Consolidated annual financial statements

Contents

Directors' responsibility statement

for the year ended 28 February 2017

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Datatec Limited, comprising the consolidated statement of financial position at 28 February 2017, and the consolidated statements of profit or loss and other 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"), and the directors' report.

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 Group annual financial statements for the year ended 28 February 2017 are prepared in accordance with IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the JSE Listings Requirements, AIM Rules, the Companies Act, 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 and incorporate transparent and responsible disclosure together with appropriate accounting policies. These annual financial statements have been audited in compliance with the requirements of the Companies Act and were compiled under the supervision of Ivan Dittrich CA(SA), the Chief Financial Officer during the year.

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.

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 Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

APPROVAL OF 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 19 May 2017 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 28 February 2017 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

19 May 2017

Independent auditors' report

for the year ended 28 February 2017

TO THE SHAREHOLDERS OF DATATEC LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datatec Limited and its subsidiaries ("the Group") set out on pages 82 to 145, which comprise the consolidated statement of financial position as at 28 February 2017, the consolidated statement of profit or loss and other 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 28 February 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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.

These matters were 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 these matters.

Key audit matter	How the matter was addressed in the audit
Possible IFRS 5 disposal group	
On 25 January 2017 and 7 April 2017, Datatec Limited ("Datatec") issued Securities Exchange News Service ("SENS") announcements informing shareholders that Datatec has entered into negotiations in relation to a "possible sale of a major share of Westcon-Comstor's operations". As a result, the directors had to apply significant judgement in assessing whether the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5") were met. Given the significance of the Westcon-Comstor segment to the consolidated financial results, the disclosure of this segment as a disposal group would be fundamental to the presentation of the financial statements and the significant judgement whether IFRS 5 applies, is therefore considered a key audit matter. The directors concluded that no disposal group exists, as no business was put up for sale and an unsolicited offer was received. Negotiations as to which assets, if any, would be sold, are under way but have not been finalised.	In assessing the disclosure requirements in respect of the possible sale of the Westcon-Comstor operations, we performed the following procedures: • Inspected underlying correspondence to verify the accuracy of facts regarding the unsolicited offer; • Inspected minutes of Board meetings to confirm that the Board has not approved a disposal; • Considered the directors' judgement that the Westcon-Comstor operations should not be accounted for under IFRS 5, taking into account the various regulatory and commercial approvals to be obtained and the uncertainty relating to the successful conclusion of the transaction; • Consulted with our accounting specialists on the accounting treatment in the event of a possible sale resulting from an unsolicited offer; • Considered the adequacy of disclosure in the consolidated financial statements of the critical judgements involved; and • Obtained representations from management confirming that no businesses have been put up for sale and that, in their view, significant uncertainty exists relating to the successful conclusion of the proposed transaction. We concur with the directors' assessment that the IFRS 5 requirements have not been met and that disposal group assets and liabilities held for sale, should not be disclosed, as set out as a "critical judgement" in the Group accounting policies of the annual financial statements.

Key audit matter	How the matter was addressed in the audit
Fair value assessment of trade receivables	
Trade receivables comprise a significant portion of the liquid assets of the Group and serve as security for a majority of the Group's short-term debt. As indicated in Note 14 in the consolidated financial statements, 54.8% (2016: 32.6%) of the trade receivables are past due but not impaired. The receivables provision has increased significantly relative to prior years, particularly against the Westcon-Comstor customers operating in emerging markets. Accordingly, the estimation of the allowance for trade receivables is a significant judgement area and is therefore considered a key audit matter.	The assessment of the appropriateness of the allowance for trade receivables comprised a variety of audit procedures across the Group including: • Challenging the appropriateness and reasonableness of the assumptions applied in the Directors' assessment of the receivables allowance; • Consideration of the creditworthiness of significant trade receivables over 90 days utilising external ratings agencies wherever possible; • Consideration of adherence to agreed payment terms; • Verification of receipts from trade receivables subsequent to year-end; • Verification of securities held; • Inspection of credit insurance policies; and • Considered the completeness and accuracy of the disclosures. To address the risk of any management bias, we evaluated the results of our procedures against audit procedures on other key balances to assess whether or not there was an indication of bias. We considered whether the provisions were misstated and concluded that they were appropriate in all material respects, and the disclosures related to trade receivables in the consolidated financial statements, are appropriate.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the Audit, Risk and Compliance Committee's report and the Company Secretary's certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditors' 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 IFRS 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.

Independent auditors' report continued

for the year ended 28 February 2017

Auditors' 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 auditors' 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 ISA 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 ISA, 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 auditors' 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 auditors' 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.

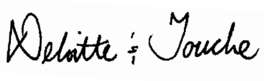
We communicate with the Audit, Risk and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 auditors' 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 22 years.



Deloitte & Touche
Registered Auditor
Per: MH Holme
Partner

19 May 2017

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Audit, Risk and Compliance Committee report

for the year ended 28 February 2017

The information below constitutes the report of the Audit, Risk and Compliance Committee ("ARCC" or "the committee").

The Audit, Risk and Compliance Committee comprises four independent non-executive directors: Chris Seabrooke (Chairman), Stephen Davidson, Funke Ighodaro and Johnson Njeke, who joined when he was appointed as an independent non-executive director of Datatec on 1 September 2016. Wiseman Nkuhlu retired as an independent non-executive director of Datatec and ARCC member on 9 September 2016. *Curricula vitae* for these directors are on pages 10 and 11 of the Integrated Report and evidence their relevant skills and suitable experience. The Chief Executive Officer, Jens Montanana, the Chief Financial Officer, Ivan Dittrich, the Chief Risk Officer, Simon Morris and the external and internal auditors are invited to attend all meetings. The external and internal auditors have unrestricted access to the committee and also meet with the committee members, without management present, at least once a year. Attendance at committee meetings is set out on page 40 of the Integrated Report.

The committee meets at least three times a year. In the year under review and subsequent to the date of this report, the committee has met five 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 III 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 its 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. Further, the committee is satisfied that it has complied with its legal and regulatory responsibilities throughout that period.

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.

The committee reviews the activities of the Group's outsourced internal audit function and annually reviews the internal audit charter and recommends it to the Board.

The committee is responsible for selecting the external auditor and recommending its appointment to the shareholders as well as for approving the external auditor's fees. The committee monitors the external auditor and has satisfied itself that Deloitte & Touche and MH Holme, the designated auditor, are independent of the Company.

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, who has served as Chief Financial Officer from 30 May 2016 to date. 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 responsible for the finance function annually. For the year under review, the committee is satisfied in this regard.

The committee assists the Board in reviewing the risk management process and significant risks facing the Group (see pages 44 to 49). 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 with combined assurance processes in place throughout the Group. The ARCC is satisfied that the appropriate processes are in place to enable the Board to make an effective assessment of the Group's system of internal controls and risk management.

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 28 February 2017, for approval to the Board. The Board has subsequently approved the annual financial statements which will be presented at the forthcoming Annual General Meeting.

SIGNIFICANT AREAS OF JUDGEMENT

The results and statement of financial position presented in the financial statements require many areas where judgement is needed. These are outlined in the notes to the annual financial statements. The committee has considered the qualitative and quantitative aspects of information presented in the statement of financial position and other items that require significant judgement and note the following:

- Trade receivables
- Disposal group disclosure

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.

Trade receivables

The major risk on trade receivables relates to credit risk. Credit extension assessment processes are the responsibility of management. Before accepting any new customer, use is made of local external credit agencies where possible and appropriate, to assess the potential customer's credit quality and to define credit limits by customer. The committee has assessed the credit approval process, reviewed the list of top ten debtors for the main divisions and its geographic representation and has examined the ageing of the Group's trade receivables, including the reasons for ageing in particular circumstances. Based on the ageing and management's judgement on any change in the credit quality and receivable collectibility, a provision against trade receivables is raised. The committee considers the carrying value of trade receivables to be fairly stated. Refer to Note 14 in the consolidated annual financial statements.

Disposal group disclosure

Following an unsolicited approach, Datatec is considering a proposal for a possible disposal of a major share of Westcon-Comstor's operations for a consideration (current and deferred) of more than US$800 million. Negotiations are continuing and any transaction is subject to regulatory and commercial approvals, including those of the Board and shareholders. There is no certainty that any transaction will be completed, nor is there clarity on the precise terms that may be agreed. In preparing the consolidated annual financial statements, the Group took particular care to assess whether the provisions of IFRS 5 should be applied to disclose all or part of Westcon-Comstor as a disposal group. The criteria set out in IFRS 5 for applying this disclosure were scrutinised and discussed with the auditors and the Board concluded that, as most of the requirements for IFRS 5 do not apply, it was not appropriate to present Westcon-Comstor as a disposal group at the reporting date.

CS Seabrooke
Audit, Risk and Compliance Committee
Chairman

Sandton
19 May 2017

Directors' report

for the year ended 28 February 2017

PROFILE AND GROUP STRUCTURE

Datatec is an international ICT solutions and services group operating in more than 70 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-Comstor: distribution of security, unified communications, networking and data centre products; and
- **Integration** – 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, 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 and on the Alternative Investment Market of the London Stock Exchange with share code DTC and ISIN ZAE000017745.

GROUP FINANCIAL RESULTS

Commentary on the Group financial results is given in this Integrated Report on pages 18 to 22. Full details of the financial position and financial results of the Group are set out in the consolidated annual financial statements on pages 78 to 145.

SHARE CAPITAL

Authorised share capital

The authorised share capital of the Company as at 28 February 2017 and 29 February 2016 is R4 000 000 made up of 400 000 000 ordinary shares of one cent each.

Issued share capital

As at 28 February 2017, the issued share capital amounted to R2 119 676, divided into 211 967 622 ordinary shares of one cent each (FY16: R2 094 482 divided into 209 448 161 ordinary shares).

Share capital changes during the year

During the year, shares were issued in relation to the final distribution for FY16 and the interim scrip distribution for FY17 (see page 81).

Financial details of the movement in share capital have been reflected in the Group statement of changes in equity and in Note 15 in the consolidated annual financial statements together with the number of shares issued during the year.

DIRECTORS

Brief *curricula vitae* of directors are included on pages 10 and 11 and further information on the directors, including their interests in the shares of the Company and share-based remuneration schemes, is provided in the Remuneration Report set out on pages 52 to 55 and in Note 23 to these consolidated annual financial statements on pages 124 to 127.

All directors are subject to election by shareholders at the first opportunity after their appointment. Subsequently, the terms of the Company's Memorandum of Association requires 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

Having undertaken a thorough solvency and liquidity test and review of going concern assertions across the Group, the directors believe that the Datatec Group has adequate financial resources to continue in operation for the 12 months after the date of this report and accordingly the financial statements have been prepared on a going concern basis.

The directors have determined from the solvency and liquidity test that the Group is solvent and has access to sufficient cash resources. Ordinary shareholders' funds are US$855.0 million (FY16: US$830.4 million). Working capital remains well controlled. Trade receivables and inventory are of sound quality and adequate provisions are held against both. The Group has sufficient liquidity and borrowing capacity to meet its ongoing operating needs, including approved capital expenditure.

The Group has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any new material changes that may adversely impact the Group relative to customers, suppliers, services or markets. 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.

INVESTMENTS AND SUBSIDIARIES

Financial information relating to the Group's investments and interests in subsidiaries is contained in Annexure 1 of the consolidated annual financial statements (see pages 143 to 145).

ACQUISITIONS

The following acquisition was concluded during the financial year ended 28 February 2017 within the Logicalis Group:

Effective 1 June 2016, Logicalis acquired Lantares Europe S.L. ("Lantares"), a Spanish IBM Cognos Partner and professional service provider. Lantares is a leader in the implementation of strategic solutions for corporate performance management and information management, both on-premise and cloud-based, for a total consideration of US$1.6 million.

CORPORATE GOVERNANCE COMPLIANCE STATEMENTS

A statement on the Group's corporate governance policies and procedures is set out in the governance section of the Integrated Report on pages 39 to 43.

SHARE-BASED PAYMENTS AND OTHER MANAGEMENT INCENTIVE SCHEMES

Details of the Group's share-based payment schemes and other management incentive schemes are set out in the remuneration section of the Integrated Report on pages 50 to 57.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

There are no material subsequent events to report.

SCRIP DISTRIBUTIONS WITH CASH DIVIDEND ALTERNATIVE

The Company paid an interim scrip distribution with cash dividend alternative of 60 ZAR cents (approximately 4.2 US cents) to shareholders on 28 November 2016.

The result of the shareholder election in relation to the cash dividend alternative to the scrip distribution was that 812 130 new ordinary shares were issued on 28 November 2016 to shareholders who did not elect to receive the cash dividend. Shareholders electing the cash dividend alternative received ZAR88.5 million (US$6.2 million equivalent) and the total distribution resulted in a capitalisation of the distributable retained profits of the Company of ZAR126.6 million (US$9.0 million equivalent). The proportion of the Company's total shares which received the scrip distribution was 30.1% and the proportion of the Company's total shares which received the cash dividend was 69.9%. No final dividend has been declared in FY17.

The Group's dividend policy of paying an annual dividend, which will provide cover of at least three times relative to underlying earnings, remains unchanged.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12:00 on Thursday, 14 September 2017 at the DaVinci Hotel & Suites, Nelson Mandela Square, corner Maude and 5th Street, Sandown, Sandton, 2196, South Africa. A notice of Annual General Meeting is included on page 146 to 156.

Group accounting policies

for the year ended 28 February 2017

BASIS OF ACCOUNTING AND REPORTING

The Group financial statements as set out on pages 72 to 145 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Significant details of the Group's accounting policies are set out below and are consistent with those applied in the previous year.

The financial statements comply with the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the JSE Listings Requirements, AIM Rules, the Companies Act of South Africa as well as 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.

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS

The Group adopted the following amendments to accounting standards:

- Amendments to IAS 1 *Presentation of Financial Statements* resulting from the disclosure initiative (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 16 *Property, Plant and Equipment* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 27 *Equity Method* in separate financial statements (effective for periods beginning on or after 1 January 2016)
- Amendments to IAS 38 *Intangible Assets* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 *Joint Arrangements* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments resulting from Annual Improvements 2012 – 2014 Cycle (effective for accounting periods beginning on or after 1 January 2016)

The application of the revised standard and amendments to existing standards has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements. No new accounting standards or interpretations were adopted during the year.

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 standards and amendments to existing standards applicable to the Group were in issue but not yet effective:

- IFRS 9 *Financial Instruments* (effective for accounting periods beginning on or after 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* (effective for accounting periods beginning on or after 1 January 2018)
- IFRS 16 *Leases* (effective for accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 7 *Statement of Cash Flows* resulting from the disclosure initiative (effective for accounting periods beginning on or after 1 January 2017)
- Amendments to IAS 12 *Income Taxes* regarding the recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017)
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (effective for accounting periods beginning on or after 1 January 2018)
- Amendments resulting from Annual Improvements 2014 – 2016 Cycle (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IFRS 12 *Disclosure of interests in other entities* (effective for accounting periods beginning on or after 1 January 2017)

The Group is in the process of assessing the impact of IFRS 9, IFRS 15 and IFRS 16. These assessments are in the process of being completed and hence the quantum of the impact is yet to be determined. These new standards will most likely be adopted when they become effective and will have an impact on the financial statements for the years ending 28 February 2019 for IFRS 9 and IFRS 15, and 29 February 2020 for IFRS 16. The Group has assessed the remaining new or revised standards and amendments to existing standards, applicable to the Group, and does not believe that the adoption of these will have a material impact on the financial results or disclosures 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.

Some 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.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the relevant notes.

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 acquired intangible assets included in the statement of financial position (disclosed in Note 9). The Group continually assesses the carrying value of its intangible assets recognised as part of historical acquisitions. This requires an estimation of the value in use, based on estimated future cash flows and discount rates of the asset or cash-generating units to which these assets belong.
- Estimates made in determining the recoverable amount of goodwill included in the statement of financial position (disclosed in Note 8). Similar to acquired intangible assets, 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 those segments disclosed in Note 32 to these annual financial statements.
- Estimates made in determining the probability of future taxable income, thereby justifying the recognition of deferred tax assets included in the statement of financial position (disclosed in Note 11).
- Estimates made in determining the level of provision required for obsolete inventory and impairment losses recognised on trade receivables (disclosed in Notes 13 and 14, respectively).
- Estimates made in determining changes in estimated useful lives and residual values of capitalised development expenditure (disclosed in Note 9).

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, the directors made a judgement in determining whether the Group is acting as a principal or as an agent in sales arrangements. 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.

Following an unsolicited approach, Datatec is considering a proposal for a possible disposal of a major share of Westcon-Comstor's operations for a consideration (current and deferred) of more than US$800 million. Negotiations are continuing and any transaction is subject to regulatory and commercial approvals, including those of the Board and shareholders. There is no certainty that any transaction will be completed, nor is there clarity on the precise terms that may be agreed. In preparing the consolidated annual financial statements, the Group took particular care to assess whether the provisions of IFRS 5 should be applied to disclose all or part of Westcon-Comstor as a disposal group. The criteria set out in IFRS 5 for applying this disclosure were scrutinised and discussed with the auditors and the Board concluded that, as most of the requirements for IFRS 5 do not apply, it was not appropriate to present Westcon-Comstor as a disposal group at the reporting date.

Group accounting policies continued

for the year ended 28 February 2017

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 of the Group components where the functional currency is not US Dollar, including the holding company, is performed as follows:

(a) Assets (including goodwill) 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.

(d) The exchange differences arising on this translation (c) are recognised directly in equity and accumulated in non-distributable reserves.

The consolidated Group annual financial statements incorporate the financial statements of the Company and all enterprises controlled by the Company during the reporting period.

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 are changes to one or more of the elements of control listed above. Consolidation of subsidiaries begins when the Group obtains control over a subsidiary and ceases when the Group loses control of a subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests. 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.

