOs committed to providing ICT infrastructure in poorer communities in order to improve education, skills development and job creation.

The Foundation's total contribution in this area for FY20 was R1 million (10% of its annual budget).

Afrika Tikkun provides sustainable care and development for vulnerable and orphaned children from birth to 25 years old. The Foundation provided funding for upgrades and maintenance of their IT infrastructure. In total, 6 755 children and young people received access to computer labs where some gained computer and coding skills.

The Durban High School Foundation Trust received funding from the Foundation for the upgrade of the school's media and IT centre, where 912 learners benefitted from having access to state-of-the-art IT equipment.

Skills development for the unemployed

ICT skills development is another critical need, particularly among the youth, who feel the brunt of unemployment in South Africa. The Foundation continues to invest in NGOs that provide ICT skills training aimed particularly at the youth.

The Foundation's total contribution in the area for FY20 was R0.6 million (8% of its total annual budget).

Code4Change teaches coding techniques and skills in secondary schools. The Foundation contributed towards the Code Jika Programme in seven schools in Gauteng.

The Siyakhula Computer School provides low-cost computer literacy training to underprivileged communities across five centres. This year the school trained 1 675 students.

Bursaries for disadvantaged students

The Foundation partnered with the Belgium Campus to address the shortage of black female students studying towards IT degrees. Their graduates enjoy a 100% employment rate after completing their studies.

The Foundation funds three female students studying towards a Bachelor of Computing that will take four years to complete.

The Foundation's total contribution in this area for FY20 was over R0.7 million (9% of its total budget).

Belgium Campus iTversity

Code4Change

Datatec **social investment report** continued

Beneficiaries rise to the challenge of COVID-19

The non-profit educational organisations supported by Datatec were forced to adjust their strategies in order to continue providing much needed support to their beneficiaries during the pandemic.

For the Olico Foundation, The Tomorrow Trust and the Vula Programme, the global pandemic became an impetus for focusing on the execution of their respective programmes. Organisational agility, solid experience with the communities they work in and quick responsiveness ensured that these beneficiaries' programmes had maximum impact.

Olico created a COVID-19 adaption of its tools and resources-based maths programme which could be accessed online, via WhatsApp and through an Android app. Teachers and learners actively engaged with each other every day via these platforms, with tutors calling or messaging learners each morning, and then tracking their progress through WhatsApp or online.

The free online version of the programme features more than 28 000 interactive questions and 376 tutorial videos, worksheets for sharing, tutoring and discussion over WhatsApp, and a fun, time-based activity designed to build number fluency in addition, subtraction, multiplication and division which is suitable for all grades. Logic puzzles promote problem-solving and creative thinking, while a senior-phase maths summary guide featuring key mathematical concepts for grades 7, 8 and 9 is downloadable for free.

About 680 learners on WhatsApp were reached, which is about 60% of the high school learners the NGO normally works with, in townships such as Alexandra, Diepsloot, Bosmont, Dunoon and Heideveld. Access to smartphone devices and data are the main barriers to access for the other learners. Notably, three out of the five service providers zero-rated Olico's online programme to make it possible for children to continue receiving maths tutoring.

Twenty nine high school WhatsApp groups administered by Olico took root over lockdown, with 301 484 WhatsApp messages exchanged, and 2.9GB of WhatsApp data used for messages and worksheets. Although these numbers may appear small, what is remarkable is the sheer enthusiasm of the learners. Even during this exceptionally trying time, learners are showing perseverance and fortitude in accessing tutoring and training which demonstrates their commitment to bettering themselves and their chances of a better future.

The Tomorrow Trust, who works with orphaned and vulnerable children, launched a #changethestory campaign, a crowd-funding initiative to raise funds to put together 400 food, hygiene and learning packs. These were delivered to under-resourced households, and at the same time, children and their caregivers were provided with academic and psychosocial support. Included with the packs were one-month WhatsApp data bundles that enabled the children and their caregivers to join WhatsApp groups, and guide them on how to access free online education resources, such as the Siyavula Maths and Science Programme. For the next five months, the NGO will be doing deliveries to all households with children in the junior grades, giving them packs that include a food parcel, academic booklets and social-emotional worksheets that learners can complete, in addition to beanies and scarves, educational toys, stationery, masks and sanitisers. For senior learners, the NGO has launched a virtual Saturday school programme, which learners can access through the 5GB of monthly data the NGO provides, enabling online classrooms through Zoom. Teachers can also call via WhatsApp to ensure that learners understand what has been taught. Senior students are also provided with food parcels, hygiene packs, academic notes and social-emotional lessons on topics like anxiety and stress management.

The Vula Programme staff members are experienced teachers who were able to put a response programme together to support the teachers on their Vula Maths Programme during the lockdown. Regular contact was maintained with these teachers, by using phone calls, SMS and WhatsApp messages, with the intention of encouraging and motivating them as best as they could. For most of the Vula teachers it comprised the only support that they received during these difficult days. Assistance provided to teachers included:

- encouraging the teachers to use the online materials available on the Vula Maths resources website;
- encouraging them to access the online resources available at sites such as e-Classroom, iStudentAcademy, Shuters, Pick n Pay, Siyavula, etc;
- providing online tutorials showing how to prepare a Powerpoint presentation for teaching and how to include commentary;
- preparing teaching materials for the syllabus topics which will be needed by the teachers when their teaching resumes;
- using online meetings to hold maths discussions with groups of teachers; and
- offering advice regarding matters such as purchasing laptops, the best priced data packages, laptop insurance, etc.

Tomorrow Trust food and hygiene packs

Olico app-based learning tools

Datatec **social investment report** continued

SUCCESS STORY

Psychosocial support a winning formula for top-quality results among Gauteng students

Sixty Gauteng grade 8 and grade 10 learners, the majority of them orphaned and vulnerable, were 2019 participants in the Tomorrow Trust's Saturday and holiday school programme which was funded by the Foundation. The high school learners benefitted from a holistic daily programme including self-mastery workshops, career guidance, digital literacy, motivational talks and leadership development.

The success of the Saturday and holiday school programme is evident among grade 10 to 12 learners. Over the past eight years, the programme has assisted 602 learners to complete their National Senior Certificate. The overall pass rate has been 98%, with 78% of learners achieving a Bachelor pass rate. Last year, Tomorrow Trust learners' university pass rate, compared to the National Department of Education's university pass rate, was 72% versus 37%.

Among these impressive group results there are standout individuals. Pretty Madiya, a learner from Tembisa who joined the Tomorrow Trust in grade 8, started with averages of 63% in English and 51% in maths. By the end of grade 12, her English had improved to 75% and maths to 66%, paving the way for her to follow her dream to study at the University of the Western Cape ("UWC"), doing a BSc in Medical Biosciences. Lebohang Basil Mofokeng, also from Tembisa, showed remarkable improvement, moving from 54% in English at the start of the programme while he was in grade 10 to 67%, and he improved his maths mark from 49% to 77%. Lebohang is now studying medicine at the Sefako Makgatho Health Sciences University. Nomfundo Mazibuko from Soweto started with 46% in English and 57% in maths while in grade 8, moving up to 61% in English and 83% in maths. She is now studying biochemistry at the University of the Witwatersrand.

Tomorrow Trust Saturday and holiday school programme

Logicalis **social investment report**

Logicalis' operating companies are committed to improving the quality of life for the local communities that they operate in and this year saw a significant increase in employee participation in activities. Over US$250 000 was spent on CSI activities, with Logicalis supporting a range of community and environmental initiatives in 18 countries. Currently, the most common area of focus across Logicalis is the support and education of disadvantaged people in the communities where it is located.

Logicalis Australia toy and food appeal

Logicalis Cilnet breast cancer run

North America

During FY20, Logicalis US donated in excess of US$130 000 to 96 charities, principally supporting healthcare, education, children's health and disease support. In addition, Logicalis US encourages all employees to donate their time in their local community by allowing eight hours of paid time off annually.

Latin America

In Brazil, Logicalis supports several community education schemes. Logicalis partners with BandTec Digital School with its Future Generation Programme – offering an education in coding and the opportunity to be part of the Logicalis Internship Programme, to provide opportunities for students on a lower income. Logicalis also supports "House of Campinas" which is an institution whose mission is to provide women with a safe space for learning, growth and networking.

In Argentina, Logicalis has partnered with an organisation which provides work to unemployed people and buys books from the organisation which is donated to local schools.

In Puerto Rico, Logicalis donated 31 survival kits for the La Hormiga community in Dorado, who were severely affected by the devastation caused by Hurricanes Irma and Maria in September of 2017.

In Paraguay, Logicalis collected toys for children in hospitals in partnership with the Noches Solidarias foundation. Logicalis continues to support Fundación Dequeni, an organisation that helps educate children from low-income backgrounds.

Logicalis Peru donated clothes, household goods and cleaning products to Casa Hogar Talita Kum, a shelter for girls rescued from labour, sexual exploitation or who have been abandoned. Logicalis also joined the "Donate a cap and uncover a smile" campaign organised by the Angelitos de Cristal Programme of the National Institute of Children's Health. The proceeds are used to pay for medicines, supplies and nutritional supplements for children who suffer from Epidermolysis Bullosa, a non-contagious genetic disease.

Logicalis Coasin in Chile, through its Protaganist Programme, helps young people at social risk re-enter higher education. They also receive third-year university students for a week to gain work experience within the IT division.

Logicalis **social investment report** continued

Europe

Logicalis UK took part in various charitable initiatives including Christmas present collection for children up to 16 years old living in local communities that are living in poverty or in disadvantaged situations, a cake bake off raising money for Macmillan Cancer Support, and many members of the team took part in a 25km walk criss-crossing the Thames for the Crisis charity.

Logicalis Germany supports six social initiatives at its German offices which its employees selected – from socially disadvantaged children, to development aid and animal welfare facilities. In addition to donating money to each of the six facilities, Logicalis employees invest their own time. All 10 Cilnet female employees in Portugal ran for a local breast cancer charity and Logicalis Spain employees volunteered to clean beaches and raise money for a local hospital. Logicalis Channel Islands employees pack shoe boxes with items that are then sent to children for Christmas.

Asia-Pacific

Twenty-eight Logicalis Hong Kong staff members participated in the Hong Kong Red Cross "1 Blood Donation Saves 3 Lives" Programme in 2019. Logicalis Singapore partnered with non-profit charitable organisation Club Rainbow to celebrate Children's Day with 27 children together with their parents and/or guardians. The team also donated food in FY20 to "Food from the Heart" which is a charity offering support for the needy in the community.

Logicalis Indonesia donated PCs and Microsoft's "Home Student" to local charities and over 300 employees joined local orphans for breakfast paid for by Logicalis. Logicalis Taiwan donated money to the "MacKay Memorial Hospital Taitung" branch, where a fundraising event was initiated to offer remote residents healthcare services. Logicalis China also donated to the Shanghai Charity Foundation.

Thomas Duryea Logicalis ("TDL") in Australia supported Dell technologies as a partnership to assist "FoodBank NSW". It supported families and communities that were affected by the recent bushfires in Australia. Also due to the bushfires, TDL decided to hold a morning tea with either cakes baked or purchased to raise funds for the Red Cross.

Seven TDL employees participated in "Around the Bay" – a 210km cycling event that raises funds for The Smith Family, who help disadvantaged children receive an education. TDL Australia also took part in the Fight Cancer Foundation's "Footy Colours Day", a day event where employees were encouraged to wear their team's colours. Funds raised went towards assisting children, who are receiving treatment for cancer, with their education. They also held an afternoon tea with a handball competition in the office to raise funds for Fight Cancer Foundation.

By partnering with PonyUp, TDL Australia has continued to dispose of old, unused technology into charitable currency and in turn, reduce the level of waste into landfill. PonyUp donates 50% of profits to SecondBite – Australia's largest fresh food rescue charity, which redistributes fresh surplus food donated by farmers, wholesalers, markets, supermarkets and caterers to more than 1 300 community food programmes. The contribution made by TDL helped generate almost 11 000 meals to SecondBite.

Finally TDL supported Anglicare Victoria's ("AV") annual Toy and Food Appeal. This appeal ensures the children in their care receive brand new toys for Christmas, a time that is the most challenging for those who rely on organisations such as AV.

Annual blood drive, Logicalis Hong Kong

Westcon **International social investment report**

Westcon International supports a variety of corporate and employee-led charitable initiatives, providing time and resources to improve the communities where its employees live and work. Below are some examples of the many initiatives that have been undertaken this year:

Australian bushfires

The Sydney (Australia) and Cirencester (UK) offices showed their support and raised funds for the Australian Bushfire Appeal with colleagues and partners by dressing up on a Loud Shirt Day and donating £25 for every order received.

Australian office dressing up for Loud Shirt Day

UK office dressing up in support of the Australian bushfires

COVID-19

During the COVID-19 pandemic, Westcon's UK and Netherlands Logistics Centres have continued to call upon local partners for their services, helping these small businesses to stay afloat. Food and beverage businesses, as well as a local taxi service have been hired to support the warehouse staff. The Spanish team continues to donate to the Caritas Food Bank to help people in times of need.

Original Fry Up Material serving warehouse staff

Westcon South Africa career day

South Africa

Westcon South Africa continues to invest in multiple employment and learnership programmes, enabling young people to gain workplace experience and gain qualifications to start their careers. It appointed 20 learners to its Level Up programme giving unemployed youth work experience and IT skills. It also hosted a career day for grade 11 learners as part of the KlipTown School Development programme. Westcon South Africa also provides numerous bursaries.

Worldwide

This year, Westcon International celebrated Movember across all regions and offices, creating awareness for men's health issues and supporting local charitable activities. An integrated campaign for International Women's Day generated awareness for the achievements of women, both in the division and for women in general, through internal communications, local events and social media.

International Women's Day campaign – Netherlands

International Women's Day campaign – UK

Contents

Directors' **responsibility statement**

for the year ended 29 February 2020

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Datatec Limited ("Datatec" or the "Company" or the "Group"), comprising the consolidated statement of financial position at 29 February 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act 71 of 2008 ("the Companies Act").

In terms of the Companies Act, the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the Group at the end of the financial year and of the profit for that year. The consolidated annual financial statements for the year ended 29 February 2020 are prepared in accordance with IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act and incorporate transparent and responsible disclosure together with appropriate accounting policies. These annual financial statements were compiled under the supervision of Ivan Dittrich CA(SA), the Chief Financial Officer.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

These annual financial statements have been audited in compliance with the requirements of the Companies Act. The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and believe that the Group and its subsidiaries have adequate resources to continue in operation for the foreseeable future and accordingly these financial statements have been prepared on a going concern basis.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Datatec Limited as identified in the first paragraph were approved by the Board of directors on 26 May 2020 and signed by:

JP Montanana
Chief Executive Officer
Authorised director

IP Dittrich
Chief Financial Officer
Authorised director

Certificate **by Company Secretary**

In terms of section 88(2)(e) of the South African Companies Act 71 of 2008, I certify that for the year ended 29 February 2020 Datatec Limited has filed with the Commissioner of the CIPC all such returns as are required of a public company in terms of the Act. Further, that such returns are true, correct and up to date.

SP Morris
For and on behalf of Datatec Management Services (Pty) Ltd
Company Secretary

Independent **auditor's report**

TO THE SHAREHOLDERS OF DATATEC LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datatec Limited and its subsidiaries ("the Group") set out on pages 144 to 241, which comprise the consolidated statement of financial position as at 29 February 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 29 February 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together "the IRBA Codes") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in the audit
Assessment of Logicalis goodwill for impairment As disclosed in Note 9 the carrying value of goodwill amounts to US$241 million of which US$222 million relates to the Logicalis cash-generating unit. Significant judgement is required by the directors in assessing the impairment of goodwill, which is determined with reference to the value-in-use, including the key assumptions utilised in the goodwill discounted cash flow ("DCF") model for each cash-generating unit. Accordingly, for the purposes of our audit, we identified the impairment of goodwill relating to the Logicalis cash-generating unit as representing a significant risk of material misstatement, due to the significance of this balance. The assumption with the most significant effect on the Logicalis valuation was the discount rate, which is based on the weighted average cost of capital. The calculation of the weighted average cost of capital is highly complex and significant movements to the discount rate were noted in the current year due to the recognition of operating leases (in terms of IFRS 16 *Leases*) in the capital structure in the current and reductions in the risk-free interest rates in the USA and United Kingdom. As a result, the assessment of goodwill for Logicalis was considered a key audit matter.	In evaluating the Logicalis goodwill for impairment, we assessed the calculation of its value-in-use, as prepared by the independent party specialist on behalf of the directors, with a particular focus on the discount rate. Focused audit procedures were performed on the valuation, including the following: • assessing the competence, capabilities and objectivity of the independent parties used by the directors to evaluate goodwill for impairment; • engaging with our internal specialists to critically evaluate whether the directors' model complies with the requirements of IAS 36 *Impairment of Assets*; • involving our internal corporate finance specialist to assist with the assessment of the discount rate applied. Our specialist's procedures included evaluating the entity's current funding rates, funding structures and risk profile against relevant market data; • re-computing the results of the valuation and comparing the value-in-use to the carrying value of Logicalis net assets including goodwill; • performing sensitivity analyses on the inputs to the valuation model to evaluate the impact on the valuation; and • assessing the adequacy of the Group's disclosures in respect of goodwill with reference to applicable accounting standards. Based on the results of the above procedures, we consider the assumptions used in the valuation models to be appropriate and the disclosures in relation to the goodwill balance to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Audited Group consolidated annual financial statements for the year ended 29 February 2020", which includes the directors' report, the Audit, Risk and Compliance Committee's report and the certificate of the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled the "Datatec Limited separate financial statements for the year ended 29 February 2020" and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent **auditor's report** continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

We communicate with the Audit, Risk and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit, Risk and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit, Risk and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA rule published in *Government Gazette Number 39475* dated 4 December 2015; we report that Deloitte & Touche has been the auditor of Datatec Limited for 25 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: M Rayfield
Partner

26 May 2020

5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

** Partner and registered auditor*

Audit, **Risk and Compliance Committee report**

for the year ended 29 February 2020

The information below constitutes the report of the Audit, Risk and Compliance Committee ("ARCC" or "the committee").

The ARCC comprises four independent non-executive directors: Johnson Njeke (Chairman), John McCartney, Ekta Singh-Bushell and Rick Medlock. *Curricula vitae* for these directors are on pages 22 and 23 of the Integrated Report, together with their relevant skills and suitable experience.

The following officers are invited to attend all meetings of the ARCC:

- Chairman of the Board, Stephen Davidson;
- Chief Executive Officer, Jens Montanana;
- Chief Financial Officer, Ivan Dittrich;
- Chief Risk Officer, Simon Morris;
- Chief Audit Executive, Marcos Bedendo (internal audit); and
- external audit partner.

The external and internal auditors have unrestricted access to the ARCC and also meet with the committee members, without management present, at least once a year. Attendance at committee meetings is set out in the risk report in Investor Information.

The committee meets at least three times a year. In the year under review and subsequently up to the date of this report, the committee has met six times, with all members in attendance. The Chairman of the committee reports on the committee's activities at each Board meeting.

The committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board. The charter is reviewed annually to confirm compliance with the King IV™ Code and the Companies Act and to ensure the incorporation of best practice developments.

The charter is available at **www.datatec.com**.

The committee is satisfied that it has met and complied with its legal and regulatory responsibilities for the year under review and to the date of this report with respect to its terms of reference as set out in its charter.

Each of Datatec's main operating divisions has an audit, risk and compliance committee, chaired by the Group Chief Financial Officer, Ivan Dittrich. Reports from these committees are submitted to the Datatec ARCC, which retains all the functions of an audit committee in respect of Datatec's subsidiaries.

In terms of the Companies Act and the JSE Listings Requirements, the committee has considered and satisfied itself of the appropriateness of the expertise and experience of Ivan Dittrich, the Group Chief Financial Officer. Further, the committee considers the appropriateness of the expertise and adequacy of resources of the Group's finance function and the experience of senior management in the finance function and the risk management organisation. For the year under review, the committee is satisfied that the Group has established appropriate financial reporting procedures and controls, and that those procedures and controls are operating effectively.

The committee is responsible for selecting the external auditor and recommending its appointment to the shareholders. Deloitte & Touche has been the external auditor for 25 years and has the policy of rotating the designated partner every five years. The current designated audit partner is M Rayfield who is in the third year of his tenure.

Following the 2019 AGM, the Company undertook a process to identify a new external audit firm for the year ending 28 February 2021 ("FY21") and the ARCC took a leading role in the selection process. After meeting in January 2020 the committee recommended to the Board that PricewaterhouseCoopers ("PwC"), be appointed as the new external auditors for the Group subject to shareholder approval at the 2020 AGM on 29 July 2020.

The committee monitors the external auditor and obtained and reviewed the information specified in Paragraph 22.15(h) of the JSE Listings Requirements. The committee is satisfied that Deloitte & Touche and the designated audit partner are independent of the Company and that the quality of their audit work is of a sufficiently high standard in relation to the FY20 audit.

In relation to the new external auditor, PwC, the committee has also obtained and reviewed the information specified in paragraph 22.15(h) of the JSE Listings Requirements. The committee is satisfied that PwC and the designated audit partner are independent of the Company and assessed them as suitable for appointment.

In its assessment of the quality of the work of the current external auditor and the suitability of the new external auditor, the committee made reference to audit quality indicators included in inspection reports issued by external audit regulators.

The committee is responsible for approving the external auditor's fees and oversees the Company's policy and controls that address the provision of non-audit services by the external auditor and the nature and extent of such services rendered during the financial year. This contributes to maintaining the external auditor's independence.

The committee reviews the activities and effectiveness of the Group's internal audit function and annually reviews the internal audit charter and recommends it to the Board. The ARCC receives reports from the Chief Audit Executive at each of its meetings and reviews the progress of the internal audit programme, results and findings from internal audit work and actions taken by management to resolve issues in a timely manner.

Audit, **Risk and Compliance Committee report** continued

for the year ended 29 February 2020

The committee assists the Board in reviewing the risk management process and significant risks facing the Group. The committee reviews the Group's risk strategy with the executive directors and senior management and oversees the Group's use of recognised risk management and internal control models and frameworks to maintain a sound system of risk management and internal control. Combined assurance processes are in place throughout the Group to provide the committee with internal management assurance and external assurance from a range of assurance providers including the outsourced internal auditor. The ARCC is satisfied that the appropriate processes are in place, including effective combined assurance, to enable the Board to make an objective assessment of the Group's system of internal controls and risk management.

The committee is closely involved in the JSE proactive monitoring of annual financial statements. It reviews the annual report issued by the JSE on this subject and related information and ensures that all the comments by the JSE are taken into consideration in its review of the Group's financial information.

The committee is tasked with reviewing the interim and annual financial statements and Integrated Report. The ARCC recommended the annual financial statements for the year ended 29 February 2020 for approval to the Board. The Board has subsequently approved the annual financial statements which will be presented at the forthcoming Annual General Meeting.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The results and statement of financial position presented in the annual financial statements require many areas where key assumptions concerning the future, and other key areas of estimation included in the Group's annual financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

These are outlined in the notes to the annual financial statements. The committee has considered in particular the qualitative and quantitative aspects of information presented in the statement of financial position and other notes that contain sources of estimation and uncertainty in the following areas:

- estimates made in determining the recoverable amount of goodwill included in the statement of financial position. This is considered to be a key audit matter. Refer to Note 9 for further discussion of the methodology and rationale for selecting these inputs to management's estimations;
- estimates made in determining the probability of future taxable income justifying the recognition of deferred tax assets;
- estimates made in determining the level of provision required for obsolete inventory and the accounting for rebates from suppliers;
- estimates made in determining the amount or timing relating to restructuring, legal claims, taxes, pension and dilapidation obligations; and
- estimates made when measuring the expected credit losses.

In making its assessment in each of the above areas, the committee examined the external auditors' report and questioned senior management in arriving at their conclusions.

Based on their review of the underlying issues and assumptions, the committee considers the accounting treatment for the above to be appropriate.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Going concern

On 11 March 2020 the World Health Organization ("WHO") declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. The directors have reviewed the future profit and cash flow projections in conjunction with the current economic climate as well as banking facilities in place to support all the operations, in order to express an opinion on the adequacy of working capital and the ability to continue as a going concern for the foreseeable future. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations. As a result it is appropriate to prepare these annual financial statements on a going concern basis.

As the WHO declared COVID-19 a global pandemic on 11 March 2020 after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. As a result the financial effects resulting from the impact of COVID-19 have not been reflected in the Group's financial statements as at 29 February 2020.

MJN Njeke
Audit, Risk and Compliance Committee Chairman
Sandton

26 May 2020

Directors' report

for the year ended 29 February 2020

PROFILE AND GROUP STRUCTURE

Datatec is an international ICT solutions and services group operating in more than 50 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific. The Group's service offering spans the technology, integration and consulting sectors of the ICT market.

Datatec operates two main divisions:

- **Technology** – Westcon International: distribution of security, collaboration, networking and data centre products and solutions; and
- **Integration and managed services** – Logicalis: ICT infrastructure solutions and services.

The specialist activities of Consulting and Datatec Financial Services are included with the corporate head office functions in the "Corporate, Management Consulting and Financial Services" segment of the Group.

Datatec Limited (the "Company"), a South African company with registration number 1994/005004/06, is the parent company of the Group. The Company's shares are listed on the JSE Limited with share code DTC and ISIN ZAE000017745.

SPECIAL DIVIDEND WITH SCRIP DISTRIBUTION ALTERNATIVE

Following an arbitration process by an independent accountant, the earn-out payment relating to the disposal of Westcon Americas to SYNNEX was determined to be US$14 million and was returned to shareholders by way of a special dividend of R1.00 per share on 29 July 2019 which totalled US$15.4 million. The special dividend resulted in US$11.9 million of cash being distributed to shareholders who did not elect the scrip distribution alternative and 1.25 million shares were issued to shareholders who elected the scrip distribution alternative.

STATED SHARE CAPITAL

Authorised stated share capital

The authorised stated capital of the Company as at 29 February 2020 and 28 February 2019 is R4 000 000 made up of 400 000 000 ordinary shares.

Issued stated capital

As at 29 February 2020, the issued stated capital amounted to R2 014 500, divided into 201 450 000 ordinary shares (FY19: R2 192 000 divided into 219 200 000 ordinary shares).

STATED CAPITAL CHANGES DURING THE YEAR

Share repurchases

In total, the Company repurchased 19 000 718 shares for cancellation during FY20 at a total cost of US$44.3 million:

Shareholder authority	Number of shares repurchased	Average price per share paid ZAR	Cost of shares repurchased ZAR'000	Cost of shares repurchased including share repurchase expenses US$'000	Date of cancellation of shares
Annual General Meeting held on 29 August 2019	5 463 435	34.30	187 383	12 819	27 February 2020
	5 086 565	34.27	174 312	11 788	21 October 2019
General meeting held on 26 June 2019	2 353 558	33.31	78 388	5 330	2 September 2019
	1 697 160	34.97	59 349	4 224	19 July 2019
General meeting held on 15 January 2019	4 400 000	33.22	146 148	10 184	25 June 2019
Total shares repurchased	**19 000 718**	**33.98**	**645 580**	**44 345**	

Share cancellation expenses relating to the shares repurchased for the year amounted to US$0.2 million. These were accounted for in equity.

Scrip distribution

As a result of the scrip distribution referred to above, the Company issued 1 250 718 shares.

Financial details of the movement in share capital have been reflected in the Group statement of changes in equity and in Note 17 in the consolidated annual financial statements.

DIRECTORS

Brief *curricula vitae* of directors are included on pages 22 and 23 of the Integrated Report. Directors' interests in the shares of the Company are provided in the remuneration report in Investor Information. Directors' remuneration and their interests in share-based remuneration schemes are provided in Note 26 to these consolidated annual financial statements.

All directors are subject to election by shareholders at the first AGM after their appointment. Subsequently, the terms of the Company's Memorandum of Incorporation require one-third of all directors to retire annually (ensuring each director retires at least once every three years) when they may offer themselves for re-election by shareholders.

GOING CONCERN

The Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

Directors' **report** continued

for the year ended 29 February 2020

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its core segments to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19, which had been declared a global pandemic by the World Health Organization on 11 March 2020. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group currently has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business.

Solvency

The Board has determined that the Group is solvent with net assets at 29 February 2020 of US$572.3 million (FY19: US$648.9 million) and tangible net assets of US$281.0 million (FY19: US$364.1 million). The Group is expected to remain solvent over the next 12 months.

Liquidity

In February 2020 Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities. It is used to fund working capital requirements and also includes a new acquisition credit line. In addition, the Latin American credit facilities are considered adequate in the current environment.

On 14 May Westcon extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced to US$224 million with effect from 4 June 2020, with an accordion facility to go up to US$280 million during the period November 2020 to February 2021 when working capital utilisation is typically at its highest. This extended facility is considered adequate for Westcon International's working capital requirements, based on prior year utilisation of the facility, as well as projected headroom as per the scenario modelling and stress testing.

The Group performed covenant projections to confirm that banking covenants are unlikely to be breached for the next 12 months.

The Group's liquidity is dependent on customers continuing to pay their invoices. Between the reporting date and the authorisation date of these annual financial statements, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

Trade receivables and inventory are of a sound quality and adequate provisions have been recorded.

The Group's forecasts and projections of its current and expected financial performance show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these annual financial statements.

Trading from 1 March 2020 to the date of this report

Trading has remained steady since the beginning of FY21, although some delays and supply disruptions were experienced especially in countries with highly restrictive lockdowns. Initial indications are that Westcon International revenues and order intake for the first quarter of FY21 ("Q1 FY21") are similar to the same period last year. For Logicalis, order intake for Q1 FY21 is similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

Increased demand for the Group's technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, virtualisation, security and unified communications remains strong. The positioning of the Group's divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

Furthermore, the multi-year investment in systems and processes in Westcon was a key enabler to move all its employees to working remotely, with the exception of warehouse staff, who continue to work in the warehouses subject to increased safety protocols. Most of the Logicalis global workforce also successfully works from home in the current environment.

Conclusion

The Group's projections and sensitivity analyses shows that the Group has sufficient capital and liquidity to continue to meet its short-term obligations and as a result it is appropriate to prepare these annual financial statements on a going concern basis. This is further supported by trading after the financial year-end, as outlined above.

INVESTMENTS AND SUBSIDIARIES

Financial information relating to the Group's investments and interests in subsidiaries is contained in Annexure 1 to the consolidated annual financial statements and in Note 11.

ACQUISITIONS

The Group made the following acquisitions during the financial year ended 29 February 2020:

On 1 March 2019, Analysys Mason Limited acquired 100% of the issued share capital Stelacon Holding AB ("Stelacon"), a Swedish consulting company, for US$2.6 million (including a deferred purchase consideration of US$1.2 million). This was an important further step in building a pan-Scandinavian presence after Analysys Mason's successful expansion into Norway. Stelacon brings experience in areas including smart cities, regional development, digital services, policy and regulation, and telecoms and digital communications.

Effective 30 June 2019, Logicalis SA (Pty) Ltd, acquired 100% of the issued share capital of Mars Investment Holdings (Pty) Ltd ("Mars Technologies"), a South African IT services business, for US$0.4 million (including a deferred purchase consideration of US$0.1 million). With this acquisition, the Logicalis South African operation strengthens and expands its managed services offering to better serve its corporate customers and deliver new services to existing customers from both companies.

On 2 September 2019, Logicalis Group purchased a 70% interest in Cilnet – Comunicações e Projectos Especiais S.A. ("Cilnet"), a Cisco systems integrator and managed services business in Portugal, for US$8.8 million (including US$2.3 million deferred purchase consideration). The acquisition increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region.

Also, on 2 September 2019, Logicalis acquired 100% of Orange Networks GmbH ("Orange Networks"), a Microsoft services business in Germany focused on Microsoft cloud and managed services. The purchase price was US$2.9 million (including US$0.6 million deferred purchase consideration). This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering.

SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVE SCHEMES

Details of the Group's share-based payment schemes and long-term incentive schemes are set out in the remuneration report in Investor Information and Note 2 of the consolidated annual financial statements.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

COVID-19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. This was followed by most countries in which the Group operates instituting "lockdown" restrictions to slow the spread of the disease. The Datatec Group responded by ensuring the safety and wellbeing of its employees and enabling working from home to maintain social distancing. Travel and face-to-face meetings were quickly reduced and eliminated completely in accordance with prevailing regulations. Most of the Group's business activities are able to continue under lockdown conditions and the provision of IT and communications equipment and services is often an essential component of the global response to the pandemic. The effect on the Group's business at the date of this report has been considered in detail by the Board in approving the annual financial statements for FY20. Please refer to Note 39 for detailed consideration of the ability of the Group to continue as a going concern.

The countries in which the Group operates are all in different stages of "lockdown", including travel, trade restrictions and social distancing measures. Outcomes range from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential global recession or recessions in countries in which the Group operates. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. Datatec is monitoring the developments closely and continuously adjusting across all its operations. The Group follows guidelines from the World Health Organization and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

As the WHO declared COVID-19 a global pandemic on 11 March 2020 after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. As a result the financial effects resulting from the impact of COVID-19 have not been reflected in the Group's financial statements as at 29 February 2020.

As the situation remains fluid and rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak may materially affect the consolidated results of the Group for the first half and full year of its FY21 financial year.

Westcon International extended its European Financing facility on 14 May 2020 (refer to Note 39).