The operating results of Group entities are included from the effective date of acquisition to the effective date of disposal. All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration transferred, the excess is recognised immediately in profit and loss. 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.

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.

Contingent consideration is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent adjustments to the consideration are recognised against the cost of the acquisition, with corresponding adjustments against goodwill, only to the extent that they arise from new information obtained within the measurement period (which is not more than 12 months from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent adjustments that do not qualify as measurement period adjustments, classified as assets or liabilities, are measured at fair value and recognised in profit or loss.

A non-controlling interest in the acquiree is initially measured at the proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the share of changes in equity since the date of the combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in variations in the Group's control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Additionally, the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income is transferred within equity between foreign currency translation reserve and non-controlling interest.

Restructuring of entities or businesses under common control

A business combination of entities or businesses under common control is excluded from IFRS 3 *Business Combinations* as it involves the combination of businesses that are ultimately controlled by the same company as before. Any such business combination is accounted for at the net asset value of the entity or business transferred and no goodwill is raised on these business combinations. Any difference between the net asset value of the entity or business transferred and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

FOREIGN CURRENCY TRANSACTIONS

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 and 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.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment have been stated at cost less accumulated depreciation. Depreciation is calculated based on cost using the straight-line method over the estimated useful lives of the assets less their residual value.

Group accounting policies continued

for the year ended 28 February 2017

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	Period of the lease

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.

An item of property, plant and equipment 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.

LEASING

Finance lease as a lessee

Assets leased in terms of agreements which are considered to be finance leases are capitalised at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. Capitalised leased assets are depreciated at the same rate and on the same basis as equivalent owned assets or over the term of the lease, if this is shorter and there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term. The liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease finance charges are amortised over the duration of the underlying leases, using the effective interest method.

Finance 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. 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 so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Operating leases

Operating leases, mainly for the rental of premises, office furniture, computer equipment and motor vehicles, are not capitalised and rentals are expensed on a straight-line basis over the lease term.

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 following conditions:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) Its intention or ability to complete the intangible asset, and use or sell it;
(c) How the intangible asset will generate probable future economic benefits, including the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(d) The availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset; and
(e) Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed ten years.

An item of capitalised development assets 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.

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 is recognised when it meets the following criteria:
(a) It is identifiable;
(b) The entity has control over the asset;
(c) It is probable that economic benefits will flow to the entity; and
(d) The cost of the asset can be measured reliably.

Intangible assets are amortised using the straight-line method over their useful lives. 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. Goodwill is carried at cost less accumulated impairment losses. The carrying amount of goodwill (or relevant portion thereof) is included in computing the gains and losses on the disposal of an entity.

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 and other appropriate methods.

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. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

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. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Group accounting policies continued

for the year ended 28 February 2017

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but will never exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised 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.

Provision is made for obsolete and slow-moving inventory.

Contract work in progress is recognised on the percentage of completion method by reference to the milestones for each contract.

FINANCIAL INSTRUMENTS

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 unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities is disclosed in Notes 19 and 24.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument. Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

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 24 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 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.

Bonds

Bonds with a fixed maturity date are classified as held-to-maturity financial assets and are measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method, less any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Objective evidence includes observable data about the following loss events:

- Significant financial difficulty of the debtor
- Breach of contract
- Creditor granting concessions to the debtor which it would not normally consider but for the debtor's financial difficulty
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation
- An increase in delayed payments from the debtor.

In instances where there is clear and unassailable evidence that a trade receivable has been impaired and there is no evidence to indicate that the trade receivable is recoverable and all reasonable measures to recover the amount have been exhausted, the Group reduces the carrying amount of the impaired trade receivable directly against the asset account or the provision for impairment of trade receivables if one had previously been raised.

Any increase or decrease in the provision for impairment of trade receivables, or any reduction in trade receivables directly against the asset accounts, is recorded in profit or loss.

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.

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 payables

Trade 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 at the proceeds received, net of the direct issue costs. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

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 expenditures 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 where the effect is material.

Group accounting policies continued

for the year ended 28 February 2017

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of agreed performance criteria. Amounts payable to vendors are included in the purchase consideration at acquisition and, to the extent that agreed performance criteria are not met, affect the profit or loss in the period in which that determination is made. Amounts owing to vendors at fair value through profit and loss are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

TAXATION

The tax expense represents the sum of the current tax and deferred tax. Current tax 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 balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. 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.

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. 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, 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 RECOGNITION

Revenue from sale of goods

Revenue is measured at fair value of the consideration received or receivable and, except for certain sales arrangements where the Group acts as an agent, represents the invoiced value of sales and services rendered, excluding discounts and sales-related taxes.

Revenue from sales arrangements where the Group acts as an agent is recognised on a net basis and the commission or gross profit earned on these contracts is recognised as revenue.

In respect of trading operations, revenue is recognised at the date on which goods are delivered to customers or services are provided, the sales price is fixed or determinable, collectibility is reasonably assured and there is clear evidence that the Group has transferred the significant risks and rewards of ownership of the product to the customer.

Revenue from rendering of services

Revenue from services, that are subject to separate arrangements with customers, is recognised at the time the services are rendered.

Revenue from maintenance and support contracts is recognised over the term of the contract on a straight-line basis.

Revenue from the rendering of services on long-term and fixed-price contracts is recognised on the percentage of completion method, after providing for contingencies and, once the outcome of the contract can be assessed, with reasonable assurance. The percentage of completion is measured by reference to milestones set out in each contract. As soon as losses on individual contracts become evident, they are provided for in full.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as deferred revenue.

Within the Group, inter-company and inter-divisional revenue are eliminated on consolidation.

INTEREST INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 use of appropriate option 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.

DIVIDENDS DECLARED

The liability for dividends and related taxation thereon is raised only when the dividend is declared.

UNDERLYING EARNINGS PER SHARE

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.

Underlying earnings are 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.

Group statement of comprehensive income

for the year ended 28 February 2017

	Notes	2017 US$'000	2016 US$'000
Revenue	1	**6 083 383**	6 454 782
Continued operations		**6 081 167**	6 401 171
Revenue from acquisitions		**2 216**	53 611
Cost of sales		**(5 250 251)**	(5 586 043)
Gross profit		**833 132**	868 739
Operating costs		**(696 842)**	(691 673)
Restructuring costs		**(16 559)**	(15 285)
Share-based payments	2	**(861)**	329
Operating profit before interest, tax, depreciation and amortisation ("EBITDA")		**118 870**	162 110
Depreciation	3	**(31 430)**	(28 589)
Amortisation of capitalised development expenditure	3	**(13 812)**	(7 660)
Amortisation of acquired intangible assets and software	3	**(13 087)**	(15 255)
Intangible asset impairment	9	**–**	(75)
Operating profit	3	**60 541**	110 531
Interest income		**3 994**	3 670
Finance costs	4	**(28 197)**	(27 549)
Share of equity-accounted investment losses	10.1	**(793)**	(252)
Acquisition-related fair value adjustments		**5 565**	1 768
Fair value adjustments on put option liabilities		**658**	22
Fair value adjustments on deferred and/or contingent purchase consideration		**4 907**	1 746
Other income		**230**	266
Profit on disposal of associate/loss of control of subsidiary	35	**319**	–
Profit before taxation		**41 659**	88 434
Taxation	5	**(30 910)**	(39 956)
Profit for the year		**10 749**	48 478
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**56 947**	(87 401)
Translation of equity loans		**(13 285)**	(2 123)
Tax on translation of equity loans		**3 291**	1 048
Transfers and other items		**622**	64
Total comprehensive income/(loss) for the year		**58 324**	(39 934)
Profit attributable to:			
Owners of the parent		**3 038**	39 949
Non-controlling interests		**7 711**	8 529
		10 749	48 478
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**44 732**	(37 505)
Non-controlling interests		**13 592**	(2 429)
		58 324	(39 934)
Number of shares issued (millions)			
– Issued		**212**	209
– Weighted average		**211**	206
– Diluted weighted average		**212**	207
Earnings per share (US cents)			
– Basic	6	**1.4**	19.3
– Diluted	6	**1.4**	19.3

Group statement of financial position

as at 28 February 2017

	Notes	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets		**786 361**	766 142
Property, plant and equipment	7	**73 742**	76 204
Goodwill	8	**461 651**	462 577
Capitalised development expenditure	9.1	**80 843**	66 411
Acquired intangible assets and software	9.2	**48 620**	59 798
Investments	10	**24 887**	16 092
Deferred tax assets	11	**67 644**	51 062
Finance lease receivables	12	**8 885**	7 994
Other receivables		**20 089**	26 004
Current assets		**2 698 539**	2 616 800
Inventories	13	**438 503**	434 669
Trade receivables	14	**1 548 003**	1 510 327
Current tax assets	26	**17 849**	12 154
Prepaid expenses		**184 419**	139 620
Finance lease receivables	12	**7 854**	4 052
Other receivables		**156 277**	103 124
Cash resources	30	**345 634**	412 854
Total assets		**3 484 900**	3 382 942
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		**854 986**	830 366
Share capital and premium	15	**151 947**	115 090
Non-distributable reserves		**63 299**	90 727
Foreign currency translation reserve		**(141 816)**	(182 777)
Share-based payments reserve		**2 681**	1 733
Distributable reserves		**778 875**	805 593
Non-controlling interests		**51 889**	39 054
Total equity		**906 875**	869 420
Non-current liabilities		**127 056**	112 645
Long-term liabilities	16	**31 902**	21 252
Liability for share-based payments		**2 080**	5 174
Amounts owing to vendors	19	**580**	2 762
Deferred tax liabilities	11	**78 959**	73 491
Provisions	18	**8 376**	9 215
Other liabilities		**5 159**	751
Current liabilities		**2 450 969**	2 400 877
Trade and other payables	17.1	**1 720 391**	1 778 908
Short-term interest-bearing liabilities	17.2	**64 787**	51 461
Provisions	18	**8 634**	9 307
Amounts owing to vendors	19	**512**	7 742
Current tax liabilities	26	**11 159**	7 920
Bank overdrafts	20	**645 486**	545 539
Total equity and liabilities		**3 484 900**	3 382 942

Group statement of changes in equity

for the year ended 28 February 2017

	Share capital US$'000	Share premium US$'000	Foreign currency translation reserve US$'000
Balance at 1 March 2015	175	126 711	(105 307)
Total comprehensive income/(expense) recognised for the year	–	–	(77 470)
Profit attributable to the owners of the parent	–	–	–
Profit attributable to the non-controlling interests	–	–	–
Translation of equity loans	–	–	(2 123)
Tax on translation of equity loans	–	–	1 048
Exchange differences arising on translation to presentation currency	–	–	(76 395)
Transfers and other items	–	–	–
Translation of share capital and share premium	(50)	(40 417)	–
New shares issued for vendor placement	3	18 011	–
Dividend	2	11 007	–
Acquisitions	–	–	–
Treasury shares purchased by Share Trust	–	(352)	–
Share-based payments	–	–	–
Balance at 29 February 2016	130	114 960	(182 777)
Total comprehensive income recognised for the year	**–**	**–**	**40 961**
Profit attributable to the owners of the parent	**–**	**–**	**–**
Profit attributable to the non-controlling interests	**–**	**–**	**–**
Translation of equity loans	**–**	**–**	**(13 285)**
Tax on translation of equity loans	**–**	**–**	**3 291**
Exchange differences arising on translation to presentation currency	**–**	**–**	**50 955**
Transfers and other items	**–**	**–**	**–**
Translation of share capital and share premium	**31**	**28 883**	**–**
Dividend	**2**	**7 941**	**–**
Disposals	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Balance at 28 February 2017	**163**	**151 784**	**(141 816)**

Non-distributable reserves relate to the translation of share capital and share premium of the parent company, the recognition of minority put option liabilities and reserves recognised in the recording of changes in holdings of subsidiaries.

Foreign currency translation reserve includes the translation of subsidiaries and the parent company into presentation currency.

The Group issues equity-settled and cash-settled share-based incentives to certain employees. Equity-settled share-based payments are measured at fair value 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 the shares that will eventually vest. A liability equal to the portion of services received is recognised at the current fair value determined at each reporting date for cash-settled share-based payments.

Fair value adjustments on put option liabilities of US$1.1 million were transferred from non-distributable reserves to distributable reserves.

	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
	50 179	739	798 353	870 850	41 599	912 449
	(436)	(48)	40 449	(37 505)	(2 429)	(39 934)
	–	–	39 949	39 949	–	39 949
	–	–	–	–	8 529	8 529
	–	–	–	(2 123)	–	(2 123)
	–	–	–	1 048	–	1 048
	–	(48)	–	(76 443)	(10 958)	(87 401)
	(436)	–	500	64	–	64
	40 467	–	–	–	–	–
	–	–	–	18 014	–	18 014
	–	–	(33 209)	(22 200)	–	(22 200)
	517	–	–	517	(116)	401
	–	–	–	(352)	–	(352)
	–	1 042	–	1 042	–	1 042
	90 727	1 733	805 593	830 366	39 054	869 420
	1 486	**111**	**2 174**	**44 732**	**13 592**	**58 324**
	–	**–**	**3 038**	**3 038**	**–**	**3 038**
	–	**–**	**–**	**–**	**7 711**	**7 711**
	–	**–**	**–**	**(13 285)**	**–**	**(13 285)**
	–	**–**	**–**	**3 291**	**–**	**3 291**
	–	**111**	**–**	**51 066**	**5 881**	**56 947**
	1 486	**–**	**(864)**	**622**	**–**	**622**
	(28 914)	**–**	**–**	**–**	**–**	**–**
	–	**–**	**(28 892)**	**(20 949)**	**–**	**(20 949)**
	–	**–**	**–**	**–**	**(757)**	**(757)**
	–	**837**	**–**	**837**	**–**	**837**
	63 299	**2 681**	**778 875**	**854 986**	**51 889**	**906 875**

SCRIP DISTRIBUTIONS WITH CASH DIVIDEND ALTERNATIVE

The Group paid US$28.9 million (paid during FY16: US$33.2 million) to shareholders during the year: a final scrip distribution with cash dividend alternative in respect of FY16 in July 2016; and an interim scrip distribution with cash dividend alternative in respect of FY17 in November 2016.

The total value returned to shareholders in the FY16 final distribution was US$19.9 million of which US$5.2 million (26.4%) was distributed to shareholders in the form of scrip (1.7 million new shares issued) and US$14.7 million (73.6%) was settled in cash to those shareholders who had elected the cash dividend alternative.

The total value returned to shareholders in the FY17 interim distribution was US$9.0 million of which US$2.8 million (30.1%) was distributed to shareholders in the form of scrip (0.8 million new shares issued) and US$6.2 million (69.9%) was settled in cash to those shareholders who had elected the cash dividend alternative.

The Board has stated that it intends to maintain a fixed three times cover relative to underlying* earnings when declaring dividends. In accordance with this policy no final dividend for FY17 is declared.

** 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.*

Group statement of cash flows

for the year ended 28 February 2017

	Notes	2017 US$'000	2016 US$'000
Cash flow from operating activities			
Cash (utilised in)/generated from operations	25	(37 321)	129 070
Interest income		2 045	3 670
Finance costs		(27 309)	(24 846)
Taxation paid	26	(43 299)	(39 876)
Net cash (outflow)/inflow from operating activities		(105 884)	68 018
Cash flow from investing activities			
Cash outflow for acquisitions	27	(1 854)	(46 181)
Increase in investments	10.2	(9 201)	(10 002)
Additions to property, plant and equipment	28	(30 796)	(32 493)
Proceeds on disposal of investments	10/31	533	–
Increase to capitalised development expenditure	9.1	(29 091)	(29 472)
Additions to software	9.2	(1 566)	(1 263)
Proceeds on disposal of property, plant and equipment		2 302	122
Net cash outflow from investing activities		(69 673)	(119 289)
Cash flow from financing activities			
Net proceeds from shares issued		–	18 014
Capital distributions and dividends paid to shareholders		(20 949)	(22 200)
Shares purchased by the Share Trust		–	(890)
Amounts paid to vendors		(3 429)	(1 000)
Outflow of short-term liabilities		–	(2 500)
Inflow/(outflow) of long-term liabilities		20 851	(24 831)
Net cash outflow from financing activities		(3 527)	(33 407)
Net decrease in cash and cash equivalents		(179 084)	(84 678)
Cash and cash equivalents at the beginning of the year		(132 685)	(22 101)
Translation differences on cash and cash equivalents	29	11 917	(25 906)
Cash and cash equivalents at the end of the year	30	(299 852)	(132 685)

Notes to the Group consolidated annual financial statements

for the year ended 28 February 2017

		2017 US$'000	2016 US$'000
1.	**REVENUE**		
	Revenue from sale of goods	**5 443 118**	5 868 533
	Revenue from rendering of services	**640 265**	586 249
		6 083 383	6 454 782

Imputed interest income included in revenue, which would result from a notional unwinding of interest inherent in trade finance for the year is US$53.5 million (FY16: US$62.5 million).

		2017		2016	
		Number of shares ('000)	**Weighted average grant price**	Number of shares ('000)	Weighted average grant price
2.	**SHARE-BASED PAYMENTS**				
	The Group plans are detailed in the remuneration report on pages 50 to 57. They provide for a grant price equal to or approximately equal to the market price at the date of the grant. The vesting periods for the different plans range between two and five years.				
	Equity-settled schemes				
	Datatec Share Appreciation Rights ("SARs") Schemes		**ZAR**		ZAR
	Outstanding at the beginning of the year	**3 219**	**51.71**	3 147	47.04
	Granted during the year	**1 222**	**46.16**	863	60.74
	Exercised during the year – weighted average share price on exercise – N/A (FY16: R67.13)	**–**	**–**	(65)	25.59
	Forfeited during the year	**(1 437)**	**48.26**	(726)	44.55
	Outstanding at the end of the year	**3 004**	**51.10**	3 219	51.71
	Exercisable at the end of the year	**–**	**–**	–	–
	The SARs outstanding at 28 February 2017 comprised grant prices in the range of R46.16 to R60.74 (FY16: R36.61 to R60.74) and had a weighted average remaining contractual life of 5.2 years (FY16: 4.9 years).				
	Datatec Long-Term Incentive Plan ("LTIP")		**ZAR**		ZAR
	Outstanding at the beginning of the year	**2 445**	**–**	2 336	–
	Granted during the year	**1 071**	**–**	733	–
	Settled during the year – share price on vesting – N/A (FY16: N/A)	**–**	**–**	–	–
	Forfeited during the year	**(911)**	**–**	(624)	–
	Outstanding at the end of the year	**2 605**	**–**	2 445	–
	Exercisable at the end of the year	**–**	**–**	–	–
	The LTIP awards outstanding at 28 February 2017 had been granted when the share price was in the range of R46.16 to R60.74 (FY16: R50.25 to R60.74) and had a weighted average remaining contractual life of 1.33 years (FY16: 1.25 years).				