Acquisitions

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad for €7 million cash, a consultancy based in Bonn, Germany with an extensive track record in the telecommunications industry and long-term client relationships with Europe's leading telecom operators. Allolio&Konrad's services include the design, management and assurance of major business support systems and operational support systems transformation programmes and large-scale, multi-year IT strategy initiatives, alongside other solutions focused on performance and operations management. Due to the timing of this acquisition, the at acquisition accounting has not been finalised and the fair value assessments of assets and liabilities acquired is still in progress, thus the goodwill and intangible asset values related to this acquisition has not been determined. Acquisition-related costs of €0.2 million have been incurred on this acquisition.

There are no other material subsequent events to report.

DIVIDEND POLICY

The Group's policy is to maintain a fixed three times cover relative to underlying earnings when declaring dividends. However, as a result of the current COVID-19 pandemic and stated focus on preserving cash, the Board has decided not to declare a dividend for FY20.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of Datatec will be held as a virtual meeting at 14:00 South African time on Thursday, 29 July 2020.

Group **accounting policies**

for the year ended 29 February 2020

BASIS OF ACCOUNTING AND REPORTING

The consolidated annual financial statements as set out on pages 134 to 241 have been prepared on the historical cost basis except for certain financial instruments and cash-settled share-based payment schemes that are measured at fair values. Significant details of the Group's accounting policies are set out below and are consistent with those applied in the previous year with the exception of changes due to implementation of the new standard, as explained in the adoption of the new accounting standard below.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards ("IFRS") have been included only if management considers that the disclosure will assist users in understanding the financial statements as a whole, after taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time have been removed, but will be included if the type of transaction occurs in future or becomes material.

The consolidated annual financial statements comply with the IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the JSE Listings Requirements, the Companies Act of South Africa as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

ADOPTION OF THE NEW ACCOUNTING STANDARD

The Group adopted the following new accounting standard:

Applicable standard	Key requirements or changes in accounting policy	Impact of application of amendment
IFRS 16 *Leases* *Effective date 1 January 2019*	The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The principal impact of IFRS 16 has been a change to the accounting treatment by lessees of leases previously classified as operating leases. Lease agreements give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs are recognised in profit or loss in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.	During the year, the Group implemented IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings as at 1 March 2019. Accordingly, comparative information presented for FY19 has not been restated. The most significant impact on the Group of applying IFRS 16, based on contractual arrangements in place at 28 February 2019, has been the recognition of lease liabilities of US$99.6 million, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments due adjusted for the effects of discounting. Lease liabilities principally relate to property where the Group is a lessee under an operating lease arrangement. The impact of the standard on underlying earnings and profit before tax following the adoption is not considered to be material although the statement of comprehensive income presentation of the previous operating lease expense is now allocated between the depreciation of the right-of-use assets, and a finance charge representing the unwinding of the discount on the leases. In applying IFRS 16 for the first time, the Group has used certain practical expedients permitted by the standard in the application of the initial accounting. Refer to Note 37 for further detail on the application of IFRS 16.

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle Amendments to IFRS 3 *Business Combinations* effective 1 January 2019, IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* effective 1 January 2019;
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 1 January 2019;
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* effective 1 January 2019;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 1 January 2019; and
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 1 January 2019.

The application of the amendments to the existing standards and the interpretation had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

NEW OR REVISED ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these annual financial statements, the following new or revised accounting standards and amendments to existing standards applicable to the Group were in issue but not yet effective:

- IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*; and
- Conceptual *Framework Amendments to References to the Conceptual Framework in IFRS Standards.*

The Group does not currently believe that the adoption of these amendments will have a material impact on the consolidated results or financial position of the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies described below, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent that it is available and the Group also engages third parties to perform valuations on its material acquisitions. Specifically market-observable data is used for derivatives (forward-currency contracts) in the form of the latest foreign currency exchange rates that are available.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the relevant notes.

Group accounting policies continued

for the year ended 29 February 2020

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key areas of estimation included in the Group's annual financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Estimates made in determining the recoverable amount of goodwill included in the statement of financial position (disclosed in Note 9) and is considered to be a key audit matter. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. The Group's cash-generating units are consistent with the segments (disclosed in Note 33) to these consolidated financial statements. The resulting value-in-use calculations are sensitive to changes in the timing or quantum of future cash flows and weighted average cost of capital. Changes in one or more of these inputs to management's estimations could result in the recognition of an impairment charge. Refer to Note 9 for further discussion of the methodology and rationale for selecting these inputs to management's estimations.
- Estimates made in determining the probability of future taxable income are made on the basis of the budgets and forecasts authorised by directors as well as considering the likely movement in subsequent periods based on growth given from known internal and external factors, thereby justifying the recognition of deferred tax assets included in the statement of financial position (disclosed in Note 12).
- Estimates made in determining the level of provision required for obsolete inventory and the accounting for rebates from suppliers. Inventory obsolescence is determined by reference to the risk profile of a vendor which considers the age of the inventory, the ability to rotate stock, the turnover of the stock and any other extenuating circumstances that management are aware of (disclosed in Note 14).
- Estimates are made in determining the amount or timing relating to restructuring, legal claims, taxes pension and dilapidation obligations. Refer to Note 22 for uncertainties disclosed for each of the categories listed.
- Estimates are utilised when measuring the expected credit losses ("ECLs") which are applied to determine the provision recorded against the gross value of trade receivables (disclosed in Note 15). The Group applies the simplified approach as permitted by IFRS 9 when providing for loss allowances on trade receivables. Factors which are considered for each of the operating segments are as follows:
  - For Logicalis, where publicly available information on future expected performance of entities forming part of the Group's trade receivable balance is present, this information is considered by management in assessing the likelihood of an ECL arising for the trade receivable assessed. Assessments of trade receivables are done at least biannually and all receivables are assessed as to whether there are any factors that might indicate a need to impair any part of the receivable balance.
  - For Westcon International, in measuring ECLs, past experience is considered to be the most significant indicator to determine historic write-off rates for trade receivables that reach different aging categories that fall past due. A provision is then created based on this experience being the estimated likelihood of a debt being written off once it reaches the ageing bucket. For higher value receivables which are lower volume, the receivable is reviewed independently for indicators of impairment such as age past due, the geography in which the customer resides, and the knowledge of the customer's situation based on the Group's discussions and dealings with particular customers. In making the above assessments, the Group considers forward looking information such as known changes in the macroeconomic environment of customers located in a certain geography or the deterioration in the Group's relationship or discussions with a particular customer. For lower value receivables which are higher volume, Westcon International apply a percentage to the ageing buckets of these receivables. These percentages are derived by comparing the amounts ultimately written off in each ageing category to the total amount of customer receivables in each ageing category.
  - For Analysys Mason, trade receivables are assessed monthly for expected credit losses. Factors including the geography in which the customer resides, communication with the client, and any publicly available information regarding the entity are considered.

Critical judgements in applying accounting policies

COVID-19

On 11 March 2020 the World Health Organization ("WHO") declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. The directors have reviewed the future profit and cash flow projections in conjunction with the current economic climate as well as banking facilities in place to support all the operations, in order to express an opinion on the adequacy of working capital and the ability to continue as a going concern for the foreseeable future. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19. The scenario analysis included contingency planning for restructuring actions to be taken in response to the more severe scenarios in order to assess the Group's ability to continue as a going concern in a range of possible outcomes from the impact of COVID-19.

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations and as a result it is appropriate to prepare these annual financial statements on a going concern basis.

As the date on which the WHO declared COVID-19 a global pandemic (11 March 2020) was after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. Accordingly the financial effects resulting from the impact of COVID-19 after 29 February 2020 have not been retroactively adjusted for in the Group's consolidated financial statements.

BASIS OF CONSOLIDATION

The Group reports in US Dollar as the US Dollar is the functional currency in which the major part of the Group's trading is conducted and is consistent with the economic substance of most of the Group's transaction flows worldwide. Reporting in US Dollar also simplifies financial analysis and is more meaningful to global investors, shareholders and for international benchmarking.

The translation for the Group components where the functional currency is not US Dollar, including the holding company, is performed as follows:

(a) Assets and liabilities (including comparatives) are translated at the closing rate ruling at the date of each statement of financial position.

(b) Income and expense items for all periods presented (including comparatives) are translated at a weighted average rate that approximates the ruling exchange rates at the dates of the transactions.

Exchange differences arising from the translations in (a) and (b) are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(c) The functional currency of the parent company is South African Rand. The share capital and share premium of the parent company are translated into US Dollar at the closing exchange rates.

The exchange differences arising on this translation (c) are recognised directly in equity and accumulated in non-distributable reserves.

The average and closing exchange rates of the Group's material currencies are listed below:

	Average US$ exchange rates FY20	**Closing US$ exchange rates FY20**	Average US$ exchange rates FY19	Closing US$ exchange rates FY19
US$/British Pound	**1.27**	**1.28**	1.32	1.33
US$/Euro	**1.11**	**1.10**	1.16	1.14
Brazilian Real/US$	**4.06**	**4.47**	3.75	3.73
Australian Dollar/US$	**1.46**	**1.52**	1.37	1.39
Singapore Dollar/US$	**1.37**	**1.39**	1.36	1.35
South African Rand/US$	**14.67**	**15.61**	13.56	13.94

The consolidated financial statements incorporate the financial statements of the Company and all enterprises controlled by the Company during the reporting period. The assessment of whether the Group has control over the investee is carried out at acquisition or inception.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there may have been changes to one or more of the elements of control. Total comprehensive income of subsidiaries is attributable to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions of recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date. Costs associated with the acquisition are expensed, and may include such costs as advisory, legal, accounting, valuation and other professional costs associated with the transaction.

Goodwill arising on acquisition is recognised as an asset and initially measured at the excess of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Group **accounting policies** continued

for the year ended 29 February 2020

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

FOREIGN CURRENCY TRANSACTIONS

The Group operates in various countries with various functional currencies. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange ruling on the dates of the transactions. At each reporting date, assets and liabilities denominated in currencies other than the functional currency are translated at the rates prevailing at the reporting date. Profits and losses arising on such translations are recognised in profit or loss, except for unrealised profits or losses on exchange arising from equity loans, which are accumulated in the foreign currency translation reserve until the loan is derecognised, at which time it is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

All property, plant and equipment have been stated at cost less accumulated depreciation and any recognised impairment loss except land, which is shown at cost less any recognised impairment loss. Depreciation is calculated based on cost using the straight-line method over the estimated useful lives of the assets less their residual value. Estimation of the useful economic life includes an assessment of the expected rate of technological developments and the intensity at which assets are expected to be used based on historic usage of similar property, plant and equipment. Revision of the useful life is considered if there are significant changes to the initial usage assumptions.

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

	Useful lives (years)
Office furniture and equipment	2 – 6
Motor vehicles	2 – 4
Computer equipment	2 – 6
Buildings	20
Leasehold improvements	Shorter of useful life/period of the lease

Land and buildings comprise mainly warehouses and offices. Software purchased to support the Group’s back office, accounting and customer relationship functions that is an integral part of the hardware, is included in computer equipment and is depreciated over its expected useful life.

All assets’ residual values and useful lives are reviewed at each reporting date and any changes to these estimates are accounted for on a prospective basis.

LEASING

Change in accounting policy

The new IFRS 16 *Leases* standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice, ie lessors continue to classify leases as finance or operating leases. Up to and including the FY19 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases as a lessee

Right-of-use assets

The Group leases various property, plant and equipment. Rental contracts are typically entered for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Items of low value have been determined based on the nature of the assets. Similar items are categorised and assessed to determine whether items are considered to be low value. Low-value items include assets such as laptops and phones.

The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses. Impairment losses are determined in accordance with IAS 36 (refer to impairment policy below). Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Lease liabilities
The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted at the Group's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The lease liability is subsequently increased by lease finance charges and decreased by lease payments made. Lease finance charges are amortised over the duration of the underlying leases, using the effective interest method. Incremental borrowing rates have been determined based on country-specific factors and vary across the Group.

Lease as a lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the lease, which is determined by discounting the gross investment in the lease at the interest rate implicit in the lease or the entities cost of borrowing. The gross investment in the lease is the aggregate of the minimum lease payments accruing to the lessor. Finance lease income is allocated to accounting periods using the effective interest rate method.

Practical expedients
In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments in determining whether leases are onerous;
- not reassessing whether a contract is, or contains, a lease at the date of initial application;
- the use of hindsight in determining the lease term where contracts contain options to extend or terminate the lease;
- accounting for leases that, at 1 January 2019, had a remaining lease term of 12 months or less on a straight-line basis over the remaining lease term;
- accounting for leases for which the underlying asset is of low value continue on a straight-line basis over the lease term; and
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

The Group has also made the election to recognise the right-of-use asset on adoption of IFRS 16 at an amount equal to the lease liability, adjusted by the amount of any accrued or prepaid lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019.

CAPITALISED SOFTWARE DEVELOPMENT EXPENDITURE
An intangible asset arising from internal development (or from the development phase of an internal project) is recognised only if the Group can demonstrate all of the conditions as described in IAS 38.

Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed seven years. The estimation of useful lives of capitalised development assets is based on the term of the initial software licences or expectations about the future use after taking into account technological developments.

All other expenditure on research activities is recognised as an expense in the period in which it is incurred.

OTHER INTANGIBLE ASSETS
Other intangible assets include those intangible assets acquired and identified as part of a business combination, and software acquired separately. An intangible asset acquired in a business combination is recognised separately when it meets the recognition criteria in terms of IAS 38. Intangible assets acquired as part of a business combination are capitalised at fair value on acquisition date whereas purchased intangible assets are capitalised at cost.

Group **accounting policies** continued

for the year ended 29 February 2020

Other intangible assets are amortised using the straight-line method over their useful lives. Factors considered in estimating the useful life of an intangible asset include:

- legal, regulatory or contractual provisions that may limit or extend the useful life;
- the effects of obsolescence, demand, competition, and other economic factors;
- the expected useful lives of related assets;
- the expected use of the intangible asset by the Company;
- the level of maintenance expenditures expected;
- the expected retention period of customers; and
- the expected completion date of the backlog projects.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Useful lives (years)
Trademarks, marketing, customer and vendor relationships	**Maximum of 10**
Software	**2 – 6**

Intangible assets which do not meet the criteria listed above are recognised as expenses in the period in which they are incurred.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

GOODWILL

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the date of acquisition. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination and is measured and managed at an operating segment level. Goodwill is carried at cost less accumulated impairment losses.

Impairment tests are conducted annually or more frequently when an indication of impairment exists on goodwill attributed to the cash-generating units, based on the value-in-use, determined by assessing the discounted cash flows associated with expected budgeted and forecast results of the cash-generating units. In determining the recoverable amount of goodwill, the Group obtains external valuations to support the impairment test of the cash-generating unit. Determining whether goodwill is impaired requires an estimate of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate in order to calculate present value. The impairment review is therefore conducted by reference to a discounted cash flow model applied to the underlying cash-generating unit including the carrying value of goodwill to ensure that the business remains profitable, cash generative and supports the ongoing recognition of the goodwill.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* based on the carrying amount of each asset in the unit.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

IMPAIRMENT

At each reporting date, or more frequently when an indication of impairment exists, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

INVENTORIES

Inventories, comprising spares/maintenance inventory, finished goods and merchandise for resale, are stated at the lower of cost and net realisable value and are mainly valued on the weighted average cost basis.

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

FINANCIAL INSTRUMENTS

Financial instruments are valued at either:
- at fair value through profit and loss ("FVTPL"); or
- at amortised cost.

The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing financial assets and their contractual cash flow characteristics. Financial liabilities are measured at amortised cost unless they are required to be measured at FVTPL (such as derivatives).

a) Classification and measurement

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments and are initially measured at fair value. In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available for its level 2 financial instruments.

Foreign exchange gains and losses

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item; and
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Derivative instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk and interest rate risk, including forward exchange contracts, interest rate swap agreements and foreign currency collars. Further details of derivative financial instruments are disclosed in Note 27 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

Group **accounting policies** continued

for the year ended 29 February 2020

Bonds

Bonds with a fixed maturity date are classified as financial assets at amortised cost and are measured using the effective interest method.

Trade receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method (where credit exceeds normal terms), less any expected credit losses. The Group holds collateral in the form of credit insurance policies against trade receivables, where appropriate. The insured levels are taken into account when estimating the expected credit losses against specific customer debts.

Other receivables

Other receivables include prepayments, accrued income and claims/refunds due for value added tax as well as rebates due (from vendors according to vendor rebate programmes). Prepayments mainly represent prepaid vendor costs on services that are recognised over time where the cost of providing the service is deferred over the same time period. Accrued income arises on certain contracts where a deferred timetable for billing a customer has been agreed. These items are all recognised at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts and are measured at amortised cost using the effective interest method. Bank overdrafts are presented in current liabilities on the statement of financial position. Revolving credit facilities are short term in nature and are drawn down to cover short-term trading needs.

The Group has a syndicate revolving line of credit that is classified as overdrafts. This consists of an Invoice Finance facility which is secured on the trade receivables of the Group. The revolving line of credit is classified as being short term as it is repayable on demand in certain conditions (refer to Note 24).

Borrowings

Borrowings are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds are received, net of the direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

Interest income

Interest income mainly arises from bank and other deposits. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

b) Impairment of financial assets

A financial asset not measured at FVTPL is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The Group assesses on a forward looking basis the expected credit losses, defined as the contractual cash flows and the cash flows that are expected to be received associated with its assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The simplified approach has been applied to trade receivables as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables.

The expected credit loss model applies a percentage, based on an assessment of historical default rates and certain forward looking information, against receivables that are grouped into certain age brackets. This method for calculating a provision is further supplemented by a specific review against higher value and aged trade receivables where there are other more specific risk factors identified from publicly available information such as insolvency proceedings. Other specific risk factors considered in this assessment are the age past due of the receivable, the probability of default by reference to past experience, the extent to which the customer is engaging in discussions to settle the debt or conversely whether there is a dispute ongoing as well as the macroeconomic environment of the geography/market in which the customer is located.

Losses are recognised in the income statement.

(i) Significant increase in credit risk

In assessing whether the credit risk on trade receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring at the reporting date with the risk of default occurring at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable including historical and forward looking information (where publicly available information is present) that is available without undue cost or effort.

Forward looking information includes:
- emerging or anticipated changes in the macroeconomic environment where a customer is located, for example geographies where there is sensitive fluctuations to foreign currency rates and/or where the customer debt is in a volatile currency; and
- anticipated changes in the ownership or management of a customer which is in default, or where long-term relationships with customer management are likely to be compromised.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:
- knowledge of financial hardship of a customer, eg liquidation or bankruptcy proceedings, deterioration in a publicly available credit rating, information readily available in the public domain such as media information;
- requests for delays to settlement dates or recurring missed settlement dates;
- deterioration in financial performance of the customer as known through publicly available information or internal discussions; and
- ageing of the trade receivable.

Low risk of default

Customers with a global presence are deemed to have a low credit risk as there is an assumption that they pose a low risk of default. Typically, when these customers are in default it is due to disputes over the provision of a good or service, or billing technicalities, and not due to a credit risk due to an inability to settle their accounts.

The Group assess trade receivables as a low risk of default if the trade receivable has enough capacity to settle their debts.

(ii) Definition of default

A customer is deemed to be in default once the due date for payment per agreed terms and conditions is missed, and no alternative method or timetable for settlement has been agreed to.

(iii) Write-off policy

When the debtor is in severe financial difficulty and there is no prospect of recovering the debt and every effort to collect a customer receivable balance has been exhausted, the balance is written off with approval required through the matrix of authorities defined by each operating segment. A write off will only be approved if there is no realistic prospect of recovery, for example when a customer is in liquidation of subject to bankruptcy proceedings.

Group **accounting policies** continued

for the year ended 29 February 2020

c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

PROVISIONS

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity.

Provisions for dilapidations and asset retirement obligations are recognised when the Group has a present obligation to return modified or utilised assets to a specified standard. Provisions for dilapidations and asset retirement obligations are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value using the entities' cost of borrowing where the effect is material.

TAXATION

The tax expense represents the sum of the current tax and deferred tax. Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group's consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. However, in some jurisdictions goodwill relating to the purchase of trade and assets is tax deductible, resulting in a temporary difference.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for a business combination.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

REVENUE

The following is the Group's accounting policy for revenue under IFRS 15:

The Group recognises revenue from the following sources:

Revenue from product sales

- Revenue from sales of hardware/direct product sales
- Revenue from sales of software
- Revenue from vendor resold services and product maintenance sales

Revenue from services

- Revenue from professional services
- Revenue from other services

Revenue from annuity services

- Revenue from cloud services
- Revenue from other annuity services

Revenue is measured based on the price specified in a contract when it transfers control of a product or service to a customer.

In recognising revenue, the practical expedient in IFRS 15 paragraph 63 is applied as at inception in contracts with customers the period between the recognition of revenue and expected payment date is always less than one year.

Revenue from product sales

Revenue from sales of hardware/direct product sales

The Group's principal revenue stream is the resale of vendor provided hardware and maintenance goods. The Group acts primarily as a reseller and as such revenue is recognised at a point in time when control passes to the customer, being when the goods are delivered to the customer per the chosen delivery method.

Revenue from sales of software/fulfilment product sales

Revenue from sales of software represents the resale of software licensing. The Group acts primarily as a reseller and as such revenue is recognised at a point in time where access to the licensing product has passed to the customer.

For the above two revenue streams, a receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration becomes unconditional, and only the passage of time is required before payment is due. Where part delivery has taken place and the Group has agreed to invoice the customer once all goods are delivered, an accrual of revenue is recognised for the goods delivered (together with their associated costs).

The Group has standard terms and conditions for customer sales that are tailored to suite individual contracts. A contract is therefore deemed to be in place upon submission of a purchase order (or evident of buying request) from the customer alongside confirmation from the subsidiary. Alternatively, fulfilment of an order by the Group is deemed to represent a contract per the standard terms and conditions. The contract in place with the customer per the above will include a sales price that is fixed or determinable.

Payment terms are on a customer-by-customer basis but typically there are no financing components or, where there are, these are accounted for separately based on the financing component which can be separately established. Discounts are agreed with suppliers and passed on to a client, this is treated as a reduction in both the cost of the item and consequently to the standalone selling price of that item.

Group **accounting policies** continued

for the year ended 29 February 2020

Revenue from vendor resold services and product maintenance services

The Group sells maintenance contracts on behalf of its vendors which are accounted for on a net basis because the Group is acting as an agent. The commission or gross profit earned on these sales is recognised as revenue.

For vendor resold services and maintenance, the obligation is to provide the licence to the client. As such this performance obligation is met as the licence(s) is passed over to the client (this may be for instance when licence keys are handed to the client or when a contract representing the licence is assigned dependent on the applicable deal). Thus, vendor resold maintenance is recognised "upfront" at a single point in time.

Revenue from services

Revenue from professional and other services

The Group earns revenue from professional services contracts with customers which are categorised by "milestone", "time and material" and "block hour" contracts. Customers gain immediate use of the output of the service once the professional service has been rendered.

The performance obligations are recognised over time where the performance obligation complies with the criteria under IFRS 15 of providing an asset with no alternative use. The revenue on the performance obligation is recognised based on the progress towards complete satisfaction of the performance obligation.

The directors have assessed that the progress towards complete satisfaction of the performance obligation is measured by the amount of time that is needed to complete the performance obligation. Where a performance obligation does not meet the necessary criteria under IFRS 15 to be able to recognise the revenue over time, it will be recognised in time once the performance obligation has been satisfied and delivered to the customer.

Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as contract assets and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as contract liabilities.

Revenue from annuity services

Revenue from cloud services

Cloud services are recognised at a point in time when control passes. This typically is a very short period for a cloud or subscription type products (ie one month). Intangible cloud services are sold as agent and these are typically subscription billed and recognised.

Revenue from other annuity services

The Group provides annuity services to perform the specified service over a specified period of time. The specified service would comprise a single series of services that are transferred to the client over the agreed period. Annuity services performed by the Group primarily relate to the provision of managed IT and cloud and in-house maintenance services and are recognised as the customer simultaneously receives and consumes the benefit of the services provided. Annuity services are recognised over time and equally over the life of the annuity service.

Agent versus principal

Revenue from sales arrangements where the Group acts as agent (primarily vendor provided services and maintenance agreements) is recognised on a net basis and the commission or gross profit earned on these contracts is recognised as revenue.

When deciding the most appropriate basis for presenting revenue or related costs, both legal form and substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

The Group has no continuing obligation following delivery of the goods, and does not provide warranty of the goods or licences, but helps to facilitate repairs and/or returns to the vendor where delivered goods are shown to be faulty.

FINANCE COSTS

Finance costs include the borrowing costs on bank overdrafts and trade finance, finance leases and debt issuance costs which are recognised in profit or loss using the effective interest method.

SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based incentives to certain employees.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, and adjusted for the effect of non-market-based vesting conditions. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

For cash-settled share-based payments, the liability for the fair value of all unexercised share rights which are expected to vest is determined initially at grant date and then revalued at each reporting date and amortised over the applicable vesting period.

Fair value is measured by independent experts using appropriate pricing models. The expected life used in the models has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and exercise behavioural considerations.

PENSION SCHEME ARRANGEMENTS

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

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

Consolidated **statement of comprehensive income**

for the year 29 February 2020

	Notes	2020 US$'000	2019 US$'000
CONTINUING OPERATIONS			
Revenue	1	**4 304 845**	4 332 381
Continuing operations		**4 281 591**	4 277 186
Revenue from acquisitions		**23 254**	55 195
Cost of sales		**(3 563 267)**	(3 644 637)
Gross profit		**741 578**	687 744
Operating costs		**(571 598)**	(569 896)
Net impairment of financial assets		**(3 700)**	(3 817)
Restructuring costs		**–**	(17 506)
Share-based payments	2	**(7 623)**	(9 764)
Operating profit before interest, tax, depreciation, amortisation and impairment ("EBITDA")		**158 657**	86 761
Depreciation of property, plant and equipment	3	**(27 011)**	(25 889)
Depreciation of right-of-use assets	3	**(32 991)**	–
Amortisation of capitalised development expenditure	3	**(3 217)**	(972)
Amortisation of acquired intangible assets and software	3	**(12 901)**	(11 477)
Operating profit	3	**82 537**	48 423
Interest income	4	**14 911**	9 568
Finance costs	4	**(40 785)**	(32 145)
Share of equity-accounted investment losses	11.1	**(204)**	(1 403)
Acquisition-related fair value adjustments		**696**	(35)
Other income		**918**	62
Gain/(loss) on disposal of investment		**415**	(255)
Profit before taxation		**58 488**	24 215
Taxation	5	**(31 809)**	(20 959)
Profit for the year from continuing operations		**26 679**	3 256
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	36	**1 332**	11 694
Profit for the year		**28 011**	14 950
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**(38 184)**	(54 735)
Translation of equity loans		**1 711**	3 490
Tax on translation of equity loans		**(607)**	(616)
Transfers and other items		**978**	948
Total comprehensive loss for the year		**(8 091)**	(35 963)
Profit attributable to:			
Owners of the parent		**14 239**	13 134
Non-controlling interests		**13 772**	1 816
		28 011	14 950
Total comprehensive loss attributable to:			
Owners of the parent		**(17 826)**	(30 734)
Non-controlling interests		**9 735**	(5 229)
		(8 091)	(35 963)
Earnings per share (US cents)			
Basic	6	**6.8**	5.5
– Continuing operations		**6.2**	0.6
– Discontinued operations		**0.6**	4.9
Diluted	6	**6.7**	5.5
– Continuing operations		**6.1**	0.6
– Discontinued operations		**0.6**	4.9

Consolidated **statement of financial position**

as at 29 February 2020

	Notes	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets		**512 598**	437 786
Goodwill	9	**241 369**	234 551
Property, plant and equipment	7	**43 300**	60 306
Right-of-use assets	8	**83 953**	–
Capitalised development expenditure	10.1	**19 908**	12 711
Acquired intangible assets and software	10.2	**30 002**	37 615
Investments	11	**10 908**	22 382
Deferred tax assets	12	**46 544**	52 134
Finance lease receivables	13	**27 111**	13 363
Sundry receivables and contract costs	16	**9 503**	4 724
Current assets		**2 083 928**	2 284 521
Investments	11	**5 842**	–
Inventories	14	**253 271**	332 256
Trade receivables	15	**1 110 510**	1 258 853
Prepaid expenses		**151 569**	152 500
Other receivables		**85 742**	80 465
Contract assets and contract costs	16	**105 133**	98 798
Current tax assets	29	**16 091**	11 442
Finance lease receivables	13	**8 581**	5 807
Cash and cash equivalents	32	**347 189**	344 400
Total assets		**2 596 526**	2 722 307
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		**572 315**	648 927
Stated capital	17	**113 123**	172 998
Non-distributable reserves		**101 861**	85 614
Foreign currency translation reserve		**(134 802)**	(102 527)
Share-based payments reserve		**9 041**	7 828
Distributable reserves		**483 092**	485 014
Non-controlling interests		**70 778**	63 303
Total equity		**643 093**	712 230
Non-current liabilities		**187 610**	100 805
Long-term interest-bearing liabilities	18	**18 638**	9 450
Lease liabilities	19	**95 148**	21 933
Liability for share-based payments		**5 595**	1 888
Amounts owing to vendors	21	**2 052**	1 393
Deferred tax liabilities	12	**26 127**	28 616
Deferred revenue		**28 980**	26 506
Provisions	22	**11 070**	11 019
Current liabilities		**1 765 823**	1 909 272
Trade and other payables	20.1	**1 259 013**	1 358 928
Short-term interest-bearing liabilities	20.2	**75 145**	100 702
Lease liabilities	19	**34 325**	9 049
Contract liabilities	23	**4 197**	3 476
Deferred revenue		**100 893**	98 788
Provisions	22	**8 335**	17 548
Amounts owing to vendors	21	**3 438**	936
Current tax liabilities	29	**16 677**	15 826
Bank overdrafts	24	**263 800**	304 019
Total equity and liabilities		**2 596 526**	2 722 307

Consolidated **statement of changes in equity**

for the year 29 February 2020

	Stated capital US$'000	Foreign currency translation reserve US$'000
Balance at 1 March 2018	258 461	(58 378)
Total comprehensive (loss)/income recognised for the year	–	(44 149)
Profit attributable to the owners of the parent	–	–
Profit attributable to the non-controlling interests	–	–
Translation of equity loans	–	3 490
Tax on translation of equity loans	–	(616)
Exchange differences arising on translation to presentation currency	–	(47 023)
Transfers and other items	–	–
Translation of stated capital**	(39 806)	–
Dividend to non-controlling interests	–	–
Share repurchases	(43 881)	–
Acquisitions of subsidiaries	–	–
Share-based payments***	(1 776)	–
Other	–	–
Balance at 1 March 2019	**172 998**	**(102 527)**
Total comprehensive (loss)/income recognised for the year	**–**	**(32 275)**
Profit attributable to the owners of the parent	**–**	**–**
Profit attributable to the non-controlling interests	**–**	**–**
Translation of equity loans	**–**	**1 711**
Tax on translation of equity loans	**–**	**(607)**
Exchange differences arising on translation to presentation currency	**–**	**(33 379)**
Transfers and other items	**–**	**–**
Translation of stated capital**	**(14 491)**	**–**
Dividend to shareholders*	**3 204**	**–**
Dividend to non-controlling interests	**–**	**–**
Share repurchases	**(44 345)**	**–**
Share-based payments***	**(2 013)**	**–**
Acquisition of subsidiary	**–**	**–**
Treasury shares	**(2 230)**	**–**
Balance at 29 February 2020	**113 123**	**(134 802)**

Share repurchases for the year ended 29 February 2020

The Company repurchased the following shares during the year:

Shareholder authority	Number of shares repurchased	Average price per share paid ZAR	Cost of shares repurchased ZAR'000	Cost of shares repurchased including share repurchase expenses US$'000	Date of cancellation of shares
Annual General Meeting held on 29 August 2019	5 463 435	34.30	187 383	12 819	27 February 2020
	5 086 565	34.27	174 312	11 788	21 October 2019
General meeting held on 26 June 2019	2 353 558	33.31	78 388	5 330	2 September 2019
	1 697 160	34.97	59 349	4 224	19 July 2019
General meeting held on 15 January 2019	4 400 000	33.22	146 148	10 184	25 June 2019
Total shares repurchased	19 000 718	33.98	645 580	44 345	

All of the above shares that have been cancelled have reverted to authorised but unissued shares.

Share repurchase expenses for the FY20 year amounted to US$0.2 million. These were accounted for in equity and are reflected as part of the US$44.3 million.