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 Number of shares ('000)	2017 Weighted average grant price ZAR	2016 Number of shares ('000)	2016 Weighted average grant price ZAR
2. SHARE-BASED PAYMENTS (continued)				
Equity-settled schemes (continued)				
Datatec Deferred Bonus Plan ("DBP")				
Outstanding at the beginning of the year	319	–	313	–
Granted during the year	150	–	162	–
Settled during the year – share price on vesting – R46.16 (FY16: R60.74)	(27)	–	(78)	–
Forfeited during the year	(49)	–	(78)	–
Outstanding at the end of the year	393	–	319	–
Exercisable at the end of the year	–	–	–	–

The DBP matching shares outstanding at 28 February 2017 had been granted when the share price was in the range R46.16 to R60.74 (FY16: R50.25 to R60.74) and had a weighted average remaining contractual life of 1.7 years (FY16: 1.5 years).

	2017	2016
For the equity-settled share schemes on page 52, fair value is measured by use of an actuarial binomial model with an additional Monte Carlo Simulation model used for the TSR performance condition on the LTIP as explained on pages 53 and 54 of the Integrated Report. The main inputs in the models, in addition to those recorded above, are set out in the table below.		
Grant date	12 May 2016	14 May 2015
Vesting date	12 May 2019	14 May 2018
Performance period	29 February 2016 to 28 February 2019	28 February 2015 to 28 February 2018
Share price grant (closing price)	R44.40	R65.30
Fair value at grant date: SARs	R13.09	R22.03
LTIP	R38.85	R33.53
DBP	R44.40	R65.30
Risk-free rate (NACA) – 6-year SARs	8.39%	7.97%
Risk-free rate (NACA) – 3-year LTIP	N/A*	7.40%
Dividend yield – 3-year (NACA)	3.30%	3.00%
Volatility of Datatec	27.50%	27.50%
Correlation of TSR group with Datatec (average)	N/A*	59.00%

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 was determined by calculating the historical volatility of the Group's share price over the previous four years.

** For the grant of LTIP awards in FY17, the performance condition was changed as explained on page 53 of this report and these inputs are consequently not required for the valuation model.*

	2017		2016	
	Number of shares ('000)	**Weighted average grant price**	Number of shares ('000)	Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Cash-settled schemes				
Westcon Group, Inc. SAR Scheme		**US$**		US$
Outstanding at the beginning of the year	**513.5**	**74.39**	454.3	70.89
Granted during the year	**184.0**	**69.00**	165.6	79.00
Exercised during the year – exercise value US$69.00 (FY16: US$79.00)	**(45.5)**	**66.45**	(80.9)	65.07
Forfeited during the year	**(146.6)**	**74.61**	(25.5)	71.41
Outstanding at the end of the year	**505.4**	**73.08**	513.5	74.39
Exercisable at the end of the year	**241.8**	**74.99**	45.0	74.89
The SARs outstanding at 28 February 2017 comprised grant prices in the range of US$64.00 to US$80.60 (FY16: US$64.00 to US$80.60) and had a weighted average remaining contractual life of 2.7 years (FY16: 2.9 years).				
Logicalis SAR Scheme		**US$**		US$
Outstanding at the beginning of the year	**2 692**	**5.23**	2 621	4.86
Granted during the year	**906**	**4.45**	848	5.57
Exercised during the year – share price on exercise US$4.45 (FY16: US$5.57)	**(113)**	**3.46**	(692)	4.24
Forfeited during the year	**(121)**	**5.42**	(85)	5.39
Outstanding at the end of the year	**3 364**	**5.07**	2 692	5.23
Exercisable at the end of the year	**557**	**4.34**	684	4.20
The SARs outstanding at 28 February 2017 comprised grant prices in the range of US$2.97 to US$5.84 (FY16: US$2.97 to US$5.84) and had a weighted average remaining contractual life of 4.6 years (FY16: 4.9 years).				
PromonLogicalis Latin America SAR Scheme		**US$**		US$
Outstanding at the beginning of the year	**803**	**8.03**	910	7.30
Granted during the year	**293**	**5.08**	210	9.10
Exercised during the year – share price on exercise US$5.08 (FY16: US$9.10)	**(58)**	**2.42**	(317)	6.65
Forfeited during the year	**(71)**	**8.81**	–	–
Outstanding at the end of the year	**967**	**7.41**	803	8.03
Exercisable at the end of the year	**96**	**5.84**	177	5.02

The SARs outstanding at 28 February 2017 comprised grant prices in the range of US$4.22 to US$9.25 (FY16: US$1.93 to US$9.25) and had a weighted average remaining contractual life of 4.8 years (FY16: 4.8 years).

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 Number of shares ('000)	2017 Weighted average grant price	2016 Number of shares ('000)	2016 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Cash-settled schemes (continued)				
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	220	14.29	209	13.40
Granted during the year	79	14.43	82	14.67
Exercised during the year – share prices on exercise £14.43 (FY16: £14.67)	(22)	13.06	(56)	11.64
Forfeited during the year	(65)	13.46	(15)	13.86
Outstanding at the end of the year	212	14.72	220	14.29
Exercisable at the end of the year	–	–	–	–
The awards outstanding at 28 February 2017 had a weighted average remaining contractual life of 1.3 years (FY16: 1.4 years).				
Analysys Mason Growth Share Plan		GBP		GBP
Outstanding at the beginning of the year	95	–	142	–
Exercised during the year	(44)	–	(47)	–
Forfeited during the year	(5)	–	–	–
Outstanding at the end of the year	46	–	95	–
Exercisable at the end of the year	46	–	95	–

The SARs outstanding at 28 February 2017 had a weighted average remaining contractual life of 2.0 years (FY16: 3.0 years).

Fair value is measured by use of Black-Scholes-Merton models for the cash-settled share-based payment schemes.

The main inputs into the models used by subsidiaries, in addition to those recorded above, fall into the following ranges:

	2017	2016
Grant date	1 July 2016	1 July 2015
Vesting date	30 June 2018 to 1 July 2021	30 June 2017 to 1 July 2020
Risk-free rate	1.10% – 2.16%	0.67% – 3.25%
Expected life (years)	0.34 – 6.34	0.34 – 6.34
Dividend yield	0.00% – 0.00%	0.00% – 0.00%
Volatility of subsidiary	25.50% – 35.00%	23.00% – 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.

	2017 US$'000	2016 US$'000
Expense in respect of equity-settled schemes		
Datatec Limited	993	1 635
Subsidiaries	184	282
	1 177	1 917
Credit in respect of cash-settled schemes (all in subsidiaries)	(316)	(2 246)
	861	(329)

Settlements of US$0.3 million have been made relating to equity-settled schemes for the year ended 28 February 2017 (FY16: US$0.9 million).

	2017 US$'000	2016 US$'000
3. OPERATING PROFIT		
Operating profit is arrived at after taking into account the following items:		
Auditors' remuneration		
Audit fees	**5 701**	5 496
Other services	**364**	671
Taxation services	**231**	621
Other services and expenses	**133**	50
Prior year overaccrual	**(188)**	–
	5 877	6 167
Depreciation		
Office furniture, equipment and motor vehicles	**4 381**	3 823
Computer equipment	**21 350**	18 875
Leasehold improvements	**5 683**	5 768
Buildings	**16**	123
	31 430	28 589
Amortisation of software	**1 258**	1 137
Amortisation of capitalised development expenditure	**13 812**	7 660
Amortisation of acquired intangible assets	**11 829**	14 118
Total depreciation and amortisation	**58 329**	51 504
Foreign exchange losses	**6 426**	17 305
Realised	**4 572**	12 626
Unrealised	**1 854**	4 679
Impairment losses recognised on trade receivables	**18 828**	22 190
Reversal of impairment losses on trade receivables	**(3 172)**	(2 948)
Fees for professional services	**37 745**	33 642
Administrative and managerial	**215**	233
Consulting	**29 862**	22 952
Accounting and advisory	**7 668**	10 457
Operating lease rentals	**43 296**	43 337
Office furniture, equipment and motor vehicles	**4 509**	3 700
Buildings	**33 961**	35 892
Computer equipment	**4 826**	3 745
Property impairment	**1 600**	–
Profit on disposal of office furniture, equipment and motor vehicles	**(36)**	(9)
Retirement benefit contributions	**13 423**	13 012
Staff costs	**640 974**	616 479
Staff costs included in cost of sales	**211 324**	199 628
Staff costs	**429 650**	416 851
Directors' emoluments*	**3 210**	3 187
Executive directors	**2 488**	2 464
Salaries	**1 785**	1 808
Bonuses	**394**	337
Benefits	**309**	319
Non-executive directors' emoluments – fees	**722**	723

** Full details of directors' emoluments are provided in Note 23 on pages 124 to 127.*

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 US$'000	2016 US$'000
4. FINANCE COSTS		
Bank overdrafts and long-term liabilities	27 795	27 298
Finance leases	402	251
	28 197	27 549

Imputed finance costs included in cost of sales, which would result from the discounting of payables for the year is US$49.6 million (FY16: US$54.9 million). Total finance costs, incorporating actual finance costs of US$28.2 million (FY16: US$27.5 million) and the imputed finance costs, are US$77.8 million (FY16: US$82.4 million).

5. TAXATION

5.1 Taxation charge

		2017 US$'000	2016 US$'000
South African normal taxation:			
Current taxation	– Current year	(898)	3 184
	– Prior year	(2)	135
Deferred taxation	– Current year	219	(177)
		(681)	3 142
Foreign taxation:			
Current taxation	– Current year	40 152	28 455
	– Prior year	698	4 814
Deferred taxation	– Current year	(10 614)	7 171
	– Prior year	1 355	(3 626)
		31 591	36 814
Total taxation charge		30 910	39 956

5.2 Reconciliation of taxation rate to profit before taxation

	2017	2016
South African statutory tax rate	28.0%	28.0%
Non-deductible expenses*	4.0%	0.4%
Entertainment, donations and gifts	2.8%	1.3%
Intra-group management fees	2.0%	1.0%
Non-deductible fixed asset write downs	1.3%	0.2%
Acquisition-related adjustments	(1.1%)	(0.5%)
Other non-deductible expenses and non-deductible income	(1.7%)	0.6%
Share-based payments	2.2%	0.8%
Tax arising on dividend flow	4.4%	0.9%
Tax loss utilised	(8.6%)	(3.9%)
Foreign tax rate differential	21.8%	4.4%
Tax losses and other deferred tax assets not recognised	13.4%	10.5%
Rate adjustment	0.8%	–
Prior year adjustment	4.9%	1.5%
Effective taxation rate	74.2%	45.2%

** Non-deductible expenses mainly relate to non-deductible forex losses and inventory write downs, legal and acquisition costs, joint venture losses and depreciation on certain assets.*

Unutilised tax losses

	2017 US$'000	2016 US$'000
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:	177 442	109 014
Future tax relief at a blended tax rate of 19.2% (FY16: 20.0%) is US$34.1 million (FY16: US$21.8 million). Deferred tax assets of US$24.6 million (FY16: US$14.7 million) have already been recognised in respect of a portion of these losses as set out in Note 11.	34 098	21 800

	2017 US$'000	2016 US$'000
6. EARNINGS PER SHARE		
Reconciliation of attributable profit to headline earnings		
Profit for the year attributable to the equity holders of the parent	3 038	39 949
Headline earnings adjustments:	1 262	68
Gain on the loss of control of a subsidiary	(319)	–
Intangible impairment	–	75
Property impairment	1 600	–
Profit on disposal of property, plant and equipment		
– Gross	(36)	(9)
– Tax effect	17	2
Non-controlling interests	(7)	(1)
Headline earnings	4 293	40 016
Reconciliation of headline earnings to underlying earnings		
Underlying earnings adjustments:	18 849	26 144
Unrealised foreign exchange losses	1 854	4 679
Fair value adjustments on deferred and/or contingent purchase consideration		
– Gross	(4 907)	(1 746)
– Tax effect	1 482	–
Fair value adjustments on put/call arrangements	(658)	(22)
Amortisation of acquired intangible assets		
– Gross	11 829	14 118
– Tax effect	(3 476)	(4 340)
Restructuring costs		
– Gross	16 559	15 285
– Tax effect	(3 421)	(3 308)
	19 262	24 666
Tax effect – other	(73)	1 750
Non-controlling interests	(340)	(272)
Underlying earnings*	23 142	66 160
	US cents	US cents
Basic earnings per share	1.4	19.3
Headline earnings per share	2.0	19.4
Underlying earnings* per share	11.0	32.0
The earnings metrics above are calculated on the weighted average number of shares in issue during the year of 210 572 583, after the deduction of the weighted average number of treasury shares of 100 000 (FY16: 8 880).		
Diluted earnings per share	1.4	19.3
Diluted headline earnings per share	2.0	19.3
Diluted underlying earnings per share	10.9	32.0
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:	210 572 583	206 494 528
Shares related to share-based payment schemes	1 157 017	373 355
Diluted weighted average number of shares	211 729 600	206 867 883

** 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 28 February 2017

	2017 US$'000 Cost	2017 US$'000 Accumulated depreciation	2017 US$'000 Net book value	2016 US$'000 Cost	2016 US$'000 Accumulated depreciation	2016 US$'000 Net book value
7. PROPERTY, PLANT AND EQUIPMENT						
Office furniture, equipment and motor vehicles	34 699	(20 975)	13 724	33 769	(18 844)	14 925
Computer equipment	164 267	(129 284)	34 983	144 256	(115 612)	28 644
Leasehold improvements	53 974	(30 806)	23 168	55 018	(26 149)	28 869
Buildings	4 026	(2 159)	1 867	4 237	(471)	3 766
	256 966	(183 224)	73 742	237 280	(161 076)	76 204

A register of buildings is maintained at the registered office of Westcon-Comstor and may be inspected by shareholders or their duly authorised agents.

Movement of property, plant and equipment US$'000	Office furniture, equipment and motor vehicles	Computer equipment	Leasehold improvements	Buildings	Total
Balance at 1 March 2015	15 012	28 533	25 824	3 959	73 328
Subsidiaries acquired	202	941	475	–	1 618
Additions	4 236	17 369	10 841	47	32 493
Translation differences	(788)	(4 068)	(2 480)	(117)	(7 453)
Disposals	(44)	(50)	(20)	–	(114)
Transfers	130	4 794	(3)	–	4 921
Depreciation	(3 823)	(18 875)	(5 768)	(123)	(28 589)
Balance at 29 February 2016	14 925	28 644	28 869	3 766	76 204
Subsidiaries acquired	6	–	8	–	14
Additions	2 090	26 020	2 686	–	30 796
Translation differences	830	1 268	(1 536)	(283)	279
Disposals	(169)	(1 142)	(955)	–	(2 266)
Impairments	–	–	–	(1 600)	(1 600)
Transfers	423	1 543	(221)	–	1 745
Depreciation	(4 381)	(21 350)	(5 683)	(16)	(31 430)
Balance at 28 February 2017	13 724	34 983	23 168	1 867	73 742

During FY17, Westcon-Comstor identified indicators of an impairment and assessed the recoverable amount of a freehold property in Europe. The recoverable amount of the asset was assessed by reference to fair value less costs to sell using discounted cash flow projections. As a result of the impairment analysis, it was determined that the freehold property was impaired. Accordingly, an impairment charge of US$1.6 million was recorded in profit or loss for the year (Note 3).

Included in property, plant and equipment are assets held under finance lease agreements which are encumbered as security for liabilities under finance lease agreements as stated in Note 16.

The net book value of assets in the above categories held under finance leases is:

US$'000	Office furniture, equipment and motor vehicles	Computer equipment	Leasehold improvements	Buildings	Total
Balance at 29 February 2016	849	3 451	–	–	4 300
Balance at 28 February 2017	–	6 029	–	–	6 029

	2017 US$'000	2016 US$'000
8. GOODWILL		
Net book value	461 651	462 577
At the beginning of the year	462 577	450 884
Arising on acquisition of subsidiaries	1 194	28 530
Disposals and other	38	(2 218)
Translation	(2 158)	(14 619)
Balance at the end of the year	461 651	462 577
Goodwill at cost	537 869	538 795
Accumulated impairment	(76 218)	(76 218)
Per segment:	461 651	462 577
Westcon-Comstor	245 591	244 294
Logicalis	203 115	202 411
Consulting	12 945	15 872

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 Westcon-Comstor, Logicalis and Consulting cash-generating units. External valuations are obtained for the 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 includes assumptions/determinations in respect of the three to five-year cash flow projections, a terminal growth rate and a discount rate.

As a result of the impairment analyses, it was concluded that no impairments were required for the period.

The directors believe that any 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.

The table below contains the key assumptions that were used in the value in use calculations:

	Westcon-Comstor	Logicalis	Consulting
Weighted average cost of capital (pre-tax rate)	13.4%	19.2%	17.7%
Revenue growth rate in discrete period	6.7% – 13.9%	5.0% – 12.8%	6.2% – 9.9%
Terminal growth rate	3.0%	3.0%	2.0%

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for the year ended 28 February 2017

	2017 US$'000	2016 US$'000
9. INTANGIBLE ASSETS		
9.1 Capitalised development expenditure		
Capitalised development expenditure relates to development expenditure in Westcon-Comstor and Logicalis which has been capitalised. Westcon-Comstor is in the process of transitioning its existing global Enterprise Resource Planning system to a new SAP-based platform. SAP-related capital expenditure, included in amounts capitalised below, was US$21.8 million (FY16: US$22.9 million).		
Net book value	80 843	66 411
At the beginning of the year	66 411	49 573
Amounts capitalised	29 091	29 472
Transfers	(1 394)	(4 815)
Translation	547	(159)
Amortisation	(13 812)	(7 660)
Balance at the end of the year	80 843	66 411
Capitalised development expenditure at cost	135 200	111 280
Accumulated amortisation and impairment	(54 357)	(44 869)
Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed ten years.		
9.2 Acquired intangible assets and software		
9.2.1 Trademarks, marketing, customer and vendor relationships		
Net book value	46 246	57 996
At the beginning of the year	57 996	43 573
Arising on acquisition of subsidiaries	119	29 080
Translation	(40)	(464)
Impairment	–	(75)
Amortisation	(11 829)	(14 118)
Balance at the end of the year	46 246	57 996
Acquired intangible assets at cost	110 112	122 970
Accumulated amortisation and impairment	(63 866)	(64 974)
Acquired intangible assets are amortised using the straight-line method over their useful lives, which generally do not exceed ten years.		
9.2.2 Software		
Net book value	2 374	1 802
At the beginning of the year	1 802	2 281
Arising on acquisition of subsidiaries	16	31
Additions	1 566	1 263
Transfers to property, plant and equipment	3	(85)
Translation	256	(551)
Disposals	(11)	–
Amortisation	(1 258)	(1 137)
Balance at the end of the year	2 374	1 802
Software at cost	9 757	7 863
Accumulated amortisation	(7 383)	(6 061)
Software is amortised using the straight-line method over its useful life, which ranges from two to six years.		
Total acquired intangible assets and software	48 620	59 798

10. INVESTMENTS

10.1 Equity-accounted investments

The investments comprise an interest in a joint venture and an associate that are equity-accounted.

Details of the Group's investments are:

	Country	Nature of business	Ownership 2017 %	Ownership 2016 %	Carrying value 2017 US$'000	Carrying value 2016 US$'000
Equity-accounted						
Neteks	Turkey	Distribution	**50.0**	50.0	**5 157**	6 090
Mason Advisory Limited	UK	Consulting	**44.7**	50.7	**527**	–
					5 684	6 090

Significant joint venture

Neteks is an Istanbul-based networking and security distributor. An agreement is in place whereby both Westcon-Comstor and Turkish-listed group, Index have joint control of the entity. Westcon-Comstor and Index have rights to the net assets of the arrangement rather than rights to the assets and joint obligations for the liabilities. Accordingly, it is considered a joint venture, and is therefore equity-accounted.

The carrying value of the equity-accounted investments approximates their fair value at year-end.

Summarised financial information in respect of the above equity-accounted joint venture is set out below. The summarised financial information below represents amounts in the joint venture's financial statements prepared in accordance with IFRS.

	2017 US$'000	2016 US$'000
Non-current assets	**329**	124
Current assets	**53 189**	70 832
Non-current liabilities	**(29)**	(35)
Current liabilities	**(48 324)**	(63 890)
Net assets	**5 165**	7 031
The above assets and liabilities include the following:		
Cash and cash equivalents	**10 931**	21 056
Current financial liabilities (excluding trade and other payables and provisions)	**18 165**	17 904
Revenue	**90 056**	104 925
Loss for the period – continuing operations	**(1 866)**	(504)
Total comprehensive loss	**(1 866)**	(504)
The above loss includes the following:		
Depreciation and amortisation	**(66)**	(38)
Interest income	**–**	210
Interest expense	**(780)**	(941)
Income tax	**(111)**	206
Reconciliation of the above summarised financial information to the carrying amount:		
Net assets	**5 165**	7 031
Group's share of net assets	**2 583**	3 516
Control premium paid on purchase	**2 574**	2 574
Carrying amount	**5 157**	6 090
Group's share of losses after tax	**(933)**	(252)

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for the year ended 28 February 2017

	2017 US$'000	2016 US$'000
10. INVESTMENTS (continued)		
10.1 Equity-accounted investments (continued)		
Associate that is not material		
Share of profit for the period – continuing operations	140	–
Carrying amount	527	–
Total share of equity-accounted investment losses		
Neteks	(933)	(252)
Mason Advisory Limited	140	–
	(793)	(252)
The investment in SJ Associates (Hemingford) Limited was written off in FY15. This investment was disposed of during the year (refer to Note 35.3).		
10.2 Bonds	19 203	10 002
ISIN: AOTNTX218G15	5 001	5 001
ISIN: AOTNTX211G15	2 500	2 500
ISIN: AOTNTX211G15	2 501	2 501
ISIN: AOTNTX219L16	7 500	–
ISIN: AOTNTX206S16	1 200	–
ISIN: AOTNTX206S16	501	–

Westcon-Comstor

The Angolan government bonds are indexed to the US Dollar. The amount of US$19.2 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. Bonds to the value of US$10.0 million were purchased in August 2015 and mature in August 2017. Bonds to the value of US$7.5 million were purchased in July 2016 and mature in July 2018. Bonds to the value of US$1.7 million were purchased in September 2016 and mature in September 2018. The coupon rate on the bonds is 7.0%.

The weakened economic outlook for Angola, 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. 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. The intention is to reinvest the proceeds from these bonds rather than redeem them at maturity, as access to the funds is restricted; therefore they have been classified as long term.

	2017 US$'000	2016 US$'000
11. DEFERRED TAX ASSETS/(LIABILITIES)		
11.1 Movement of deferred tax assets		
At the beginning of the year	51 062	54 555
Arising on acquisition of subsidiaries	6	320
Credit to profit and loss	14 739	2 105
Credit to other comprehensive income	2 096	3 725
Translation and other movements	(259)	(9 643)
	67 644	51 062
Analysis of deferred tax assets		
Capital allowances	2 702	1 892
Expense accruals and similar items	37 753	29 835
Effect of tax losses**	24 637	14 661
Goodwill	–	88
Intangible assets	–	49
Other temporary differences	2 552	4 537
	67 644	51 062
11.2 Movement of deferred tax liabilities		
At the beginning of the year	(73 491)	(69 833)
Arising on acquisition of subsidiaries	–	(1 114)
Charge to profit and loss	(5 699)	(5 473)
Credit/(charge) to other comprehensive income	1 713	(1 515)
Translation and other movements	(1 482)	4 444
	(78 959)	(73 491)
Analysis of deferred tax liabilities		
Capital allowances	(26 667)	(19 583)
Goodwill	(44 412)	(41 703)
Intangible assets	(3 885)	(3 289)
Other temporary differences	(3 995)	(8 916)
	(78 959)	(73 491)

** *Deferred tax assets of US$11.1 million (FY16: US$7.3 million) have been recognised in respect of losses incurred by entities that were loss making in either the current or prior year. The recognition of the deferred tax asset on tax losses is based on the strong expectation that future profits will arise against which these losses can be offset.*

Potential deferred tax assets of US$9.5 million on assessed/assessable losses have not been recognised in the current financial year. Included in this amount is US$3.2 million relating to Angola that will expire in February 2020 and US$1.7 million relating to Kenya that will expire in February 2027.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 US$'000 Minimum lease payments	2017 US$'000 Present value of minimum lease payments	2016 US$'000 Minimum lease payments	2016 US$'000 Present value of minimum lease payments
12. FINANCE LEASE RECEIVABLES				
Current portion receivable within one year	8 748	7 854	4 778	4 052
Receivable between two and five years	9 890	8 885	9 274	7 994
	18 638	16 739	14 052	12 046
Less: Unearned finance income	(1 899)	–	(2 006)	–
Present value of minimum lease assets	16 739	16 739	12 046	12 046
Current portion		7 854		4 052
Long-term portion		8 885		7 994
Finance lease receivables		16 739		12 046

Unguaranteed residual values of assets leased under finance leases at the end of the year are US$nil (FY16: US$nil). The carrying value of finance lease receivables approximates their fair value.

The finance lease receivables at the end of the current and prior reporting period are neither past due nor impaired.

Westcon-Comstor

One of Westcon-Comstor's subsidiaries in Brazil has entered into various finance leases, bearing interest at 14.50%. These leases are repayable at various dates between 31 August 2017 and 28 February 2021. At 28 February 2017, US$10.4 million was receivable (FY16: US$10.3 million).

Logicalis

One of Logicalis' subsidiaries has entered into a finance lease, bearing interest at 3.80%. The lease is repayable on 1 July 2017. At 28 February 2017, US$0.03 million was receivable.

One of Logicalis' subsidiaries has entered into a finance lease, bearing interest at 2.05%. The lease is repayable on 1 September 2021. At 28 February 2017, US$4.6 million was receivable.

Datatec Financial Services

Datatec Financial Services Pty. Limited has entered into various finance leases, bearing interest at between 1.30% and 12.90%. These leases are repayable at various dates between 31 August 2018 and 30 November 2019. At 28 February 2017, US$1.1 million was receivable.

Datatec Financial Services Inc. has entered into various finance leases, bearing interest at between 8.30% and 12.70%. These leases are repayable at various dates between 28 February 2019 and 30 April 2019. At 28 February 2017, US$0.6 million was receivable.

	2017 US$'000	2016 US$'000
13. INVENTORIES		
Merchandise for resale	**440 264**	440 616
Spares/maintenance inventory	**6 195**	8 235
Work in progress	**6 100**	5 192
	452 559	454 043
Inventory provisions	**(14 056)**	(19 374)
	438 503	434 669

Obsolete inventory amounting to US$5.2 million (FY16: US$2.4 million) was written off during the year.

During the year, inventories of US$4.2 billion (FY16: US$4.5 billion) were recognised as part of cost of sales. A total of US$0.8 million (FY16: US$4.5 million) relates to inventories which are encumbered.

Westcon-Comstor has certain return arrangements with its major vendors to reduce the risk of technological obsolescence.

One of Westcon-Comstor's European subsidiaries has an inventory purchase financing agreement with a financing company for a specific vendor's purchases for a maximum of US$300 million (FY16: US$300 million) which extends payment terms from 30 to 60 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon-Comstor or the vendor. As at 28 February 2017, US$150.7 million (FY16: US$192.6 million) was outstanding and is included in trade payables.

Westcon-Comstor's Latin American subsidiaries have an arrangement with a financing company to provide up to an aggregate of US$85 million (FY16: US$85 million) of vendor inventory purchase financing which effectively enables Westcon-Comstor to obtain extended payment terms up to 90 days on inventory it purchases from its major vendors for these subsidiaries. The financing company may, at any time upon the occurrence of certain events, including late payments under the arrangement, terminate the financing. The term of the facility is one year with the option to renew. As at 28 February 2017, US$58.2 million (FY16: US$40.6 million) was outstanding and is included in trade payables.

Westcon-Comstor's Singapore subsidiary has an inventory purchase financing agreement for purchases with a vendor for a maximum of US$34.5 million (FY16: US$40 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-Comstor's subsidiary or the vendor. As at 28 February 2017, US$25.7 million (FY16: US$19.6 million) was outstanding and is included in trade payables.

Some of Westcon-Comstor's other Asia-Pacific subsidiaries have inventory purchase financing agreements for specific vendors' purchases for a maximum of US$24 million (FY16: US$18.8 million). The agreements may be cancelled at any time with a 60-day or 90-day notice by either Westcon-Comstor's subsidiaries or the vendors. As at 28 February 2017, US$12.8 million (FY16: US$10.8 million) was outstanding and is included in trade payables.

Westcon-Comstor's Africa subsidiary has an inventory purchase financing agreement in place for a maximum of US$32.0 million (FY16: US$32.0 million) which extends payment terms up to a maximum of 90 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon-Comstor or the vendor. As at 28 February 2017, US$7.9 million (FY16: US$14.1 million) was outstanding and is included in trade payables.

Westcon-Comstor's Middle East subsidiary has an inventory purchase financing agreement in place for a maximum of US$17.5 million (FY16: US$17.3 million) which extends payment terms up to a maximum of 90 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon-Comstor's subsidiary or the vendor. As at 28 February 2017, US$12.8 million (FY16: US$2.2 million) was outstanding and is included in trade payables.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 US$'000	2016 US$'000
14. TRADE RECEIVABLES		
Trade receivables	**1 585 450**	1 537 072
Receivables allowance	**(37 447)**	(26 745)
	1 548 003	1 510 327

All trade receivables represent financial assets of the Group, are classified as loans and receivables and are measured at amortised cost. The carrying value of trade receivables balances approximates their fair value.

Trade receivables are assessed and provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience, with particular focus on trade receivables older than 90 days and after considering insurance held, any other securities and payment plans in place.

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 are no customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivables balance are trade receivables with a carrying amount of US$868.9 million (FY16: US$501.8 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. However, the weighted average write-off rate over recent years across all classes of trade receivables is 0.40% (FY16: 0.43%). The Group is therefore confident that it has provided adequately for any possible bad debt write-offs.

The effect of discounting of trade receivables is not material.

Analysis of the age of trade receivables that are past due but not impaired:

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
2016						
One month past due	71 059	30 716	115 650	29 326	14 012	260 763
Two months past due	12 596	23 273	22 743	8 665	11 381	78 658
Three months past due	6 995	12 699	16 705	3 803	4 778	44 980
Four months and greater past due	14 776	43 598	21 768	7 167	30 131	117 440
	105 426	110 286	176 866	48 961	60 302	501 841
2017						
One month past due	**52 214**	**52 181**	**166 188**	**25 237**	**29 459**	**325 279**
Two months past due	**13 212**	**17 941**	**158 496**	**13 563**	**19 919**	**223 131**
Three months past due	**6 152**	**9 841**	**82 329**	**10 404**	**10 962**	**119 688**
Four months and greater past due	**6 635**	**36 356**	**107 652**	**14 114**	**36 045**	**200 802**
	78 213	**116 319**	**514 665**	**63 318**	**96 385**	**868 900**

14. TRADE RECEIVABLES (continued)

Reconciliation of the receivables allowance account:

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
Balance on 1 March 2015	(1 137)	(6 655)	(2 687)	(1 060)	(4 464)	(16 003)
Impairment losses recognised on trade receivables	(1 132)	(5 275)	(7 078)	(1 538)	(7 167)	(22 190)
Impairment losses reversed	107	1 030	1 658	45	108	2 948
Bad debt write-offs	241	529	48	1 264	3 551	5 633
Exchange gains and losses	5	1 968	254	295	345	2 867
Balance at 29 February 2016	**(1 916)**	**(8 403)**	**(7 805)**	**(994)**	**(7 627)**	**(26 745)**
Impairment losses recognised on trade receivables	**(1 426)**	**(4 208)**	**(1 139)**	**(1 171)**	**(10 884)**	**(18 828)**
Impairment losses reversed	**(8)**	**848**	**1 989**	**328**	**15**	**3 172**
Bad debt write-offs	**974**	**1 284**	**1 239**	**308**	**1 966**	**5 771**
Net exchange gains and losses	**(18)**	**(983)**	**374**	**28**	**(218)**	**(817)**
Balance at 28 February 2017	**(2 394)**	**(11 462)**	**(5 342)**	**(1 501)**	**(16 748)**	**(37 447)**

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 concentration of credit risk is limited due to the customer base being large and geographically diverse. Accordingly, the directors believe that no further receivables allowance is required.

Analysis of impaired trade receivables

Included in the allowance for doubtful debts are individually impaired trade receivables with gross balances of US$94.8 million (FY16: US$86.9 million). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of any expected collections.

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
2016						
Gross value of debtors that have been individually impaired	8 262	21 249	18 673	15 821	22 885	86 890
Impairment allowance against these debtors	(1 916)	(8 403)	(7 805)	(994)	(7 627)	(26 745)
	6 346	12 846	10 868	14 827	15 258	60 145
2017						
Gross value of debtors that have been individually impaired	**6 159**	**30 520**	**5 551**	**15 436**	**37 140**	**94 806**
Impairment allowance against these debtors	**(2 394)**	**(11 462)**	**(5 342)**	**(1 501)**	**(16 748)**	**(37 447)**
	3 765	**19 058**	**209**	**13 935**	**20 392**	**57 359**

The Group does not hold any collateral against these specific debtors.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	2017 US$'000	2016 US$'000
15. SHARE CAPITAL AND PREMIUM		
Authorised share capital		
400 000 000 (FY16: 400 000 000) ordinary shares of R0.01 each		
Issued share capital	**163**	130
211 967 622 (FY16: 209 448 161) ordinary shares of R0.01 each		
Share premium	**151 784**	114 960
	151 947	115 090

	Number of shares	Share capital US$'000	Share premium US$'000
Balance at 1 March 2015	203 614 644	175	126 711
Issue of shares for vendor placement	3 679 594	3	18 011
Treasury shares purchased by Share Trust	–	–	(352)
Issue of shares for scrip distributions	2 153 923	2	11 007
Effects of foreign currency translation	–	(50)	(40 417)
Balance at 29 February 2016	**209 448 161**	**130**	**114 960**
Issue of shares for scrip distributions	**2 519 461**	**2**	**7 941**
Effects of foreign currency translation	**–**	**31**	**28 883**
Balance at 28 February 2017	**211 967 622**	**163**	**151 784**

Share capital and share premium are in the Rand denominated accounts of the holding company and are translated into US Dollar each year in the Group accounts in accordance with the accounting policy.

During the year ended 28 February 2017, Datatec Limited issued the following shares:

- 2 519 461 (FY16: 2 153 923) shares were issued as a scrip distribution during the year to shareholders who did not elect to receive the cash dividend alternative in respect of the FY16 final and FY17 interim distributions.
- No shares (FY16: nil) were issued in settlement of exercises of SARs, LTIP conditional awards and DBP matching shares under current share schemes.