	Non-distributable reserves US$'000	Share-based payments reserve US$'000	Distributable reserves US$'000	Equity attributable to equity holders of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
	45 331	4 883	471 306	721 603	69 217	790 820
	203	(667)	13 879	(30 734)	(5 229)	(35 963)
	–	–	13 134	13 134	–	13 134
	–	–	–	–	1 816	1 816
	–	–	–	3 490	–	3 490
	–	–	–	(616)	–	(616)
	–	(667)	–	(47 690)	(7 045)	(54 735)
	203	–	745	948	–	948
	39 806	–	–	–	–	–
	–	–	–	–	(53)	(53)
	–	–	–	(43 881)	–	(43 881)
	–	–	–	–	(459)	(459)
	–	3 612	–	1 836	–	1 836
	274	–	(171)	103	(173)	(70)
	85 614	**7 828**	**485 014**	**648 927**	**63 303**	**712 230**
	1 768	**(768)**	**13 449**	**(17 826)**	**9 735**	**(8 091)**
	–	**–**	**14 239**	**14 239**	**–**	**14 239**
	–	**–**	**–**	**–**	**13 772**	**13 772**
	–	**–**	**–**	**1 711**	**–**	**1 711**
	–	**–**	**–**	**(607)**	**–**	**(607)**
	–	**(768)**	**–**	**(34 147)**	**(4 037)**	**(38 184)**
	1 768	**–**	**(790)**	**978**	**–**	**978**
	14 491	**–**	**–**	**–**	**–**	**–**
	–	**–**	**(15 371)**	**(12 167)**	**–**	**(12 167)**
	–	**–**	**–**	**–**	**(2 970)**	**(2 970)**
	–	**–**	**–**	**(44 345)**	**–**	**(44 345)**
	(12)	**1 981**	**–**	**(44)**	**–**	**(44)**
	–	**–**	**–**	**–**	**710**	**710**
	–	**–**	**–**	**(2 230)**	**–**	**(2 230)**
	101 861	**9 041**	**483 092**	**572 315**	**70 778**	**643 093**

* CASH DIVIDEND WITH A SCRIP DISTRIBUTION ALTERNATIVE TO SHAREHOLDERS

In July 2019, the earn-out payment relating to the disposal of Westcon Americas to SYNNEX of US$14.0 million was returned to shareholders by way of a cash dividend with scrip distribution alternative which totalled US$15.4 million as follows:

- a cash dividend of R1.00 per share totalling US$12.2 million was paid to shareholders who retained the default cash dividend; and
- 1 250 718 fully paid new ordinary shares were issued on 29 July 2019 to shareholders who elected the scrip alternative of non-renounceable capitalisation issue shares *in lieu* of the cash dividend. The value of this scrip portion was US$3.2 million.

** *Non-distributable reserves relate to the translation of stated capital of the parent company from South African Rand to United States Dollar.*

*** *During FY20, 0.9 million (FY19: 1.1 million) shares to the value of US$2.0 million (FY19: US$1.8 million) were issued from Treasury relating to the DBP scheme (refer to Note 2).*

Foreign currency translation reserve includes the translation of subsidiaries and the parent company into presentation currency.

Consolidated **statement of cash flows**

for the year ended 29 February 2020

	Notes	**2020 US$'000**	2019 US$'000
Cash flow from operating activities			
Cash generated from operations	28	**215 569**	68 990
Interest income		**8 300**	9 562
Finance costs#		**(39 272)**	(31 996)
Taxation paid	29	**(36 941)**	(38 531)
Net cash inflow from operating activities		**147 656**	8 025
Cash flow from investing activities			
Cash outflow for acquisitions	34	**(9 300)**	(25 450)
Disposal of investments	11	**7 841**	10 201
Additions to investments	11	**(1 592)**	(7 283)
Additions to property, plant and equipment	30	**(15 536)**	(23 769)
Additions to capitalised development expenditure	10.1	**(10 517)**	(11 264)
Additions to software	10.2	**(1 983)**	(1 853)
Proceeds on disposal of property, plant and equipment and software		**121**	132
Net cash outflow from investing activities		**(30 966)**	(59 286)
Cash flow from financing activities			
Dividend paid to shareholders		**(12 167)**	–
Share repurchases		**(44 345)**	(43 881)
Treasury shares purchased		**(2 230)**	–
Shares purchased for equity-settled share-based payments		**(5 108)**	–
Earn-out received net of costs		**13 966**	–
Dividends paid to non-controlling interests		**(2 970)**	(53)
Amounts paid to vendors		**(196)**	(927)
Repayment of lease liabilities – principal	31.2	**(16 260)**	–
Proceeds from short-term liabilities	31.2	**53 110**	65 203
Repayment of short-term liabilities	31.2	**(61 620)**	(77 830)
Proceeds from long-term liabilities	31.2	**16 002**	13 366
Repayment of long-term liabilities	31.2	**(14 963)**	(10 462)
Net cash outflow from financing activities		**(76 781)**	(54 584)
Net increase/(decrease) in cash and cash equivalents		**39 909**	(105 845)
Cash and cash equivalents at the beginning of the year		**40 381**	161 342
Translation differences on cash and cash equivalents	31.1	**3 099**	(15 116)
Cash and cash equivalents at the end of the year	32	**83 389**	40 381
Cash flows from discontinued operations			
Net cash outflow from operating activities		**(144)**	(606)
Net cash inflow from financing activities		**13 966**	–
Net increase/(decrease) in cash and cash equivalents		**13 822**	(606)

Includes non-cash accruals.

Notes to the Group consolidated annual financial statements

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
1. REVENUE		
Revenue from product sales	**3 408 222**	3 566 196
Revenue from sales of hardware/direct product sales	**2 523 022**	2 734 005
Revenue from sales of software/fulfilment product sales	**823 613**	773 372
Revenue from vendor resold services and product maintenance services	**61 587**	58 819
Timing of revenue from product sales	**3 408 222**	3 566 196
At a point in time	**3 408 222**	3 566 196
Over time	**–**	–
Revenue from services	**403 163**	380 984
Revenue from professional services	**403 163**	380 045
Revenue from other services	**–**	939
Timing of revenue from services	**403 163**	380 984
At a point in time	**67 898**	65 536
Over time	**335 265**	315 448
Annuity revenue	**493 460**	385 201
Revenue from cloud services	**123 737**	44 049
Revenue from other annuity services	**369 723**	341 152
Timing of annuity revenue	**493 460**	385 201
At a point in time	**81 224**	–
Over time	**412 236**	385 201
	4 304 845	4 332 381

The revenue categories above are consistent with the revenue information presented in the segmental report in Note 33.

A once-off tax credit in Brazil increased gross profit by US$13.6 million in FY20, following a court ruling in favour of Logicalis with regard to certain overpaid indirect taxes. The ruling is not subject to appeal by the Brazilian tax authorities.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS				
The Group plans are detailed in the remuneration report on pages 107 to 109. They provide for a grant price equal or approximately equal to the market price at the date of the grant.				
Datatec Group schemes (equity-settled)				
Datatec Conditional Share Plan ("CSP")		ZAR		ZAR
Outstanding at the beginning of the year	2 267	20.78	–	–
Granted during the year	1 229	33.05	2 267	20.78
Outstanding at the end of the year	3 496	25.09	2 267	20.78
At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 1.6 years (FY19: 2.3 years).				
Datatec Deferred Bonus Plan 2017 ("new DBP")		ZAR		ZAR
Outstanding at the beginning of the year	1 092	22.50	–	–
Shares purchased by participants in the year from pre-tax bonus of the prior year	435	33.05	546	22.50
Shares purchased by the Company for participants	435	33.05	546	22.50
Forfeitable shares at the end of the year	1 962	27.18	1 092	22.50
Participants in the DBP defer a portion of their pre-tax bonus to which an equal Company co-investment is added and used to purchase Datatec shares which the participants hold under the terms of the DBP. These shares are forfeitable if the participant leaves the employment of the Group within the three-year holding period (from date of grant). At 29 February 2020, the weighted average remaining life of the awards until the end of the holding period was 1.7 years.				
Datatec Share Appreciation Rights ("SARs") schemes		ZAR		ZAR
Outstanding at the beginning of the year	4 712	31.74	4 712	31.74
Forfeited/lapsed during the year	(2 073)	27.20	–	–
Outstanding at the end of the year	2 639	35.32	4 712	31.74
Exercisable at the end of the year	1 168	35.79	1 168	35.79
The SARs scheme was discontinued after the final awards in FY18. SARs outstanding at 29 February 2020 comprised grant prices in the range R34.94 to R35.79 (FY19: R27.20 to R35.79) and had a weighted average remaining contractual life of 3.4 years (FY19: 4.3 years).				

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Datatec Group schemes (equity-settled) (continued)				
Datatec Long-Term Incentive Plan ("LTIP")				
Outstanding at the beginning of the year	**3 091**		4 097	
Settled during the year – share price on vesting: R33.05 (FY19: n/a)	**(910)**		–	
Forfeited/lapsed during the year	**–**		(1 006)	
Outstanding at the end of the year	**2 181**		3 091	

The LTIP was discontinued after the final awards in FY18. The LTIP awards outstanding at 29 February 2020 had been granted when the share price was in the range R27.20 to R35.79 (FY19: R27.20 to R35.79) and had a weighted average remaining contractual life of 0.3 years (FY19: 0.7 years).

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
Datatec Deferred Bonus Plan 2005 ("old DBP")				
Outstanding at the beginning of the year	**149**		291	
Arising during the year (performance condition)	**75**		71	
Settled during the year – share price on vesting: R33.05 (FY19: R20.78)	**(224)**		(213)	
Outstanding at the end of the year	**–**		149	

The old DBP was discontinued with the last awards having been made in FY17. At 29 February 2020, no further awards were outstanding. Participants were entitled to receive shares *in lieu* of dividends during the performance period in addition to the awards shown above.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

2. SHARE-BASED PAYMENTS (continued)

Datatec Group schemes (equity-settled) (continued)

Fair value

The CSP awards are conditional upon specific non-market conditions and the completion of a service period. The DBP awards are solely conditional upon completion of a service period. The fair value of these awards, referred to as the "unconditional" fair value, is equal to the underlying share price of Datatec shares at the grant date for which the 30-day volume weighted average price ("VWAP") of a Datatec share is used.

	2020 CSP	2020 DBP	2019 CSP	2019 DBP
Grant date	1 June 2019	1 June 2019	1 June 2018	14 June 2018
Vesting date	1 June 2022	1 June 2022	1 June 2021	15 June 2021
Performance period/employment period	28 February 2019 to 28 February 2022		28 February 2018 to 28 February 2021	
Share price and fair values:				
Share price grant (closing price)	R35.90		R21.89	
Share price at grant (30-day VWAP)	R33.05		R20.78	

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
Subsidiary schemes (cash-settled)				
Logicalis				
Logicalis CSP		US$		US$
Outstanding at the beginning of the year	619	4.84	–	–
Granted during the year	603	4.92	619	4.84
Outstanding at the end of the year	1 222	4.88	619	4.84
The Logicalis CSP awards outstanding at 29 February 2020 comprised grant prices in the range of US$4.84 to US$4.92 (FY19: US$4.84). At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 5.8 years (FY19: 6.3 years).				
Logicalis SAR scheme		US$		US$
Outstanding at the beginning of the year	2 962	4.36	3 411	4.51
Granted during the year	476	4.92	493	4.84
Exercised during the year – share price on exercise US$4.92 (FY19: US$4.84)	(79)	4.04	(172)	4.11
Forfeited/lapsed during the year	(862)	4.46	(770)	5.41
Outstanding at the end of the year	2 497	4.44	2 962	4.36
Exercisable at the end of the year	553	5.05	633	4.92
The Logicalis SARs outstanding at 29 February 2020 comprised grant prices in the range of US$3.70 to US$5.84 (FY19: US$3.70 to US$5.84) and had a weighted average remaining contractual life of 4.0 years (FY19: 4.4 years).				

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Subsidiary schemes (cash-settled) (continued)				
PromonLogicalis Latin America ("PLLAL") CSP		**US$**		US$
Outstanding at the beginning of the year	**119**	**8.16**	–	–
Granted during the year	**114**	**8.87**	119	8.16
Outstanding at the end of the year	**233**	**8.51**	119	8.16
The PLLAL CSP awards outstanding at 29 February 2020 comprised grant prices in the range of US$8.16 to US$8.67 (FY19: US$8.16). At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 5.8 years (FY19: 6.3 years).				
PLLAL SAR scheme		**US$**		US$
Outstanding at the beginning of the year	**827**	**6.14**	1 106	6.62
Granted during the year	**184**	**8.87**	152	8.16
Exercised during the year – share price on exercise US$8.87 (FY19: US$8.16)	**(174)**	**5.39**	(90)	5.82
Forfeited/lapsed during the year	**–**	**–**	(341)	8.66
Outstanding at the end of the year	**837**	**6.92**	827	6.14
Exercisable at the end of the year	**146**	**5.22**	30	7.58
The PLLAL SARs outstanding at 29 February 2020 comprised grant prices in the range of US$5.08 to US$8.87 (FY19: US$5.08 to US$9.25) and had a weighted average remaining contractual life of 4.8 years (FY19: 5.0 years).				
Westcon International				
Westcon International Equity Appreciation Plan ("EAP")		**US$**		US$
Outstanding at the beginning of the year	**142**	**125.00**	–	–
Granted during the year	**9**	**125.00**	159	125.00
Forfeited/lapsed during the year	**(6)**	**125.00**	(17)	–
Outstanding at the end of the year	**145**	**125.00**	142	125.00
The Westcon International EAP commenced during FY19. Units were granted with a strike price of US$125 per unit. Some adjustments to the number of awards were made in FY20. At 29 February 2020, the EAP awards had a remaining contractual life of 3.3 years (FY19: 4.0 years).				

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

	2020 Number of shares ('000)	**2020** Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Subsidiary schemes (cash-settled) (continued)				
Westcon International SAR scheme		**US$**		US$
Outstanding at the beginning of the year	**2 319**	**1.25**	–	–
Granted during the year	**566**	**1.25**	2 319	1.25
Forfeited/lapsed during the year	**(290)**	**1.25**	–	–
Outstanding at the end of the year	**2 595**	**1.25**	2 319	1.25
The Westcon International SAR scheme commenced during FY19. It is a one-time scheme and SARs were granted in FY19 and FY20 with a strike price of US$1.25. At 29 February 2020, the SAR awards had a remaining contractual life of 3.3 years (FY19: 4.3 years).				
Analysys Mason Performance Share Scheme		**GBP**		GBP
Note: a proportion of this scheme is settled in Analysys Mason equity				
Outstanding at the beginning of the year	**217**	**14.21**	209	14.17
Granted during the year	**87**	**15.98**	86	14.64
Exercised during the year – share price on exercise £15.98 (FY19: £14.64)	**(55)**	**14.43**	(64)	14.67
Forfeited/lapsed during the year	**(16)**	**14.38**	(14)	14.18
Outstanding at the end of the year	**233**	**14.80**	217	14.21
The awards outstanding at 29 February 2020 had a weighted average remaining contractual life of 1.1 years (FY19: 1.1 years).				

2. SHARE-BASED PAYMENTS (continued)

The fair value of CSP and performance share awards, referred to as the "unconditional" fair value, is equal to the underlying share price of subsidiary shares at the grant date.

Where awards have optionality, as is the case for SARs and the Westcon International EAP, fair value is measured by the use of Black-Scholes-Merton or binomial tree models.

The main inputs into the models used by subsidiaries, in addition to those recorded above fall into the following ranges:

	2020		2019	
Grant date	**1 March 2019**	**1 July 2019**	14 March 2018	1 July 2018
Vesting date	**1 March 2020**	**12 March 2023**	1 March 2019	1 March 2023
Risk-free rate	**0.46%**	**1.40%**	1.29%	3.84%
Expected life (years)	**3.0**	**7.0**	3.0	7.0
Dividend yield	**0.00%**	**2.00%**	0.00%	0.00%
Volatility of subsidiary	**31.60%**	**35.00%**	32.07%	35.00%

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility of subsidiaries has been determined by reference to peer group data.

	2020 US$'000	2019 US$'000
Expense in respect of equity-settled schemes		
Datatec Limited	**4 760**	4 792
Subsidiaries	**344**	279
	5 104	5 071
Expense in respect of cash-settled schemes (all in subsidiaries)	**2 519**	4 693
	7 623	9 764

Settlements of US$3.2 million have been made relating to equity-settled schemes for the year ended 29 February 2020 (FY19: US$1.5 million).

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

		2020 US$'000	2019 US$'000
3.	**OPERATING PROFIT**		
	Operating profit is arrived at after taking into account the following items:		
	Auditors' remuneration		
	Audit fees	**4 122**	3 758
	Other services	**1 039**	903
	Taxation services	**595**	686
	Other services and expenses	**444**	217
	Prior year underaccrual	**811**	259
	Total auditors' remuneration	**5 972**	4 920
	Depreciation: Property, plant and equipment	**27 011**	25 889
	Office furniture, equipment and motor vehicles	**4 810**	2 950
	Computer equipment	**13 293**	16 212
	Leasehold improvements	**8 752**	6 629
	Land and buildings	**156**	98
	Depreciation: Right-of-use assets	**32 991**	–
	Office furniture, equipment and motor vehicles	**5 899**	–
	Computer equipment	**271**	–
	Land and buildings	**26 821**	–
	Amortisation	**16 118**	12 449
	Amortisation of software	**1 604**	1 260
	Amortisation of capitalised development expenditure	**3 217**	972
	Amortisation of acquired intangible assets	**11 297**	10 217
	Total depreciation and amortisation	**76 120**	38 338
	Foreign exchange losses/(gains)	**1 743**	(8 168)
	Realised	**496**	(701)
	Unrealised	**1 247**	(7 467)
	Impairment losses recognised on trade receivables	**7 044**	6 675
	Reversal of impairment losses on trade receivables	**(3 345)**	(2 858)
	Fees for professional services	**17 427**	20 468
	Administrative and managerial	**2 086**	255
	Consulting	**10 045**	12 019
	Accounting and advisory	**5 296**	8 194
	Short-term lease payments	**4 597**	–
	Low-value assets payments	**925**	–
	Variable lease payments	**190**	–
	Operating lease rentals	**–**	31 064
	(Profit)/loss on disposal of office furniture and equipment, computer equipment, leasehold improvements, motor vehicles and software	**(65)**	93
	Staff costs	**645 524**	642 983
	Staff costs included in cost of sales	**235 427**	237 862
	Retirement benefit contributions	**13 323**	13 414
	Staff costs	**396 774**	391 707
	Directors' emoluments*	**3 722**	5 021
	Executive directors	**3 105**	4 363
	Salaries	**1 643**	1 988
	Bonuses	**1 069**	2 006
	Benefits	**393**	369
	Non-executive directors' emoluments – fees	**617**	658

Long-term incentives for executive directors are included in the share-based payments charge reflected in Note 2.

** Full details of directors' emoluments are provided in Note 26 on pages 202 to 205.*

		2020 US$'000	2019 US$'000
4.	**NET FINANCE COSTS**		
	Finance costs		
	Bank overdrafts and long-term liabilities	**(34 797)**	(30 809)
	Finance leases	**(5 988)**	(1 336)
	Total finance costs	**(40 785)**	(32 145)
	Interest income		
	Bank and other deposits	**5 276**	8 354
	Investments	**4**	–
	Other*	**9 631**	1 214
	Total interest income	**14 911**	9 568
	Net finance costs	**(25 874)**	(22 577)

** FY20 includes US$7.5 million of interest income recognised by Logicalis Brazil on multi-year taxes overpaid.*

		2020 US$'000	2019 US$'000
5.	**TAXATION**		
5.1	**Taxation charge**		
	South African normal taxation:		
	Current taxation – Current year	**1 430**	3 901
	– Prior year	**(117)**	3
	Deferred taxation – Current year	**(718)**	(440)
	– Prior year	**42**	(233)
		637	3 231
	Foreign taxation:		
	Current taxation – Current year	**28 677**	33 319
	– Prior year	**2 065**	1 300
	Deferred taxation – Current year	**1 727**	(16 886)
	– Rate adjustment	**398**	445
	– Prior year	**(1 695)**	(450)
		31 172	17 728
	Total taxation charge	**31 809**	20 959
5.2	**Reconciliation of taxation rate to profit before taxation**		
	South African statutory tax rate	**28.0%**	28.0%
	Reconciling items expected to reoccur:		
	Equity-accounted earnings (1)	**0.0%**	1.4%
	Intra-group management fees (2)	**1.8%**	3.9%
	Non-deductible property, plant and equipment, inventory and other asset impairments (3)	**4.4%**	7.8%
	Other non-deductible expenses and permanent differences (4)	**0.9%**	4.0%
	Share-based payments (5)	**(2.5%)**	6.8%
	Exempt profits/incentives (6)	**(0.8%)**	(3.4%)
	Non-recoverable withholding taxes (7)	**2.8%**	6.5%
	Tax arising on dividend flows (8)	**(1.5%)**	(3.5%)
	Tax loss utilised/recognised (9)	**(6.4%)**	(19.7%)
	Foreign taxation rate differential (10)	**10.9%**	31.7%
	Tax losses and other deferred tax assets not recognised (11)	**15.8%**	34.5%
	Rate adjustment (12)	**0.7%**	1.8%
	Prior year adjustments (13)	**0.5%**	2.6%
	Reconciling items that are not expected to recur:		
	Disposal related to intra-group management fees (14)	**0.0%**	2.7%
	US goodwill (15)	**0.0%**	(18.7%)
	Acquisition-related adjustments (16)	**0.1%**	0.2%
	Non-taxable profits on disposals (17)	**(0.3%)**	0.0%
	Effective taxation rate	**54.4%**	86.6%

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

5. TAXATION (continued)

5.2 Reconciliation of taxation rate to profit before taxation (continued)

Notes to the Group tax rate reconciliation

The tax rate reconciliation uses the 28% South African statutory tax rate as a starting point. The Group operates in over 50 countries and the head office is based in South Africa. Datatec Limited is listed on the JSE and the majority of the Group's shareholders are based in South Africa. If a weighted average tax rate were to be used, the starting point would change every year making comparability difficult. The South African statutory tax rate is therefore deemed to be the most appropriate starting point. This is a key judgement applied by management.

(1): Arises as the net profit after taxation from equity-accounted investments is presented as a single line item in the Group's profit before taxation.

(2): Arises as a result of the imputation of income for tax purposes where certain management fees are not billed to the entities benefitting from the services provided.

(3): Relates to property, plant and equipment depreciation, inventory and work-in-progress write-offs and other asset impairments not deductible for tax purposes.

(4): Includes entertaining expenses, donations, gifts and other expenses not deductible for tax purposes.

(5): Reflects the differing tax treatments of share-based payments which varies across jurisdictions, and the associated current or deferred tax credits arising often do not directly correspond to the expenses booked in the accounts.

(6): Relates to profits arising that are not chargeable to taxation and tax credits or additional tax deductions given in relation to certain types of expenditure.

(7): Represents tax deducted on cross-border commercial payments that cannot be recovered directly from a tax authority or offset against other income tax liabilities.

(8): Reflects the additional tax benefit obtained as a result of intra-group dividends which have no net impact on the consolidated statement of comprehensive income.

(9): Relates to the utilisation of tax losses and other timing differences that have not previously been recognised as a deferred tax asset.

(10): The tax reconciliation starts by applying the 28% South African tax rate to the profits arising in the year. The Group has earned profits in jurisdictions with significantly higher statutory tax rates such as Brazil at 34% and has also incurred losses in jurisdictions with significantly lower statutory tax rates such as the UK at 19%. This line item reflects the additional taxation of these profits and the reduced tax benefit of these losses.

(11): Relates to those timing differences that arise in the year for which a deferred tax asset has not been recognised, typically because of the uncertainty that future taxable income will be available against which deductible temporary differences can be utilised.

(12): Refers to changes in the carrying value of deferred tax assets and liabilities as a result of a change in local statutory rates of taxation in the prior year.

(13): Reflects changes to the current and deferred tax recorded in relation to prior accounting periods.

(14): Relates to costs incurred in providing services to entities that have been disposed of which are not deductible for tax purposes.

(15): The tax benefit that arises due to goodwill being deducted for tax purposes in the US, for which no previous benefit was recorded.

(16): Relates to acquisition costs or aborted acquisition costs that are not deductible for tax purposes.

(17): Relates to profits arising on the disposal of investments that are exempt for tax purposes.

	2020 US$'000	2019 US$'000
Taxation charge/(credit) by region:		
North America	**398**	(4 963)
Latin America	**16 701**	14 131
Europe	**9 588**	2 748
Asia-Pacific	**5 657**	5 284
MEA	**(535)**	3 759
Total taxation charge	**31 809**	20 959
Unutilised tax losses		
Certain subsidiaries had tax losses at the end of the financial year that are available to reduce the future taxable income of the Group and are estimated to be:	**215 572**	186 810
Future tax relief at a blended tax rate of 21.4% (FY19: 21.4%) is US$46.2 million (FY19: US$40.0 million). Deferred tax assets of US$17.8 million (FY19: US$16.3 million) have been recognised in respect of a portion of these losses as set out in Note 12	**46 224**	39 962

6. EARNINGS PER SHARE

	2020 US$'000	2019 US$'000
Reconciliation of attributable profit to headline earnings		
Total profit for the year attributable to the equity holders of the parent	**14 239**	13 134
Profit for the year from continuing operations (net of non-controlling interests)	**12 907**	1 440
Profit for the year from discontinued operations	**1 332**	11 694
Total headline earnings adjustments:	**(1 789)**	(11 375)
(Gain)/loss on disposal of investment	**(415)**	255
Profit on disposal of discontinued operations	**(1 332)**	(11 694)
(Profit)/loss on disposal of property, plant and equipment and right-of-use assets		
– Gross	**(65)**	93
– Tax effect	**23**	(29)
Non-controlling interests	**41**	(101)
Total headline earnings	**12 491**	1 658
Reconciliation of attributable profit to headline earnings – continuing operations		
Total profit for the year attributable to the equity holders of the parent – continuing operations	**12 907**	1 440
Headline earnings adjustments – continuing operations	**(457)**	319
(Gain)/loss on disposal of investment	**(415)**	255
(Profit)/loss on disposal of property, plant and equipment and right-of-use assets		
– Gross	**(65)**	93
– Tax effect	**23**	(29)
Non-controlling interests	**41**	(101)
Headline earnings – continuing operations	**12 491**	1 658
Reconciliation of total headline earnings to underlying* earnings		
Total headline earnings	**12 491**	1 658
Total underlying* earnings adjustments:	**8 352**	14 070
Unrealised foreign exchange losses/(gains)		
– Gross	**1 247**	(7 467)
– Tax effect	**(525)**	1 771
Acquisition-related fair value adjustments		
– Gross	**(696)**	35
– Tax effect	**–**	(14)
Amortisation of acquired intangible assets		
– Gross	**11 297**	10 217
– Tax effect	**(2 907)**	(3 001)
Restructuring costs		
– Gross	**–**	17 506
– Tax effect	**–**	(3 460)
	8 416	15 587
Non-controlling interests	**(64)**	(1 517)
Total underlying* earnings	**20 843**	15 728

** Underlying earnings exclude impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, and the taxation effect on all of the aforementioned.*

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

	2020 US cents	2019 US cents
6. EARNINGS PER SHARE (continued)		
Basic earnings per share	**6.8**	5.5
Continuing operations	**6.2**	0.6
Discontinued operations	**0.6**	4.9
Headline earnings per share	**5.9**	0.7
Underlying* earnings per share	**9.9**	6.6
The earnings metrics above are calculated on the weighted average number of shares in issue during the year of 210 474 639 (FY19: 237 771 003), after the deduction of the weighted average number of treasury shares and shares relating to the Deferred Bonus Plan ("DBP") of 2 415 350 (FY19: 897 614). As at 29 February 2020, the Group held 1 000 000 (680 781 weighted average) shares as treasury shares held in a broker account (refer to Note 17). As at 29 February 2020, there were 1 962 856 (1 734 569 weighted average) shares relating to the DBP (refer to Note 2).		
Diluted earnings per share	**6.7**	5.5
Continuing operations	**6.1**	0.6
Discontinued operations	**0.6**	4.9
Diluted headline earnings per share	**5.8**	0.7
Diluted underlying* earnings per share	**9.7**	6.5
	Number of shares	Number of shares
Weighted average number of shares	**210 474 639**	237 771 003
The diluted earnings metrics above are calculated using the weighted average number of shares in issue during the year, taking into account the dilutive effect of:		
Shares related to share-based payment schemes	**3 461 798**	2 614 111
Diluted weighted average number of shares	**213 936 437**	240 385 114

The share repurchase programme has an anti-dilutive effect on earnings and headline earnings per share.

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding these items as required by Circular 4/2018 Headline Earnings issued by the South African Institute of Chartered Accountants ("SAICA") as amended from time to time and as required by the JSE Limited.

In addition to the presentation of headline earnings per share and earnings per share, the Group presents underlying* earnings per share. Underlying* earnings per share is determined on the same weighted average number of shares as used in earnings per share.

The underlying* earnings measure is specific to Datatec and is not required in terms of IFRS or the JSE Listings Requirements.

Headline and underlying* earnings from discontinued operations were US$nil.

** Underlying earnings exclude impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, and the taxation effect on all of the aforementioned.*

	2020			2019		
	Cost US$'000	**Accumulated depreciation US$'000**	**Net book value US$'000**	Cost US$'000	Accumulated depreciation US$'000	Net book value US$'000
7. PROPERTY, PLANT AND EQUIPMENT						
Office furniture, equipment and motor vehicles	**31 404**	**(23 999)**	**7 405**	32 050	(20 872)	11 178
Computer equipment	**111 480**	**(92 224)**	**19 256**	135 209	(108 506)	26 703
Leasehold improvements	**58 040**	**(43 206)**	**14 834**	56 422	(36 088)	20 334
Land and buildings	**1 997**	**(192)**	**1 805**	2 189	(98)	2 091
	202 921	**(159 621)**	**43 300**	225 870	(165 564)	60 306

A register of land and buildings is maintained at the registered office of the applicable Logicalis entities and may be inspected by shareholders or their duly authorised agents.

The fair value of property, plant and equipment approximates its net book value.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement of property, plant and equipment	Office furniture, equipment and motor vehicles US$'000	Computer equipment US$'000	Leasehold improvements US$'000	Land and buildings US$'000	Total US$'000
Balance at 1 March 2018	12 582	25 331	20 031	1 787	59 731
Subsidiaries acquired	200	1 611	2 688	–	4 499
Subsidiaries disposed	(3)	(3)	(2)	–	(8)
Additions	1 833	17 010	4 584	342	23 769
Translation and other movements	(423)	(991)	(128)	(36)	(1 578)
Disposals	(69)	(78)	(68)	–	(215)
Transfers	8	35	(142)	96	(3)
Depreciation	(2 950)	(16 212)	(6 629)	(98)	(25 889)
Balance at 28 February 2019	**11 178**	**26 703**	**20 334**	**2 091**	**60 306**
Capitalised leased assets transferred to right-of-use assets on adoption of IFRS 16	**–**	**(5 332)**	**–**	**–**	**(5 332)**
Subsidiaries acquired	**844**	**914**	**26**	**765**	**2 549**
Additions	**1 367**	**9 749**	**4 420**	**–**	**15 536**
Translation and other movements	**(360)**	**(1 127)**	**(1 192)**	**(7)**	**(2 686)**
Disposals	**(60)**	**–**	**(2)**	**–**	**(62)**
Transfers	**(754)**	**1 642**	**–**	**(888)**	**–**
Depreciation	**(4 810)**	**(13 293)**	**(8 752)**	**(156)**	**(27 011)**
Balance at 29 February 2020	**7 405**	**19 256**	**14 834**	**1 805**	**43 300**

Included in property, plant and equipment in FY19 were assets held under finance lease agreements with a net book value of US$8.5 million (computer equipment: US$6.4 million and leasehold improvements: US$2.1 million) which were encumbered as security for liabilities under finance lease agreements. In the current year, these assets are included in "right-of-use assets" and disclosed in Note 8.

8. RIGHT-OF-USE ASSETS

	Cost US$'000	2020 Accumulated depreciation US$'000	Net book value US$'000
Office furniture, equipment and motor vehicles	**14 310**	**(5 771)**	**8 539**
Computer equipment	**8 895**	**(3 735)**	**5 160**
Land and buildings	**94 657**	**(24 403)**	**70 254**
	117 862	**(33 909)**	**83 953**

Movement of right-of-use assets	Office furniture, equipment and motor vehicles US$'000	Computer equipment US$'000	Land and buildings US$'000	Total US$'000
Balance at 28 February 2019*	**–**	**–**	**–**	**–**
Take-on balances on adoption of IFRS 16	**7 362**	**298**	**86 910**	**94 570**
Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16	**–**	**5 332**	**–**	**5 332**
Additions	**7 565**	**854**	**20 911**	**29 330**
Translation and other movements	**(207)**	**(982)**	**(2 598)**	**(3 787)**
Disposals	**(59)**	**(496)**	**(7 946)**	**(8 501)**
Transfers	**(223)**	**425**	**(202)**	**–**
Depreciation	**(5 899)**	**(271)**	**(26 821)**	**(32 991)**
Balance at 29 February 2020	**8 539**	**5 160**	**70 254**	**83 953**

Refer to Note 37 for details of the impact of the adoption of IFRS 16.

** The Group has initially applied IFRS 16 at 1 March 2019 using the cumulative effect method, under which the comparative information is not restated.*

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
9. GOODWILL		
Net book value	**241 369**	234 551
At the beginning of the year	**234 551**	227 321
Arising on acquisition of subsidiaries	**13 016**	13 090
Translation and other movements	**(6 198)**	(5 860)
Balance at the end of the year	**241 369**	234 551
Goodwill at cost	**241 369**	234 551
Accumulated impairment	**–**	–
Per cash-generating unit:	**241 369**	234 551
Logicalis	**222 593**	216 451
Management Consulting	**18 776**	18 100

Goodwill impairment assessment

The Group completed its annual impairment tests which are performed at the segmental cash-generating unit level. Goodwill has been allocated for impairment testing purposes to the Logicalis and Management Consulting cash-generating units.

External valuations are obtained for the Logicalis and Management Consulting cash-generating units and compared to the corresponding net asset value including goodwill. The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation which is compared to values arising from a comparable company's market approach and a market transaction method to ensure the reasonableness of the value-in-use assessment. Value-in-use is based on discounted cash flow calculations and includes the following key assumptions:

Future earnings: Cash flow forecasts are prepared and derived from the most recent financial budgets for the next three years which are approved by management. Cash flows are extrapolated for a further two to three-year period with estimated annual growth reducing gradually, to a rate which is considered not to exceed the long-term market growth, in perpetuity used to calculate the terminal value.

Discount rates: Estimated discount rates used are post-tax rates of return that reflect current market assessments of the time value of money and the risks specific to the cash-generating units to which goodwill is attributable.