As at 28 February 2017, the Group held 100 000 (FY16: 130 000) shares as treasury shares that had been acquired by the Datatec Share Incentive Trust 2005. These have been set off against share premium. Share issue expenses for the year amounted to US$10 730 (FY16: US$22 581), and were accounted for in equity.

	2017 US$'000	2016 US$'000
16. LONG-TERM LIABILITIES		
Liabilities under capitalised finance leases	**10 511**	2 798
Secured loans	**16 833**	11 789
Other long-term liabilities – unsecured	**30 160**	56 876
	57 504	71 463
Less: Current portion included in trade and other payables (Note 17)	**(25 602)**	(50 211)
Long-term portion	**31 902**	21 252
Repayable between one and two years	**7 465**	17 411
Repayable between two and three years	**20 604**	2 202
Repayable between three and four years	**2 535**	1 157
Repayable between four and five years	**911**	482
Repayable after five years	**387**	–
	31 902	21 252

16.1 Liabilities under capitalised finance leases

	2017 US$'000		2016 US$'000	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Current portion repayable within one year	**3 454**	**3 205**	1 499	1 254
Repayable between two and five years	**7 900**	**7 306**	1 846	1 544
	11 354	**10 511**	3 345	2 798
Less: Future finance charges	**(843)**	**–**	(547)	–
Present value of capitalised finance lease liabilities	**10 511**	**10 511**	2 798	2 798

The Group leased certain property, plant and equipment under finance leases (Note 7). The average lease term for the Group's material leases is three to five years. The Group's lease obligations under finance leases are secured by the lessors' rights over the leased assets.

Interest rates underlying these material leases range from 1.25% to 2.05%.

Notes to the Group consolidated annual financial statements continued

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16. LONG-TERM LIABILITIES (continued)

16.2 Secured loans and other long-term liabilities

Counterparty	Currency	Interest rate	Repayment date	Repayment terms	Principal amount US$'000	Total US$'000
Unsecured:						
Westcon-Comstor						**6 351**
Investec Bank Limited	US$	4.00%	June 2017*	Quarterly instalments	8 837	**6 185**
Key Equipment Finance	US$	4.75%	June 2017*	Quarterly instalments	954	**166**
Logicalis						**9 557**
Banco Bradesco	BRL	16.50%	May 2020	Monthly instalments	6 540	**4 035**
Cisco Systems Capital Corporation	US$	2.00%	July 2020	Biannual instalments	3 500	**2 456**
Cisco Systems Capital Corporation	US$	2.00%	August 2017*	Quarterly instalments	5 268	**901**
Other	Various	Between 0.00% and 6.48%	Between March 2018 and December 2025	Monthly, quarterly and annual instalments	2 735	**2 165**
Datatec Financial Services						**14 252**
Cisco Capital	US$	2.51%	September 2017*	Quarterly instalments	28 768	**6 598**
Cisco Capital	US$	2.32%	November 2017*	Step payments	12 653	**5 147**
Other	Various	Between 3.02% and 8.61%	Between September 2018 and June 2020	Monthly instalments	3 300	**2 507**
Secured:						
Westcon-Comstor						**16 833**
Futuregrowth Asset Management	ZAR	10.16%	September 2019	Full capital repayable every three years; quarterly interest instalments	16 145	**16 145**
Other	Various	Between 2.66% and 3.54%	Between January 2021 and August 2021	Monthly instalments	1 424	**688**

** Included in current portion of long-term liabilities.*

The Futuregrowth Asset Management liability is secured by trade receivables to the value of US$25.6 million (FY16: US$16.3 million).

The carrying value of long-term liabilities approximates their fair value.

	2017 US$'000	2016 US$'000
17. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES		
17.1 Trade and other payables	**1 720 391**	1 778 908
Trade payables	**1 322 321**	1 361 569
Deferred revenue	**77 308**	77 931
VAT/sales tax	**45 395**	57 343
Accruals and sundry creditors	**272 629**	281 108
Short-term portion of share-based payments	**2 738**	957
17.2 Short-term interest-bearing liabilities	**64 787**	51 461
Unsecured short-term funding incurred for Afina purchase	**–**	1 250
Unsecured short-term funding – HSBC	**21 210**	–
Unsecured short-term funding – Banco Votorantim	**9 171**	–
Unsecured short-term funding – Banco Santander	**5 287**	–
Unsecured short-term funding – Banco Bradesco	**3 517**	–
Current portion of other long-term liabilities (Note 16)	**25 602**	50 211
	1 785 178	1 830 369

The carrying value of trade and other payables and short-term interest-bearing liabilities approximates their fair value. Trade accounts payable will be settled in the normal course of business.

The effect of discounting of trade payables is not material.

Short-term interest-bearing liabilities

Unsecured loans

One of Westcon-Comstor's subsidiaries entered into a US$25.0 million loan with HSBC bearing interest at US$ LIBOR + 3.0%. At 28 February 2017, US$21.2 million was outstanding.

One of Logicalis' subsidiaries has entered into various loans with Banco Votorantim, between US$1.3 million and US$5.3 million, bearing interest at between 3.18% and 3.30%. These loans are repayable at various dates between 31 March 2017 and 26 May 2017. At 28 February 2017, US$9.2 million was outstanding.

One of Logicalis' subsidiaries has entered into various loans with Banco Santander, between US$0.7 million and US$4.6 million, bearing interest at between 3.15% and 3.16%. These loans are repayable at various dates between 30 April 2017 and 10 May 2017. At 28 February 2017, US$5.3 million was outstanding.

One of Logicalis' subsidiaries entered into a US$3.5 million loan with Banco Bradesco bearing interest at 3.25%. The loan is repayable on 31 March 2017. At 28 February 2017, US$3.5 million was outstanding.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

	US$'000	Restructuring	Legal claims and costs	VAT/ sales tax	Pension obligations	Dilapidations/ asset retirement obligations	Other	Total
18.	**PROVISIONS**							
	Balance at 29 February 2016	6 164	936	817	2 486	5 936	2 183	18 522
	Acquisitions	–	–	–	–	–	8	8
	Amounts added	7 635	805	4 834	80	581	4 172	18 107
	Utilised	(10 318)	(1 245)	(4 914)	–	(252)	(1 981)	(18 710)
	Amounts reversed	(288)	(34)	(554)	–	(57)	(6)	(939)
	Translation and other	(254)	60	–	(15)	(286)	517	22
	Balance at 28 February 2017	2 939	522	183	2 551	5 922	4 893	17 010

	2017 US$'000	2016 US$'000
Long-term portion	8 376	9 215
Short-term portion	8 634	9 307
	17 010	18 522

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. Dilapidations and asset retirement obligations relate to provisions where the Group is expected to restore certain leased property and assets to its original condition. Pension obligations relate to a pension scheme operated by Logicalis Group, for which a full defined benefit pension disclosure has not been recognised due to its immaterial value. Other provisions include asset vendor credits, onerous contracts and waste reserves.

		2017 US$'000	2016 US$'000
19.	**AMOUNTS OWING TO VENDORS**		
	Long-term portion	580	2 762
	Short-term portion	512	7 742
		1 092	10 504

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions as well as liabilities recognised for minority put options existing in certain business acquisition agreements. 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.

Effective 1 May 2015, Logicalis acquired White Label Intelligence Limited, trading as Trovus, a UK business intelligence consultancy, which provides business insight solutions, professional services and managed services to large enterprise clients. The consideration payable comprised an initial cash consideration of US$1.6 million and deferred cash consideration of up to £0.4 million, split into three payments over three years. The payment of the deferred cash consideration is dependent on certain targets being met for each of these three periods.

Effective 1 September 2015, Logicalis completed the acquisition of Advanced Technology Integration Group, a solution provider offering system integration and professional services to enterprise and commercial customers across the Midwest region of the United States. The consideration payable comprised an initial cash consideration of US$37.0 million and deferred cash consideration of up to US$5.0 million payable over one year. The payment of the deferred cash consideration was dependent on certain targets being met at the end of the first year of trading. Based upon the results for the first year of trading, US$1.2 million was paid out to the vendors with the remaining US$3.8 million of the deferred consideration being released to profit or loss.

19. AMOUNTS OWING TO VENDORS (continued)

Effective 1 October 2015, Logicalis acquired Lekscom Limited, a Channel Islands-based provider of networking and collaboration services to large enterprise and commercial clients. The consideration payable comprised an initial cash consideration of US$1.8 million and deferred cash consideration of up £0.4 million, split into two payments over two years. £0.2 million (US$0.25 million equivalent) was paid out to vendors in November 2016 as all targets for the first payment were met. The payment for the remaining deferred cash consideration is dependent on certain targets being met.

Effective 1 December 2015, Logicalis acquired Thomas Duryea Consulting Pty. Limited, a data centre and cloud services provider based in Melbourne, Australia. The consideration payable comprised an initial cash consideration of AU$13.5 million and deferred cash consideration of up to AU$4.0 million, split into two payments over two years.

During the first year, the earn-out target was met and the full AU$2.0 million (US$1.5 million equivalent) was paid out. Subsequent to the first target being met, an agreement was reached with the vendors whereby AU$0.5 million (US$0.4 million equivalent) was paid out based on a shorter timeline of performance and the remaining AU$1.5 million (US$1.1 million equivalent) was released to profit or loss.

On 29 November 2012, Datatec Limited acquired Comztek Holdings (Pty) Ltd ("Comztek"). At the same time, members of the Comztek management team (the "Management Shareholders") entered into a put and call option agreement whereby Management Shareholders granted call options to Westcon Emerging Markets Group (Pty) Ltd ("WEMG") to acquire all of their Westcon Southern Africa Holdings (Pty) Limited ("Westcon SA") shares and WEMG granted put options to each of the Management Shareholders to require WEMG to purchase all of their Westcon SA shares, at a defined strike price.

Effective 16 September 2016, Datatec Limited acquired 4.98% of the shares held by management of Westcon SA for a consideration of US$0.7 million in terms of the put and call option agreement. The second option period covers the remaining shares held by Management Shareholders and commences on 1 March 2017 and ends on 29 May 2017.

IAS 32 *Financial Instruments: Presentation* requires that these minority put option liabilities are recognised initially in equity and then reflected at their fair value at each reporting date, with subsequent changes in fair value being reported in profit for the year. The amount recorded in profit for the year in FY17 is a credit of US$0.7 million. The amount included in the closing balance in respect of the fair value for put option liabilities is US$0.2 million (FY16: US$1.3 million).

Amounts owing to vendors are classified as financial liabilities at fair value through profit or loss. They are classified as Level 2 financial instruments, whose fair value measurements are derived from inputs that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2017 US$'000	2016 US$'000
20. BANK OVERDRAFTS		
Total bank overdrafts at the end of the year	**645 486**	545 539

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

20. BANK OVERDRAFTS (continued)

<table>
<tr><th>Region</th><th>Provider</th><th>Facility currency</th><th>Facility limit US$'000</th><th>Interest rate</th><th>Overdraft US$'000</th></tr>
<tr><td>Westcon-Comstor</td><td></td><td></td><td></td><td></td><td>(542 022)</td></tr>
<tr><td>UK</td><td>HSBC</td><td>US$</td><td>335 000</td><td>1.55% above the US$, Euro or Sterling base rate (2.18% as at 28 February 2017)</td><td>(223 188)</td></tr>
<tr><td colspan="5">• The facility matures in July 2018.
• Advances under this arrangement are available up to 87% of the subsidiary's eligible accounts receivable.
• The facility contains certain affirmative and negative covenants, including, but not limited to covenants that restrict Westcon-Comstor'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$7.5 million value without the bank's prior consent.</td><td></td></tr>
<tr><td>USA/Canada</td><td>Syndicate</td><td>US$</td><td>350 000</td><td>At Westcon-Comstor's option, either:
• London Interbank Offered Rate (LIBOR)
• Index rate equal to the higher of
– prime rate;
– federal funds rate, plus a margin of 0.50% per annum; and
– the LIBOR for a one-month LIBOR period, plus 1%
• Effective interest rate at 28 February 2017: 2.34%
• Both options are subject to an applicable margin based on excess availability under the Revolver
• LIBOR margin: ranges from 1.25% to 1.75%
• Index rate margin: ranges from negative 0.25% to 0.75%</td><td>(160 615)</td></tr>
<tr><td colspan="5">• This facility has a five-year term and matures in January 2021.
• This facility also includes an accordion feature which gives Westcon-Comstor the right to require the lead bank to increase the facility up to an additional US$75 million without a vote of the syndicate by identifying a willing lender on the Revolver's terms.
• Advances under this arrangement are available up to 85% of Westcon-Comstor's US and Canadian subsidiaries' eligible accounts receivable.
• Borrowings under this facility are collateralised by:
– a pledge of 100% of Westcon-Comstor's US subsidiaries' shares and a pledge of 66.66% Westcon-Comstor's Canadian subsidiaries' shares; and
– a security interest in substantially all of the assets of Westcon-Comstor's US and Canada subsidiaries.
• The facility contains certain affirmative and negative covenants, including, but not limited to, a financial covenant establishing a minimum fixed charge ratio only when there is a financial covenant triggering event (as defined), and covenants that restrict Westcon-Comstor's US and Canadian subsidiaries' ability to incur debt, create liens, make acquisitions and investments, sell assets and place limitations on the ability of Westcon-Comstor's US and Canadian subsidiaries to pay dividends to Westcon-Comstor.</td><td></td></tr>
</table>

20. BANK OVERDRAFTS (continued)

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Westcon-Comstor (continued)					
Germany	HSBC	US$	40 000	1.55% above the US$, Euro or Sterling base rate (2.18% at 28 February 2017)	(32 950)
• The facility matures in July 2018. • Advances under this arrangement are available up to 87% of the subsidiary's eligible accounts receivable. • The facility contains certain affirmative and negative covenants, including, but not limited to covenants that restrict Westcon-Comstor'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$7.5 million value without the bank's prior consent.					
UK	HSBC	US$	25 000	Money market rate (1.96% at 28 February 2017)	(25 000)
China	HSBC	US$	20 000	2.89% to 2.97% (matures in June 2017)	(18 626)
Brazil	HSBC Bank Brasil	BRL	35 960	Overnight lending rate (17.13% at 28 February 2017)	(10 768)
Mexico	HSBC Bank Mexico	US$	40 000	Overnight lending rate (5.50% at 28 February 2017)	(10 653)
USA	HSBC	US$	14 000	LIBOR + 2.00% (2.30% as at 28 February 2017)	(10 500)
USA	Deutsche Bank	US$	10 000	Federal Fund rate plus 2.0% (2.57% as at 28 February 2017)	(10 000)
Singapore	HSBC	US$	18 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (2.42% at 28 February 2017)	(8 175)
• Borrowings under this facility are collateralised by current and future assets.					
Singapore	HSBC	US$	9 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (2.44% at 28 February 2017)	(6 398)
• Borrowings under this facility are collateralised by current and future assets.					
Colombia	Banco de Bogotá	COP	5 425	DTF + spread (11.04% at 28 February 2017)	(5 425)
South Africa	Standard Bank	ZAR	4 382	South African prime interest rate (10.50% at 28 February 2017)	(4 211)
Singapore	HSBC	US$	8 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (2.54% at 28 February 2017)	(3 623)
• Borrowings under this facility are collateralised by current and future assets.					
Singapore	HSBC	US$	3 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (2.42% at 28 February 2017)	(2 439)
• Borrowings under this facility are collateralised by current and future assets.					
Singapore	HSBC	US$	2 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (3.28% at 28 February 2017)	(2 000)
• Borrowings under this facility are collateralised by current and future assets.					