Growth rates: Growth rates are based on budgeted figures and management estimates/assumptions in respect of the three to six-year cash flow projections, a terminal growth rate and a discount rate. The growth rates are based on industry growth forecasts.

Expected changes to selling prices and direct costs: Changes in selling prices and direct costs are based on past practices and reasonable expectations of future changes in the market.

As a result of the impairment analyses, it was concluded that no impairments were required to be recorded in the year.

The table below contains the key assumptions that were used in the value-in-use calculations:

	Logicalis	**Management Consulting**
Weighted average cost of capital (post-tax rate)	**16.0%**	**14.1%**
Revenue growth rate in discrete period	**4.0% – 7.0%**	**(2.0%) – 5.1%**
Terminal growth rate	**2.0%**	**2.0%**

9. GOODWILL (continued)

The directors believe that a possible change in the key assumptions, on which recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating units.

Although the current COVID-19 pandemic is a non-adjusting event after the reporting period, the key assumptions on which the recoverable amounts are based have been reassessed, to determine whether the outcome of the sensitivity calculations would result in a possible impairment of the cash-generating units.

The following key assumptions were factored in to determine the sensitivity calculations for each of the cash-generating units:

Logicalis

While it is not possible for the directors to assess the implications of the pandemic for the Logicalis Group with any certainty, a high-level analysis was conducted which indicated that a 10% decrease in equity value may be appropriate (supported by the external independent third-party valuation). Due to the diverse nature of the Logicalis cash-generating unit in terms of geography, the valuation takes into account the various economics and discount rates of the relevant geographies.

The sensitivity analyses have considered elements such as:

- valuation movements in market comparable companies;
- high-level forecast scenarios which assume a negative short-term impact with a return to expected growth rates in subsequent years; and
- IT service industry-specific analysis and impact expectations due to COVID-19.

The weighted average cost of capital was also adjusted to account for the potential impact of COVID-19. This includes an estimated premium of 1.5% which was arrived at after considering movements in value of comparable companies, high-level forecasts, and industry-specific analyst reports.

Even after considering the lower range of the sensitivity analyses performed, there is still sufficient headroom in the valuation of the cash-generating unit to support the carrying value of goodwill.

Management Consulting

The sensitivity calculation was performed under the following possible scenarios:

- Scenario 1: the cash flows for FY21 were delayed by one year, assuming that these will be delayed or take more time to achieve. This implied an 11% reduction in the valuation from the original valuation; and
- Scenario 2: In addition to scenario 1 above, the discount rate was increased by 1% to incorporate the additional market risk arising as a result of COVID-19. This implied an 18% reduction in the valuation from the original valuation.

In both scenarios listed above, the recoverable amount (as per the external independent third-party valuation) exceeded the aggregate carrying value of the Management Consulting cash-generating unit.

The directors have factored the range of sensitivity results and taking into account the most conservative outcome, the directors believe that there is no indicator of impairment for each of the cash-generating units.

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
10. INTANGIBLE ASSETS		
10.1 Capitalised development expenditure		
Included in amounts capitalised below was US$3.7 million (FY19: US$4.6 million) of SAP-related capitalised development expenditure for Westcon International. Non-SAP-related expenditure included digital transformation and cloud projects. US$18.9 million of capitalised development expenditure relates to Westcon International and US$1.0 million of capitalised development expenditure relates to Logicalis.		
Net book value	**19 908**	12 711
At the beginning of the year	**12 711**	1 665
Amounts capitalised	**10 517**	11 264
Arising on acquisition of subsidiaries	**28**	734
Translation	**(131)**	20
Amortisation	**(3 217)**	(972)
Balance at the end of the year	**19 908**	12 711
Capitalised development expenditure at cost	**34 201**	24 121
Accumulated amortisation and impairment	**(14 293)**	(11 410)
Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed seven years.		
10.2 Acquired intangible assets and software		
10.2.1 Trademarks, customer and vendor relationships		
Net book value	**25 915**	33 577
At the beginning of the year	**33 577**	36 984
Arising on acquisition of subsidiaries	**3 864**	8 070
Translation	**(229)**	(1 260)
Amortisation	**(11 297)**	(10 217)
Balance at the end of the year	**25 915**	33 577
Acquired intangible assets at cost	**99 440**	97 786
Accumulated amortisation and impairment	**(73 525)**	(64 209)
Acquired intangible assets are amortised using the straight-line method over their useful lives, which generally do not exceed 10 years.		
10.2.2 Software		
Net book value	**4 087**	4 038
At the beginning of the year	**4 038**	3 677
Arising on acquisition of subsidiaries	**47**	61
Additions	**1 983**	1 853
Transfers from property, plant and equipment	**–**	3
Translation and other movements	**(332)**	(287)
Disposals	**(45)**	(9)
Amortisation	**(1 604)**	(1 260)
Balance at the end of the year	**4 087**	4 038
Software at cost	**13 500**	13 162
Accumulated amortisation	**(9 413)**	(9 124)
Software is amortised using the straight-line method over their useful lives, which range from two to six years.		
Total acquired intangible assets and software	**30 002**	37 615

11. INVESTMENTS

11.1 Equity-accounted investments

The investments comprise associates and a joint venture that are equity-accounted. Details of the Group's investments are:

	Country of incorporation and principal place of business	Nature of business	Effective ownership 2020 %	Effective ownership 2019 %	Carrying value 2020 US$'000	Carrying value 2019 US$'000
Equity-accounted:						
Neteks	Turkey	Distribution	**–**	45.0	**–**	1 585
Esource Resources, LLC.	USA	ICT Solutions	**45.0**	45.0	**552**	733
Directus AS	Norway	Management Consulting	**41.0**	–	**1 691**	–
Mason Advisory Limited	UK	Management Consulting	**44.7**	44.7	**1 389**	1 014
					3 632	3 332

Directus AS' year-end is 31 December, the reporting date when the investment in Directus AS was made. The Group does not control Directus and cannot amend its year-end date. The year-ends of the other associates are the same as the Group.

Significant joint venture

Istanbul-based networking and security distributor, Neteks, previously accounted for as a joint venture, was sold on 28 February 2020. The gain on disposal was US$0.4 million.

	2020 US$'000	2019 US$'000
Associates that are not material		
Carrying amount	**3 632**	1 747
Total share of equity-accounted investment (losses)/profits		
Neteks	**(398)**	(2 143)
Esource Resources, LLC	**(181)**	468
Directus AS	**–**	–
Mason Advisory Limited	**375**	272
	(204)	(1 403)

11.2 Bonds (Angola government bonds)

	2020 US$'000	2019 US$'000
Bonds (Angola government bonds)	**13 118**	18 960
ISIN: AOTNX0322G17	**4 960**	5 001
ISIN: AOTNTX529D15	**882**	882
ISIN: AOTNX0519L18	**7 276**	7 276
ISIN: AOTNX0315G17	**–**	4 001
ISIN: AOTNX0318A17	**–**	1 800
Long-term portion	**7 276**	18 960
Short-term portion	**5 842**	–
	13 118	18 960

Westcon International

The Angolan government bonds are indexed to the US Dollar. The amount of US$13.12 million is fixed and the Kwanza equivalent of this will be repaid at maturity. The prevailing National Bank of Angola official US Dollar rate at the maturity date will be used for conversion. Bonds to the value of US$0.88 million were purchased in December 2015 and mature in December 2020. The coupon rate on these bonds is 7.8%. Bonds to the value of US$4.96 million were purchased in August 2017 and mature in August 2020. The coupon rate on these bonds is 7.0%. Bonds to the value of US$7.28 million were purchased in July 2018 and mature in July 2023. The coupon rate on the bonds is 5.0%.

US$5.8 million of Angolan bonds were redeemed during the year. The cost of early realisation of the bonds was US$0.2 million.

The weakened economic outlook for Angola, which arose in prior years, mainly as a consequence of the fall in the price of crude oil, has led to a decline in the exchange rate of the Kwanza to the US Dollar. The National Bank of Angola has instituted capital controls that render the timing and quantum of conversion from Kwanza to US Dollar unpredictable. The further decline in the price of crude oil has increased uncertainty in the Angolan market. Management has instituted a series of actions to control the exposure and seek to reduce further losses, including the purchase of the bonds referenced above.

Notes **to the Group consolidated annual financial statements** continued

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11. INVESTMENTS (continued)

11.2 Bonds (Angola government bonds) (continued)

Expected credit losses in respect of the bonds are considered to be negligible. There have been no defaults by the Angolan government on bond maturity in the past and the National Bank of Angola has been settling bonds as they fall due.

The bonds are classified as level 1 financial instruments and are valued using quoted market rates.

	2020 US$'000	2019 US$'000
Equity-accounted investments	**3 632**	3 332
Other investments	**–**	90
Bonds	**13 118**	18 960
Total investments	**16 750**	22 382
Long-term portion	**10 908**	22 382
Short-term portion	**5 842**	–
	16 750	22 382

12. DEFERRED TAX ASSETS/(LIABILITIES)

12.1 Movement of deferred tax assets

	2020 US$'000	2019 US$'000
At the beginning of the year	**52 134**	41 104
Arising on acquisition of subsidiaries	**–**	2 234
(Charge)/credit to profit or loss	**(2 358)**	11 361
Translation and other movements	**(3 232)**	(2 565)
	46 544	52 134
Analysis of deferred tax assets		
Capital allowances	**6 826**	5 931
Expense accruals and similar items	**20 040**	25 674
Effect of tax losses*	**17 840**	16 343
Goodwill	**51**	18
Other individually immaterial temporary differences	**1 787**	4 168
	46 544	52 134

12.2 Movement of deferred tax liabilities

	2020 US$'000	2019 US$'000
At the beginning of the year	**(28 616)**	(30 240)
Arising on acquisition of subsidiaries	**(859)**	(3 841)
Charge to profit or loss	**2 604**	6 203
Credit to other comprehensive income	**(607)**	(616)
Translation and other movements	**1 351**	(122)
	(26 127)	(28 616)
Analysis of deferred tax liabilities		
Capital allowances	**(1 813)**	(2 482)
Goodwill	**(17 935)**	(16 887)
Intangible assets	**(4 440)**	(6 848)
Other individually immaterial temporary differences	**(1 939)**	(2 399)
	(26 127)	(28 616)

* *Deferred tax assets of US$11.6 million (included in the US$17.8 million above) have been recognised in respect of losses incurred by entities that were loss making in either the current or prior year. Of this, US$7.2 million relates to entities that were loss making in both the current and prior year. The recognition of the deferred tax asset on tax losses is based on the strong probability that future profits will arise based on budgets, in excess of the profits arising on the reversal of existing taxable differences, against which these losses can be offset.*

Potential deferred tax assets of US$28.4 million on assessed/estimated losses have not been recognised in the current financial year. Included in this amount is US$4.3 million relating to Angola that will expire by February 2023.

13. FINANCE LEASE RECEIVABLES

	2020 Minimum lease payments US$'000	2020 Present value of minimum lease payments US$'000	2019 Minimum lease payments US$'000	2019 Present value of minimum lease payments US$'000
Current portion receivable within one year	**10 719**	**8 581**	6 654	5 807
Receivable between two and five years	**26 768**	**23 271**	14 531	13 363
Receivable after five years	**3 300**	**3 840**	–	–
	40 787	**35 692**	21 185	19 170
Less: unearned finance income	**(5 095)**	**–**	(2 015)	–
Present value of minimum lease assets	**35 692**	**35 692**	19 170	19 170
Current portion		**8 581**		5 807
Long-term portion		**27 111**		13 363
Finance lease receivables		**35 692**		19 170

Leases are provided to customers as part of financing for large product deals. In order to manage the risk associated with rights retained in the underlying assets, large penalty clauses are included in contracts whereby customers are required to pay off the remainder of the value of the products should they exit the lease contract.

Unguaranteed residual values of assets leased under finance leases at the end of the year are US$nil (FY19: US$3.4 million).

The carrying value of finance lease receivables approximates fair value, therefore no fair value disclosures are provided.

Logicalis

One of Logicalis' Latin American subsidiaries has entered into various finance leases, bearing interest between 0.00% and 14.20%. These leases are repayable at various dates between 21 March 2020 and 28 December 2024. At 29 February 2020, US$1.7 million was receivable.

One of Logicalis' European subsidiaries has entered into various finance leases, bearing interest between 0.60% and 9.10%. These leases are repayable at various dates between 30 August 2021 and 30 June 2025. At 29 February 2020, US$33.6 million was receivable.

One of Logicalis' Asia-Pacific subsidiaries has entered into a finance lease, bearing interest at 4.30%. This lease is repayable on 29 September 2022. At 29 February 2020, US$0.4 million was receivable.

The majority of the exposure (US$33.6 million) is in Europe (refer to Note 27.4). Expected credit losses for the year are, however, negligible.

Notes **to the Group consolidated annual financial statements** continued

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		2020 US$'000	2019 US$'000
14.	**INVENTORIES**		
	Merchandise for resale	**234 969**	323 232
	Spares/maintenance inventory	**9 878**	10 184
	Work-in-progress	**23 578**	16 802
		268 425	350 218
	Inventory provisions	**(15 154)**	(17 962)
		253 271	332 256

Obsolete inventory amounting to US$0.6 million (FY19: US$2.0 million) was written off during the year.

During the year, inventories of US$2.3 billion (FY19: US$2.5 billion) were recognised as part of cost of sales. There were no inventories encumbered as at 29 February 2020 (FY19: US$nil).

Westcon International has certain inventory return arrangements with its major vendors to reduce the risk of technological obsolescence.

Westcon International's European and Middle Eastern subsidiaries have an inventory purchase financing agreement with a financing company for a specific vendor's purchases for a maximum availability of US$220.0 million (FY19: US$220.0 million) which extends payment terms to 60 and 90 days respectively. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 29 February 2020, US$182.5 million (FY19: US$176.4 million) was outstanding and is included in trade payables per Note 20. Purchases within 0 to 30 days are described as unfunded and are also included in trade payables. The funded availability limit of US$220 million is treated as a group limit which is transferable for usage by the subsidiaries.

Westcon International's Singapore subsidiary has an inventory purchase financing agreement for purchases with a vendor for a maximum of US$48.5 million (FY19: US$40.5 million) which extends payment terms from 30 days to 90 days. The agreement may be cancelled at any time with a 90-day notice by either Westcon International or the vendor. As at 29 February 2020, US$28.1 million (FY19: US$25.8 million) was outstanding and is included in trade payables per Note 20.

Some of Westcon International's other Asia-Pacific subsidiaries have inventory purchase financing agreements for specific vendors' purchases for a maximum of US$17.0 million (FY19: US$14.1 million). These agreements may be cancelled at any time with a 60-day or 90-day notice by either Westcon International or the vendors. As at 29 February 2020, US$7.3 million (FY19: US$10.2 million) was outstanding and is included in trade payables per Note 20.

Westcon International's South African subsidiary has an inventory purchase financing agreement with a financing company for a specific vendor's purchases for a maximum availability of US$26.5 million (FY19: US$26.5 million) which extends payment terms from 30 days to 60 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 29 February 2020, US$5.34 million (FY19: US$6.69 million) was outstanding and is included in trade payables per Note 20.

	2020 US$'000	2019 US$'000
15. TRADE RECEIVABLES		
Trade receivables	**1 140 012**	1 290 514
Expected credit loss allowance	**(29 502)**	(31 661)
	1 110 510	1 258 853

All trade receivables represent financial assets of the Group and are measured at amortised cost.

The carrying value of trade receivables balances approximates their fair value, therefore no fair value disclosures are provided.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group recognises lifetime expected credit losses for trade receivables, which are estimated using a provision matrix. This matrix takes into consideration the payment profiles of trade receivables over a period of 12 months in preceding financial years, the Group's historical credit loss experience, adjusted for factors that are specific to the receivables including insurance held and other securities in place, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group considers forward-looking information such as known changes in the macroeconomic environment of customers located in a certain geography, the deterioration in the Group's relationship or discussions with a particular customer. Consideration of these factors enables an estimation of future expected credit losses to be made. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Particular focus is placed on higher value and aged trade receivables where there are other more specific risk factors. The concentration of credit risk in each of the Group's geographic segments is limited due to the customer base being large and geographically diverse. Accordingly, the directors believe that no further credit loss allowance is required.

There has been no change in the estimation techniques or significant assumptions made during the current period.

Before accepting any new customer, use is made of local external credit agencies where necessary, to assess the potential customer's credit quality and to define credit limits by customer. Limits attributed to customers are reviewed regularly.

There is one customer in Latin America with a gross value of US$72.6 million, which represents more than 5% of the total balance of trade receivables (FY19: US$141.7 million). Refer to Note 27.4 for details of the concentration risk.

The Group does not hold any collateral over its trade receivables balances. US$430.0 million of credit insurance is held over trade receivables (FY19: US$504.8 million credit insurance and US$191.9 million of credit guarantees).

US$244.3 million (FY19: US$283.4 million of which US$22.5 million in MEA was pledged against long-term interest-bearing liabilities and short-term interest-bearing funding) of trade receivables are pledged as collateral against long-term interest-bearing liabilities and bank overdrafts (refer to Notes 18.1 and 24).

The weighted average write-off rate over recent years across all classes of trade receivables is 0.38% (FY19: 0.37%). The Group therefore has sufficient expected credit loss allowances.

In determining the possible extent of future credit losses as a consequence of COVID-19, the Group has performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity, related to COVID-19. While some of the scenarios suggest that further credit losses could be incurred if COVID-19 affects the ability the Group's customer base to delay payment, there has been little evidence post-year-end to date to suggest any slow down in payment behaviour. Customer receipts subsequent to the year-end have been in line with historic norms. Management has concluded that the likelihood of material expected credit losses is low.

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15. TRADE RECEIVABLES (continued)

The following table details the credit risk profile of trade receivables based on the Group's provision matrix.

Days past due

	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2020						
Current	**57 829**	**160 795**	**478 075**	**102 133**	**81 299**	**880 131**
1 – 30 days past due	**18 807**	**8 381**	**42 451**	**39 197**	**15 080**	**123 916**
31 – 60 days past due	**522**	**2 591**	**7 237**	**14 492**	**4 922**	**29 764**
61 – 90 days past due	**1 229**	**2 752**	**5 507**	**3 859**	**2 133**	**15 480**
91 – 120 days past due	**235**	**463**	**5 464**	**2 948**	**3 857**	**12 967**
Over 120 days	**1 652**	**7 246**	**27 144**	**11 041**	**30 671**	**77 754**
Gross trade accounts receivable	**80 274**	**182 228**	**565 878**	**173 670**	**137 962**	**1 140 012**
Credit loss allowance	**(59)**	**(833)**	**(10 017)**	**(4 658)**	**(13 935)**	**(29 502)**
Net trade receivables	**80 215**	**181 395**	**555 861**	**169 012**	**124 027**	**1 110 510**
Expected credit loss rate (%)	**0.05**	**0.13**	**0.19**	**0.15**	**1.55**	**0.33**
2019						
Current	73 983	223 037	506 445	133 049	86 787	1 023 301
1 – 30 days past due	3 835	11 858	58 135	42 010	15 534	131 372
31 – 60 days past due	1 927	8 151	16 939	12 776	6 877	46 670
61 – 90 days past due	1 902	1 545	4 737	4 904	3 694	16 782
91 – 120 days past due	389	1 956	2 978	2 751	7 203	15 277
Over 120 days	2 208	6 815	14 457	11 766	21 866	57 112
Gross trade accounts receivable	84 244	253 362	603 691	207 256	141 961	1 290 514
Credit loss allowance	(533)	(927)	(8 822)	(4 556)	(16 823)	(31 661)
Net trade receivables	83 711	252 435	594 869	202 700	125 138	1 258 853
Expected credit loss rate (%)	0.11	0.04	0.38	0.34	1.59	0.42

Reconciliation of the expected credit loss allowance account

	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
Balance at 1 March 2018	(830)	(1 189)	(8 689)	(3 517)	(19 915)	(34 140)
Impairment losses recognised on trade receivables	(86)	(650)	(3 835)	(1 563)	(541)	(6 675)
Impairment losses reversed	426	738	1 422	159	113	2 858
Bad debt write-offs	–	21	2 201	281	1 999	4 502
Net exchange gains and losses	(43)	153	79	84	1 521	1 794
Balance at 28 February 2019	**(533)**	**(927)**	**(8 822)**	**(4 556)**	**(16 823)**	**(31 661)**
Impairment losses recognised on trade receivables	**(356)**	**(773)**	**(4 205)**	**(1 071)**	**(639)**	**(7 044)**
Impairment losses reversed	**744**	**590**	**1 824**	**183**	**4**	**3 345**
Bad debt write-offs	**86**	**91**	**1 074**	**650**	**2 410**	**4 311**
Net exchange gains and losses	**–**	**186**	**112**	**136**	**1 113**	**1 547**
Balance at 29 February 2020	**(59)**	**(833)**	**(10 017)**	**(4 658)**	**(13 935)**	**(29 502)**

	2020 US$'000	2019 US$'000
16. CONTRACT ASSETS AND CONTRACT COSTS		
Non-current		
Non-current costs to obtain contracts^	**43**	86
Current		
Current contract assets	**105 104**	98 741
Current costs to obtain contracts	**29**	57
Total current contract assets and contract costs	**105 133**	98 798
Total contract assets and contract costs	**105 176**	98 884
Changes during the period		
At the beginning of the year	**98 798**	–
Changes due to adoption of IFRS 15	**–**	81 537
Change in the time frame for a right to consideration to become unconditional	**(3 783)**	(4 732)
Amounts recognised during the year	**10 266**	21 880
Translation and other movements	**(148)**	113
Total revenue contract assets and contract costs	**105 133**	98 798

^ *Included in sundry receivables and contract cost balance of US$9.5 million (FY19: US$4.7 million).*

Amounts relating to contract assets are balances due where products have been sold and services have been performed with contractual payment terms based on performance or time-based milestones. Once these milestones have been reached, customers are invoiced and reclassified to trade receivables. The contract asset amount represents the full remaining amount due under the contract adjusted for financing and risk of loss components.

Expected credit losses for the year were negligible.

Contract costs are amortised on a straight-line basis over three years.

	2020 US$'000	2019 US$'000
17. STATED CAPITAL		
Authorised share capital		
400 000 000 (FY19: 400 000 000) ordinary shares		
Issued share capital		
201 450 000 (FY19: 219 200 000) ordinary shares, including treasury and DBP shares		
Stated capital	**113 123**	172 998
	113 123	172 998

Notes **to the Group consolidated annual financial statements** continued

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	Number of shares	Stated capital US$'000
17. STATED CAPITAL (continued)		
Balance at 1 March 2018	242 960 000	258 461
Cancellation of shares repurchased	(23 760 000)	(43 881)
Deferred Bonus Plan ("DBP") shares and treasury shares	(1 106 828)	(1 776)
Effects of foreign currency translation	–	(39 806)
Balance at 28 February 2019	**218 093 172**	**172 998**
Issue of shares for scrip distribution	**1 250 718**	**3 204**
Cancellation of shares repurchased	**(19 000 718)**	**(44 345)**
DBP shares and treasury shares	**(1 856 028)**	**(2 013)**
Effects of foreign currency translation	**–**	**(16 721)**
Balance at 29 February 2020	**198 487 144**	**113 123**

Stated capital is in the Rand-denominated accounts of the holding company and is translated into US$ each year in the Group accounts in accordance with the accounting policy.

During the year ended 29 February 2020, 1 250 718 (FY19: nil) shares were issued as a scrip distribution to shareholders.

The Company repurchased the following shares during the year:
- 4 400 000 shares under the terms of a general authority given by shareholders at a general meeting on 15 January 2019.
- 4 050 718 shares under the terms of a general authority given by shareholders at a general meeting on 26 June 2019.
- 10 550 000 shares up to 29 February 2020 under the terms of a general authority given by shareholders at the AGM on 29 August 2019.

In total, the Company repurchased 19 000 718 shares during FY20 at a total cost of US$44.3 million.

As at 29 February 2020, the Group held 1 000 000 (FY19: 14 315) shares as treasury shares that are held in a broker account. These treasury shares have been set off against stated capital.

As at 29 February 2020, there were 1 962 856 shares (FY19: 1 092 513 shares) relating to the DBP (refer to Note 2). These shares have been set off against stated capital.

Share cancellation expenses for the year amounted to US$0.2 million (FY19 share issue and cancellation expenses: US$0.2 million) and were accounted for in equity.

	2020 US$'000	2019 US$'000
18. LONG-TERM INTEREST-BEARING LIABILITIES		
Secured loans	**13 052**	14 458
Other long-term liabilities – unsecured	**29 980**	30 948
	43 032	45 406
Less: current portion included in trade payables (Note 20)	**(24 394)**	(35 956)
Long-term portion	**18 638**	9 450
Repayable between one and two years	**15 379**	8 518
Repayable between two and three years	**1 337**	841
Repayable between three and four years	**1 036**	–
Repayable between four and five years	**796**	–
Repayable after five years	**90**	91
	18 638	9 450

Logicalis has a US$45.0 million committed facility to fund future acquisitions as part of the Barclays syndicate. This facility matures in January 2023 after a three-year term, thereafter there is the option to extend this facility for a year. The applicable interest rate is London Interbank Offered Rate ("LIBOR") plus a margin rate determined from a margin ratchet on quarterly leverage. The margin ranges between 2.00% and 3.00%. The facility includes covenants which are tested quarterly. No amounts were drawn under this facility at 29 February 2020.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

18. LONG-TERM INTEREST-BEARING LIABILITIES (continued)

18.1 Secured loans and other long-term liabilities

Counterparty	Currency	Interest rate	Final repayment date	Repayment terms	Principal amount (loan currency) '000	Principal amount US$'000	Total capital amount out-standing US$'000
Secured:							**13 052**
Westcon International							**12 900**
Futuregrowth Asset Management	ZAR	3-month JIBAR + 2.5%	September 2021	Full capital repayable every two years, interest paid quarterly	200 000	12 810	**12 810**
Tokyo Century Leasing (Singapore) Pte Ltd	SGD	5.19%	August 2024*	Monthly instalments	180	129	**90**
Management Consulting							**152**
Handelsbanken	SEK	3.50%	December 2021	Quarterly instalments	4 000	416	**152**
Unsecured:							**29 980**
Logicalis							**29 533**
Cisco Systems Capital Corporation	AU$	0.00%	December 2020*	Quarterly instalments	9 719	6 328	**6 192**
Cisco Systems Capital Corporation	US$	2.00%	August 2020*	Quarterly instalments	20 569	20 569	**5 494**
Cisco Systems Capital Corporation	US$	1.82%	November 2024*	Quarterly instalments	3 946	3 946	**3 967**
Cisco Systems Capital Corporation	US$	3.00%	January 2020^	Biannual instalments	4 957	4 957	**3 372**
IBM Financed invoices	EUR	1.40%	March 2021*	Biannual instalments	4 170	4 602	**2 322**
IBM Financed invoices	EUR	1.40%	January 2021*	Annual instalments	3 063	3 381	**1 690**
Cisco Systems Capital Corporation	US$	4.42%	October 2020*	Quarterly instalments	3 465	3 465	**1 291**
Cisco Systems Capital Corporation	AU$	0.00%	March 2023*	Annual instalments	567	369	**1 052**
Other	Various	Interest-free to 11.80%	Between March 2020 and December 2025*	Monthly, quarterly, biannual and annual instalments	Various	13 575	**4 153**
Datatec Financial Services							**447**
PEAC UK Limited	GBP	4.80%	August 2021	Quarterly instalments	522	522	**447**

** The amount due within 12 months is included in current portion of long-term liabilities.*
^ The repayment date for this loan has been extended. There is no fixed repayment date.

The Futuregrowth Asset Management liability is secured by trade receivables to the value of US$20.6 million (FY19: US$21.5 million). The Tokyo Century Leasing loan is secured by a car to the value of US$0.14 million. The Handelsbanken loan is secured by business assets to the value of US$0.05 million.

The carrying value of long-term liabilities approximates their fair value, therefore no fair value disclosures are provided.

19. LEASE LIABILITIES

	2020 US$'000	2019* US$'000
Non-current	**95 148**	21 933
Current	**34 325**	9 049
	129 473	30 982
Current portion repayable within one year	**34 325**	9 049
Repayable between one and two years	**30 067**	8 278
Repayable between two and three years	**23 388**	6 875
Repayable between three and four years	**15 544**	4 610
Repayable between four and five years	**11 443**	1 754
Repayable between five and 10 years	**14 706**	416
	129 473	30 982

** Previously included in long-term interest-bearing borrowings (liabilities under capitalised finance leases).*

Geographic segment	Currency	Classes of right-of-use assets leased	Interest rate	Final repayment date	Principal amount US$'000	Total capital amount outstanding US$'000
Westcon International						**31 350**
North America	US$	Equipment, motor vehicles and land and buildings	4.50%	Unspecified – over five years	2 445	**2 436**
Europe	Various	Equipment, motor vehicles and land and buildings	4.50%	February 2025	30 242	**22 898**
Asia-Pacific	Various	Equipment, motor vehicles and land and buildings	Between 5.22% and 10.17%	Between February 2021 and February 2023	4 874	**2 293**
MEA	Various	Equipment, motor vehicles and land and buildings	Between 10.00% and 15.00%	Between February 2021 and February 2025	1 271	**3 723**
Logicalis						**89 013**
North America	US$	Equipment, computer equipment and land and buildings	Between 3.8% and 7.6%	Between July 2020 and September 2026	27 045	**18 124**
Latin America	Various	Equipment, leasehold improvements and land and buildings	Between 0.0% and 22.8%	Between March 2020 and November 2025	20 937	**13 297**
Europe	EUR and GBP	Office furniture, equipment, motor vehicles, computer equipment, leasehold improvements and land and buildings	Between 0.6% and 9.1%	Between March 2020 and January 2030	61 949	**43 958**

Notes to the Group consolidated annual financial statements continued

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Geographic segment	Currency	Classes of right-of-use assets leased	Interest rate	Final repayment date	Principal amount US$'000	Total capital amount outstanding US$'000
19. LEASE LIABILITIES (continued)						
Logicalis (continued)						
Asia-Pacific	Various	Office furniture, equipment, computer equipment, leasehold improvements and land and buildings	Between 3.0% and 10.6%	Between March 2020 and September 2024	15 834	**12 253**
MEA	ZAR	Land and buildings	Between 7.0% and 10.25%	Between October 2020 and March 2025	1 532	**1 381**
Corporate and Management Consulting						**9 110**
Europe	Various	Computer equipment and land and buildings	Between 2.75% and 3.02%	Between October 2022 and January 2023	7 288	**8 422**
MEA	ZAR	Equipment and land and buildings	9.25%	Between December 2023 and November 2030	664	**688**

Generally, these lease contracts are entered into for fixed periods but may have extension options.

The Group's finance lease arrangements include immaterial variable lease payments.

Short-term leases (lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease (refer to Note 3).

No residual value guarantees have been provided.

Refer to Note 37 for details of the impact of the adoption of IFRS 16.

20. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES

	2020 US$'000	2019 US$'000
20.1 Trade and other payables	**1 259 013**	1 358 928
Trade payables	**928 201**	1 056 451
VAT/sales tax	**37 933**	29 868
Accruals	**204 651**	195 882
Sundry payables	**85 498**	70 026
Short-term portion of share-based payments	**2 730**	6 701
20.2 Short-term interest-bearing liabilities	**75 145**	100 702
Unsecured short-term funding – Cisco Systems Capital Corporation	**19 802**	45 240
Unsecured short-term funding – Banco Santander	**17 583**	1 148
Unsecured short-term funding – Banco Bradesco	**7 354**	8 277
Unsecured short-term funding – Banco Votorantim	**2 752**	2 762
Unsecured short-term funding – Banco AV Villas	**1 094**	553
Unsecured short-term funding – Matthias Seitle	**105**	–
Unsecured short-term funding – Billie GmbH	**22**	–
Secured short-term funding – Tanner Servicios Financieros	**1 865**	–
Secured short-term funding – Factoring Security S.A.	**174**	5 251
Secured short-term funding – Futuregrowth Asset Management	**–**	717
Secured short-term funding – BCI Factoring S.A.	**–**	698
Secured short-term funding – Banco Internacional and Banco de Chile	**–**	100
Current portion of other long-term liabilities (Note 18)	**24 394**	35 956
	1 334 158	1 459 630

The carrying value of trade and other payables and short-term interest-bearing liabilities approximates their fair value, therefore no fair value disclosures are provided. Trade accounts payable will be settled in the normal course of business.

Logicalis' subsidiaries have four inventory financing arrangements, described below, with financing companies for specific vendors' purchases which extend payment terms beyond the vendors' normal payment terms. Purchases within the normal vendor credit terms are described as unfunded and are included in trade payables.

Logicalis United Kingdom: Extended payment terms begin at 60 days+ for a maximum of US$26.0 million. At 29 February 2020, US$1.4 million was utilised (FY19: US$1.7 million). Logicalis United States: Extended payment terms begin at 60 days+ for a maximum of US$50.0 million. At 29 February 2020, US$3.4 million was utilised (FY19: US$5.0 million). Logicalis United States: Extended payment terms begin at 75 days+ for a maximum of US$28.0 million. At 29 February 2020, US$19.0 million was utilised (FY19: US$0.9 million). Logicalis Latin America: Extended payment terms begin at 90 days+ for a maximum of US$125.0 million. At 29 February 2020, US$6.0 million was utilised (FY19: US$21.5 million).

Notes to the Group consolidated annual financial statements continued

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20. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES (continued)

20.2 Short-term interest-bearing liabilities (continued)

Unsecured loans

Some of Logicalis' subsidiaries has entered into various loans with Cisco Systems Capital Corporation, between US$0.06 million and US$3.5 million each, bearing interest at between 0.00% and 3.00%. These loans are repayable at various dates between February 2020 and September 2020. At 29 February 2020, US$19.8 million was outstanding.

Some of Logicalis' subsidiaries have entered into various forfaiting arrangements with Banco Santander, between US$0.007 million and US$0.6 million each, bearing interest between 3.25% and 3.95%. These loans are repayable in April 2020. At 29 February 2020, US$6.8 million was outstanding.

One of Logicalis' subsidiaries has factoring arrangements with Banco Santander, payable in September 2020 and bearing interest at 3.97%. At 29 February 2020, US$10.8 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Bradesco, between US$0.003 million and US$0.4 million each, bearing interest at between 3.20% and 3.30%. These liabilities are repayable at various dates between April 2020 and June 2020. At 29 February 2020, US$7.4 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Votorantim, between US$0.4 million and US$0.6 million each, bearing interest at 4.55%. These liabilities are repayable in April 2020. At 29 February 2020, US$2.8 million was outstanding.

One of Logicalis' subsidiaries has entered into factoring arrangements with Banco AV Villas of between US$0.3 million and US$0.4 million each, payable in April 2020, bearing interest at between 8.24% and 8.27%. These liabilities are repayable in April 2020. At 29 February 2020, US$1.1 million was outstanding.

One of Logicalis' subsidiaries entered into a short-term loan with Matthias Seitle, payable in April 2020 and bearing interest at 0.00%. At 29 February 2020, US$0.1 million was outstanding.

One of Logicalis' subsidiaries entered into a factoring arrangement with Billie GmbH, payable in March 2020 and bearing interest at 0.00%. At 29 February 2020, US$0.02 million was outstanding.

Secured loans

One of Logicalis' subsidiaries entered into various funding arrangements with Tanner Servicios Financieros, S.A., between US$0.06 million and US$0.8 million each, bearing interest between 5.80% and 7.56%. These loans are repayable between March 2020 and May 2020. At 29 February 2020, US$1.9 million was outstanding. The liability is secured by invoices to the value of US$1.9 million.

One of Logicalis' subsidiaries entered into various funding arrangements with Factoring Security S.A., between US$0.005 million and US$0.1 million each, bearing interest at 5.80%. These loans are repayable at various dates between March 2020 and April 2020. At 29 February 2022, US$0.2 million was outstanding. The liability is secured by invoices to the value of US$0.2 million.

Refer to Note 14 for details of inventory purchase financing arrangements. Amounts outstanding under these arrangements are included in trade payables.

	2020 US$'000	2019 US$'000
21. AMOUNTS OWING TO VENDORS		
Long-term portion	**2 052**	1 393
Short-term portion	**3 438**	936
	5 490	2 329

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. The purchase considerations are to be settled with the vendors in cash or shares on achievement of agreed performance criteria. The amounts owing are interest-free.

Amounts owing to vendors are classified as financial liabilities designated at fair value through profit or loss. They are classified as level 3 financial instruments, whose fair value measurements are derived from inputs that are unobservable for the liability. Movements are presented in the statement of comprehensive income as acquisition-related fair value adjustments.

Logicalis

Effective 4 September 2017, Logicalis acquired Packets Systems Indonesia ("PSI"), a leading ICT systems integrator and services company. The consideration payable comprised an initial cash consideration of US$6.8 million and deferred cash consideration of up to US$0.8 million, split into two payments over two years. The payment of deferred cash consideration is dependent on certain targets being met for each of these two periods.

Effective 8 October 2018, Logicalis acquired Computer Networks Integration (Pty) Ltd ("CNI"), a Microsoft Gold-Certified Partner based in Melbourne. The consideration payable comprised an initial cash consideration of US$1.8 million (AU$2.5 million) and deferred cash consideration of up to US$1.3 million (the equivalent of AU$1.8 million) split into three payments over three years. The payment of the deferred consideration is dependent on certain targets being met for each of these three periods. During the year, US$0.7 million (the equivalent of AU$1.0 million) was released to the statement of comprehensive income as the targets were not met. At year-end, US$0.5 million (the equivalent of AU$0.8 million) remains outstanding with payment of US$0.3 million (the equivalent of AU$0.4 million) due shortly after year-end.

On 30 June 2019, Logicalis completed the acquisition of Mars Investment Holdings (Pty) Ltd ("Mars Technologies"), a South African IT services business, offering managed IT services ranging from the remote monitoring of networks and servers, managed desktop, anti-virus, cloud backup, and printers, to full outsourcing, with a strong offering to small and mid-market enterprises. The consideration payable comprised an initial amount of US$0.3 million (the equivalent of R4.0 million) with a deferred consideration payable of US$0.1 million (the equivalent of R1.2 million) due within three years, provided certain conditions are met.

Logicalis purchased a 70% interest in Comunicações e Projectos Especiais S.A. ("Cilnet") on 2 September 2019, a Cisco systems integrator and managed services business in Portugal which increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region. The consideration payable comprised an initial amount of US$6.4 million (the equivalent of EUR5.8 million) with a deferred consideration payable of US$2.3 million (the equivalent of EUR2.1 million) due over two years, provided certain conditions are met.

Logicalis acquired Orange Networks GmbH ("Orange Networks") on 2 September 2019, a Microsoft services business focused on Microsoft cloud and managed services, with Germany-wide presence including Hamburg, Munich, Offenbach and Düsseldorf. This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering. The consideration payable comprised an initial amount of US$2.4 million (the equivalent of EUR2.1 million) with a deferred consideration payable of US$0.6 million (the equivalent of EUR0.5 million) due within three years, provided certain conditions are met.

Management Consulting

Effective 17 July 2018, Analysys Mason acquired Access Markets International-Partners, Inc., a global research and consulting firm based in the US. The consideration payable comprised an initial cash consideration of US$3.3 million and a deferred cash consideration of up to US$0.2 million. The deferred cash consideration was dependent on certain conditions being met. The deferred cash consideration of US$0.2 million was paid during the year based on certain conditions being met.

Effective 1 March 2019, Analysys Mason acquired Stelacon Holding AB, a consultancy based in Sweden. The consideration payable comprised an initial consideration of US$1.4 million (the equivalent SEK13.0 million) paid as a mix of cash and Analysys Mason shares, and deferred cash consideration of up to US$1.3 million (the equivalent of SEK12.0 million). US$1.2 million (the equivalent of SEK11.8 million) was agreed as the final deferred consideration based on certain targets being met. The agreed deferred consideration is to be paid in FY21.

Notes **to the Group consolidated annual financial statements** continued

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22. PROVISIONS

	Restructuring US$'000	Legal claims and costs US$'000	VAT/ sales tax US$'000	Pension obligations US$'000	Dilapidations/ asset retirement obligations US$'000	Onerous contracts US$'000	Other US$'000	Total US$'000
Balance at 1 March 2019	**8 546**	**1 739**	**710**	**5 451**	**7 018**	**705**	**4 398**	**28 567**
Amounts added	6 865	1 471	802	545	822	3 179	3 472	17 156
Utilised	(13 231)	(1 410)	(723)	(33)	(153)	(194)	(1 819)	(17 563)
Amounts reversed	(177)	(569)	–	(168)	(2 170)	–	(2 989)	(6 073)
Translation and other	(460)	(239)	(440)	(78)	(139)	(529)	(797)	(2 682)
Balance at 29 February 2020	**1 543**	**992**	**349**	**5 717**	**5 378**	**3 161**	**2 265**	**19 405**
Expected maturity								
Within one year	1 543	214	349	834	605	2 955	1 835	8 335
Between two to five years	–	778	–	1 036	2 610	206	285	4 915
More than five years	–	–	–	3 847	2 163	–	145	6 155
	1 543	992	349	5 717	5 378	3 161	2 265	19 405

	2020 US$'000	2019 US$'000
22. PROVISIONS (continued)		
Long-term portion	**11 070**	11 019
Short-term portion	**8 335**	17 548
	19 405	28 567

Restructuring provisions include expected costs for certain restructuring activities of the Group where the details have already been announced to affected parties. Legal claims and costs are provisions for anticipated settlements including costs, for various legal matters that the Group is defending. VAT/sales tax provisions relate to provisions for potential taxes in foreign jurisdictions. Pension obligations relate to a pension scheme operated by Logicalis Group, for which a full defined benefit pension disclosure has not been disclosed due to its immaterial value. Dilapidations and asset retirement obligations relate to provisions where the Group is expected to restore certain leased property and assets to its original condition. Onerous contracts consist of projects in progress in which the costs of meeting the obligations under the contract exceed the economic benefits expected to be received. Other provisions include asset vendor credits, employee settlement claims and other provisions, which are individually insignificant.

The timing of restructuring provisions is fairly certain and is expected to be settled within 12 months. There is little uncertainty with regard to the amounts but some provisions are subject to final agreement.

There is uncertainty regarding the timing of legal claims as the finalisation of certain lawsuits cannot be determined. There is some uncertainty regarding the amounts but best estimates have been provided by legal counsel.

The VAT/sales tax provision relates to tax exposures in foreign jurisdictions and external tax consultants are being utilised to investigate these exposures.

The timing of pension obligations is uncertain and is determined by external actuaries. The amounts of pension obligations are determined by external actuaries. The uncertainty related to assumptions include discount rates, retirement ages and estimates of growth in retirement funding.

The timing of some dilapidations/asset retirement obligations are fairly certain and based on the lease agreement end dates but there is uncertainty regarding one dilapidation obligation. There is uncertainty with regard to the amount as they are subject to the properties' conditions, the position and behaviour of the landlord and the local rates prevailing at the time.

Some uncertainty exists over the timing and amount of onerous contracts. These have been determined using management's best estimate of the duration and costs to complete the relevant projects.

Notes to the Group consolidated annual financial statements continued

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	2020 US$'000	2019 US$'000
23. CONTRACT LIABILITIES		
Current contract liabilities	**4 197**	3 476
Changes during the period:		
At the beginning of the year	**3 476**	–
Changes due to adoption of IFRS 15	**–**	3 800
Change in the time frame for a right to consideration to become unconditional	**(3 325)**	(3 800)
Amounts recognised during the year	**4 166**	3 435
Translation	**(120)**	41
	4 197	3 476

The aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations is US$4.2 million (FY19: US$3.5 million).

	2020 US$'000	2019 US$'000
Expected to be recognised:		
Within one year	**4 197**	3 476
	4 197	3 476

Contract liabilities relate to payments received from customers where there is still a commitment to complete the performance obligation. Revenue is only recognised once the performance obligation has been satisfied either at a point in time or over time.

	2020 US$'000	2019 US$'000
24. BANK OVERDRAFTS		
Total bank overdrafts at the end of the year	**263 800**	304 019

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Westcon International					**132 245**
UK	HSBC syndicate	US$	220 000	2.95% above the US$, Euro or Sterling base rates (1.625%, 0.0% and 0.75% as at 29 February 2020)	**103 400**

- The facility matures in June 2020*.
- Advances under this arrangement are available up to 75% of the subsidiary's eligible accounts receivable.
- The facility contains certain affirmative and negative covenants, including, but not limited to, covenants that restrict Westcon International's ability to grant guarantees or incur debt with its third parties other than to immediate affiliates (as defined) subject to specific thresholds dependent on the nature of the debt, restrict the creation of liens, debentures and mortgages and restrict acquisitions higher than US$7.5 million value without the bank's prior consent.
- This balance fluctuates daily.

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
24. BANK OVERDRAFTS (continued)					
Westcon International (continued)					
Germany	HSBC syndicate	US$	60 000	2.95% above the US$ and Euro base rates (1.625% and 0.0% as at 29 February 2020)	**9 882**
	• The facility matures in June 2020*. • Advances under this arrangement are available up to 75% of the subsidiary's eligible accounts receivable. • The facility contains certain affirmative and negative covenants, including, but not limited to, covenants that restrict Westcon International's ability to grant guarantees or incur debt with its third parties other than to immediate affiliates (as defined) subject to specific thresholds dependent on the nature of the debt, restrict the creation of liens, debentures and mortgages and restrict acquisitions higher than US$7.5 million value without the bank's prior consent. • This balance fluctuates daily.				
UAE	HSBC	US$	15 000	London or Emirates Interbank Offered ("LIBOR" or "EIBOR") + 2.25% (1.61% and 1.85% as at 29 February 2020)	**5 820**
Singapore	HSBC	US$	11 000	For US$ drawings, LIBOR + 1.60% (3.25% as at 29 February 2020)	**5 100**
	• Borrowings under this facility are collateralised by current and future assets.				
Singapore	HSBC	US$	6 000	For US$ drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank Rate + 1.60% (3.48% for US$ and 3.30 for SGD as at 29 February 2020)	**3 720**
	• Borrowings under this facility are collateralised by current and future assets.				
Indonesia	HSBC	IDR	3 000	For US$ drawings, bank best lending rate less 4.15% For IDR drawings, bank best lending rate less 7.75% (9.15% as at 29 February 2020)	**2 370**
Singapore	HSBC	US$	6 000	For US$ drawings, LIBOR + 1.60% (3.31% as at 29 February 2020)	**1 953**
	• Borrowings under this facility are collateralised by current and future assets.				

Only facilities that have been drawn at 29 February 2020 have been included in the table above. There are further facilities available, which together with the drawn facilities above, amount to total facilities of US$355.8 million (US$132.2 million was drawn at year-end). Restrictions of US$81.8 million apply to the facilities. The net availability of the facilities, taking into account restrictions, is US$141.7 million. The net availability does not include any cash balances in Westcon International.

US$236.9 million (FY19: US$234.9 million) of trade receivables are pledged as collateral against bank overdrafts.

Datatec PLC has US$15 million (FY19: US$30 million) of cash as collateral for Westcon Asia facilities.

** On 14 May 2020, Westcon extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced with effect from 4 June 2020 to US$224 million with an accordion facility to go up to US$280 million during the period November 2020 to February 2021 when working capital utilisation is typically at its highest.*

Notes **to the Group consolidated annual financial statements** continued

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Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
24. BANK OVERDRAFTS (continued)					
Logicalis					**131 555**
UK	Barclays syndicate	Multiple currencies	40 137	LIBOR (dependent on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 2.00% and 3.00% (4.26% as at 29 February 2020)	**40 137**
	• This facility matures in January 2023 after a three-year term. • Thereafter there is the option to extend this facility for a year. • The facility includes EBITDA and interest cover covenants which are tested quarterly.				
UK	Barclays syndicate	Multiple currencies	50 000	LIBOR (dependent on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 1.75% and 2.75% (3.65% as at 29 February 2020)	**33 263**
	• This facility matures in January 2023 after a three-year term. • Thereafter there is the option to extend this facility for a year. • The facility includes EBITDA and interest cover covenants which are tested quarterly.				
UK	HSBC	Multiple currencies	0*	Interest rates vary based on the amounts drawn down	**14 684**
	• This is not an additional facility. This overdraft is offset by cash in a pooling agreement.				
Chile	Banco Itaú Unibanco	US$	11 000	This facility has a fixed interest rate (7.70% as at 29 February 2020)	**10 123**
Brazil	Banco Votorantim	US$	7 931	This facility has a per annum pre-fixed interest rate in US$ (4.80% as at 29 February 2020)	**7 931**
	• There are four different overdrafts under this facility, maturing between March and July 2020. • This facility contains covenants that require the bank's claims to rank *pari passu* with other unsecured payables and that restrict Logicalis' ability to create, incur, assume or permit any encumbrances on the cross guarantees in place.				
Brazil	Banco ABC do Brasil	US$	6 183	This facility has a per annum pre-fixed interest rate in US$ (4.50% as at 29 February 2020)	**6 183**
	• There are two different overdrafts under this facility, maturing in June 2020. • This facility contains covenants that restrict Logicalis' ability to create or incur liens, dispose of or transfer any substantial part of its assets, merge, consolidate or transfer all or substantially all of its assets and make material changes to accounting policies or reporting practices without the bank's prior consent.				

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
24. BANK OVERDRAFTS (continued)					
Logicalis (continued)					
Brazil	Banco Itaú Unibanco	BRL	5 690	CDI + 1.50% (CDI: 4.15% at 29 February 2020)	**5 690**
	• This facility matures in August 2020.				
Brazil	Banco Votorantim	BRL	3 580	CDI + 1.79% (CDI: 4.15% at 29 February 2020)	**3 580**
	• This facility matures in August 2020.				
Brazil	De Lage Landen	BRL	2 733	This facility has a per annum pre-fixed interest rate in BRL (13.35% as at 29 February 2020)	**2 733**
	• There are three different overdrafts under this facility, maturing between June and October 2020.				
Chile	Banco Santander	CLP	3 660	This facility has a fixed interest rate (43.00% at 29 February 2020)	**2 067**
Mexico	HSBC	US$	2 000	For MXN drawings, 3.5% + TIIE (interbank equilibrium rate) For US$ drawings, 4.5% + LIBOR (MXN: 9.84% and US$: 5.20% at 29 February 2020)	**1 445**
Colombia	Banco Itaú Corbanca	COP	2 025	IBR M.V. + 5.119% (8.42% at 29 February 2020)	**1 201**
Brazil	Banco Bradesco	US$	1 010	This facility has a per annum pre-fixed interest rate in US$ (5.50% as at 29 February 2020)	**1 010**
	• This facility matures in June 2020.				
Other	HSBC	Various	Various	Between 1.83% and 8.75%	**1 508**

** The total facility limit applies to an account with cash pooling.*

Only facilities that have been drawn at 29 February 2020 have been included in the table above. There are further facilities available, which together with the drawn facilities above, amount to total facilities of US$203.8 million (US$131.6 million in overdrafts at year-end). No restrictions apply to the facilities. The net availability of all facilities, excluding unlinked overdrafts is US$87.0 million. The net availability does not include any cash balances in Logicalis.

Notes **to the Group consolidated annual financial statements** continued

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25. CONTINGENT LIABILITIES, GUARANTEES AND LITIGATION

Datatec and its subsidiaries have issued, in the ordinary course of business, guarantees and letters of comfort to third parties in respect of finance and trading facilities, performance commitments to customers and lease commitments. In addition, the vendor inventory purchase financing referred to in Note 14 was generally guaranteed by Westcon International and Datatec PLC.

Logicalis has a contingent liability in respect of a possible tax liability at its PromonLogicalis Latin America Limited ("PromonLogicalis") subsidiary in Brazil. In April 2011, a Brazilian state tax authority claimed that PromonLogicalis should have paid a higher rate of state tax on its equipment sales up to October 2010 than actually paid. PromonLogicalis management, supported by a legal opinion, strongly disagrees with the state tax authority's assessment and have formally appealed against it. Datatec management supports PromonLogicalis management's view and believes it unlikely that PromonLogicalis will have to pay any additional tax.

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

26. RELATED-PARTY TRANSACTIONS

Sales and purchases between Group companies are concluded on normal commercial terms in the ordinary course of business. For the year ended 29 February 2020, the inter-group sales of goods and provision of services amounted to US$40.0 million (FY19: US$40.4 million), which are eliminated on consolidation. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Group also transacts with its associate Esource Resources, LLC (refer to Note 11.1). During the year, the Group made sales totalling US$51.1 million (FY19: US$48.4 million) and received management fees of US$0.3 million (FY19: US$0.5 million). As at 29 February 2020, US$2.2 million (FY19: US$4.2 million) was due from Esource Resources, LLC.

This includes a short-term loan of US$0.1 million which is repayable in monthly instalments to March FY22. The remainder of the balance is repayable under normal commercial terms.

US$0.1 million (FY19: US$0.2 million) was due to Esource Resources, LLC and is repayable under normal commercial terms. The amounts due to and from Esource Resources, LLC are unsecured and interest-free.

During the year, the Group entered into the following material trading transactions with SYNNEX, a related party that is not a member of the Group:

	Sale of goods US$'000	Purchases of goods US$'000
Trading transactions		
SYNNEX Corporation Limited – FY19	73	113 146
SYNNEX Corporation Limited – FY20	**5**	**107 506**

26. RELATED-PARTY TRANSACTIONS (continued)

	Amounts owed by related party US$'000	Amounts owed to related party US$'000
The following balances were outstanding at the end of the reporting period:		
SYNNEX Corporation Limited – FY19	290	2 621
SYNNEX Corporation Limited – FY20	**242**	**2 435**

SYNNEX became a related party to the Datatec Group on 1 September 2017 when it purchased 10% of Westcon International. Sales of goods to SYNNEX were made on normal commercial terms. Logicalis has an inventory purchase agreement with SYNNEX where Logicalis has agreed to purchase inventory from SYNNEX in return for a rebate. During the year, US$107.5 million (FY19: US$113.1 million) of inventory was purchased from SYNNEX in return for rebate of US$0.4 million (included in the statement of comprehensive income). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the current year for doubtful debts in respect of amounts owed by the related party.

	2020 US$'000	2019 US$'000
Key management personnel compensation		
Short-term employee benefits	**7 374**	7 551
Post-employment benefits	**241**	300
Share-based payments	**369**	222
	7 984	8 073

Key management personnel compensation comprises the compensation of 12 (FY19: 12) senior executives of the Group's divisions. The remuneration of Datatec's executive directors is included in Note 3 and in the tables on the following page. There were no other prescribed officers in the Company.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments

The following tables set out the remuneration of individual directors who held office during FY20 and FY19:

	2020						
	Guaranteed package						
US$'000	**Basic salary**	**Pension**	**Other benefits***	**Fees**	**STI**	**LTI**	**Total**
Executive directors							
JP Montanana	**1 140**	**214**	**48**	**–**	**862**	**3 106**	**5 370**
IP Dittrich	**503**	**84**	**47**	**–**	**207**	**665**	**1 506**
Total executive directors	**1 643**	**298**	**95**	**–**	**1 069**	**3 771**	**6 876**
Non-executive directors							
SJ Davidson	**–**	**–**	**–**	**202**	**–**	**–**	**202**
M Makanjee	**–**	**–**	**–**	**93**	**–**	**–**	**93**
JF McCartney	**–**	**–**	**–**	**101**	**–**	**15**	**116**
CRK Medlock (from 1 January 2020)	**–**	**–**	**–**	**13**	**–**	**–**	**13**
MJN Njeke	**–**	**–**	**–**	**109**	**–**	**–**	**109**
E Singh-Bushell	**–**	**–**	**–**	**99**	**–**	**–**	**99**
Total non-executive directors	**–**	**–**	**–**	**617**	**–**	**15**	**632**
Total directors' emoluments	**1 643**	**298**	**95**	**617**	**1 069**	**3 786**	**7 508**

	2019						
	Guaranteed package						
US$'000	Basic salary	Pension	Other benefits*	Fees	STI	LTI	Total
Executive directors							
JP Montanana	1 428	214	28	–	1 624	2 170	5 464
IP Dittrich	560	84	43	–	382	421	1 490
Total executive directors	1 988	298	71	–	2 006	2 591	6 954
Non-executive directors							
SJ Davidson	–	–	–	202	–	–	202
O Ighodaro (to 31 October 2018)	–	–	–	62	–	–	62
JF McCartney	–	–	–	90	–	–	90
M Makanjee (from 1 November 2018)	–	–	–	28	–	–	28
MJN Njeke	–	–	–	110	–	–	110
CS Seabrooke (to 20 September 2018)	–	–	–	50	–	–	50
E Singh-Bushell (from 1 June 2018)	–	–	–	71	–	–	71
NJ Temple (to 20 September 2018)	–	–	–	45	–	–	45
Total non-executive directors	–	–	–	658	–	–	658
Total directors' emoluments	1 988	298	71	658	2 006	2 591	7 612

** Other benefits include private medical insurance, permanent health insurance, life assurance and fuel for private vehicle.*

During FY20, Rick Medlock joined the Board on 1 January 2020.

The LTI remuneration received by John McCartney during FY20 arose from a final payment from the legacy Westcon Group, Inc. SAR scheme based on the SYNNEX earn-out determination in May 2019.

There has been no change in the directors holding office up to the date of approval of these financial statements.

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Conditional share plan ("CSP")

Grants were made under the CSP in FY20 and FY19 including the following awards to directors:

CSP	Grant date	Number of awards 2019	Number of awards 2020	Fair value of awards on grant US$'000	Grant fair value as a % of base pay %	Fair value of awards at 29 February 2020 US$'000	Fair value of awards at 28 February 2019 US$'000
JP Montanana	1 Jun 18	1 291 148		2 142	150%	277	2 704
	1 Jun 19		538 870	1 246	109%	115	–
						392	2 704
IP Dittrich	1 Jun 18	405 066		672	120%	87	848
	1 Jun 19		190 212	344	87%	41	–
						128	848

Deferred bonus plan ("DBP")

Jens Montanana has elected to defer 37.3% of his FY20 bonus, being US$300 000 (FY19: US$812 000) into the DBP to purchase forfeitable shares in June 2020. The Company will contribute the same amount of forfeitable shares and the Company's contribution is included in the LTI element shown in the directors' remuneration table.

Ivan Dittrich has elected to defer 25% of his FY20 bonus, being US$48 100 (FY19: US$96 000) into the new DBP to purchase forfeitable shares in May/June 2020. The Company will contribute the same amount of forfeitable shares and the Company's contribution is included in the LTI element shown in the directors' remuneration table.

Notes to the Group consolidated annual financial statements continued

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26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Westcon International equity appreciation plan ("WI – EAP")

During FY19, Datatec executive directors received once-off awards of units in the WI – EAP as follows:

WI – EAP	Grant date	Number of awards	Fair value of awards on grant US$'000	Grant fair value as a % of base pay %	Fair value of awards at 29 February 2020 US$'000	Fair value of awards at 28 February 2019 US$'000
JP Montanana	14 Mar 18	30 000	–	–	**102**	88
IP Dittrich	14 Mar 18	15 000	–	–	**51**	44

In addition to the above, in FY19 Jens Montanana received an award of 10 000 units in the WI – EAP conditional on a sale of Westcon International for in excess of US$300 million being achieved. The fair value of this award on grant was US$nil and at 29 February 2020 was US$37 000 (FY19: US$14 000).

Discontinued long-term incentives ("old LTI")

Directors holding office during FY20 held the following share appreciation rights under the rules of the SARs scheme:

	Grant date	Grant price ZAR	SARs held at the beginning of the year	Exercised during the year	Lapsed during the year	SARs held at the end of the year
JP Montanana	14 May 15	35.79	**629 000**	**–**	**–**	**629 000**
	12 May 16	27.20	**1 122 269**	**–**	**(1 122 269)**	**–**
	28 Jul 17	34.94	**748 955**	**–**	**–**	**748 955**
Sub-total			**2 500 224**	**–**	**(1 122 269)**	**1 377 955**
IP Dittrich	12 May 16	27.20	**308 665**	**–**	**(308 665)**	**–**
	28 Jul 17	34.94	**230 039**	**–**	**–**	**230 039**
Sub-total			**538 704**	**–**	**(308 665)**	**230 039**
Total			**3 038 928**	**–**	**(1 430 934)**	**1 607 994**

The SARs granted in May 2016 did not meet their performance condition in May 2019 and hence they lapsed.

The SARs granted in May 2017 are not expected to meet their performance condition in May 2020 and hence they will lapse. Accordingly, the directors received no remuneration from the SARs scheme in FY20 and FY19.

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Discontinued long-term incentives ("old LTI") (continued)

Directors holding office during FY20 held the following conditional awards under the LTIP:

	Grant date	Awards held at the beginning of the year	Vested and settled during the year	Lapsed/ forfeited during the year	Awards held at the end of the year
JP Montanana	12 May 16	1 122 269	(561 134)	–	561 135
	28 Jul 17	748 955	–	–	748 955
Sub-total		1 871 224	(561 134)	–	1 310 090
IP Dittrich	12 May 16	231 499	(115 750)	–	115 749
	28 Jul 17	172 529	–	–	172 529
Sub-total		404 028	(115 750)	–	288 278
Total		2 275 252	(676 884)	–	1 598 368

The 2016 LTIP awards vested 50% in May 2019 and the other 50% is expected to vest 50% in May 2020. Accordingly, the value of the vesting is included in the directors' FY19 and FY20 LTI remuneration figure disclosed above.

The 2017 LTIP awards are expected to vest 100% in May 2020. Accordingly the value of the vesting is included in the directors' FY20 LTI remuneration figure disclosed above.

The final settlement under the deferred bonus plan 2005 ("old DBP") was made in June 2019 when matching shares were delivered to directors. The value of the performance condition based part of these matching shares (valued at the 30-day VWAP on 28 February 2019) was included in the directors' FY19 LTI figures in the table above: Jens Montanana: US$183 000; Ivan Dittrich US$84 000.

Notes **to the Group consolidated annual financial statements** continued

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27. FINANCIAL INSTRUMENTS

27.1 Financial risk management objectives

The management of financial risks relating to the operations of the Group is in line with the Group's decentralised business model with oversight through divisional audit, risk and compliance committee meetings. This is achieved through the use of internal risk analyses which analyse exposures by likelihood and magnitude of risks. These risks include market risk (including currency and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by matching assets and liabilities as far as possible or using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's internal policies applicable at subsidiary level. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

When appropriate, management reports regularly to the Group's Audit, Risk and Compliance Committee.

The Group's financial assets and liabilities consist mainly of cash and cash equivalents, accounts receivable, accounts payable and borrowings and leases.

27.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy with respect to the debt and equity balance remains unchanged from FY19. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 18 and 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital (see Note 17), reserves and retained earnings.

Gearing ratio

The Group's capital structure is reviewed on at least a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year-end was as follows:

	2020 US$'000	2019 US$'000
Long-term interest-bearing liabilities	**(18 638)**	(9 450)
Short-term interest-bearing liabilities	**(75 145)**	(100 702)
Lease liabilities	**(129 473)**	(30 982)
Net cash and cash equivalents	**83 389**	40 381
Net debt	**(139 867)**	(100 753)
Total equity attributable to the parent	**572 315**	648 927
Gearing ratio: debt-to-equity ratio	**(24%)**	(16%)

27.3 Categories of financial instruments

	2020 US$'000	2019 US$'000
Financial assets		
Financial assets at fair value through profit or loss*	**–**	14 012
Financial assets at amortised cost	**1 572 657**	1 709 059
Financial liabilities		
Financial liabilities at fair value through profit or loss	**(724)**	(2 407)
Financial liabilities at amortised cost	**(1 613 493)**	(1 675 838)
Other financial liabilities at fair value through profit or loss (designated)	**(5 490)**	(2 329)

** Included in financial assets at fair value through profit or loss in FY19 is the net earn-out receivable (refer to Note 36).*

There were no transfers between level 1 and level 2 during the year.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of accounts receivable and, where possible and appropriate, credit guarantee insurance cover is purchased. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Group defines counterparties as having similar characteristics if they are related entities.

There is one customer in Latin America, with a gross value of US$72.6 million (FY19: US$141.7 million), which represents more than 5% of the total balance of trade receivables. There has not been any change in the credit quality of this receivable and the amount is considered recoverable. The majority of the balance receivable is current and this receivable therefore presents a low risk. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with appropriate credit ratings assigned by international or recognised credit rating agencies. Concentration risk is monitored and addressed by management on an ongoing basis.

The carrying amount of financial assets recorded in the financial statements (see Note 27.3), which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. Further information on the concentration of credit risk is detailed in the following table:

	Level	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2020							
Financial assets at amortised cost							
Bonds		–	–	–	–	13 118	13 118
Finance lease receivables		–	1 681	33 601	410	–	35 692
Loans granted to third parties and other long-term assets due		326	–	4 059	4 018	1 057	9 460
Gross trade accounts receivable		80 274	182 228	565 878	173 670	137 962	1 140 012
Less: Expected credit loss allowances		(59)	(833)	(10 017)	(4 658)	(13 935)	(29 502)
Sundry receivables		10 055	28 885	13 577	2 744	1 427	56 688
Cash and cash equivalents at financial institutions		42 960	43 820	124 468	97 320	38 621	347 189
Derivative financial assets	2	–	–	–	–	–	–
Maximum on-balance sheet exposure		133 556	255 781	731 566	273 504	178 250	1 572 657
Financial guarantees		–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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27. FINANCIAL INSTRUMENTS (continued)

27.4 Credit risk management (continued)

	Level	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2019							
Financial assets at amortised cost							
Bonds		–	–	–	–	18 960	18 960
Finance lease receivables		174	3 469	15 527	–	–	19 170
Loans granted to third parties and other long-term assets due		53	–	2 562	157	1 866	4 638
Gross trade accounts receivable		84 244	253 362	603 691	207 256	141 961	1 290 514
Less: Expected credit loss allowances		(533)	(927)	(8 822)	(4 556)	(16 823)	(31 661)
Sundry receivables		15 537	17 374	20 814	6 401	2 912	63 038
Cash and cash equivalents at financial institutions		26 061	62 683	112 809	83 220	59 627	344 400
Financial assets at fair value through profit or loss							
Earn-out receivable	3	–	–	11 694	–	–	11 694
Derivative financial assets	2	–	2 318	–	–	–	2 318
Maximum on-balance sheet exposure		125 536	338 279	758 275	292 478	208 503	1 723 071
Financial guarantees		–	–	3 963	–	–	3 963

The carrying values of loans granted to third parties, other long-term assets due and sundry receivables balances approximates their fair value, therefore no fair value disclosures are provided.

The internal risk rating of loans granted to third parties and other long-term assets due and other receivables is "low risk" and these financial assets are considered to be performing.

The external credit ratings of the Group's main banks range from lower medium grade to high grade. The external credit risk rating of bonds is Ba3 – non-investment grade. There have been no defaults by the Angolan government on bond maturity in the past and the National Bank of Angola has been settling bonds as they fall due.