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

20. BANK OVERDRAFTS (continued)

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Westcon-Comstor (continued)					
Singapore	HSBC	US$	1 500	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank rate + 1.60% (3.28% to 3.29% at 28 February 2017)	**(1 500)**
• Borrowings under this facility are collateralised by current and future assets.					
Other	Various	Various	Various	Between 2.59% and 12.80%	**(5 951)**
Logicalis					**(103 464)**
US	Comerica/ HSBC	US$	75 000	Applicable margin plus greater of: • Prime rate; • Federal funds effective rate plus 1.00%; and • Daily adjusting LIBOR plus 1.00% The applicable margin is dependent on the previous quarter's average facility availability and ranges between negative 45 and negative 70 basis points. (as at 28 February 2017: SWAP 2.4%/ LIBOR + 1.3%/revolver 3.05%)	**(28 870)**
UK	HSBC	GBP/US$/ EUR	20 000	LIBOR + 1.70% (2.48% at 28 February 2017)	**(20 000)**
• Cross guarantees are in place between the UK operating companies.					
UK	HSBC	GBP/US$/ EUR	6 216*	UK base rate +2.00% (2.25% at 28 February 2017)	**(12 297)**
• This facility is secured by Logicalis' trade receivables.					
Brazil	Banco Santander	US$	7 874	4.14% to 4.74%	**(7 874)**
Brazil	Banco Itaú	BRL	6 446	3.21% + CDI	**(6 446)**
UK	HSBC	GBP/US$/ EUR	7 500	UK base rate +2.00% (2.25% at 28 February 2017)	**(5 104)**
Brazil	Banco Santander	BRL	4 826	3.90% + CDI	**(4 826)**
Peru	Scotiabank Peru SAA	PEN	4 158	6.90% at 28 February 2017	**(4 158)**
Australia	HSBC	AU$	3 070	AUS BBSY + 1.85%	**(3 070)**
• The overall facility is subject to two financial covenants: an interest cover ratio and a leverage ratio.					
Brazil	Banco Bradesco	US$	2 931	4.09% to 4.60%	**(2 931)**
Singapore	HSBC	US$/SGD	19 500	For US Dollar drawings, LIBOR + 1.65% For SGD drawings, Singapore Interbank rate + 1.65%	
• Each drawdown has a specific maturity date. • The facility is secured by a Logicalis Group Limited guarantee and is subject to a minimum net worth covenant and a minimum EBITDA-to-interest expense ratio covenant.					**(2 706)**
Brazil	Société Générale	BRL	6 540	16.50% at 28 February 2017	**(2 433)**
Other	Various	Various	Various	Between 2.40% and 7.00%	**(2 749)**

** The total facility limit applies to a number of accounts with cash pooling. At year-end the net balance of the accounts was positive.*

	2017 US$'000	2016 US$'000
21. COMMITMENTS		
21.1 Capital commitments		
Capital expenditure authorised and contracted for	33 495	40 962
Property, plant and equipment	12 790	–
Intangible assets	20 705	40 962
Capital expenditure authorised but not yet contracted for	2 660	4 285
Total capital commitments	36 155	45 247
This expenditure will be incurred in the ensuing year and will be financed from existing cash resources and available borrowing facilities.		
21.2 Operating lease commitments		
Due within one year:		
Property	28 414	29 470
Office furniture, equipment and motor vehicles	3 625	3 391
Computer equipment	1 855	3 573
Total operating lease commitment due within one year	33 894	36 434
Due between one and two years:		
Property	22 422	26 316
Office furniture, equipment and motor vehicles	2 738	2 467
Computer equipment	132	1 420
Total operating lease commitments due between one and two years	25 292	30 203
Due between two and three years:		
Property	18 485	20 552
Office furniture, equipment and motor vehicles	1 658	1 639
Computer equipment	79	168
Total operating lease commitments due between two and three years	20 222	22 359
Due between three and four years:		
Property	13 767	16 536
Office furniture, equipment and motor vehicles	392	768
Computer equipment	3	92
Total operating lease commitments due between three and four years	14 162	17 396
Due between four and five years:		
Property	11 830	13 565
Office furniture, equipment and motor vehicles	16	457
Computer equipment	–	15
Total operating lease commitments due between four and five years	11 846	14 037
Due after five years:		
Property	27 786	38 192
Office furniture, equipment and motor vehicles	–	–
Computer equipment	–	–
Total operating lease commitments due after five years	27 786	38 192
Total non-cancellable operating lease commitments	133 202	158 621

The fair value of the operating lease commitments is approximately equal to their carrying value.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

22. 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 13 was generally guaranteed by Westcon-Comstor.

In connection with Westcon-Comstor's investment in the Turkish joint venture, Neteks, Westcon-Comstor has guaranteed 50%, up to a maximum of US$15 million, related to the joint venture's finance facility with a bank. The guarantee would require Westcon-Comstor to pay 50% of the outstanding balance in the event of default by the joint venture. The maximum liability under this guarantee at 28 February 2017 was US$5.5 million (FY16: US$6.3 million).

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.

23. RELATED-PARTY TRANSACTIONS

Sales and purchases between Group companies are concluded at arm's length in the ordinary course of business. For the year ended 28 February 2017, the inter-group sales of goods and provision of services amounted to US$97.5 million (FY16: US$105.7 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. Details of transactions between the Group and other related parties are disclosed below:

	2017 US$'000	2016 US$'000
Key management personnel compensation:		
Short-term employee benefits	**8 709**	8 186
Post-employment benefits	**389**	480
Share-based payments	**154**	971
Key management personnel compensation comprises the compensation of 16 (FY16: 16) 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 pages. There were no other prescribed officers in the Company.		

23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments

The following tables set out the remuneration of individual directors who held office during FY17 and FY16.

US$'000	Basic salary	Bonus	Fees	Pension	Other benefits	Total
2017						
Executive directors						
JP Montanana	1 340	285	–	201	29	1 855
IP Dittrich (from 30 May 2016)	286	109	–	43	8	446
PJ Myburgh (to 31 July 2016)	159	–	–	24	4	187
Total executive directors	1 785	394	–	268	41	2 488
Non-executive directors						
SJ Davidson	–	–	198	–	–	198
O Ighodaro	–	–	83	–	–	83
JF McCartney – Datatec fees	–	–	83	–	–	83
JF McCartney – Westcon Group, Inc. fees	–	–	61	–	–	61
MJN Njeke (from 1 September 2016)	–	–	44	–	–	44
LW Nkuhlu (to 9 September 2016)	–	–	51	–	–	51
CS Seabrooke	–	–	114	–	–	114
NJ Temple	–	–	88	–	–	88
Total non-executive directors	–	–	722	–	–	722
Total directors' emoluments	1 785	394	722	268	41	3 210
2016						
Executive directors						
JP Montanana	1 265	285	–	190	33	1 773
PJ Myburgh	373	52	–	56	10	491
RP Evans (to 10 September 2015)	170	–	–	25	5	200
Total executive directors	1 808	337	–	271	48	2 464
Non-executive directors						
SJ Davidson	–	–	198	–	–	198
O Ighodaro	–	–	83	–	–	83
JF McCartney – Datatec fees	–	–	83	–	–	83
JF McCartney – Westcon Group, Inc. fees	–	–	61	–	–	61
LW Nkuhlu	–	–	96	–	–	96
CS Seabrooke	–	–	114	–	–	114
NJ Temple	–	–	88	–	–	88
Total non-executive directors	–	–	723	–	–	723
Total directors' emoluments	1 808	337	723	271	48	3 187

Of the emoluments shown above, US$858 000 (FY16: US$793 000) were paid by Datatec Limited and US$2 352 000 (FY16: US$2 394 000) were paid by subsidiaries of Datatec Limited.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Directors holding office during FY17 held the following share appreciation rights ("SARs") under the rules of the SAR Scheme:

	Grant date	Grant price (ZAR)	SARs held at 29 February 2016	Granted during the year	Exercised during the year	Lapsed during the year	SARs held at 28 February 2017
JP Montanana	12/05/2011	36.61	170 876	–	–	(170 876)	–
	16/05/2013	50.25	330 689	–	–	(330 689)	–
	15/05/2014	50.55	371 519	–	–	–	371 519
	14/05/2015	60.74	370 654	–	–	–	370 654
	12/05/2016	46.16	–	661 325	–	–	661 325
Sub-total			1 243 738	661 325	–	(501 565)	1 403 498
IP Dittrich	12/05/2016	46.16	–	181 888	–	–	181 888
Sub-total			–	181 888	–	–	181 888
PJ Myburgh	15/05/2014	50.55	121 068	–	–	(121 068)	–
	14/05/2015	60.74	116 497	–	–	(116 497)	–
Sub-total			237 565	–	–	(237 565)	–
Total			1 481 303	843 213	–	(739 130)	1 585 386

No SARs were available for exercise during FY17 or FY16.

Directors holding office during FY17 held the following conditional awards under the LTIP:

	Grant date	Awards held at 29 February 2016	Granted during the year	Vested and settled during the year	Lapsed/ forfeited during the year	Awards held at 28 February 2017
JP Montanana	16/05/2013	330 689	–	–	(330 689)	–
	15/05/2014	371 519	–	–	–	371 519
	14/05/2015	370 654	–	–	–	370 654
	12/05/2016	–	661 325	–	–	661 325
Sub-total		1 072 862	661 325	–	(330 689)	1 403 498
IP Dittrich	12/05/2016	–	136 416	–	–	136 416
Sub-total		–	136 416	–	–	136 416
PJ Myburgh	15/05/2014	90 801	–	–	(90 801)	–
	14/05/2015	87 373	–	–	(87 373)	–
Sub-total		178 174	–	–	(178 174)	–
Total		1 251 036	797 741	–	(508 863)	1 539 914

During FY17, the TSR performance condition for the vesting of the 2013 conditional awards under the LTIP was not met and accordingly the awards did not vest and lapsed.

23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Directors holding office during FY17 held the following Datatec shares acquired and pledged under the terms of the DBP:

	Date of purchase of pledged shares	Average purchase price (ZAR)	Pledged shares held at 29 February 2016	Pledged shares purchased during the year	Matched during the year	Lapsed during the year	Pledged shares held at 28 February 2017
JP Montanana	12 & 13/06/2013	57.39	50 000	–	(25 000)	(25 000)	–
	04/06/2014	52.67	50 000	–	–	–	50 000
	11/06/2015	67.75	130 000	–	–	–	130 000
	28/06/2016	43.49	–	100 000	–	–	100 000
Sub-total			230 000	100 000	(25 000)	(25 000)	280 000
IP Dittrich	29/06/2016	43.49	–	45 745	–	–	45 745
Sub-total		–	–	45 745	–	–	45 745
PJ Myburgh	21/05/2014	51.00	48 500	–	–	–	48 500
	29/06/2015	65.00	20 000	–	–	(20 000)	–
Sub-total			68 500	–	–	(20 000)	48 500
Total			298 500	145 745	(25 000)	(45 000)	374 245

The pledged shares shown above are included in the directors' share interests shown on page 57 of the Integrated Report.

During FY17, shares were transferred to Mr Montanana on 25 May 2016 in settlement of the 25 000 matching shares under the DBP which vested (50% of the pledged shares) plus 2 536 shares in lieu of dividends on the matching shares during the three-year performance period. The value of the shares transferred to Mr Montanana on that date was US$81 000 (FY16: US$410 400).

Mr Myburgh resigned as a director during FY17 and the Remuneration Committee agreed that the 48 500 shares he purchased on 21 May 2014 on joining Datatec would remain ranking for a 50% matching of shares under the DBP in May 2017 whereas all other share scheme awards to Mr Myburgh lapsed on his resignation.

Mr McCartney holds the following share appreciation rights in Westcon Group, Inc. which he was awarded as a non-executive director of Westcon-Comstor in line with American practice for directors' fees and awards:

	Grant date	Grant price (US$)	SARs held at 29 February 2016	Granted during the year	Exercised during the year	SARs held at 28 February 2017
JF McCartney	01/07/2011	68.00	2 500	–	(2 500)	–
	01/07/2012	80.60	2 500	–	–	2 500
	01/07/2013	79.50	2 500	–	–	2 500
	01/07/2014	64.00	2 000	–	–	2 000
	01/07/2015	79.00	3 000	–	–	3 000
	01/07/2016	69.00	–	3 000	–	3 000
Total			12 500	3 000	(2 500)	13 000

These awards have been ratified by the Datatec Remuneration Committee. The proceeds of Mr McCartney's exercise of Westcon Group, Inc. SARs during FY17 was US$2 500 (FY16: US$28 333).

Notes to the Group consolidated annual financial statements continued

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24. FINANCIAL INSTRUMENTS

24.1 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 derivative instruments.

24.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns 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 FY16. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 16 and 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital (Note 15), 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:

	2017 US$'000	2016 US$'000
Long-term liabilities	**(31 902)**	(21 252)
Short-term interest-bearing liabilities	**(64 787)**	(51 461)
Net cash and cash equivalents	**(299 852)**	(132 685)
Net debt	**(396 541)**	(205 398)
Total equity attributable to the parent	**854 986**	830 366
Gearing ratio: debt-to-equity ratio	**(46%)**	(25%)

24.3 Categories of financial instruments

	2017 US$'000	2016 US$'000
Financial assets		
Financial assets held-for-trading – at fair value	**4 732**	3 010
Loans and receivables (including cash and cash equivalents) – at amortised cost	**2 078 359**	2 058 648
Financial liabilities		
Financial liabilities held-for-trading – at fair value	**(2 491)**	(1 909)
Liabilities – at amortised cost	**(2 205 372)**	(2 171 595)
Other financial liabilities designated at fair value through profit or loss ("FVTPL")	**(1 092)**	(10 504)

24. FINANCIAL INSTRUMENTS (continued)

24.4 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.

Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. 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.

The carrying amount of financial assets recorded in the financial statements (see Note 24.3), 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:

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
2017						
Gross trade accounts receivable	326 243	394 575	572 099	151 983	140 550	1 585 450
Less: Trade receivables allowances	(2 394)	(11 462)	(5 342)	(1 501)	(16 748)	(37 447)
Loans granted to third parties	–	8 663	35	–	–	8 698
Other long-term assets due	5 685	4 470	6 485	603	22 235	39 478
Other receivables	30 879	44 363	48 825	6 389	6 090	136 546
Derivative financial assets (Level 2)	4 480	(246)	412	86	–	4 732
Cash and cash equivalents at financial institutions	81 564	82 678	70 657	51 775	58 960	345 634
Maximum on-balance sheet exposure	446 457	523 041	693 171	209 335	211 087	2 083 091
Financial guarantees	–	–	5 524	–	–	5 524
2016						
Gross trade accounts receivable	383 184	316 209	569 794	130 779	137 106	1 537 072
Less: Trade receivables allowances	(1 916)	(8 403)	(7 805)	(994)	(7 627)	(26 745)
Loans granted to third parties	–	4 214	190	–	–	4 404
Other long-term assets due	17 695	6 851	1 078	602	13 370	39 596
Other receivables	28 275	29 924	20 156	10 394	2 718	91 467
Derivative financial assets (Level 2)	(1 205)	1 867	2 358	46	(56)	3 010
Cash and cash equivalents at financial institutions	57 893	75 962	136 998	67 291	74 710	412 854
Maximum on-balance sheet exposure	483 926	426 624	722 769	208 118	220 221	2 061 658
Financial guarantees	–	–	6 327	–	–	6 327

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for the year ended 28 February 2017

24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk management (continued)

Included in other receivables, there are receivables of US$0.14 million that are past due but not impaired in the one and two months past due categories.

Included in loans granted to third parties, there are loans of US$0.05 million that are past due but not impaired in the four months past due category.

Other than trade receivables (Note 14), there are no other financial assets that are past due but not impaired.

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.

Derivative financial assets relate to forward exchange contracts, automatic rolling collar and interest rate swaps and are classified as Level 2 financial instruments.

In June 2016, Westcon-Comstor entered into an interest rate swap agreement that matures in January 2021. The swap has been designated as a cash flow hedge. The objective of the hedge is to eliminate the variability of cash flows associated with the revolver interest payments for a US$100.0 million notional amount. During FY17, the effective portion of the interest rate swap was recorded as an unrecognised gain (US$2.3 million at 28 February 2017) in accumulated other comprehensive income in equity. There was no ineffective portion.

24.5 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. The Group is in compliance with all of its banking covenants at year-end. Included in Note 20 is a listing of additional utilised facilities that the Group has at its disposal to further reduce liquidity risk.

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.

24. FINANCIAL INSTRUMENTS (continued)

24.5 Liquidity risk management (continued)

US$'000	0 – 1 year	1 – 2 years	2 – 5 years	After 5 years	Total
2017					
Trade payables	(1 322 321)	–	–	–	(1 322 321)
Fixed rate liabilities	(46 072)	(6 449)	(7 964)	(387)	(60 872)
Variable rate liabilities	(563 440)	(134)	(347)	–	(563 921)
Derivative financial liabilities (Level 2)	(2 491)	–	–	–	(2 491)
Financial guarantees/commitments	(430)	–	–	–	(430)
Other	(257 096)	(1 461)	(363)	–	(258 920)
	(2 191 850)	(8 044)	(8 674)	(387)	(2 208 955)
2016					
Trade payables	(1 361 569)	–	–	–	(1 361 569)
Fixed rate liabilities	(23 803)	(4 023)	(2 810)	–	(30 636)
Variable rate liabilities	(554 853)	(211)	(489)	–	(555 553)
Derivative financial liabilities (Level 2)	(1 909)	–	–	–	(1 909)
Financial guarantees/commitments	(340)	–	–	–	(340)
Other	(210 796)	(22 435)	(695)	(75)	(234 001)
	(2 153 270)	(26 669)	(3 994)	(75)	(2 184 008)

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.

24.6 Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (Note 24.7) and interest rates (see Note 24.8). 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.

24.7 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.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

24. FINANCIAL INSTRUMENTS (continued)

24.7 Foreign exchange risk management (continued)

24.7.1 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 income statement as foreign exchange gains and/or losses.

Westcon-Comstor

Westcon-Comstor operates in the global business environment and undertakes many transactions denominated in foreign currencies. Westcon-Comstor 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-Comstor. In addition, the foreign exchange gains and losses in the statement of comprehensive income were reviewed to identify the regions with potential exposures. Where no natural hedges occur, Westcon-Comstor is adequately hedged in most regions. There were foreign exchange exposures found in Africa, however, the impact on the statement of comprehensive income was not found to be material.

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 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. There were large foreign exchange exposures found in Latin America, most notably in Brazil and Argentina. The total exposure is US$17.0 million. A 10% movement will result in a US$1.7 million gain in the statement of comprehensive income.

Corporate, Consulting and Financial Services

Datatec management has performed a review of foreign currency exposures of the financial assets and liabilities of the Corporate, Consulting and Financial Services segment. There were no material foreign exchange exposures identified.

24.7.2 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 24.4 and 24.5, as derivative financial assets and derivative financial liabilities respectively.

24. FINANCIAL INSTRUMENTS (continued)

24.8 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 24.5).

Refer to Note 24.4 for details of Westcon-Comstor's interest rate swap.

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.

Datatec Group

- profit for the year ended 28 February 2017 would decrease by a net amount of US$1.66 million (FY16: US$1.48 million decrease) made up of:

Westcon-Comstor

- profit for the year ended 28 February 2017 would decrease by a net amount of US$1.40 million (FY16: US$1.41 million decrease);

Logicalis

- profit for the year ended 28 February 2017 would decrease by a net amount of US$0.26 million (FY16: US$0.14 million decrease); and

Corporate, Consulting and Financial Services

- immaterial (FY16: US$0.07 million increase).

	2017 US$'000	2016 US$'000
25. CASH (UTILISED IN)/ GENERATED FROM OPERATIONS		
Profit before taxation	**41 659**	88 434
Adjustment for:		
Unrealised foreign exchange losses	**1 854**	4 679
Share-based payments	**861**	(329)
Share of equity-accounted investment losses	**793**	252
Depreciation and amortisation	**58 329**	51 504
Profit on disposal of property, plant and equipment	**(36)**	(9)
Profit on disposal of associate/loss of control of subsidiary	**(319)**	–
Net movement in provisions	**(1 512)**	4 543
Net movements on trade receivables allowances for bad debt	**15 656**	19 242
Acquisition-related fair value adjustments	**(5 565)**	(1 768)
Impairments	**1 600**	75
Cash payments to settle share-based payment obligations	**(1 132)**	(5 973)
Interest income	**(3 994)**	(3 670)
Finance costs*	**28 197**	27 549
Other non-cash items	**(1 856)**	1 158
Operating profit before working capital changes	**134 535**	185 687
Working capital changes:	**(184 576)**	(59 433)
(Increase)/decrease in inventories	**(11 995)**	18
Increase in receivables	**(83 753)**	(142 708)
(Decrease)/increase in payables	**(88 828)**	83 247
(Increase)/decrease in finance lease receivables	**(2 055)**	3 974
Other non-current assets and liabilities	**14 775**	(1 158)
	(37 321)	129 070

** Includes non-cash accruals*

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

		2017 US$'000	2016 US$'000
26.	**TAXATION PAID**		
	Net taxation asset – at the beginning of the year	4 234	1 414
	Subsidiaries acquired	(47)	(123)
	Charge to profit and loss (excluding deferred tax)	(39 950)	(36 588)
	Charge to other comprehensive income	(518)	(1 162)
	Other movements and translation differences	(328)	817
	Net taxation asset – at the end of the year	(6 690)	(4 234)
	Taxation paid	(43 299)	(39 876)
	Net taxation		
	Current tax assets	17 849	12 154
	Current tax liabilities	(11 159)	(7 920)
		6 690	4 234
27.	**ACQUISITIONS OF SUBSIDIARY COMPANIES**		
	The fair value of the assets acquired and the liabilities assumed on the acquisition of subsidiary companies (Note 33) is:		
	Property, plant and equipment and software	30	1 649
	Trade and other receivables	1 245	7 259
	Inventories	174	10
	Net overdraft	(285)	3 671
	Trade and other payables and provisions	(961)	(10 573)
	Net taxation asset	47	123
	Net deferred tax	6	(794)
	Net fair value of tangible assets acquired	256	1 345
	Goodwill arising on acquisitions	1 194	28 530
	Intangible assets	119	29 080
	Total fair value of acquisitions	1 569	58 955
	Net overdraft/(cash) acquired	285	(3 671)
	Deferred purchase consideration	–	(9 103)
	Net cash outflows for acquisitions	1 854	46 181
28.	**ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**		
	Maintenance of operations:		
	Office furniture, equipment and motor vehicles	1 583	2 783
	Computer equipment	13 369	9 279
	Leasehold improvements	1 615	7 262
	Buildings	–	47
	Expansion of operations:		
	Office furniture, equipment and motor vehicles	507	1 453
	Computer equipment	12 651	8 090
	Leasehold improvements	1 071	3 579
		30 796	32 493

		2017 US$'000	2016 US$'000
29.	**TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENTS**		
	The translation difference on the net cash/(debt) position is calculated on the combined cash resources and bank overdrafts of companies that hold cash in currencies other than the US Dollar.	**11 917**	(25 906)
30.	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash resources	**345 634**	412 854
	Bank overdrafts	**(645 486)**	(545 539)
		(299 852)	(132 685)

Non-cash transactions

- The Company issued a scrip distribution with a cash alternative during the year which resulted in 2 519 461 new ordinary shares being issued in respect of the FY16 final and FY17 interim distributions (Note 15).
- The finance costs include a non-cash accrual portion that is excluded from cash flow from operating activities.

		2017 US$'000	2016 US$'000
31.	**NET CASH INFLOW ON DISPOSAL OF INVESTMENTS/LOSS OF CONTROL OF SUBSIDIARY**		
	Subsidiary		
	Consideration received in cash and cash equivalents	**29**	–
	Bank overdraft disposed of	**490**	–
	Investments		
	Consideration received in cash and cash equivalents	**14**	–
		533	–

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

32. 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-Comstor: Distribution of security, unified communications, networking and data centre products
- Logicalis: ICT infrastructure solutions and services
- Corporate, Consulting and Financial Services: Includes strategic and technical consulting, capital/leasing business, Group head office companies and Group consolidation adjustments.

	Westcon-Comstor	
Segment statement of comprehensive income	2017 US$'000	2016 US$'000
Revenue	4 532 083	4 869 592
North America	1 705 688	1 792 102
Latin America	522 138	501 575
Europe	1 513 680	1 688 461
Asia-Pacific	502 752	489 669
MEA	382 137	501 542
Inter-segmental	(94 312)	(103 757)
EBITDA	53 503	88 538
North America	62 815	70 417
Latin America	25 973	28 333
Europe	43 475	42 982
Asia-Pacific	(2 240)	13 605
MEA	(13 505)	(6 298)
Datatec Group and divisional central costs	(63 015)	(60 501)
Depreciation and amortisation	(33 180)	(26 326)
Intangible impairment	–	–
Operating profit/(loss)	20 323	62 212
Interest income	2 395	1 243
Finance costs	(21 042)	(19 882)
Share of equity-accounted investment (losses)/earnings	(933)	(252)
Fair value adjustments on put option liabilities	658	22
Fair value adjustments on deferred and/or contingent purchase consideration	–	1 750
Other income	–	13
Profit on disposal of associate/loss of control of subsidiary	–	–
Profit/(loss) before taxation	1 401	45 106
Taxation	(11 883)	(23 048)
Profit/(loss) for the year	(10 482)	22 058

During FY17 and FY16, there were no customers that individually accounted for over 10% of the Group's revenue.

Logicalis		Corporate, Consulting and Financial Services		Total	
2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
1 510 299	1 532 766	41 001	52 424	6 083 383	6 454 782
450 294	463 898	(42 593)	(11 657)	2 113 389	2 244 343
423 901	415 135	(3 149)	(5 333)	942 890	911 377
473 684	518 588	(5 353)	(36 014)	1 982 011	2 171 035
165 207	136 276	(7 983)	(6 091)	659 976	619 854
–	–	2 980	6 631	385 117	508 173
(2 787)	(1 131)	97 099	104 888	–	–
79 009	80 947	(13 642)	(7 375)	118 870	162 110
27 296	24 143	(417)	(950)	89 694	93 610
39 505	37 843	66	126	65 544	66 302
7 529	18 003	803	830	51 807	61 815
10 041	6 800	222	344	8 023	20 749
–	–	264	445	(13 241)	(5 853)
(5 362)	(5 842)	(14 580)	(8 170)	(82 957)	(74 513)
(24 587)	(24 517)	(562)	(661)	(58 329)	(51 504)
–	(75)	–	–	–	(75)
54 422	56 355	(14 204)	(8 036)	60 541	110 531
1 273	1 708	326	719	3 994	3 670
(7 112)	(7 132)	(43)	(535)	(28 197)	(27 549)
–	–	140	–	(793)	(252)
–	–	–	–	658	22
4 907	(4)	–	–	4 907	1 746
–	–	230	253	230	266
–	–	319	–	319	–
53 490	50 927	(13 232)	(7 599)	41 659	88 434
(16 808)	(13 743)	(2 219)	(3 165)	(30 910)	(39 956)
36 682	37 184	(15 451)	(10 764)	10 749	48 478

Notes to the Group consolidated annual financial statements continued

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32. SEGMENTAL REPORT (continued)

Segment statement of financial position	Westcon-Comstor 2017 US$'000	Westcon-Comstor 2016 US$'000
Total assets	2 405 604	2 311 200
North America	690 008	699 787
Latin America	394 306	331 508
Europe	900 429	899 779
Asia-Pacific	231 956	201 448
MEA	188 905	178 678
Net cash resources	(359 040)	(245 815)
North America	(96 217)	(59 501)
Latin America	(6 163)	(18 612)
Europe	(273 119)	(239 824)
Asia-Pacific	(7 681)	30 326
MEA	24 140	41 796
Inventories	399 955	387 360
North America	90 996	128 803
Latin America	50 515	35 335
Europe	170 695	153 632
Asia-Pacific	53 606	32 722
MEA	34 143	36 868
Trade receivables	1 245 200	1 219 940
North America	255 096	298 627
Latin America	248 135	214 433
Europe	495 541	476 409
Asia-Pacific	123 675	103 010
MEA	122 753	127 461
Total liabilities	(1 861 416)	(1 769 655)
North America	(488 461)	(475 653)
Latin America	(300 904)	(275 596)
Europe	(749 889)	(750 792)
Asia-Pacific	(194 201)	(152 057)
MEA	(127 961)	(115 557)
Trade and other payables and short-term interest-bearing liabilities	(1 240 012)	(1 272 957)
North America	(308 286)	(369 738)
Latin America	(235 174)	(184 658)
Europe	(451 764)	(484 006)
Asia-Pacific	(144 761)	(129 661)
MEA	(100 027)	(104 894)
Number of employees at the end of the year	4 177	4 271

Logicalis		Corporate, Consulting and Financial Services		Total	
2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
986 291	958 854	93 005	112 888	3 484 900	3 382 942
230 191	250 797	16 718	38 809	936 917	989 393
383 484	242 459	486	191	778 276	574 158
280 618	368 520	35 686	52 356	1 216 733	1 320 655
91 998	97 078	3 620	3 981	327 574	302 507
–	–	36 495	17 551	225 400	196 229
18 140	77 625	41 048	35 505	(299 852)	(132 685)
(27 395)	(40 838)	720	2 921	(122 892)	(97 418)
17 742	23 248	–	–	11 579	4 636
20 355	87 205	10 012	22 276	(242 752)	(130 343)
7 438	8 010	898	187	655	38 523
–	–	29 418	10 121	53 558	51 917
38 548	47 204	–	105	438 503	434 669
3 193	9 980	–	102	94 189	138 885
22 873	17 651	–	–	73 388	52 986
7 436	10 361	–	3	178 131	163 996
5 046	9 212	–	–	58 652	41 934
–	–	–	–	34 143	36 868
296 732	279 807	6 071	10 580	1 548 003	1 510 327
68 307	81 504	445	1 137	323 848	381 268
134 677	93 270	301	103	383 113	307 806
67 908	79 622	3 308	5 959	566 757	561 990
25 840	25 411	968	1 363	150 483	129 784
–	–	1 049	2 018	123 802	129 479
(685 867)	(684 826)	(30 742)	(59 041)	(2 578 025)	(2 513 522)
(161 006)	(182 311)	(15 781)	(35 500)	(665 248)	(693 464)
(249 401)	(156 210)	(5)	(98)	(550 310)	(431 904)
(223 217)	(279 212)	(14 497)	(21 405)	(987 603)	(1 051 409)
(52 243)	(67 093)	(1 517)	(2 178)	(247 961)	(221 328)
–	–	1 058	140	(126 903)	(115 417)
(520 450)	(520 382)	(24 716)	(37 030)	(1 785 178)	(1 830 369)
(104 044)	(108 247)	(14 541)	(21 001)	(426 871)	(498 986)
(204 313)	(130 818)	(5)	(98)	(439 492)	(315 574)
(170 882)	(230 878)	(13 934)	(20 045)	(636 580)	(734 929)
(41 211)	(50 439)	(963)	(1 510)	(186 935)	(181 610)
–	–	4 727	5 624	(95 300)	(99 270)
4 798	4 134	228	276	9 203	8 681

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

33. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES

33.1 Subsidiaries/businesses acquired	Principal activity
Lantares Europe S.L. (“Lantares”) – acquired 100% on 1 June 2016	IT solutions

	Lantares Fair value on acquisition US$’000
Current assets	1 466
Current tax assets	47
Trade receivables and other receivables	1 245
Inventories	174
Non-current assets	155
Plant and equipment	14
Software	16
Deferred tax assets	6
Intangible assets	119
Current liabilities	(1 246)
Trade and other payables	(961)
Net overdraft	(285)
	375
Goodwill on acquisition	1 194
Non-controlling interest recognised	–
Fair value of acquisition	1 569
Add net overdraft acquired	285
Net cash outflow for acquisition	1 854

The above acquisition represents the subsidiary acquired during the year.

The revenue and EBITDA loss included from this acquisition in FY17 was US$2.2 million and US$0.1 million respectively; loss after tax included from this acquisition was US$0.1 million. Had the acquisition date been 1 March 2016, the revenue would have been approximately US$3.0 million. It is not practical to establish EBITDA and loss after tax that would have been contributed to the Group if they had been included for the entire year.

The initial at acquisition accounting for the acquisition has been finalised at the date of the finalisation of these consolidated financial statements.

All identifiable intangible assets have been recognised and accounted for at fair value.

The following acquisition was concluded during the financial year ended 28 February 2017 and is included in the table above:

Logicalis Group

Effective 1 June 2016, Logicalis acquired Lantares Europe S.L. (“Lantares”), a Spanish IBM Cognos Partner and professional services provider. Lantares is a leader in the implementation of strategic solutions for corporate performance management and information management, both on-premise and cloud-based, for a total cash consideration of US$1.6 million. The acquisition will add an attractive skill set to Logicalis’ strong IBM solutions credentials in Spain. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

33.2 Changes in ownership interest that resulted in a change of control

Effective 1 September 2016, Datatec’s shareholding in Mason Advisory Limited reduced to 42.5% and accordingly was equity accounted from H2 FY17.

33.3 Changes in ownership interest that did not result in a change of control

In FY17, the Via Group was internally transferred to Logicalis from the Consulting division and the shareholding increased to 100%.

34. NON-WHOLLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Country of incorporation	Ownership rights and voting rights held by non-controlling interests 2017	2016	Profit allocated to non-controlling interests 2017 US$'000	2016 US$'000	Accumulated non-controlling interests 2017 US$'000	2016 US$'000
PromonLogicalis Latin America Limited	UK	**35%**	35%	**7 250**	8 237	**42 139**	28 950
Westcon SA Holdings (Pty) Ltd	SA	**44.98%**	49.96%	**–**	–	**349**	174

Summarised information in respect of the above subsidiary is shown below as at 28 February 2017 and 29 February 2016. The summarised financial information below represents amounts before inter-group eliminations.

	PromonLogicalis Latin America Limited 2017 US$'000	2016 US$'000	Westcon SA Holdings (Pty) Ltd 2017 US$'000	2016 US$'000
Non-current assets	**37 241**	31 265	**4 137**	5 511
Current assets	**331 411**	211 412	**48 282**	44 675
Non-current liabilities	**(6 037)**	(9 450)	**(17 089)**	(2 079)
Current liabilities	**(242 219)**	(150 513)	**(37 589)**	(45 835)
Equity attributable to equity holders of the parent	**(78 257)**	(53 764)	**2 608**	(2 098)
Non-controlling interest	**(42 139)**	(28 950)	**(349)**	(174)
Revenue	**424 355**	415 501	**133 551**	169 759
Operating profit before finance costs, tax, depreciation and amortisation ("EBITDA")	**39 005**	38 289	**(1 424)**	4 970
Profit/(loss) for the year	**20 713**	23 533	**(5 034)**	(176)
Attributable to the owners of the parent	**13 463**	15 296	**(5 008)**	(7)
Attributable to non-controlling interests	**7 250**	8 237	**(26)**	(169)
Total comprehensive (loss)/income	**(37 683)**	(6 715)	**(4 531)**	(1 523)
Attributable to the owners of the parent	**(24 494)**	(4 365)	**(4 707)**	(1 276)
Attributable to non-controlling interests	**(13 189)**	(2 350)	**176**	(247)
Net cash inflow/(outflow)	**17 743**	4 782	**(5 383)**	5 091
Net cash (outflow)/inflow from operating activities	**(8 801)**	24 198	**(7 517)**	8 536
Net cash inflow/(outflow) from investing activities	**23 248**	(2 799)	**(314)**	920
Net cash inflow/(outflow) from financing activities	**3 296**	(16 617)	**2 448**	(4 365)

There are no other material non-controlling interests within the Group.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2017

		2017 US$'000	2016 US$'000
35.	**LOSS OF CONTROL OF SUBSIDIARY COMPANY**		
	On 1 September 2016, management of Mason Advisory Limited admitted a new management shareholder. The existing shareholders sold a number of their shares to this new shareholder. This reduced Datatec's shareholding in Mason Advisory Limited from 50.66% to 42.50%. Mason Advisory Limited was equity-accounted from this date. On 30 November 2016, a management shareholder resigned and sold his shares back to Mason Advisory Limited. These shares were cancelled. Datatec's shareholding in Mason Advisory Limited increased to 44.74%.		
35.1	**Consideration received**		
	Cash and cash equivalents	29	–
		29	–
35.2	**Analysis of assets and liabilities over which control was lost**		
	Non-current assets		
	Property, plant and equipment	59	–
	Software	10	–
	Goodwill	2 430	–
	Other non-current assets	8	
	Current assets		
	Inventories	88	–
	Trade receivables	1 641	–
	Other receivables and prepayments	149	–
	Non-current liabilities		
	Long-term liabilities	(1 991)	–
	Liability for share-based payment	(18)	
	Current liabilities		
	Trade and other payables	(1 263)	–
	Short-term loans	(468)	
	Taxation liability	(29)	
	Bank overdraft	(490)	–
	Net assets disposed of	126	–
35.3	**Profit on disposal of associate/loss of control of subsidiary**		
	Profit on sale of investment at net book value	20	–
	Profit on remeasurement to fair value	285	–
	Profit on disposal of associate	14	
	Profit on disposal of associate/loss of control of subsidiary	319	–

36. SUBSEQUENT EVENTS

There are no material subsequent events to report.