When measuring expected credit losses, the Group uses publicly available, reasonable forward-looking information. Expected credit losses are based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

For trade receivables, finance lease receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, which takes into consideration the payment profiles of these receivables over a period of 12 months in preceding financial years, the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group considers forward-looking information such as known changes in the macroeconomic environment of customers located in a certain geography, the deterioration in the Group's relationships or discussions with a particular customer. Consideration of these factors enables an estimation of future expected credit losses to be made. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. A default on a receivable occurs when the receivable fails to make contractual payments when they fall due.

The Group's trade receivables share similar risk characteristics by nature. The default percentages on outstanding trade receivables are determined based on the geographical regions of the trade receivables.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Credit risk management (continued)

In determining the possible extent of future credit losses as a consequence of COVID-19, the Group has performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity, related to COVID-19. While some of the scenarios suggest that further credit losses could be incurred if COVID-19 affects the ability of the Group's customer base to delay payment, there has been little evidence post-year-end to date to suggest any slow down in payment behaviour. Collections from customers subsequent to the year-end were in line with historic norms. Based on these subsequent receipts management has concluded that the likelihood of material expected credit losses is low.

Expected credit losses for finance lease receivables and contract assets are negligible and all balances are included in the "current" ageing per the Group's past due matrix. Note 15 includes further details on the loss allowance for trade receivables.

There has been no change in the estimation techniques or significant assumptions made during the year in assessing the credit losses for these financial assets.

US$244.3 million (FY19: US$283.4 million of which US$22.5 million in MEA was pledged against long-term interest-bearing liabilities and short-term interest-bearing funding) of trade receivables are pledged as collateral against long-term interest-bearing liabilities and bank overdrafts (refer to Notes 18.1 and 24).

There has not been any deterioration or changes in the collateral policies during the year, nor are there any financial instruments for which a loss allowance has not been recognised because of the collateral.

All significant customers are vetted by an external credit agency. In certain instances, customers with low credit ratings are investigated further and requests for collateral are made. Credit guarantees are sought for receivables over a certain credit limit. The Group makes use of credit insurance in many of its geographies. US$430.0 million (FY19: US$504.8 million credit insurance and US$191.9 million of credit guarantees) of credit insurance is held over trade receivables.

No material expected credit losses have been recognised for any financial assets, other than trade receivables.

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

Furthermore, there has been no material change to the Group's exposure to credit risks or the manner in which it manages and measures the risk.

27.5 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities and by continuously monitoring forecast and actual cash flows.

The Group is dependent on its bank overdrafts and trade finance facilities to operate. These facilities generally consist of either a fixed term or fixed period but are repayable on demand, are secured against the assets of the company to which the facility is made available and contain certain covenants including financial covenants such as minimum liquidity, maximum leverage and pre-tax earnings coverage. In certain circumstances, if these covenants are violated and a waiver is not obtained for such violation, this may, among other things, mean that the facility may be repayable on demand. Included in Note 24 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

In determining the extent of the possible effect of COVID-19, the Group has assessed liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing on various possible scenarios, varying in severity, related to COVID-19. The Group's liquidity is to a large degree impacted by customers continuing to pay their invoices. In the first two trading months of the FY21 year, customers have continued to pay largely in line with historic norms, and some suppliers have also been willing to provide extended payment terms where required. Depending on how severe the COVID-19 pandemic becomes, this may have an impact on customers' ability to pay, which could have a significant impact on future cash flows. The Group's forecasts and projections of its current and expected financial performance show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these annual financial statements.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

27. FINANCIAL INSTRUMENTS (continued)

27.5 Liquidity risk management (continued)

There was a technical breach of covenant in Westcon International's HSBC Invoice Finance facility in March 2019 relating to credit note dilution, as a result of higher than usual levels of credit notes issued, which self-corrected. The facility was not withdrawn as a result. As at 29 February 2020, no further breaches of covenants have been identified.

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Level	0 – 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	After 5 years US$'000	Total US$'000
2020						
Financial liabilities at amortised cost						
Long-term interest-bearing liabilities		**(24 394)**	**(15 379)**	**(3 169)**	**(90)**	**(43 032)**
Lease liabilities		**(34 325)**	**(30 067)**	**(50 375)**	**(14 706)**	**(129 473)**
Trade payables		**(928 201)**	**–**	**–**	**–**	**(928 201)**
Other payables and other financial liabilities*		**(198 236)**	**–**	**–**	**–**	**(198 236)**
Short-term interest-bearing liabilities		**(50 751)**	**–**	**–**	**–**	**(50 751)**
Bank overdrafts		**(263 800)**	**–**	**–**	**–**	**(263 800)**
Financial liabilities at fair value through profit or loss						
Amounts owing to vendors	**3**	**(3 438)**	**(2 052)**	**–**	**–**	**(5 490)**
Derivative financial liabilities	**2**	**(724)**	**–**	**–**	**–**	**(724)**
		(1 503 869)	**(47 498)**	**(53 544)**	**(14 796)**	**(1 619 707)**
Financial guarantees/commitments		**–**	**–**	**–**	**–**	**–**
2019						
Financial liabilities at amortised cost						
Long-term interest-bearing liabilities		(35 956)	(8 518)	(841)	(91)	(45 406)
Lease liabilities		(9 049)	(8 278)	(13 239)	(416)	(30 982)
Trade payables		(1 056 451)	–	–	–	(1 056 451)
Other payables and other financial liabilities*		(174 234)	–	–	–	(174 234)
Short-term interest-bearing liabilities		(64 746)	–	–	–	(64 746)
Bank overdrafts		(304 019)	–	–	–	(304 019)
Financial liabilities at fair value through profit or loss						
Amounts owing to vendors	3	(936)	(1 393)	–	–	(2 329)
Derivative financial liabilities	2	(2 349)	(58)	–	–	(2 407)
		(1 647 740)	(18 247)	(14 080)	(507)	(1 680 574)
Financial guarantees/commitments		(802)	–	–	(14)	(816)

** Other payables per Note 20 of US$330.8 million (FY19: US$302.5 million) less VAT/sales tax of US$37.9 million (FY19: US$29.9 million), short-term portion of share-based payments of US$2.7 million (FY19: US$6.7 million), accruals which are not financial instruments of US$56.2 million (FY19: US$55.9 million), other payables which are not financial liabilities of US$35.1 million (FY19: US$33.4 million) and derivative financial liabilities which are disclosed separately of US$0.7 million (FY19: US$2.4 million).*

The Group continues to actively monitor its exposure to liquidity risks and the manner in which it manages and measures the risk, particularly the inherent counterparty risk which may arise through the Group's dealings with financial institutions.

27. FINANCIAL INSTRUMENTS (continued)

27.6 Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 27.7) and interest rates (see Note 27.8). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- forward foreign exchange contracts ("FECs") to hedge the exchange rate risk arising on transactions denominated in foreign currency;
- a zero cost collar which offers protection against adverse currency moves beyond a certain level; and
- interest rate swaps to mitigate the risk of rising interest rates.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

27.7 Foreign exchange risk management

The Group operates in the global business environment and undertakes many transactions denominated in foreign currencies which exposes it to the risk of fluctuating exchange rates. The day-to-day management of foreign currency exchange risk is performed on a decentralised basis, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise FECs and zero cost collars. FECs require a future purchase or sale of foreign currency at a specified price. The Group does not trade in FECs for speculative purposes.

Fluctuations in exchange rates also affect the translation of the profits of subsidiaries whose functional currency is not the US Dollar. The most significant other currencies in which the Group trades are the Pound Sterling, the Euro, the Brazilian Real, the Australian Dollar and the South African Rand.

27.7.1 Foreign currency exposure analysis

The Group's operating companies have financial assets and liabilities that are denominated in multiple currencies, in many instances currencies other than their functional currencies. Differences arising from the translation of these foreign currency denominated financial assets and liabilities are recognised in the statement of comprehensive income as foreign exchange gains and/or losses.

Westcon International

Westcon International operates in the global business environment and undertakes many transactions denominated in foreign currencies. Westcon International is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise forward exchange contracts. Forward exchange contracts require a future purchase or sale of foreign currency at a specified price.

Datatec management has performed a review of foreign currency exposures of the financial assets and liabilities of Westcon International. In addition, the foreign exchange gains and/or losses in the statement of comprehensive income were reviewed to identify the regions with potential exposures. Where no natural hedges occur, Westcon International is adequately hedged in most regions. There were foreign exchange exposures found in Africa and the total exposure is US$6.2 million. A 10% movement will result in a US$0.6 million movement in the statement of comprehensive income.

Logicalis

Logicalis operates in the global business environment and undertakes many transactions denominated in foreign currencies. Logicalis is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise forward exchange contracts. Forward exchange contracts require a future purchase or sale of foreign currency at a specified price.

Datatec management has performed a review of foreign currency exposures of the financial assets and liabilities of Logicalis. In addition the foreign exchange gains and/or losses in the statement of comprehensive income were reviewed to identify the regions with potential exposures. Where no natural hedges occur, Logicalis is adequately hedged in most regions. The total exposure is US$20.5 million. A 10% movement will result in a US$2.1 million movement in the statement of comprehensive income.

10% represents a reasonable average year-on-year movement in the exchange rates of the Group's material currencies against the US Dollar.

Corporate, Management Consulting and Financial Services

Datatec management has performed a review of foreign currency exposures of the financial assets and liabilities of the Corporate, Management Consulting and Financial Services segment. There were no material foreign exchange exposures identified.

Notes **to the Group consolidated annual financial statements** continued

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27. FINANCIAL INSTRUMENTS (continued)

27.7 Foreign exchange risk management (continued)

27.7.2 Forward foreign exchange contracts

It is the policy of the Group to enter into FECs to cover certain specific foreign currency payments and receipts based on the known exposure generated. The Group also enters into FECs to manage the risk associated with anticipated sales and purchase transactions, with FECs ranging up to approximately six months and with cover up to 100% of the anticipated exposure generated. Obligations under open FEC contracts are detailed in Notes 27.4 and 27.5, as derivative financial assets and derivative financial liabilities respectively.

27.8 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates and defined risk appetite (see Note 27.5).

Interest rate sensitivity analyses

The analyses below sets out the sensitivity of the Group's variable rate financial assets and liabilities to movements in the applicable interest rates based on an average outstanding asset or liability calculated for the year. The applicable increase or decrease that represents management's assessment of the reasonably possible change in interest rates, is a 10% increase in the applicable variable interest rates across the Group. Interest rates in the Group vary due to the large number of geographic locations. Interest rates fluctuate more in certain regions due to economic uncertainty, particularly in emerging markets. Therefore, 10% has been chosen for the sensitivity analyses as it represents a reasonable average expected change in interest rates across the various regions in the Group.

Datatec Group

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$1.00 million (FY19: US$0.94 million decrease)

Westcon International

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$0.93 million (FY19: US$0.76 million decrease)

Logicalis

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$0.07 million (FY19: US$0.12 million decrease)

Corporate, Management Consulting and Financial Services

- Immaterial (FY19: US$0.30 million decrease)

	2020 US$'000	2019 US$'000
28. CASH GENERATED FROM OPERATIONS		
Profit before taxation+	**59 820**	35 909
Adjustment for:		
Unrealised foreign exchange losses/(gains)	**1 247**	(7 467)
Share-based payments	**7 623**	9 764
Share of equity-accounted investment losses	**204**	1 403
Depreciation and amortisation	**76 120**	38 338
(Profit)/loss on disposal of office furniture and equipment, computer equipment, leasehold improvements, motor vehicles and software	**(65)**	93
Profit on disposal of discontinued operations	**(1 332)**	(11 694)
Net movement in provisions	**(11 082)**	581
(Gain)/loss on disposal of investment	**(415)**	255
Net movements on expected credit loss allowances	**3 700**	3 817
Acquisition-related fair value adjustments	**(696)**	35
Cash payments to settle share-based payment obligations	**(1 574)**	(1 513)
Interest income	**(14 911)**	(9 568)
Finance costs*	**40 785**	32 145
Other non-cash items (individually immaterial)	**(1 086)**	(3 167)
Operating profit before working capital changes	**158 338**	88 931
Working capital changes:	**56 984**	(21 228)
Decrease/(increase) in inventories	**70 992**	(95 518)
Decrease/(increase) in receivables	**78 496**	(90 937)
(Decrease)/increase in payables	**(69 698)**	171 592
Increase in revenue-related assets	**(23 252)**	(17 234)
Increase in revenue-related liabilities	**446**	10 869
Decrease/(increase) in finance lease receivables	**247**	(1 408)
Other non-current assets and liabilities	**–**	2 695
	215 569	68 990

** Includes non-cash accruals.*
+ Includes both continuing and discontinued operations.

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

		2020 US$'000	2019 US$'000
29.	**TAXATION PAID**		
	Net taxation liability – at the beginning of the year	**(4 384)**	(6 069)
	Subsidiaries acquired	**(17)**	(199)
	Charge to profit or loss (excluding deferred taxation)	**(32 055)**	(38 523)
	Other movements and translation differences	**(1 071)**	1 876
	Net taxation liability – at the end of the year	**586**	4 384
		(36 941)	(38 531)
	Net taxation		
	Current tax assets	**16 091**	11 442
	Current tax liability	**(16 677)**	(15 826)
		(586)	(4 384)
30.	**ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**		
	Maintenance of operations:		
	Office furniture, equipment and motor vehicles	**930**	1 554
	Computer equipment	**5 575**	8 932
	Leasehold improvements	**1 343**	3 712
	Land and buildings	**–**	8
	Expansion of operations:		
	Office furniture, equipment and motor vehicles	**437**	279
	Computer equipment	**4 174**	8 078
	Leasehold improvements	**3 077**	872
	Land and buildings	**–**	334
		15 536	23 769
31.	**CASH FLOW ADDITIONAL NOTES**		
	31.1 Translation difference on cash and cash equivalents		
	The translation difference on the net cash/(overdraft) position is calculated on the combined cash resources and bank overdrafts of companies that hold cash in currencies other than the US Dollar	**3 099**	(15 116)

31. CASH FLOW ADDITIONAL NOTES (continued)

31.2 Reconciliation of liabilities arising from financing activities

	Opening balance as at 1 March 2019 US$'000	Financing cash (inflows)* US$'000	Financing cash outflows* US$'000	Non-cash changes: Acquisition of subsidiary US$'000	Non-cash changes: Foreign currency and other changes US$'000	Closing balance as at 29 February 2020 US$'000
Amounts owing to vendors	(2 329)	–	196	(4 186)	829	(5 490)
Long-term interest-bearing liabilities**	(45 406)	(16 002)	14 963	(145)	3 558	(43 032)
Unsecured loans	(30 948)	(16 002)	14 195	–	2 775	(29 980)
Secured loans	(14 458)	–	768	(145)	782	(13 052)
Lease liabilities***/****#	(30 982)	–	22 248	(1 216)	(119 523)	(129 473)
Short-term interest-bearing liabilities	(64 746)	(53 110)	61 620	–	5 485	(50 751)

* The cash flows from bank loans and other borrowings make up the net amount of proceeds and repayments in terms of short-term and long-term liabilities in the Group statement of cash flows under financing liabilities.
** Includes current portion (US$24.4 million – refer to Note 18).
*** The non-cash movement in leases include the IFRS 16 take on leases of US$94.6 million (refer to Note 37), finance cost related to finance leases of US$6.0 million (refer to Note 4), new leases, foreign currency and other movements.
**** Includes current portion (US$34.3 million – refer to Note 19).
# Cash outflows include US$6.0 million that is included in cash flows from operating activities.

32. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	2020 US$'000	2019 US$'000
Cash resources	347 189	344 400
Bank overdrafts	(263 800)	(304 019)
	83 389	40 381

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT

For management's internal purposes, the Group is currently organised into three operating divisions which are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

- Westcon International – distribution of security, collaboration, networking and data centre products and solutions;
- Logicalis – ICT infrastructure solutions and services; and
- Corporate, Management Consulting and Financial Services – includes strategic, trusted advisory, modelling and market intelligence services, financing/leasing business, Group head office companies and Group consolidation adjustments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

	Westcon International	
Condensed statement of comprehensive income	**2020 US$'000**	2019 US$'000
Revenue	**2 544 623**	2 544 774
EBITDA	**40 038**	5 565
North America	**–**	–
Latin America	**–**	–
Europe	**41 763**	18 248
Asia-Pacific	**18 622**	10 836
MEA	**8 767**	4 905
Datatec Group and divisional central costs	**(29 114)**	(28 424)
Depreciation and amortisation	**(21 066)**	(9 791)
Operating profit/(loss)	**18 972**	(4 226)
Interest income	**1 084**	1 491
Finance costs	**(14 733)**	(13 683)
Share of equity-accounted investment (losses)/earnings	**(398)**	(2 143)
Acquisition-related fair value adjustments	**–**	–
Other income/(expenses)	**918**	(97)
Gain/(loss) on disposal of investment	**415**	(255)
Profit/(loss) before taxation	**6 258**	(18 913)
Taxation	**(5 962)**	(3 271)
Profit/(loss) for the year from continuing operations	**296**	(22 184)
Profit for the year from discontinued operations	**–**	–
Profit/(loss) for the year	**296**	(22 184)

During FY20 and FY19, there were no customers that individually accounted for over 10% of the Group's revenue.

Logicalis		Corporate, Management Consulting and Financial Services		Datatec Group total	
2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
1 700 445	1 741 064	**59 777**	46 543	**4 304 845**	4 332 381
123 854	93 366	**(5 235)**	(12 170)	**158 657**	86 761
24 649	21 898	**129**	(259)	**24 778**	21 639
66 641	55 801	**249**	109	**66 890**	55 910
22 308	8 265	**4 504**	619	**68 575**	27 132
21 819	20 156	**1 375**	196	**41 816**	31 188
(573)	(290)	**1 924**	440	**10 118**	5 055
(10 990)	(12 464)	**(13 416)**	(13 275)	**(53 520)**	(54 163)
(51 567)	(27 417)	**(3 487)**	(1 130)	**(76 120)**	(38 338)
72 287	65 949	**(8 722)**	(13 300)	**82 537**	48 423
11 538	1 693	**2 289**	6 384	**14 911**	9 568
(25 608)	(18 455)	**(444)**	(7)	**(40 785)**	(32 145)
(181)	468	**375**	272	**(204)**	(1 403)
696	(35)	**–**	–	**696**	(35)
–	–	**–**	159	**918**	62
–	–	**–**	–	**415**	(255)
58 732	49 620	**(6 502)**	(6 492)	**58 488**	24 215
(21 949)	(12 317)	**(3 898)**	(5 371)	**(31 809)**	(20 959)
36 783	37 303	**(10 400)**	(11 863)	**26 679**	3 256
–	–	**1 332**	11 694	**1 332**	11 694
36 783	37 303	**(9 068)**	(169)	**28 011**	14 950

Notes to the Group consolidated annual financial statements continued

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33. SEGMENTAL REPORT (continued)

Revenue	Westcon International 2020 North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	–	–	1 536 170	599 985	408 468	–	2 544 623
Revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
Revenue from sales of hardware/direct product sales	–	–	1 014 622	376 940	263 650	–	1 655 212
Revenue from sales of software/ fulfilment product sales	–	–	422 620	203 356	99 445	–	725 421
Revenue from vendor resold services and product maintenance service	–	–	40 804	10 961	9 015	–	60 780
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Nature of revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
Principal	–	–	1 478 046	591 257	372 110	–	2 441 413
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Timing of revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
At a point in time	–	–	1 478 046	591 257	372 110	–	2 441 413
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Revenue from services	–	–	48 535	11 828	7 535	–	67 898
Revenue from professional services	–	–	48 535	11 828	7 535	–	67 898
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	–	–	48 535	11 828	7 535	–	67 898
Principal	–	–	48 535	11 828	7 535	–	67 898
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	–	–	48 535	11 828	7 535	–	67 898
At a point in time	–	–	48 535	11 828	7 535	–	67 898
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	–	–	22 348	21 914	30 091	–	74 353
Revenue from cloud services	–	–	22 348	21 914	30 091	–	74 353
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	–	–	22 348	21 914	30 091	–	74 353
Principal	–	–	22 348	21 914	30 091	–	74 353
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	–	–	22 348	21 914	30 091	–	74 353
At a point in time	–	–	22 348	21 914	30 091	–	74 353
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–

Westcon International 2019						
North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
–	–	1 613 905	593 450	337 419	–	2 544 774
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 136 097	412 585	223 897	–	1 772 579
–	–	410 258	175 661	102 117	–	688 036
–	–	40 065	11 089	6 665	–	57 819
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 586 420	599 335	332 679	–	2 518 434
–	–	–	–	–	–	–
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 586 420	599 335	332 679	–	2 518 434
–	–	–	–	–	–	–
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	4 376	–	64 428
–	–	–	–	939	–	939
–	–	–	–	–	–	–
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	5 315	–	65 367
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	5 315	–	65 367
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Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT (continued)

Revenue (continued)	North America US$'000	Latin America US$'000	Europe US$'000	Logicalis 2020 Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	419 637	613 827	407 903	252 551	6 593	(66)	1 700 445
Revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
Revenue from sales of hardware/direct product sales	258 209	334 018	164 061	139 568	1 087	(66)	896 877
Revenue from sales of software/ fulfilment product sales	46 783	336	49 242	10 944	708	–	108 013
Revenue from vendor resold services and product maintenance service	601	–	206	–	–	–	807
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Nature of revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
Principal	304 992	334 276	208 707	150 383	1 795	(66)	1 000 087
Agent	601	78	4 802	129	–	–	5 610
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Timing of revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
At a point in time	305 593	334 354	213 509	150 512	1 795	(66)	1 005 697
Over time	–	–	–	–	–	–	–
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
Revenue from professional services	39 647	141 180	69 296	32 209	1 068	–	283 400
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
Principal	39 647	136 727	69 296	32 209	1 068	–	278 947
Agent	–	4 453	–	–	–	–	4 453
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
At a point in time	–	–	–	–	–	–	–
Over time	39 647	141 180	69 296	32 209	1 068	–	283 400
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
Revenue from cloud services	24 425	702	9 941	12 858	1 458	–	49 384
Revenue from other services	50 302	137 591	115 697	56 990	2 272	–	362 852
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
Principal	58 074	137 212	107 336	64 801	3 730	–	371 153
Agent	16 653	1 081	18 302	5 047	–	–	41 083
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
At a point in time	–	–	–	–	–	–	–
Over time	74 727	138 293	125 638	69 848	3 730	–	412 236
Inter-segmental	–	–	–	–	–	–	–

			Logicalis 2019			
North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
406 172	639 826	450 276	242 458	2 332	–	1 741 064
298 507	399 193	243 176	145 495	418	–	1 086 789
255 743	398 696	199 723	137 187	308	–	991 657
43 223	497	43 243	8 410	110	–	95 483
736	–	264	–	–	–	1 000
(1 195)	–	(54)	(102)	–	–	(1 351)
298 507	399 193	243 176	145 495	418	–	1 086 789
298 966	398 543	241 039	145 979	418	–	1 084 945
736	650	2 191	(382)	–	–	3 195
(1 195)	–	(54)	(102)	–	–	(1 351)
298 507	399 193	243 176	145 495	418	–	1 086 789
299 702	399 193	243 230	145 597	418	–	1 088 140
–	–	–	–	–	–	–
(1 195)	–	(54)	(102)	–	–	(1 351)
39 939	115 689	82 675	30 456	315	–	269 074
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
39 939	115 677	82 675	30 456	315	–	269 062
–	12	–	–	–	–	12
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
18 932	1 031	11 486	11 941	659	–	44 049
48 794	123 913	112 939	54 566	940	–	341 152
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
51 223	124 238	110 136	63 119	1 418	–	350 134
16 503	706	14 289	3 388	181	–	35 067
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT (continued)

Revenue (continued)	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
	Corporate, Management Consulting and Financial Services 2020						
Revenue	3 991	1 611	32 560	9 268	12 347	–	59 777
Revenue from product sales	165	–	435	441	–	–	1 041
Revenue from sales of hardware/direct product sales	(165)	–	(9 547)	(18 088)	(1 267)	–	(29 067)
Revenue from sales of software/fulfilment product sales	–	–	(3 317)	(6 503)	(1)	–	(9 821)
Revenue from vendor resold services and product maintenance service	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Nature of revenue from product sales	165	–	435	441	–	–	1 041
Principal	(165)	–	(12 864)	(24 591)	(1 268)	–	(38 888)
Agent	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Timing of revenue from product sales	165	–	435	441	–	–	1 041
At a point in time	(165)	–	(12 864)	(24 591)	(1 268)	–	(38 888)
Over time	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
Revenue from professional services	2 514	1 519	28 481	7 670	11 681	–	51 865
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
Principal	2 514	1 519	28 481	7 670	11 681	–	51 865
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
At a point in time	–	–	–	–	–	–	–
Over time	2 514	1 519	28 481	7 670	11 681	–	51 865
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	1 312	92	3 644	1 157	666	–	6 871
Revenue from cloud services	–	–	–	–	–	–	–
Revenue from other services	1 312	92	3 644	1 157	666	–	6 871
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	1 312	92	3 644	1 157	666	–	6 871
Principal	1 312	92	3 644	1 157	666	–	6 871
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	1 312	92	3 644	1 157	666	–	6 871
At a point in time	1 312	92	3 644	1 157	666	–	6 871
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–

Corporate, Management Consulting and Financial Services 2019						
North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
4 285	1 944	24 530	7 939	7 845	–	46 543
–	–	–	–	–	–	–
(1 195)	–	(15 650)	(12 961)	(425)	–	(30 231)
–	–	(5 479)	(4 518)	(150)	–	(10 147)
–	–	–	–	–	–	–
1 195	–	21 129	17 479	575	–	40 378
–	–	–	–	–	–	–
(1 195)	–	(21 129)	(17 479)	(575)	–	(40 378)
–	–	–	–	–	–	–
1 195	–	21 129	17 479	575	–	40 378
–	–	–	–	–	–	–
(1 195)	–	(21 129)	(17 479)	(575)	–	(40 378)
–	–	–	–	–	–	–
1 195	–	21 129	17 479	575	–	40 378
4 285	1 944	24 530	7 939	7 845	–	46 543
4 285	1 944	24 530	7 939	7 845	–	46 543
–	–	–	–	–	–	–
–	–	–	–	–	–	–
4 285	1 944	24 530	7 939	7 845	–	46 543
4 285	1 944	24 530	7 939	7 845	–	46 543
–	–	–	–	–	–	–
–	–	–	–	–	–	–
4 285	1 944	24 530	7 939	7 845	–	46 543
–	–	–	–	169	–	169
4 285	1 944	24 530	7 939	7 676	–	46 374
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
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Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT (continued)

Revenue (continued)	Datatec Group total 2020 North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	423 628	615 438	1 976 633	861 804	427 408	(66)	4 304 845
Revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Revenue from sales of hardware/ direct product sales	258 044	334 018	1 169 136	498 420	263 470	(66)	2 523 022
Revenue from sales of software/ fulfilment product sales	46 783	336	468 545	207 797	100 152	–	823 613
Revenue from vendor resold services and product maintenance service	601	–	41 010	10 961	9 015	–	61 587
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Principal	304 827	334 276	1 673 889	717 049	372 637	(66)	3 402 612
Agent	601	78	4 802	129	–	–	5 610
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
At a point in time	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
Revenue from professional services	42 161	142 699	146 312	51 707	20 284	–	403 163
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
Principal	42 161	138 246	146 312	51 707	20 284	–	398 710
Agent	–	4 453	–	–	–	–	4 453
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
At a point in time	–	–	48 535	11 828	7 535	–	67 898
Over time	42 161	142 699	97 777	39 879	12 749	–	335 265
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
Revenue from cloud services	24 425	702	32 289	34 772	31 549	–	123 737
Revenue from other services	51 614	137 683	119 341	58 147	2 938	–	369 723
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
Principal	59 386	137 304	133 328	87 872	34 487	–	452 377
Agent	16 653	1 081	18 302	5 047	–	–	41 083
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
At a point in time	1 312	92	25 992	23 071	30 757	–	81 224
Over time	74 727	138 293	125 638	69 848	3 730	–	412 236
Inter-segmental	–	–	–	–	–	–	–

Datatec Group total 2019						
North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
410 457	641 770	2 088 711	843 847	347 596	–	4 332 381
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
254 548	398 696	1 320 170	536 811	223 780	–	2 734 005
43 223	497	448 022	179 553	102 077	–	773 372
736	–	40 329	11 089	6 665	–	58 819
–	–	–	–	–	–	–
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
297 771	398 543	1 806 330	727 835	332 522	–	3 563 001
736	650	2 191	(382)	–	–	3 195
–	–	–	–	–	–	–
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
–	–	–	–	–	–	–
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
44 224	117 633	155 765	49 887	12 536	–	380 045
–	–	–	–	939	–	939
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
44 224	117 621	155 765	49 887	13 475	–	380 972
–	12	–	–	–	–	12
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
–	–	48 560	11 492	5 484	–	65 536
44 224	117 633	107 205	38 395	7 991	–	315 448
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
18 932	1 031	11 486	11 941	659	–	44 049
48 794	123 913	112 939	54 566	940	–	341 152
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
51 223	124 238	110 136	63 119	1 418	–	350 134
16 503	706	14 289	3 388	181	–	35 067
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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33. SEGMENTAL REPORT (continued)

Condensed statement of financial position	Westcon International 2020 US$'000	Westcon International 2019 US$'000	Logicalis 2020 US$'000	Logicalis 2019 US$'000	Corporate, Management Consulting and Financial Services 2020 US$'000	Corporate, Management Consulting and Financial Services 2019 US$'000	Datatec Group total 2020 US$'000	Datatec Group total 2019 US$'000
Total assets	**1 155 583**	1 226 057	**1 303 083**	1 318 226	**137 860**	178 024	**2 596 526**	2 722 307
North America	**42 862**	37 792	**291 703**	276 961	**3 929**	4 982	**338 494**	319 735
Latin America	**–**	–	**490 609**	602 503	**614**	328	**491 223**	602 831
Europe	**716 668**	758 520	**343 288**	245 504	**106 657**	123 634	**1 166 613**	1 127 658
Asia-Pacific	**257 888**	273 016	**169 917**	187 455	**4 186**	4 112	**431 991**	464 583
MEA	**138 165**	156 729	**7 566**	5 803	**22 474**	44 968	**168 205**	207 500
Non-current assets (excluding financial instruments and deferred tax assets)	**63 228**	29 995	**324 856**	296 969	**34 123**	21 727	**422 207**	348 691
North America	**21 632**	12 644	**137 748**	133 725	**(114)**	34	**159 266**	146 403
Latin America	**–**	–	**43 701**	49 831	**–**	–	**43 701**	49 831
Europe	**31 706**	11 444	**111 656**	86 920	**32 654**	21 636	**176 016**	120 000
Asia-Pacific	**4 823**	3 649	**26 983**	22 886	**727**	17	**32 533**	26 552
MEA	**5 067**	2 258	**4 768**	3 607	**856**	40	**10 691**	5 905
Net cash resources	**(4 463)**	(94 360)	**12 600**	16 443	**75 252**	118 298	**83 389**	40 381
North America	**12 057**	18 657	**28 803**	(20 145)	**2 100**	2 548	**42 960**	1 060
Latin America	**–**	–	**811**	(2 328)	**–**	–	**811**	(2 328)
Europe	**(96 416)**	(171 792)	**(38 372)**	32 015	**57 600**	76 564	**(77 188)**	(63 213)
Asia-Pacific	**62 676**	53 559	**20 692**	6 103	**640**	1 199	**84 008**	60 861
MEA	**17 220**	5 216	**666**	798	**14 912**	37 987	**32 798**	44 001
Inventories	**174 618**	239 955	**78 653**	92 301	**–**	–	**253 271**	332 256
North America	**–**	–	**2 128**	5 367	**–**	–	**2 128**	5 367
Latin America	**–**	–	**45 377**	55 285	**–**	–	**45 377**	55 285
Europe	**117 305**	175 919	**7 765**	9 944	**–**	–	**125 070**	185 863
Asia-Pacific	**32 804**	44 947	**23 270**	21 659	**–**	–	**56 074**	66 606
MEA	**24 509**	19 089	**113**	46	**–**	–	**24 622**	19 135
Trade accounts receivable	**695 076**	768 932	**403 155**	478 273	**12 279**	11 648	**1 110 510**	1 258 853
North America	**(13)**	(41)	**79 766**	83 038	**462**	714	**80 215**	83 711
Latin America	**–**	–	**181 169**	252 285	**226**	149	**181 395**	252 434
Europe	**455 593**	494 429	**93 401**	94 676	**6 867**	5 764	**555 861**	594 869
Asia-Pacific	**119 471**	153 408	**47 912**	47 616	**1 629**	1 677	**169 012**	202 701
MEA	**120 025**	121 136	**907**	658	**3 095**	3 344	**124 027**	125 138
Total liabilities	**(985 859)**	(1 046 305)	**(926 877)**	(943 441)	**(40 697)**	(20 331)	**(1 953 433)**	(2 010 077)
North America	**(5 853)**	(6 808)	**(188 435)**	(191 291)	**(1 319)**	5 479	**(195 607)**	(192 620)
Latin America	**–**	–	**(312 071)**	(414 968)	**(104)**	(75)	**(312 175)**	(415 043)
Europe	**(681 184)**	(706 106)	**(322 863)**	(204 098)	**(34 613)**	(24 051)	**(1 038 660)**	(934 255)
Asia-Pacific	**(188 917)**	(198 327)	**(100 786)**	(131 533)	**(2 398)**	(1 207)	**(292 101)**	(331 067)
MEA	**(109 905)**	(135 064)	**(2 722)**	(1 551)	**(2 263)**	(477)	**(114 890)**	(137 092)
Trade and other payables and short-term interest-bearing liabilities	**(767 414)**	(792 174)	**(549 242)**	(648 633)	**(17 502)**	(18 823)	**(1 334 158)**	(1 459 630)
North America	**(2 914)**	(4 551)	**(147 515)**	(137 466)	**(599)**	(3 955)	**(151 028)**	(145 972)
Latin America	**–**	–	**(189 203)**	(285 909)	**(15)**	–	**(189 218)**	(285 909)
Europe	**(512 489)**	(497 772)	**(145 754)**	(161 780)	**(17 618)**	(17 525)	**(675 861)**	(677 077)
Asia-Pacific	**(168 042)**	(190 556)	**(65 642)**	(62 307)	**(1 149)**	(654)	**(234 833)**	(253 517)
MEA	**(83 969)**	(99 295)	**(1 128)**	(1 171)	**1 879**	3 311	**(83 218)**	(97 155)
Number of employees at the end of the year*	**3 281**	3 171	**7 339**	6 690	**304**	269	**10 924**	10 130

* *Includes both permanent employees and contractors.*

34. ACQUISITIONS OF SUBSIDIARIES

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired
Stelacon Holdings AB ("Stelacon")	Management Consulting	1 March 2019	100%
Mars Investment Holdings (Pty) Ltd ("Mars Technologies")	ICT consulting	30 June 2019	100%
Cilnet – Comunicações e Projectos Especiais S.A. ("Cilnet")	ICT consulting	2 September 2019	70%
Orange Networks GmbH ("Orange Networks")	ICT consulting	2 September 2019	100%

	2020					2019
	Mars Technologies	**Orange Networks**	**Cilnet**	**Stelacon**	**Total**	
	Fair value on acquisition US$'000	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	Total fair value on acquisition US$'000
Non-current assets	220	799	7 947	1 167	10 133	15 598
Plant and equipment	174	337	2 033	5	2 549	4 499
Capitalised development expenditure	–	–	28	–	28	734
Software	3	–	44	–	47	61
Intangible assets	43	462	2 197	1 162	3 864	8 070
Deferred tax assets	–	–	–	–	–	2 234
Other non-current assets	–	–	3 645	–	3 645	–
Current assets	501	471	7 832	756	9 560	30 142
Inventories	44	–	958	–	1 002	3 538
Trade and other receivables	316	464	6 104	518	7 402	23 212
Current tax assets	86	–	–	2	88	33
Cash and cash equivalents	55	7	770	236	1 068	3 359
Non-current liabilities	(476)	(353)	(1 585)	(393)	(2 807)	(6 676)
Long-term interest-bearing liabilities	(464)	(23)	(1 069)	(145)	(1 701)	(2 835)
Deferred tax liabilities	(12)	(139)	(460)	(248)	(859)	
Other non-current liabilities	–	(191)	(56)	–	(247)	(3 841)
Current liabilities	(330)	(1 914)	(11 773)	(506)	(14 523)	(24 473)
Trade and other payables	(286)	(1 301)	(6 833)	(410)	(8 830)	(19 998)
Provisions	–	–	–	–	–	(1 274)
Deferred revenue	–	–	(4 927)	(48)	(4 975)	–
Current tax liabilities	(44)	–	(13)	(48)	(105)	(232)
Bank overdrafts	–	(613)	–	–	(613)	(2 969)
	(85)	(997)	2 421	1 024	2 363	14 591
Goodwill on acquisition	455	3 915	7 043	1 603	13 016	13 090
Non-controlling interests recognised	–	–	(710)	–	(710)	459
Fair value of acquisition	370	2 918	8 754	2 627	14 669	28 140
Net (cash)/overdraft acquired	(55)	606	(770)	(236)	(455)	(390)
Deferred purchase consideration	(84)	(554)	(2 327)	(1 221)	(4 186)	(2 300)
Subsidiary shares issued	–	–	–	(728)	(728)	–
Net cash outflow for acquisitions	231	2 970	5 657	442	9 300	25 450

The above acquisitions represent the subsidiaries acquired during the year.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

34. ACQUISITIONS OF SUBSIDIARIES (continued)

The revenue and EBITDA included from these acquisitions in FY20 were US$23.3 million and US$2.6 million respectively; profit after tax included from these acquisitions was US$1.7 million. Had the acquisition date been 1 March 2019, the revenue and EBITDA would have been approximately US$42.8 million and US$4.9 million respectively. It is not practical to establish EBITDA and profit after tax that would have been contributed to the Group if they had been included for the entire year.

The initial amount of acquisition accounting for all of the acquisitions have been finalised at the date of the finalisation of these consolidated financial statements.

None of the goodwill raised on the aforementioned acquisitions will be deductible for tax purposes.

All trade receivables acquired are measured at amortised cost. The carrying value of trade receivables balances approximates its fair value, therefore no fair value disclosures are provided.

All identifiable intangible assets have been recognised and accounted for at fair value.

Acquisition-related costs, included in operating costs, for the year amounted to US$0.3 million.

The following acquisitions were concluded during the financial year ended 29 February 2020 and included in the table on the previous page:

Logicalis Group

Effective 30 June 2019, Logicalis SA (Pty) Ltd acquired 100% of the issued share capital of Mars Technologies, a South African IT services business, with offices in Cape Town, Johannesburg, Port Elizabeth, Durban and East London for US$0.4 million (including a deferred purchase consideration of US$0.1 million – refer to Note 21). With this acquisition, the Logicalis South African operation strengthens and expands its managed services offering to better serve its corporate customers and deliver new services to existing customers from both companies.

Logicalis Group purchased a 70% interest in Cilnet on 2 September 2019, a Cisco systems integrator and managed services business in Portugal, for US$8.8 million (including a deferred purchase consideration of US$2.3 million and US$0.7 million non-controlling interest that was raised at acquisition). The acquisition increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region. The company designs and integrates networking, data centre and contact centre solutions, complemented with security, managed services and application development skills.

In addition, Logicalis also acquired 100% of Orange Networks on 2 September 2019, a Microsoft services business focused on Microsoft cloud and managed services, with Germany-wide presence including Hamburg, Munich, Offenbach and Düsseldorf. The purchase price was US$2.9 million (including US$0.6 million deferred purchase consideration – refer to Note 21). This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering.

Analysys Mason

On 1 March 2019, Analysys Mason Limited acquired 100% of the issued share capital Stelacon, a Swedish consulting company, for US$2.6 million (including a deferred purchase consideration of US$1.2 million). This was an important further step in building a pan-Scandinavian presence, after Analysys Mason's successful expansion into Norway. Stelacon brings experience in areas including smart cities, regional development, digital services, policy and regulation, and telecoms and digital communication.

35. NON-WHOLLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Country of incor-poration and principal place of business	Ownership rights and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests – Datatec Group	
		2020 %	2019 %	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
PromonLogicalis Latin America Limited	UK	**35**	35	**8 284**	8 113	**52 726**	47 649
Westcon International, Limited	UK	**10**	10	**(456)**	(4 043)	**4 473**	5 861

During the year, Westcon SA Holdings (Pty) Ltd ("Westcon SA") changed its BBBEE partner which holds 40.005% of Westcon SA. Datatec Group has control over the new BBBEE fund. As a result of Datatec's control of Westcon SA's non-controlling interest, as at 29 February 2020, Westcon SA does not have a material non-controlling interest. The accumulated non-controlling interest attributable to Westcon SA in FY19 was a debit of US$3.4 million.

35. NON-WHOLLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(continued)

Summarised information in respect of the above subsidiary is shown below as at 29 February 2020 and 28 February 2019. The summarised financial information below represents amounts before inter-group eliminations.

	PromonLogicalis Latin America Limited		Westcon International, Limited	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Non-current assets	**50 170**	37 410	**89 854**	63 420
Current assets	**387 297**	526 584	**1 051 932**	1 135 251
Non-current liabilities	**(21 051)**	(14 783)	**(215 042)**	(184 234)
Current liabilities	**(283 992)**	(411 661)	**(904 811)**	(973 692)
Equity attributable to equity holders of the parent	**(85 411)**	(88 727)	**(26 645)**	(45 001)
Non-controlling interests	**(47 013)**	(48 823)	**4 712**	4 256
Revenue	**615 540**	640 322	**2 456 642**	2 484 979
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	**66 641**	55 764	**31 048**	3 086
Profit/(loss) for the year	**23 685**	23 387	**(13 226)**	(27 334)
Attributable to the owners of the parent	**15 401**	15 274	**(12 770)**	(23 291)
Attributable to non-controlling interests	**8 284**	8 113	**(456)**	(4 043)
Total comprehensive income/(loss)	**4 610**	(4 257)	**(18 812)**	(33 162)
Attributable to the owners of the parent	**2 876**	(2 993)	**(18 356)**	(29 119)
Attributable to non-controlling interests	**1 734**	(1 264)	**(456)**	(4 043)
Dividends paid to non-controlling interests	**2 031**	–	**–**	–
Net cash inflow	**133**	18 775	**87 169**	17 236
Net cash inflow from operating activities	**26 736**	28 507	**119 615**	(28 975)
Net cash (outflow)/inflow from investing activities	**(3 596)**	(37 103)	**(11 060)**	730
Net cash (outflow)/inflow from financing activities	**(23 007)**	27 371	**(21 386)**	45 481

There are no other material non-controlling interests within the Group.

36. DISCONTINUED OPERATIONS

	2020 US$'000	2019 US$'000
Profit for the period from discontinued operations		
Net earn-out receivable	**–**	11 694
Earn-out in respect of prior year disposal	**1 332**	–
	1 332	11 694

The result of the arbitration to determine the amount of the earn-out receivable relating to the disposal of Westcon Americas to SYNNEX was concluded on 29 May 2019. The arbitrator appointed by the parties to determine the quantum of the earn-out ruled that the amount of US$14 million was payable by SYNNEX to the Group.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

37. ADOPTION OF IFRS 16

The impact of the adoption of IFRS 16 in the FY20 year is disclosed below.

Reconciliation between operating lease commitments and lease liabilities recognised at the date of initial application

	Land and buildings US$'000	Office furniture, equipment and motor vehicles US$'000	Computer equipment US$'000	Total US$'000
Operating lease commitments disclosed as at 28 February 2019	**116 720**	**5 191**	**1 814**	**123 725**
Discounted using the lessees' incremental borrowing rates at the date of initial application	(12 246)	(353)	(50)	(12 649)
Less: low-value leases recognised on a straight-line basis as expense	72	(167)	(123)	(218)
Less: short-term leases recognised on a straight-line basis as expense	(286)	(76)	(325)	(687)
Less: adjustments as a result of a different treatment of extension and termination options	(1 407)	(3)	–	(1 410)
Less: translation and other movements	(8 149)	(450)	(535)	(9 134)
Lease liabilities recognised as at 1 March 2019	**94 704**	**4 142**	**781**	**99 627**

Lease liabilities as at 28 February 2019 amounted to US$30.982 million. Total lease liabilities as at 1 March 2019 amounted to US$130.609 million.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 28 February 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 March 2019.

Previous guidance issued by the Group estimated that lease liabilities of between US$110 million and US$125 million would be recognised. However, only US$95 million was recognised due to exchange rate fluctuations as well as an overestimation in Logicalis Europe.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019. Incremental borrowing rates have been determined based on country-specific factors and vary across the Group. The weighted average incremental borrowing rates applied to the lease liabilities on 1 March 2019 were:

- **Westcon International:** 4.79% and 10%
- **Logicalis:** 9%
- **Management Consulting:** 2.75%
- **Corporate:** 9.25%

The change in accounting policy affected the following items in the statement of financial position:

	1 March 2019 Increase/ (decrease)
ASSETS	
Right-of-use assets	94 570
Office furniture, equipment and motor vehicles	7 362
Computer equipment	298
Leasehold improvements	–
Land and buildings	86 910
Prepaid expenses	46
EQUITY AND LIABILITIES	
Lease liabilities	99 627
Operating lease smoothing liabilities	(5 011)
Distributable reserves	–

37. ADOPTION OF IFRS 16 (continued)

Pro forma information

The adoption of IFRS 16 from 1 March 2019 complicates performance comparison between the results of the current and prior financial year. To provide a more meaningful assessment of the Group's performance, *pro forma* information has been presented for the year ended 29 February 2020. The *pro forma* financial information as set out has been prepared for illustrative purposes and reflects the impact of IFRS 16 on the numbers disclosed on the statement of comprehensive income and statement of financial position as at 29 February 2020. The *pro forma* numbers represent the results and balance sheet position showing the impact on FY20 as if IFRS 16 had not been applied at 1 March 2019. IFRS 16 balances have been removed from the reported figures in order to determine the *pro forma* figures. These adjustments have been made to enable a like-for-like comparison to FY19 where IFRS 16 had not been applied.

The *pro forma* IFRS 16 information, which is the responsibility of the Datatec directors, has been compiled taking into account the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 (applicable criteria). The *pro forma* information does not constitute financial statements fairly presented in accordance with IFRS. The *pro forma* information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's statement of comprehensive income, salient financial features and statement of financial position. The Group's external auditor, Deloitte & Touche, has issued an unmodified assurance report on the *pro forma* IFRS 16 information on 26 May 2020. A copy of their report is available for inspection at the registered office of the Company.

Impact on current year results

The following tables show the impact of IFRS 16 on the numbers disclosed on the statement of comprehensive income and statement of financial position as at 29 February 2020. The *pro forma* numbers represent the results and balance sheet position showing the impact on FY20 as if IFRS 16 had not been applied at 1 March 2019. IFRS 16 balances have been removed from the reported figures in order to determine the *pro forma* figures to enable a like-for-like comparison to FY19 where IFRS 16 had not been applied.

US$'000	**Year ended February 2020 *Pro forma***	Year ended February 2020 Adjustments	Year ended February 2020 Reported	Year ended February 2019 Reported
Statement of comprehensive income				
Gross profit	**736 365**	5 213	741 578	687 744
Operating costs	**(601 542)**	29 944[1]	(571 598)	(569 896)
EBITDA	**123 500**	35 157	158 657	86 761
Depreciation	**(29 456)**	(30 546)[2]	(60 002)	(25 889)
Operating profit	**77 926**	4 611	82 537	48 423
Finance costs	**(36 197)**	(4 588)[3]	(40 785)	(32 145)
Profit before taxation	**58 465**	23	58 488	24 215
Profit for the year	**27 964**	47	28 011	14 950
Basic earnings per share from continuing operations (cents)	**6.1**	0.1	6.2	0.6
Statement of financial position				
Total assets	**2 517 562**	78 964	2 596 526	2 722 307
Property, plant and equipment and right-of-use assets	**47 455**	79 798[4]	127 253	60 306
Prepaid expenses and other receivables	**238 145**	(834)	237 311	232 965
Total equity	**(643 046)**	(47)[5]	(643 093)	(712 230)
Total liabilities	**(1 874 516)**	(78 917)	(1 953 433)	(2 010 077)
Long-term interest-bearing liabilities and leases	**(50 361)**	(63 425)[6]	(113 786)	(31 383)
Trade and other payables	**(1 264 836)**	5 823	(1 259 013)	(1 358 928)
Short-term interest-bearing liabilities and leases	**(88 156)**	(21 314)[6]	(109 470)	(109 751)
Salient financial features				
Headline earnings per share (cents)	**5.9**	0.0	5.9	0.7
Underlying earnings per share (cents)	**9.9**	0.0	9.9	6.6
Net asset value per share (cents)	**288.3**	0.0	288.3	297.5

[1] *Includes operating lease rentals that would have been incurred.*
[2] *Excludes depreciation of right-of-use assets of US$27.0 million. Depreciation of assets previously held under finance lease agreements has been included.*
[3] *Excludes IFRS 16-related finance costs.*
[4] *Excludes right-of-use assets and includes assets previously held under finance lease agreements.*
[5] *Total adjustments made to statement of comprehensive income.*
[6] *Excludes lease liabilities recognised as a result of IFRS 16.*

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

37. ADOPTION OF IFRS 16 (continued)

The number of shares in issue excluding treasury shares was 198 million and the weighted average number of shares in issue was 210 million.

These adjustments are of a continuing nature.

Impact on segmental reporting

EBITDA, operating profit, profit before taxation, segmental assets and liabilities increased for the period ended 29 February 2020, as a result of the change in accounting policy. The following segments were affected by the change:

	Westcon International Year ended February 2020 US$'000	Logicalis Year ended February 2020 US$'000	Corporate, Management Consulting and Financial Services Year ended February 2020 US$'000	Datatec Group total Year ended February 2020 US$'000
EBITDA	13 002	19 914	2 241	35 157
Depreciation	(11 591)	(16 927)	(2 028)	(30 546)
Operating profit	1 411	2 987	213	4 611
Finance costs	(1 872)	(2 398)	(318)	(4 588)
(Loss)/profit before taxation	(461)	589	(105)	23
Total assets	30 346	39 835	8 783	78 964
Total liabilities	(30 807)	(39 246)	(8 864)	(78 917)

38. SUBSEQUENT EVENTS

COVID-19

On 11 March 2020 the World Health Organization ("WHO") declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. This was followed by most countries in which the Group operates instituting "lockdown" restrictions to slow the spread of the disease. The Datatec Group responded by ensuring the safety and wellbeing of its employees and enabling working from home to maintain social distancing. Travel and face-to-face meetings were quickly reduced and eliminated completely in accordance with prevailing regulations. Most of the Group's business activities are able to continue under lockdown conditions and the provision of IT and communications equipment and services is often an essential component of the global response to the pandemic. The effect on the Group's business at the date of this report has been considered in detail by the Board in approving the annual financial statements for FY20. Please refer to Note 39 for detailed consideration of the ability of the Group to continue as a going concern.

The countries in which the Group operates are all in different stages of "lockdown", including travel, trade restrictions and social distancing measures. Outcomes range from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential global recession or recessions in countries in which the Group operate. At the same time, there a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. Datatec is monitoring the developments closely and continuously adjusting across all its operations. The Group follows guidelines from the WHO and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

As the WHO declared COVID-19 a global pandemic on 11 March 2020 after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. As a result the financial effects resulting from the impact of COVID-19 have not been reflected in the Group's financial statements as at 29 February 2020.

As the situation remains fluid and rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak may materially affect the consolidated results of the Group for the first half and full year of its FY21 financial year.

Westcon International facility

Westcon International extended its Europe Financing facility on 14 May 2020 (refer to Note 39).

Acquisition

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad for €7 million, a consultancy based in Bonn, Germany with an extensive track record in the telecommunications industry and long-term client relationships with Europe's leading telecom operators. Allolio&Konrad's services include the design, management and assurance of major business support systems and operational support systems transformation programmes and large-scale, multi-year IT strategy initiatives, alongside other solutions focused on performance and operations management. Due to the timing of this acquisition, the at acquisition accounting has not been finalised and the fair value assessments of assets and liabilities acquired are still in progress, thus the goodwill and intangible assets related to this acquisition have not been determined. Acquisition-related costs of €0.2 million have been incurred on this acquisition.

There are no other material subsequent events to report.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

39. GOING CONCERN

The Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its core segments to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing on various possible scenarios, varying in severity, related to COVID-19, which had been declared a global pandemic by the WHO on 11 March 2020. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group currently has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business.

Solvency

The Board has determined that the Group is solvent with net assets at 29 February 2020 of US$572.3 million (FY19: US$648.9 million) and tangible net assets of US$281 million (FY19: US$364.1 million). The Group is expected to remain solvent over the next 12 months.

This conclusion has been arrived at after applying the various sensitivity scenarios applied above.

Liquidity

In February 2020, Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities. It is used to fund working capital requirements and also includes a new acquisition credit line. In addition, the Latin American credit facilities are considered adequate in the current environment.

On 14 May, Westcon International extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced to US$224 million with effect from 4 June 2020, with an accordion facility to go up to US$280 million during the period November 2020 to February 2021 when working capital utilisation is typically at its highest. This extended facility is considered adequate for Westcon International's working capital requirements, based on prior year utilisation of the facility, as well as projected headroom as per the scenario modelling and stress testing.

The Group performed covenant projections to confirm that banking covenants are unlikely to be breached for the next 12 months.

39. GOING CONCERN continued

The Group's liquidity is dependent on customers continuing to pay their invoices. Between the reporting date and the authorisation date of these annual financial statements, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

Trade receivables and inventory are of a sound quality and adequate provisions have been recorded.

The Group's forecasts and projections of its current and expected financial performance, show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these annual financial statements.

Trading from 1 March 2020 to the date of this report

Trading has remained steady since the beginning of the FY21 financial year, although some delays and supply disruptions were experienced especially in countries with highly restrictive lockdowns. Initial indications are that Westcon International revenues and order intake for the first quarter of FY21 ("Q1 FY21") are similar to the same period last year. For Logicalis, order intake for Q1 FY21 is similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

Increased demand for the Group's technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, virtualisation, security and unified communications remains strong. The positioning of the Group's divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

Furthermore, the multi-year investment in systems and processes in Westcon International was a key enabler to move all of its employees to working remotely, with the exception of warehouse staff, who continue to work in the warehouses subject to increased safety protocols. Most of the Logicalis global workforce also successfully works from home in the current environment.

Conclusion

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations. As a result, it is appropriate to prepare these annual financial statements on a going concern basis. This is further supported by trading after the financial year-end, as outlined above.

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

40. CONSTANT CURRENCY

Pro forma financial information is included for the Group's revenue for the current reporting period, it had been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information").

The *pro forma* financial information, which is the responsibility of the Datatec directors, has been compiled taking into account the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 (applicable criteria). The *pro forma* information does not constitute financial statements fairly presented in accordance with IFRS. The *pro forma* information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's statement of comprehensive income, salient financial features and statement of financial position. The Group's external auditor, Deloitte & Touche, has issued an unmodified assurance report on the *pro forma* financial information on 26 May 2020. A copy of their report is available for inspection at the registered office of the Company.

To determine the revenues in constant currency terms, the current financial reporting period's monthly revenues in local currency have been converted to US Dollar at the average monthly exchange rates prevailing over the same period in the prior year. The average exchange rates of the Group's material currencies are listed below:

Average US Dollar exchange rates (US$)	FY20	FY19
British Pound/US Dollar	**1.27**	1.32
Euro/US Dollar	**1.11**	1.16
US Dollar/Brazilian Real	**4.06**	3.75
US Dollar/Australian Dollar	**1.46**	1.37
US Dollar/Singapore Dollar	**1.37**	1.36
US Dollar/South African Rand	**14.67**	13.56

Constant currency financial information

- In constant currency terms, Group revenues increased by 3.6% reflecting the impact of foreign currency translation effects on the results.
- In constant currency terms, Logicalis' revenue increased by 4.28% in FY20.
- In constant currency terms, Westcon's revenues increased by 2.7% and revenues in all regions except Europe, were up year-on-year.

Annexure 1 – Subsidiary companies

for the period ended 29 February 2020

Subsidiary companies	Notes	Nature of business	Country of incorporation	Datatec Group effective holding (% held) As at 29 February 2020	As at 28 February 2019
INCORPORATED IN AFRICA					
Analysys Mason Limited (Mauritius)		C	Mauritius	**82.90**	88.40
Westcon Africa (Kenya) Limited		D	Kenya	**89.99**	89.99
Westcon Africa (Mauritius) Limited		D	Mauritius	**89.99**	89.99
Westcon Africa (Morocco) SARL		D	Morocco	**90.00**	90.00
Westcon Africa Angola Limited		D	Angola	**89.99**	89.99
Westcon Africa Distribution (Nigeria) Limited		D	Nigeria	**89.99**	89.99
Westcon Emerging Markets Group (Pty) Ltd	5	D	South Africa	**90.00**	90.00
Westcon Group Shared Services (Pty) Ltd		D	South Africa	**90.00**	90.00
Westcon Namibia Distribution (Pty) Ltd		D	Namibia	**54.00**	54.00
WestconGroup SA (Pty) Ltd	1	D	South Africa	**44.01**	44.01
Clarotech Consulting (Pty) Ltd		I	South Africa	**100.00**	100.00
Clarotech Holdings (Pty) Ltd		I	South Africa	**100.00**	100.00
Logicalis SA (Pty) Ltd		I	South Africa	**100.00**	100.00
Mars Investment Holdings (Pty) Ltd		I	South Africa	**100.00**	n/a
Mars Network and Risk Services (Pty) Ltd		I	South Africa	**100.00**	n/a
Mars Technologies (Pty) Ltd		I	South Africa	**100.00**	n/a
INCORPORATED IN UK AND EUROPE					
Analysys Limited		C	United Kingdom	**82.90**	88.40
Analysys Mason AS		C	Norway	**82.90**	88.40
Analysys Mason Consulting AB (formerly Analysys Mason AB)		C	Sweden	**82.90**	88.40
Analysys Mason Holding AB		C	Sweden	**82.90**	88.40
Analysys Mason Limited		C	United Kingdom	**82.90**	88.40
Analysys Mason Limited		C	Ireland	**82.90**	88.40
Analysys Mason SAS		C	France	**82.90**	88.40
Analysys Mason Spain S.L.		C	Spain	**82.90**	88.40
Analysys Mason S.R.L.		C	Italy	**82.90**	88.40
Westcon Denmark ApS		D	Denmark	**90.00**	90.00
Westcon Group Africa Operations Limited		D	United Kingdom	**89.99**	89.99
Westcon Group Austria GmbH		D	Austria	**90.00**	90.00
Westcon Group European Operations Limited		D	United Kingdom	**90.00**	90.00
Westcon Group Germany GmbH		D	Germany	**90.00**	90.00
Westcon Group Italia S.R.L.		D	Italy	**90.00**	90.00
Westcon Group Middle East Holdings Limited		D	United Kingdom	**90.00**	90.00
Westcon Group Poland Sp. Z.O.O.		D	Poland	**90.00**	90.00
Westcon Group Portugal, Sociedade Unipessoal, Limitada		D	Portugal	**90.00**	90.00
Westcon International, Limited		D	United Kingdom	**90.00**	90.00
WGEO Switzerland GmbH		D	Switzerland	**90.00**	90.00
Datatec Financial Services Holdings Limited		F	United Kingdom	**100.00**	100.00
Datatec Financial Services Limited		F	United Kingdom	**100.00**	100.00
Datatec Group Finance Limited		F	United Kingdom	**100.00**	100.00
Cilnet – Comunicações e Projectos Especiais S.A.		I	Portugal	**70.00**	n/a
DX Net Limitada	4	I	Portugal	**35.70**	n/a
ITUMA GmbH		I	Germany	**51.00**	51.00
Logicalis Channel Islands Limited		I	Channel Islands	**100.00**	100.00

Annexure 1 – **Subsidiary companies** continued

for the period ended 29 February 2020

Subsidiary companies	Notes	Nature of business	Country of incorporation	Datatec Group effective holding (% held) As at 29 February 2020	As at 28 February 2019
INCORPORATED IN UK AND EUROPE (continued)					
Logicalis GmbH		I	Germany	**100.00**	100.00
Logicalis Group Finance Limited		I	United Kingdom	**100.00**	n/a
Logicalis Group Limited		I	United Kingdom	**100.00**	100.00
Logicalis Group Services Limited		I	United Kingdom	**100.00**	100.00
Logicalis Guernsey Limited		I	Channel Islands	**100.00**	100.00
Logicalis Ireland Limited		I	Ireland	**100.00**	100.00
Logicalis Jersey Limited		I	Channel Islands	**100.00**	100.00
Logicalis Limited		I	United Kingdom	**100.00**	100.00
Logicalis Networks GmbH		I	Germany	**100.00**	100.00
Logicalis Solutions Limited		I	Ireland	**100.00**	100.00
Logicalis Spain S.L.		I	Spain	**100.00**	100.00
Logicalis Technical Services Limited		I	Ireland	**100.00**	100.00
Logicalis Technology Limited		I	Ireland	**100.00**	100.00
Logicalis UK Limited		I	United Kingdom	**100.00**	100.00
Orange Networks 365 GmbH		I	Germany	**100.00**	n/a
Orange Networks GmbH		I	Germany	**100.00**	n/a
PromonLogicalis Latin America Limited		I	United Kingdom	**65.00**	65.00
Virtualization Limitada		I	Portugal	**52.50**	n/a
Datatec plc		O	United Kingdom	**100.00**	100.00
INCORPORATED IN US AND CANADA					
Access Markets International (AMI) Partners, Inc. (US)		C	USA	**82.90**	88.40
WG Services, Inc.		D	USA	**90.00**	90.00
Canada WGIT Services, Inc.		F	Canada	**90.00**	90.00
Datatec Financial Services, Inc.		F	USA	**100.00**	100.00
Logicalis, Inc.		I	USA	**100.00**	100.00
Logicalis South America, Inc.		I	USA	**65.00**	65.00
Logicalis US Holdings, Inc.		I	USA	**100.00**	100.00
NubeliU Limited	2	I	Cayman Islands	**33.15**	33.15
PLLAL International LLC.		I	USA	**65.00**	65.00
INCORPORATED IN LATIN AMERICA					
C2 Mining Solutions S.A.C.		I	Peru	**65.00**	65.00
Coasin Chile S.A.		I	Chile	**65.00**	65.00
Logicalis Andina Bolivia LAB. Limitada		I	Bolivia	**65.00**	65.00
Logicalis Andina S.A.C.		I	Peru	**65.00**	65.00
Logicalis Argentina S.A.		I	Argentina	**65.00**	65.00
Logicalis Chile S.A.		I	Chile	**65.00**	65.00
Logicalis Colombia S.A.S.		I	Colombia	**65.00**	65.00
Logicalis Ecuador S.A.		I	Ecuador	**65.00**	65.00
Logicalis Inc. S.A.		I	Uruguay	**65.00**	65.00
Logicalis Mexico, S. de R.L. de C.V.		I	Mexico	**65.00**	65.00
Logicalis Paraguay S.A.		I	Paraguay	**65.00**	65.00
Logicalis Puerto Rico Inc.		I	Puerto Rico	**65.00**	65.00
Logicalis Uruguay S.A.		I	Uruguay	**65.00**	65.00
NubeliU Argentina S.R.L.	2	I	Argentina	**33.15**	33.15
NubeliU Consultoria e Licenciamento de Software Limitada	2	I	Brazil	**33.15**	33.15
PromonLogicalis Tecnologia e Participações Limitada		I	Brazil	**65.00**	65.00
PTLS Serviços de Tecnologia e Assessoria Técnica Limitada		I	Brazil	**65.00**	65.00
WeService Serviços e Tecnologia Limitada		I	Brazil	**65.00**	n/a

Subsidiary companies	Notes	Nature of business	Country of incorporation	Datatec Group effective holding (% held) As at 29 February 2020	As at 28 February 2019
INCORPORATED IN AUSTRALIA AND NEW ZEALAND					
Westcon Group NZ Limited		D	New Zealand	**90.00**	90.00
Westcon Group Pty Ltd		D	Australia	**90.00**	90.00
Datatec Financial Services (NZ) Ltd		F	New Zealand	**100.00**	100.00
Datatec Financial Services Pty Ltd		F	Australia	**100.00**	100.00
Corporate Network Integration Pty Ltd		I	Australia	**100.00**	100.00
Thomas Duryea Logicalis Holdings Pty Ltd		I	Australia	**100.00**	100.00
Thomas Duryea Logicalis Pty Ltd		I	Australia	**100.00**	100.00
INCORPORATED IN BRITISH VIRGIN ISLANDS					
NetStar Group Holding Limited		I	British Virgin Islands	**100.00**	100.00
Datatec International Holdings Limited		O	British Virgin Islands	**100.00**	100.00
INCORPORATED IN ASIA					
Access Markets International (AMI) Pte. Limited		C	Singapore	**82.90**	88.40
Analysys Mason FZ LLC		C	United Arab Emirates	**82.90**	88.40
Analysys Mason India Pvt. Limited		C	India	**82.90**	88.40
Analysys Mason Limited		C	Hong Kong	**82.90**	88.40
Analysys Mason Pte. Limited		C	Singapore	**82.90**	88.40
PT Westcon International Indonesia (formerly PT. Westcon Group)		D	Indonesia	**90.00**	90.00
PT. Westcon Solutions		D	Indonesia	**90.00**	90.00
Westcon Doha LLC	3	D	Qatar	**44.10**	44.10
Westcon Group (Thailand) Co. Limited		D	Thailand	**88.20**	88.20
Westcon Group (Vietnam) Co. Limited		D	Vietnam	**90.00**	90.00
Westcon Group Pte. Limited		D	Singapore	**90.00**	90.00
Westcon Kuwait WLL	3	D	Kuwait	**44.10**	44.10
Westcon LLC		D	Oman	**90.00**	100.00
Westcon Middle East Bahrain WLL	3	D	Bahrain	**44.10**	44.10
Westcon Middle East Equipments Trading LLC	3	D	United Arab Emirates	**44.10**	44.10
Westcon Middle East FZE		D	United Arab Emirates	**90.00**	90.00
Westcon Middle East Limited		D	Kingdom of Saudi Arabia	**67.50**	67.50
Westcon Solutions (HK) Limited		D	Hong Kong	**90.00**	90.00
Westcon Solutions (M) Sdn. Bhd.		D	Malaysia	**90.00**	90.00
Westcon Solutions (Shanghai) Limited		D	China	**90.00**	90.00
Westcon Solutions IMH Pte. Limited		D	Singapore	**90.00**	90.00
Westcon Solutions Philippines, Inc.		D	Philippines	**90.00**	90.00
Westcon Solutions Pte. Limited		D	Singapore	**90.00**	90.00
WestconComstor International (India) Private Limited		D	India	**90.00**	n/a
Logicalis Hong Kong Limited		I	Hong Kong	**100.00**	100.00
Logicalis Malaysia Sdn. Bhd.		I	Malaysia	**100.00**	100.00

Annexure 1 – Subsidiary companies continued

for the period ended 29 February 2020

Subsidiary companies	Notes	Nature of business	Country of incorporation	Datatec Group effective holding (% held) As at 29 February 2020	As at 28 February 2019
INCORPORATED IN ASIA (continued)					
Logicalis Pte. Limited (Xiamen)		I	China	**100.00**	100.00
Logicalis Shanghai Limited		I	China	**100.00**	100.00
Logicalis Singapore Pte. Limited		I	Singapore	**100.00**	100.00
PT. Packet Systems Indonesia		I	Indonesia	**53.50**	53.50
Thomas Duryea Logicalis Asia Pacific MSC Sdn. Bhd.		I	Malaysia	**100.00**	100.00
Datatec International Services FZE		O	United Arab Emirates	**100.00**	100.00

Equity-accounted associates and joint ventures	Notes	Nature of business	Country of incorporation	Datatec Group effective holding (% held) As at 29 February 2020	As at 28 February 2019
INCORPORATED IN UK AND EUROPE					
Directus AS	6	C	Norway	**41.00**	–
Mason Advisory Limited	6	C	United Kingdom	**44.74**	44.74
Neteks Bilgisayar ve Dis Ticaret Limited Sti	6	D	Turkey	**–**	45.00
Neteks Teknologi Urunleri	6	D	Turkey	**–**	45.00
Neteks Iletisim Ürünleri Dagitim Anonim Sirketi (50% JV)	6	D	Turkey	**–**	45.00
INCORPORATED IN ASIA					
Neteks International FZE	6	D	United Arab Emirates	**–**	45.00
INCORPORATED IN US AND CANADA					
Westcon GDS LLC. (not material)	6	D	USA	**45.00**	45.00
Esource Resources, LLC.	6	I	USA	**45.00**	45.00

Only trading entities have been disclosed
C – Consulting Services
D – Distribution
F – Datatec Financial Services
I – ICT Solutions
O – Other holdings

NOTES TO ANNEXURE 1

Subsidiary companies

The annexure above illustrates the effective percentage shareholding of the Datatec Group in its subsidiaries. There are subsidiaries within the Group that have non-controlling interests and a number of these subsidiaries hold further investments that also have non-controlling interests. These entities are controlled by the Group and consolidated.

Note 1

Datatec Limited (the ultimate holding company) owns 90% of Westcon Emerging Markets Group (Pty) Ltd ("WEMG") and WEMG holds 59.995% of the shares of Westcon Southern Africa Holdings (Pty) Ltd. WEMG controls Westcon Southern Africa Holdings (Pty) Ltd.

Westcon Southern Africa Holdings (Pty) Ltd holds 81.5% of the shares in WestconGroup SA (Pty) Ltd and also controls WestconGroup SA (Pty) Ltd.

WEMG, Westcon Southern Africa Holdings (Pty) Ltd and WestconGroup SA (Pty) Ltd are consolidated in the Group's annual financial statements based on control as defined in terms of IFRS 10.

Note 2

Datatec Limited owns 100% of the issued share capital of Logicalis Group Limited which has a 65% interest in PromonLogicalis Latin America Limited ("PLLAL"). PLLAL owns a 51% interest in NubeliU Limited.

NubeliU Limited has a 100% interest in the share capital of each of the following:
- NubeliU I LLC. (inactive entity not included in subsidiary companies above); and
- NubeliU II LLC. (inactive entity not included in subsidiary companies above).

These two entities each own 50% of the share capital of NubeliU Argentina S.R.L. (50% each). These two entities each own 50% of the share capital of NubeliU Consultoria e Licenciamento de Software Limitada.

Logicalis Group Limited consolidates the above entities as it controls PLLAL as defined in IFRS 10.

Further, PLLAL controls NubeliU Limited and its underlying entities.

Note 3

Westcon Doha and Westcon Kuwait are 100% consolidated as the minority shareholders have no rights to obtain a share of profits.

Westcon has full management control in terms of their shareholder agreements of these entities.

Westcon Middle East Equipments Trading LLC and Westcon Middle East Bahrain WLL are 100% consolidated as Westcon has full control over these entities in terms of the shareholder agreements.

Note 4

During the year, Logicalis Group Limited acquired 70% of the issued share capital of Cilnet – Comunicações e Projectos Especiais S.A. ("Cilnet"). Cilnet owns 51% of the issued share capital of DX Net Limitada.

Logicalis Group Limited consolidates Cilnet as it has control over this subsidiary in terms of the requirements of IFRS 10.

Logicalis Group Limited also consolidates DX Net Limitada as Cilnet has control over DX Net Limitada in terms of the requirements of IFRS 10.

Note 5

During the year, WEMG, a subsidiary of the Datatec Group, made a capital investment in Ascension Fund No 5 LLP ("the fund"), the BBBEE partner of Westcon Southern Africa Holdings (Pty) Ltd (South Africa). WEMG has control over the fund. This fund is consolidated in the Datatec Group financial statements.

Note 6: Equity-accounted associates and joint ventures

Neteks was disposed of during FY20. Refer to Note 11 for further details.

During the year, the Management Consulting division acquired 41% of shares in Directus AS. Directus AS is equity-accounted in Datatec Group's annual financial statements.

Refer to Note 11 for material equity-accounted investments and joint ventures.

Notice **of Annual General Meeting**

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

Notice is hereby given that the Annual General Meeting ("Meeting") of shareholders of Datatec will be held at 14:00 on Wednesday, 29 July 2020. This Meeting will be conducted entirely by electronic communication with shareholder participation and voting expected to be online through the use of a virtual meeting platform (the "virtual meeting platform") provided by The Meeting Specialists Proprietary Limited ("TMS" or "the Scrutineers").

The Board of directors ("the Board"), in accordance with section 63(2)(a) of the Companies Act, No 71 of 2008, as amended ("Companies Act") and the Company's Memorandum of Incorporation ("MoI"), have resolved to convene the Meeting entirely by electronic communication due to the impact of the COVID-19 pandemic and the resultant measures put in place by the South African government to slow its spread. As you know, in response to the COVID-19 outbreak, on 15 March 2020 the South African government declared a state of disaster and introduced a number of measures aimed at combatting the COVID-19 pandemic. These measures include a nationwide lockdown with stringent restrictions on non-essential travel and a prohibition of gatherings by large groups of people. In light of the health risks posed by COVID-19 and the abovementioned measures introduced by government, the Board has resolved that, in the interests of the safety of all shareholders and to ensure compliance with the measures put in place by government, the Company will conduct the Meeting entirely by electronic communication and not as a physical annual general meeting as has been the case in previous years. Please see below for further details regarding the electronic participation instructions and guidelines, and should you have any further questions, please send an email to **ir@datatec.com**.

The Meeting will be held for the purpose of: (i) considering the following business to be transacted and voting on the resolutions, with or without modification, in the manner required by the Companies Act, as read with the Listings Requirements of the JSE Limited ("JSE") ("Listings Requirements"), and (ii) deal with such other business as may lawfully be dealt with at the Meeting:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

"To present Datatec's audited annual financial statements for the year ended 29 February 2020, including the directors' report, the Audit, Risk and Compliance Committee report, and Group audited annual financial statements for the year ended 29 February 2020; all of which are contained from pages 134 to 241 of the Investor Information."

2. THE SOCIAL AND ETHICS COMMITTEE REPORT

"Please refer to page 86 of the Investor Information for the Social and Ethics Committee report. The Chairman of the Social and Ethics Committee is available to report to the shareholders at the Meeting."

3. RE-ELECTION OF DIRECTOR

Ordinary resolution number 1

"Resolved that Mr SJ Davidson who retires in terms of the MoI and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

The Company is seeking a final re-appointment for Mr Davidson with the intention that a successor as Chairman of the Board will be identified early in his term, enabling him to retire as a director of the Company within two years of his re-election.

Please refer to page 22 of the Integrated Report for Mr Davidson's brief *curriculum vitae*. On behalf of the Board, the senior independent non-executive director of the Company confirms that, on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of Mr Davidson throughout his period of office was highly satisfactory.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

4. RE-ELECTION OF DIRECTOR

Ordinary resolution number 2

"Resolved that Mr JF McCartney who retires in terms of the MoI and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

The Company is seeking a final re-appointment for Mr McCartney with the intention that he will retire as a director of the Company within one year of his re-election.

Please refer to page 23 of the Integrated Report for Mr McCartney's brief *curriculum vitae*. On behalf of the Board, the Chairman confirms that, on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of Mr McCartney throughout his period of office was highly satisfactory.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

5. RE-ELECTION OF DIRECTOR

Ordinary resolution number 3

"Resolved that Ms E Singh-Bushell who retires in terms of the MoI and who offers herself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 22 of the Integrated Report for Ms Singh-Bushell's brief *curriculum vitae*. On behalf of the Board, the Chairman confirms that, on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of Ms Singh-Bushell throughout her period of office was highly satisfactory.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

6. ELECTION OF DIRECTOR

Ordinary resolution number 4

"Resolved that Mr CRK Medlock, who has been appointed by the Board on 1 January 2020, be and is hereby elected as a director of the Company."

On behalf of the Board, the Chairman confirms that Mr Medlock's extensive experience in technology, media and telecoms as well as his finance background will make a significant contribution to Datatec.

Please refer to page 23 of the Integrated Report for Mr Medlock's brief *curriculum vitae*. On behalf of the Board, the Chairman confirms that the performance and commitment of Mr Medlock throughout his period of office was highly satisfactory.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

7. APPOINTMENT OF INDEPENDENT AUDITORS

Ordinary resolution number 5

"Resolved that PricewaterhouseCoopers Incorporated and Mr Berno Niebuhr as the designated auditor, as recommended by the current Audit, Risk and Compliance Committee of the Company, be appointed as auditors of the Company from the conclusion of this Meeting until the conclusion of the next Meeting."

The current Audit, Risk and Compliance Committee of the Company has nominated PricewaterhouseCoopers Incorporated and Mr Niebuhr for appointment as auditors of the Company and have further evaluated their suitability for appointment in accordance with the Listings Requirements.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

Notice **of Annual General Meeting** continued

8. ELECTION OF AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS

Ordinary resolution number 6

"Resolved that the Audit, Risk and Compliance Committee be elected to serve from this Meeting to the 2021 Meeting by separate election to the committee of the following independent non-executive directors:

6.1 Mr MJN Njeke

6.2 Ms E Singh-Bushell (subject to resolution number 3 above)

6.3 Mr CRK Medlock (subject to resolution number 4 above)"

Please refer to pages 22 and 23 of the Integrated Report for Mr Njeke's, Ms E Singh-Bushell's and Mr Medlock's brief *curricula vitae*. On behalf of the Board, the Chairman confirms that each candidate for election to the Audit, Risk and Compliance Committee has the relevant knowledge and experience to discharge their role effectively and that the performance of each candidate in the service of the Audit, Risk and Compliance Committee to the date of this notice has been highly satisfactory.

In order for each of the above resolutions to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

9. NON-BINDING ADVISORY VOTES ON REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION

Ordinary resolution number 7

"Resolved that the remuneration policy of the Company as reflected on pages 103 to 113 of the Investor Information, be and is hereby endorsed through a non-binding advisory vote as recommended by King IV™."

Ordinary resolution number 8

"Resolved that the remuneration implementation report of the Company as reflected on pages 114 to 124 of the Investor Information, be and is hereby endorsed through a non-binding advisory vote as recommended by King IV™."

Explanatory note on ordinary resolutions numbers 7 and 8

In terms of Principle 14 of King IV™, the Company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the Meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the Company and on the implementation thereof. Shareholders are requested to endorse the Company's remuneration policy set out in the Investor Information.

10. APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

Special resolution number 1

"Resolved that the Board and committee fees for non-executive directors for the financial year ending 28 February 2021, as recommended by the Remuneration Committee and set out in the note below, be and are hereby authorised, in accordance with the provisions of the Companies Act, and that the Company may continue to pay directors' fees at the annual rates specified in the note below for the period from 29 February 2020 until the Company's 2021 Meeting.

Directors' fees:

- Chairman of the Board: US$201 552 (total fee inclusive of all committee and subsidiary board work)
- Senior non-executive director's fee: US$74 256
- Non-executive director's fee: US$63 648
- Chairman of the Audit, Risk and Compliance Committee: US$31 824
- Member of the Audit, Risk and Compliance Committee: US$15 912
- Chairman of the Social and Ethics Committee: US$10 608
- Chairman of the Remuneration Committee: US$15 912
- Member of the Remuneration Committee: US$7 956
- Member of the Nominations Committee: US$5 304
- Chair of Trustees of the Datatec Educational and Technology Foundation: US$12 000."

Reason for special resolution number 1

The Companies Act requires shareholder approval of directors' fees prior to payment of such fees. The fees are unchanged from the levels approved at the previous Meeting.

In terms of the Companies Act, 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at this Meeting must be cast in favour of this resolution for it to be adopted.

Notice **of Annual General Meeting** continued

11. AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO ANY GROUP COMPANY

Special resolution number 2

"Resolved that, to the extent required by sections 44 and/or 45 of the Companies Act, the Board may, subject to the provisions of the Companies Act, the Company's MoI and the requirements of any recognised stock exchange on which the shares in the capital of the Company may from time to time be listed, authorise the Company to provide direct or indirect financial assistance to any related or inter-related (as defined in the Companies Act) company or corporation of the Company, on terms and conditions which the directors may determine, commencing on the date of passing of this resolution and ending at the next Meeting."

Reason for special resolution number 2

In terms of the Companies Act, the Board may authorise the Company to provide any financial assistance in terms of sections 44 and/or 45 of the Companies Act to any related or inter-related company or corporation of the Company, subject to certain requirements set out in the Companies Act, including the Company meeting the solvency and liquidity test. This general authority would greatly assist the Company *inter alia* with making inter-company loans to Group companies as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general shareholder authority would avoid the need to refer each instance to members for approval which might impede the negotiations and add time and expense. If approved, this general authority will expire at the next Meeting.

Notification

Written notice in terms of section 45(5) of the Companies Act of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees:

- within 10 business days after the Board adopts the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds one-tenth of 1% (one percent) of the Company's net worth at the time of the resolution; or
- within 30 business days after the end of the financial year, in any other case.

In terms of the Companies Act, 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at the Meeting must be cast in favour of this resolution for it to be adopted. The Board will pass a similar financial assistance resolution on or after the date of this Meeting.

12. GENERAL AUTHORITY TO REPURCHASE SHARES

Special resolution number 3

"Resolved that the Board be authorised by way of a general authority given as a renewable mandate, to facilitate the acquisition by the Company and/or a subsidiary of the Company of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MoI, the provisions of the Companies Act and the Listings Requirements, when applicable and provided that:

(a) an announcement giving such details as may be required in terms of the Listings Requirements be released on SENS when the Company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the shares of the Company in issue as at the time the general authority was granted and for each 3% (three percent) in aggregate of the initial number of shares acquired thereafter;

(b) the authorisation granted above shall remain in force from the date of passing of this special resolution for a period of 15 (fifteen) months or until the next Meeting, whichever period is shorter;

(c) at any point in time, the Company will only appoint one agent to effect any repurchase(s) on its behalf;

(d) the Company or its subsidiary shall not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements unless the repurchase is done in accordance with the provisions of the Listings Requirements, including, but not limited to, a repurchase programme being in place, where dates and quantities of shares to be traded during the prohibited period are fixed (not subject to any variation) and full details of the programme being disclosed to the JSE in writing prior to the commencement of the prohibited period, as required and the Company having instructed an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(e) the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

(f) the repurchase by the Company of its own securities above may not exceed 20% (twenty percent) of the Company's issued ordinary share capital in the aggregate in any one financial year, as at the beginning of the financial year, or in the case of acquisition by any of the Company's subsidiaries, 10% (ten percent) of such issued ordinary share capital in the aggregate if such shares are to be held as treasury shares;

(g) any such general repurchase will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);

(h) any such repurchases are subject to exchange control approval at that point in time;

(i) in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company or a subsidiary of the Company; and

(j) a resolution has been passed by the Board confirming that the Board has authorised the general repurchase, that the Company has passed the solvency and liquidity test as required by the Companies Act and since the test was done there have been no material changes to the financial position of the Group."

At least 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at the Meeting must be cast in favour of this resolution in terms of the Listings Requirements in order for it to be adopted.

Notice of Annual General Meeting continued

Additional disclosure

For purposes of considering special resolution number 3 and in terms of the Listings Requirements, the information below has been included in the Investor Information, in which this notice of Meeting is included, at the places indicated:

- Major shareholders (refer to page 253 of the Investor Information); and
- Share capital of the Company (refer to page 141 of the Investor Information).

The Company will not commence a general repurchase of shares as contemplated above unless the following can be met:

- the Company and the Group will be able to repay its debts in the ordinary course of business for a period of 12 (twelve) months following the date of the general repurchase;
- the Company and the Group's assets will be in excess of the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the repurchase.

Any decision by the Board involving a repurchase by the Company of more than 5% (five percent) of the issued shares of any class will be subject to the requirements of sections 48, 114 and 115 of the Companies Act, including the distribution of a circular to the shareholders of the Company in compliance with the Companies Act and the Listings Requirements, seeking the approval of the shareholders for such repurchase.

Reason and effect

The reason and effect for special resolution number 3 is to authorise the Company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above.

Statement of Board's intention

The Board intends to use the shareholder authority which this resolution would provide to undertake the repurchase having regard to prevailing circumstances, market conditions as well as the Company's liquidity requirements.

Directors' responsibility statement

The directors, whose names are given on page 254 of the Investor Information, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the Listings Requirements.

Material changes

There have been no material changes in the affairs or financial position of the Company and/or the Group since the date of signature of the audit report up to the date of this notice.

13. AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

Ordinary resolution number 9

"Any director of the Company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary resolution numbers 1 to 8 and special resolution numbers 1 to 3 passed at the Meeting."

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the Meeting is required.

14. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to receive notice of the Meeting is Friday, 19 June 2020.

VOTING AND PROXIES

Record date and proxies

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to attend and vote at the Meeting is Friday, 17 July 2020. Accordingly, the last day to trade for the purposes of being entitled to attend and vote at the Meeting is Tuesday, 14 July 2020.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Meeting (in each case via the virtual meeting platform) and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder of the Company. Forms of proxy must be forwarded to reach the registered office of the Company or The Meeting Specialists (Pty) Ltd, JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or posted to The Meeting Specialists (Pty) Ltd at PO Box 62043, Marshalltown, 2107, South Africa or emailed to **proxy@tmsmeetings.co.za**, so as to be received by them, for administrative purposes, by no later than 14:00, on Monday, 27 July 2020. Any forms of proxy not lodged by this time may be emailed to **proxy@tmsmeetings.co.za** prior to the commencement of the Meeting.

Forms of proxy must only be completed by shareholders who have dematerialised their shares with "own name" registration or who have not dematerialised their shares.

Every member attending the Meeting personally or by proxy and entitled to vote at the Meeting of the Company shall have one vote only irrespective of the number of shares such member holds. In the event of a poll, every member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such member bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, who are unable to attend the Meeting but wish to be represented thereat, should contact their central securities depository participant ("CSDP") or broker (as the case may be) in the manner and time stipulated in their agreement entered into by such shareholder and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such shareholders wish to attend the Meeting, to obtain the necessary authority to do so. Such shareholders who wish to attend the Meeting in person (via the virtual meeting platform) must obtain the necessary letter of representation from their CSDP or broker.

Shares held by a share trust or scheme will not have their votes at meetings taken into account for the purposes of resolutions proposed in terms of the Listings Requirements.

Notice **of Annual General Meeting** continued

Electronic participation in the 2020 Meeting

All shareholders who wish to attend the Meeting are required to participate in the Meeting by way of electronic participation, and are required to send a notice in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the Scrutineers, at The Meeting Specialists Proprietary Limited, JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or post to The Meeting Specialists Proprietary Limited at PO Box 62043, Marshalltown, 2107, South Africa email or email **proxy@tmsmeetings.co.za**. The written notification must be received by the Scrutineers at least seven (7) business days prior to the Meeting (thus Tuesday, 21 July 2020) for the Scrutineers to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the Scrutineers to provide the shareholder (or representative or proxy) with details on how to access the Meeting by means of electronic participation. The written notification should contain the following:

- a certified copy of the shareholder's identification document or passport if the shareholder is an individual;
- a certified copy of a resolution of letter of representation given by the holder if you are a company or juristic person, and certified copies of identity document or passports of the persons who passed the resolution; and
- a valid email address and/or telephone number.

Participants who have complied with the notice requirement above will be contacted between Thursday, 23 July 2020 and Tuesday, 28 July 2020, and provided the relevant connection details as well as the passcodes through which they or their proxy(ies) can participate via electronic communication and of the process for participation via a unique link to the email/cellphone number provided in the notification.

It is recommended that shareholders log into the online platform at least 15 minutes prior to the scheduled start time for the Meeting. Should shareholders require assistance with accessing the online platform, they can call the following helpline: **+2781 711 4255**.

Shareholders will be able to view a live webcast of the Meeting, ask directors questions online in written format or verbally and submit your votes in real time if the shareholder has not already voted through their CSDP or broker.

The cost of accessing any means of electronic participation provided by the Company will be borne by the Company.

By order of the Board
SP Morris
For and on behalf of
Datatec Management Services (Pty) Ltd
Company Secretary

Sandton
25 June 2020

Form **of proxy**

DATATEC LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1994/005004/06
JSE code: DTC
ISIN: ZAE000017745
("the Company")

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

I/We

Telephone number:

Cellphone number:

Email:

of

being a member/members of the above mentioned Company, hereby appoint:

or failing him/her,

or failing him/her, the Chairperson of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 14:00 on Wednesday, 29 July 2020 and at any adjournment of that meeting.

Signed at this day of 2020

Signature

No	Type	Please indicate with an "X" in the appropriate space on the right how you wish your votes to be cast. If you return this form duly signed, without any specific direction, the proxy shall be entitled to vote as he/she thinks fit.	In favour of resolution	Against resolution	Abstain from voting
3.	O1	Re-election of SJ Davidson			
4.	O2	Re-election of JF McCartney			
5.	O3	Re-election of E Singh-Bushell			
6.	O4	Election of CRK Medlock			
7.	O5	Appointment of independent auditors			
8.	O6	Election of Audit, Risk and Compliance Committee members:			
		6.1 Election of MJN Njeke			
		6.2 Election of E Singh-Bushell			
		6.3 Election of CRK Medlock			
9A.	O7	Non-binding advisory vote on remuneration policy			
9B.	O8	Non-binding advisory vote on remuneration implementation			
10.	S1	Approval of non-executive directors' fees			
11.	S2	Authority to provide financial assistance to any Group company			
12.	S3	General authority to repurchase shares			
13.	O9	Authority to sign all documents required			

O = Ordinary
S = Special

Notes **to the form of proxy**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered member of the Company.
2. Every member attending the Annual General Meeting personally or by proxy and entitled to vote at the Annual General Meeting of the Company shall, have one vote only irrespective of the number of shares such member holds. In the event of a poll, every member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such member bears to the aggregate amount of the nominal value of all the shares issued by the Company.
3. Members registered in their own name are members who elected not to participate in the issuer-sponsored nominee programme and who appointed Computershare Investor Services Proprietary Limited as their central securities depository participant ("CSDP") with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

Instructions on signing and lodging the form of proxy:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the Chairperson of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. To be valid, the completed forms of proxy must be lodged with The Meeting Specialists (Pty) Ltd, JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or posted to The Meeting Specialists (Pty) Ltd at PO Box 62043, Marshalltown, 2107, South Africa or emailed to proxy@tmsmeetings.co.za, or call The Meeting Specialists on +27 11 520 7952/0/1, so as to be received by them, for administrative purposes, by no later than 14:00, on Monday, 27 July 2020. Any forms of proxy not lodged by this time must be received by the chairperson of the Annual General Meeting in a timely manner.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Chairperson of the Annual General Meeting.
5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

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

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

   Members who have dematerialised their shares must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person.

   In terms of section 58 of the Companies Act, 2008 ("the Companies Act"):
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
     (a) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
     (b) delivering a copy of the revocation instrument to the proxy and to the Company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the Memorandum of Incorporation of the Company, or the instrument appointing the proxy, provides otherwise.

Shares **and shareholders**

Stock exchange performance	1 March 2019 to 29 February 2020	1 March 2018 to 28 February 2019
Total number of shares traded ('000)	**128 887**	174 397
Shares traded as a percentage of issued shares (%)	**60.38**	72.70
Total value of shares traded (ZAR million)	**4 405**	4 132
JSE Limited prices (SA cents)		
Closing	**3 060**	3 150
High	**3 797**	3 300
Low	**2 800**	1 715
Public/non-public shareholding		
Percentage non-public shareholders	**36.59%**	37.45%
Percentage public shareholders	**63.41%**	62.55%

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 29 February 2020:

	Shareholders in SA		Shareholders other than in SA		Total shareholders	
Shareholder type	Number	% of shares	Number	% of shares	Number	% of shares
Directors	1	0.2	3	12.9	4	13.1
Shareholders over 10%	1	23.1	–	–	1	23.1
Treasury	1	0.5	–	–	1	0.5
Total non-public	3	23.8	3	12.9	6	36.7
Public	2 985	43.5	257	19.8	3 242	63.3
Total	2 988	67.3	260	32.7	3 248	100.0

The following are the principal beneficial shareholders whose holding directly or indirectly in the Company totals more than 5% of the issued share capital as at 29 February 2020:

	Number of ordinary shares	% of issued shares
Government Employees Pension Fund (PIC)	46 427 441	23.0
Jens Montanana (director)	24 680 000	12.3
Old Mutual Life Assurance Co Ltd (SA)	14 475 451	7.2
Sanlam Investment Management (Pty) Ltd – various funds	13 816 625	6.9

Black people and black female economic interest and voting rights

An analysis of black beneficiation through mandated investment schemes invested in Datatec as at 29 February 2020:

	Number of ordinary shares	% of issued shares
Total mandated investments identified	118 188 593	58.7
Voting rights deemed to be held by black people on a flow through basis	44 883 754	22.3
Voting rights deemed to be held by black women on a flow through basis	21 811 128	10.8
Economic interest deemed to be held by black people on a flow through basis	27 767 811	13.8
Economic interest deemed to be held by black women on a flow through basis	13 969 164	6.9

Administration

Board of directors

Name	Date of appointment	Position held at 29 February 2020
Executive directors		
JP Montanana (British)+	6 October 1994	Chief Executive Officer
IP Dittrich	30 May 2016	Chief Financial Officer
Non-executive directors		
SJ Davidson (British)#+^	1 February 2007	Independent non-executive Chairman
E Singh-Bushell (American)*#	1 June 2018	Senior independent non-executive director
M Makanjee^+	1 November 2018	Independent non-executive director
JF McCartney (American)#^*	16 July 2007	Independent non-executive director
CRK Medlock (British)*	1 January 2020	Independent non-executive director
MJN Njeke*^	1 September 2016	Independent non-executive director

** Audit, Risk and Compliance Committee*
^ Remuneration Committee
 # Nominations Committee
+ Social and Ethics Committee

Shareholders' **diary**

2020 Annual General Meeting	29 July 2020
Reports	
Interim results (half-year to August 2020)	October 2020
Announcement of FY21 annual results	May 2021
FY21 Integrated Report	June 2021

Glossary

AGM	Annual General Meeting
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller, growing companies
Analysys Mason	A global consultancy and research firm constituting Datatec's Management Consulting division, which specialises in telecommunication, media and technology and offers strategic, trusted advisory, modelling and market intelligence services
ARCC	The Datatec Group Audit, Risk and Compliance Committee
BBBEE	Broad-Based Black Economic Empowerment
CDP	Formerly the Carbon Disclosure Project, an environmental disclosure system
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIPC	Companies and Intellectual Property Commission
Continuing operations	Figures exclude the earn-out received on the disposal of Westcon Americas
CPI	Consumer Price Index
CRO	Chief Risk Officer
CSDP	Central Securities Depository Participant
CSI	Corporate social investment, contributions (monetary, employee time and resources), external to normal business activities for the purpose of benefiting and uplifting communities
EMEA	Europe, Middle East and Africa
GDS	Global Deployment Services
ICQ	Internal control questionnaire
IIRC	International Integrated Reporting Council
IPO	Initial Public Offering
IRC	South African Integrated Reporting Committee
ISA	International Standards on Auditing
ISIN	International Securities Identification Number
JSE	The Johannesburg Stock Exchange, a securities exchange operated by JSE Limited
King IV™/The King IV™ Code	The King IV™ Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator
Logicalis or Logicalis Group	A division of Datatec that supplies ICT infrastructure and solutions and managed services
LSE	London Stock Exchange
LTI	Long-term incentive
Management Consulting and Financial Services	Includes Analysys Mason, a specialist telecommunications, media and technology adviser and Datatec Financial Services, a provider of financing/leasing solutions
MBA	Master of Business Administration
MEA	Middle East and Africa
MoI	the Company's Memorandum of Incorporation
NASDAQ	National Association of Securities Automated Quotations, a United States electronic securities market
NCKU	National Cheng Kung University
NGO	Non-governmental organisations
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OHSAS 18001	Occupational Health and Safety Assessment Series; a British Standard for occupational health and safety management systems
OTE	On-target earnings
PLLAL	PromonLogicalis Latin America Limited
PwC	PricewaterhouseCoopers Inc.
SAICA	South African Institute of Chartered Accountants
SDGs	The United Nations Sustainable Development Goals
SHE	Safety, health and environment
SMB	Small and medium business
STEM	Science, technology, engineering and mathematics
STI	Short-term incentive
TDL	Thomas Duryea Logicalis
The Board	The Board of Directors of Datatec Limited, as set out on pages 22 and 23
The Code	The Datatec Group Code of Conduct
The Codes	Codes of Good Practice on BEE issued by the South African Department of Trade and Industry
The Companies Act	South African Companies Act 71 of 2008, as amended
The Company or Datatec	Datatec Limited, listed on the JSE in the "Computer Services" sector
The current year, the year or the year under review	The year ended 29 February 2020
The Foundation	The Datatec Educational and Technology Foundation
The Group	The Datatec Group, Datatec Limited and its subsidiaries
The previous year or the prior year	The year ended 28 February 2019
The register	The register of ordinary shareholders
TMS	The Meeting Specialists Proprietary Limited
TMT	Telecommunications, Media and Technology
Westcon International or Westcon	A division of Datatec that provides distribution of security, collaboration, networking and data centre products
WHO	World Health Organization

Financial and technical definitions

Financial definitions

Amortisation	The systematic allocation of the cost of an intangible asset over its useful life
CAGR	Compound annual growth rate
CDI	A daily average of overnight interbank loans, used as an investment benchmark in the Brazilian financial system
Constant currency	Constant currency information includes figures for the current period had they been translated at the average foreign currency exchange rates of the prior reporting period
CSP	Conditional Share Plan
DBP	Deferred Bonus Plan
DCF	Discounted cash flow
Depreciation	The systematic allocation of the cost of an asset, less its residual value, over its useful life
DSO	Days sales outstanding
EAP	Equity Appreciation Plan
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EIBOR	Emirates interbank offered rate
EPS	Earnings per share, the portion of a company's profit attributable (equally) to each outstanding ordinary share
FEC	Foreign exchange contract
FVTPL	Fair value through profit or loss
FY	Financial year; for Datatec, ending 28/29 February
HEPS	Headline earnings divided by the weighted average number of shares in issue during the financial year
IFRS	International Financial Reporting Standards
LIBOR	London Interbank Offered Rate
LTIP	Long-Term Incentive Plan
P/E ratio	Price-earnings ratio
Q1	First quarter of the financial year
ROIC	Return on invested capital. This is calculated by dividing net operating profit after tax by average invested capital
SARs	Share Appreciation Rights
SAR Scheme	The Datatec Limited Share Appreciation Rights Scheme
SENS	Stock Exchange News Service
TSR	Total shareholder return
UEPS	Underlying earnings divided by the weighted average number of shares in issue during the financial year
Underlying earnings	Earnings excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned
VWAP	30-day volume weighted average price

Technical definitions

aaS	As a service; something being made available to a customer as a service
AI	Artificial intelligence
API	Application Programming Interface – used for building software applications
Big data	A collection of data sets so large and complex that it becomes difficult to process using on-hand database management tools or traditional data processing applications
Cloud computing	A generic term for flexible or hosted on the internet IT-related services for consumers and business, including storage, computing power, software development, and applications. These services eliminate the need for in-house IT resources
Cloud services	Services made available to users on demand via the internet from a cloud computing provider's servers
Collaboration	Collaboration refers to highly diversified teams working together inside and outside a company with the purpose of creating value by improving innovation, customer relationships and efficiency while leveraging technology for effective interaction between the virtual and physical spaces
Data analytics	The process of examining raw data with the purpose of drawing conclusions about that information. Data analytics is used in many industries to allow companies and organisations to make better business decisions
ERP	Enterprise Resource Planning
Data centre	A centralised storage facility by an application service provider to retain database information
Hardware	The machines, wiring and other physical components or other electronic system
ICT	Information and communication technology, an umbrella term that includes any communication device or application, encompassing radio, television, mobile phones, computer and network hardware and software and satellite systems
Infrastructure	Refers to an entity's entire collection of hardware, software, networks and services required for the operation and management of the IT environment
IoT	The Internet of Things. The network of physical devices, vehicles, buildings and other items – embedded with electronics, software, sensors and network connectivity that enable these objects to collect and exchange data
IT	Information Technology
Mobility	The technology used for cellular communication
Networking	The construction, design and use of a network
PC	Personal computer
VDI	Virtual desktop infrastructure

Contact **details**

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1994/005004/06

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(Managing Director – SP Morris)

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