Annexure 1 – Subsidiary companies

for the year ended 28 February 2017

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2017	Effective holding (% held) 2016
INCORPORATED IN AFRICA				
Analysys Mason Limited (Mauritius)	C	Mauritius	**94.95**	95.35
Comztek (Pty) Ltd	D	South Africa	**55.02**	50.04
Netshield (Pty) Ltd	D	South Africa	**28.06**	25.52
Sentronics Security Distributors (Pty) Ltd	D	South Africa	**55.02**	50.04
Westcon Africa (Cameroon) Limited	D	Cameroon	**96.07**	95.64
Westcon Africa (Kenya) Limited	D	Kenya	**96.07**	95.64
Westcon Africa (Mauritius) Limited	D	Mauritius	**96.07**	95.64
Westcon Africa (Morocco) SARL	D	Morocco	**100.00**	100.00
Westcon Africa (Tanzania) Limited	D	Tanzania	**96.07**	95.64
Westcon Africa Angola Limited	D	Angola	**96.07**	95.64
Westcon Africa Distribution (Nigeria) Limited	D	Nigeria	**96.07**	95.64
Westcon Africa Zambia Ltd	D	Zambia	**72.05**	71.73
Westcon Comztek (Pty) Ltd	D	South Africa	**55.02**	50.04
Westcon Emerging Markets Group (Pty) Ltd	D	South Africa	**100.00**	100.00
Westcon Namibia Distribution (Pty) Ltd	D	Namibia	**55.02**	50.04
Logicalis SA (Pty) Ltd	I	South Africa	**100.00**	N/A
INCORPORATED IN UK AND EUROPE				
Analysys Limited	C	United Kingdom	**94.95**	95.35
Analysys Mason GmbH	C	Switzerland	**94.95**	95.35
Analysys Mason Limited	C	United Kingdom	**94.95**	95.35
Analysys Mason Limited (Ireland)	C	Ireland	**94.95**	95.35
Westcon Group Germany GmbH	C	Germany	**100.00**	100.00
Neteks Bilgisayar ve Dis Ticaret Limited Sti	D	Turkey	**50.00**	50.00
Neteks İletişim Ürünleri Dağitim Anonim Şirketi (50% JV)	D	Turkey	**50.00**	50.00
NOXS UK Limited	D	United Kingdom	**96.07**	95.64
Westcon Africa (UK) Limited	D	United Kingdom	**96.07**	95.64
Westcon Group Austria GmbH	D	Austria	**100.00**	100.00
Westcon Group European Holdings, Limited	D	United Kingdom	**100.00**	100.00
Westcon Group European Operations Limited	D	United Kingdom	**100.00**	100.00
Westcon Group Italia S.R.L.	D	Italy	**100.00**	N/A
Westcon Group Poland Sp. Z.O.O.	D	Poland	**100.00**	N/A
Westcon Group Portugal, Sociedade Unipessoal, Limitada	D	Portugal	**100.00**	N/A
WGEO Switzerland GmbH	D	Switzerland	**100.00**	100.00
Datatec Financial Services Holdings Limited	F	United Kingdom	**100.00**	100.00
Datatec Financial Services Limited	F	United Kingdom	**100.00**	100.00
inforsacom Logicalis GmbH (formerly inforsacom Informationssysteme GmbH)	I	Germany	**100.00**	100.00
ITUMA GmbH	I	Germany	**51.00**	51.00
Logicalis BV	I	Netherlands	**100.00**	100.00
Logicalis Channel Islands Limited	I	Channel Islands	**100.00**	100.00
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 Networks GmbH	I	Germany	**100.00**	100.00
Logicalis SMC BV	I	Netherlands	**100.00**	100.00

Annexure 1 – Subsidiary companies continued

for the year ended 28 February 2017

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2017	2016
INCORPORATED IN UK AND EUROPE (continued)				
Logicalis SMC Group BV	I	Netherlands	**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
PromonLogicalis Latin America Limited	I	United Kingdom	**65.00**	65.00
Datatec Finance Company Limited	O	Channel Islands	**100.00**	100.00
Datatec Group Finance Limited	O	United Kingdom	**100.00**	100.00
Datatec plc	O	United Kingdom	**100.00**	100.00
INCORPORATED IN US AND CANADA				
Pegasus Telecom LLC	D	USA	***100.00**	N/A
Westcon CALA, Inc.	D	USA	**100.00**	100.00
Westcon Canada Systems (WCSI) Inc.	D	Canada	**100.00**	100.00
Westcon Group North America, Inc.	D	USA	**100.00**	100.00
Westcon Group, Inc.	D	USA	**100.00**	100.00
Datatec Financial Services, Inc.	F	USA	**100.00**	100.00
Westcon Financial Services Canada, Inc.	F	Canada	**100.00**	100.00
Logicalis South America, Inc.	I	USA	**65.00**	65.00
Logicalis US Holdings, Inc.	I	USA	**100.00**	100.00
Logicalis, Inc.	I	USA	**100.00**	100.00
PLLAL International LLC.	I	USA	**65.00**	65.00
The Via Group, Inc.	I	USA	**100.00**	61.28
INCORPORATED IN LATIN AMERICA				
Afina Peru, S.A.C.	D	Peru	**100.00**	100.00
Afina Sistemas Informaticos Limitada	D	Chile	**99.00**	99.00
Afina Sistemas, Sociedade Limitada	D	Brazil	**100.00**	100.00
Afina Venezuela, C.A.	D	Venezuela	**100.00**	100.00
Afina, S.R.L.	D	Argentina	**100.00**	100.00
Afinasis, S.A. de C.V.	D	Mexico	**100.00**	100.00
Comstor Colombia S.A.S.	D	Colombia	**100.00**	100.00
GLS Software S. de R.L.	D	Panama	**100.00**	100.00
Westcon Brasil, Limitada	D	Brazil	**100.00**	100.00
Westcon Corporation Ecuador WCE Cia. Limitada	D	Ecuador	**100.00**	100.00
Westcon Group Colombia Limitada	D	Colombia	**100.00**	100.00
Westcon Group Costa Rica S.A.	D	Costa Rica	**100.00**	100.00
Westcon Group El Salvador, S.A. de C.V.	D	El Salvador	**100.00**	100.00
Westcon Group Guatemala S.A.	D	Guatemala	**100.00**	100.00
Westcon Group Panama S.A.	D	Panama	**100.00**	100.00
Westcon Mexico, S.A. de C.V.	D	Mexico	**99.98**	99.98
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 Uruguay S.A.	I	Uruguay	**65.00**	65.00
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

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2017	2016
INCORPORATED IN AUSTRALIA AND NEW ZEALAND				
Westcon Group NZ Limited	D	New Zealand	**100.00**	100.00
Westcon Group Pty. Limited	D	Australia	**100.00**	100.00
Datatec Financial Services (NZ) Limited	F	New Zealand	**100.00**	100.00
Datatec Financial Services Pty. Limited	F	Australia	**100.00**	100.00
Thomas Duryea Logicalis Holdings Pty. Limited (formerly Logicalis Australia Pty. Limited)	I	Australia	**100.00**	100.00
Thomas Duryea Logicalis Pty. Limited (formerly Thomas Duryea Consulting Pty. Limited)	I	Australia	**100.00**	100.00
INCORPORATED IN BRITISH VIRGIN ISLANDS				
Comstor Middle East Limited	D	British Virgin Islands	**100.00**	100.00
Westcon Middle East Limited	D	British Virgin Islands	**100.00**	100.00
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				
Analysys Mason FZ LLC	C	United Arab Emirates	**94.95**	95.35
Analysys Mason India Pvt. Limited	C	India	**94.95**	95.35
Analysys Mason Limited	C	Hong Kong	**94.95**	95.35
Analysys Mason Pte. Limited	C	Singapore	**94.95**	95.35
Neteks International FZE	D	United Arab Emirates	**50.00**	50.00
PT. Westcon Group	D	Indonesia	**100.00**	100.00
PT. Westcon Solutions	D	Indonesia	**100.00**	100.00
Westcon Africa FZCO	D	United Arab Emirates	**96.07**	95.64
Westcon Group (Thailand) Co. Limited	D	Thailand	**98.00**	98.00
Westcon Group (Vietnam) Co. Limited	D	Vietnam	**100.00**	100.00
Westcon Group Pte. Limited	D	Singapore	**100.00**	100.00
Westcon Middle East FZE	D	United Arab Emirates	**100.00**	N/A
Westcon Middle East Limited	D	Kingdom of Saudi Arabia	**75.00**	75.00
Westcon Solutions (HK) Limited	D	Hong Kong	**100.00**	100.00
Westcon Solutions (M) Sdn. Bhd.	D	Malaysia	**100.00**	100.00
Westcon Solutions China	D	China	**100.00**	100.00
Westcon Solutions IMH Pte. Limited	D	Singapore	**100.00**	100.00
Westcon Solutions Philippines, Inc.	D	Philippines	**100.00**	100.00
Westcon Solutions Pte. Limited	D	Singapore	**100.00**	100.00
Logicalis Asia Pacific MSC Sdn. Bhd.	I	Malaysia	**100.00**	100.00
Logicalis Hong Kong Limited	I	Hong Kong	**100.00**	100.00
Logicalis Malaysia Sdn. Bhd.	I	Malaysia	**100.00**	100.00
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. Logicalis Metrodata Indonesia	I	Indonesia	**51.00**	51.00

Only trading entities have been disclosed.

** This company was reinstated during the year.*

C – Consulting
D – Distribution
F – Datatec Financial Services
I – ICT Solutions
O – Other holdings

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 the DaVinci Hotel & Suites, Nelson Mandela Square, corner Maude and 5th Street, Sandown, Sandton, 2196, Republic of South Africa at 12:00 on Thursday, 14 September 2017 for the purpose of considering the following business to be transacted and voting on the resolutions, with or without modification, in the manner required by the Companies Act, No 71 of 2008, as amended ("Companies Act"), as read with the JSE Limited Listings Requirements ("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 28 February 2017, including the directors' report, the Audit, Risk and Compliance Committee report, and Group audited annual financial statements for the year ended 28 February 2017 all of which are contained from pages 78 to 145 of the Integrated Report."

2. THE SOCIAL AND ETHICS COMMITTEE REPORT

Please refer to page 38 of the Integrated Report 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 Company's Memorandum of Incorporation ("the MoI") and who offers himself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 10 of the Integrated Report for Mr Davidson's brief *curriculum vitae*. On behalf of the Board of Directors ("the Board"), the lead 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 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."

Please refer to page 11 of the Integrated Report for Mr McCartney's brief curriculum vitae. On behalf of the Board, the Chairman 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. ELECTION OF DIRECTOR

Ordinary Resolution Number 3

"Resolved that Mr CS Seabrooke, 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."

Please refer to page 10 of the Integrated Report for Mr Seabrooke'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 Seabrooke 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.

6. REAPPOINTMENT OF INDEPENDENT AUDITORS

Ordinary Resolution Number 4

"Resolved that Deloitte & Touche as auditors of the Company and Mr Mark Rayfield as the designated auditor, as recommended by the current Audit, Risk and Compliance Committee of the Company, be and are hereby reappointed until the conclusion of the next 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.

7. ELECTION OF AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS

Ordinary Resolution Number 5

"Resolved that the Audit, Risk and Compliance Committee be elected to serve from this Meeting to the 2018 Meeting by separate election to the committee of the following independent non-executive directors:

7.1 Mr CS Seabrooke;
7.2 Mr MJN Njeke;
7.3 Ms O Ighodaro;
7.4 Mr SJ Davidson."

King III recommends that the Chairman should not sit on the Audit, Risk and Compliance Committee. The Board is of the view that the dual role of Mr Davidson, as Chairman of the Board and as a member of the Audit, Risk and Compliance Committee is a valuable aspect of the Company's corporate governance and assists effective communication within the Board.

Please refer to pages 10 and 11 of the Integrated Report for Mr Seabrooke's, Mr Njeke's, Ms Ighodaro's and Mr Davidson's brief *curricula vitae*. Mr Seabrooke has advised the Board that he intends to resign as chairman of the Audit, Risk and Compliance Committee and as member of the Audit, Risk and Compliance Committee on 31 May 2018, which will be after publication of the audited results for the year ended 28 February 2018. On that day, the Board intends to nominate Mr Njeke as chairman of the Audit, Risk and Compliance Committee. On behalf of the Board, the senior non-executive director 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.

8. NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

Ordinary Resolution Number 6

"Resolved that the Remuneration Policy of the Company for 2017 as reflected on page 50 of the Integrated Report of which this notice forms part, be and is hereby endorsed through a non-binding advisory vote as recommended by King III."

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.

9A. APPROVAL OF CONDITIONAL SHARE PLAN

Special Resolution Number 1

"Resolved that the Datatec Conditional Share Plan ("CSP"), the draft rules of which will be tabled at the Meeting and initialled by the Chairman for purposes of identification, be and hereby are approved."

Explanation of the resolution and salient features of the CSP

Datatec has three long-term incentive share plans currently in use which were initiated in 2005 and modified in 2010 and 2011, namely the long-term incentive plan ("LTIP"), share appreciation rights plan ("SAR plan") and the deferred bonus plan ("DBP"). Datatec has now conducted a thorough review of its long-term incentive ("LTI") programme to ensure alignment with best practice and the primary objective of alignment of management rewards with shareholders' goals. The Company intends to align the LTIs with leading local and global best practice in the following respects:

- Datatec will replace the SAR Plan and LTIP with a new Conditional Share Plan ("CSP"), which aligns to the latest best practice. Structurally, the CSP is similar to the existing LTIP. The salient features set out below relate to the CSP.
- The Company will continue to use a deferred bonus plan to incentivise executives and senior management, but will introduce a revised DBP, to bring the plan in line with current best market practice and to renew Company and individual limits. Please refer to 9B below for the salient features.

The current SAR plan and LTIP will be discontinued.

The salient features for the CSP are detailed below.

Purpose

The CSP will be primarily used as a tool to incentivise, motivate and retain eligible employees and senior management to deliver the Group's business strategy over the long term through the making of annual awards. It is intended to align the goals of management for the operation of the business with shareholder goals for the optimisation of their investment in the Company.

Participants

Eligible employees will include executive directors, senior management and key employees of any employer company of the Group (the CSP will only in rare instances be used for employees of subsidiary divisions which have their own divisional share-based remuneration schemes).

The Remuneration Committee will consider:

- participation on an annual basis (upon recommendation by the Chief Executive Officer of the Group); and
- salary and market benchmarks in determining if any awards should be made as well as what the quantum thereof should be.

Notice of Annual General Meeting continued

Participation in the CSP is not a condition of employment, and the Remuneration Committee has the absolute discretion to make an award to any employee in terms of the CSP.

Rights of participants

In terms of the CSP, participants will not be entitled to any shareholder rights before the settlement of the shares which will take place within a reasonable time after the vesting date.

Basis of awards and award levels

In line with the requirements of King III, King IV principles and best practice, regular annual awards under the CSP may be made to ensure long-term shareholder value creation.

The number of annual awards made to participants will primarily be based on the participant's annual salary, as well as market benchmarks. The award levels will be determined by the Remuneration Committee each time that awards are made, by taking into account the particular circumstances at that time, e.g. Company affordability, retention considerations and Company performance.

Performance/employment conditions and vesting

The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. These conditions will be set out for the participant in the award letter. All annual awards will be subject to performance conditions. Retention awards could be considered in exceptional circumstances.

It is envisaged that for the first award, the following performance conditions and vesting scale will apply to the award over a performance period of three years:

Performance condition	Proportion of award	Threshold (50% vesting)	Target (100% vesting)
Headline earnings per share growth	50%	US CPI + 2% p.a.	US CPI + 4% p.a.
Return on invested capital in year three	50%	8%	12%

Linear vesting will be applied for performance between levels.

In addition, all awards will be subject to the fulfilment of the employment condition over an employment period of three years, for vesting to occur.

Manner of settlement

The rules of the CSP are flexible in order to allow for settlement in any of the following manners:
- by way of a market purchase of shares;
- use of treasury shares; and
- issue of shares.

The exact method of settlement will be determined by the Remuneration Committee.

Limits and adjustments

Company and individual limits

The aggregate number of shares which may at any one time be settled to participants in terms of the CSP will not exceed 7 400 000 shares, which represents approximately 3.5% of the number of issued shares as at the date of approval of the CSP by shareholders.

The maximum number of shares settled to any single participant under the CSP will not exceed 3 700 000 shares, which equates to approximately 1.75% of the number of issued shares at the date of adoption of this updated CSP.

In calculating the number of shares that may be settled under the CSP (at both Company and individual level), the following will be included in the limits:
- new shares allotted and issued by the Company; and
- treasury shares, held by a subsidiary or an employee share trust, originally acquired through an issue of shares.

In calculating the number of shares that may be settled under the CSP (at Company level), the following will be excluded from the limits:
- shares purchased in the market;
- treasury shares, held by a subsidiary or an employee share trust, originally acquired through a market purchase of shares; and
- awards settled under this CSP which do not vest to a participant.

In calculating the number of shares that may be settled under the CSP (at individual level), the following will be excluded from the limits:

- treasury shares, held by a subsidiary or an employee share trust, originally acquired through a market purchase of shares; and
- awards settled under this CSP which do not vest to a participant.

The Remuneration Committee must, where required, adjust the Company limit (without the prior approval of shareholders in a general meeting), to take account of a subdivision or consolidation of the shares of the Company.

The Remuneration Committee may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the Company.

The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit.

The auditors, or other independent adviser acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the CSP and must be reported on in the Company's financial statements in the year during which the adjustment is made.

Consideration

The participant will give no consideration for the award or settlement of shares in terms of the CSP.

Termination of employment

"Bad leavers"

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unvested awards.

"Good leavers"

Participants terminating employment due to death, ill-health, disability, injury, retrenchment, retirement, or, with the approval of the directors, prior to the normal retirement age (except to the extent that the termination constitutes "bad leaver" termination as set out above), or the sale of a subsidiary company, will be classified as "good leavers" and the following treatment will apply:

- Vesting will not be accelerated to the date of termination of employment and awards will vest on the normal intended vested date, unless the termination of employment was due to death or retirement, as follows:
  - In respect of awards subject to the employment condition only, the portion of the award which will vest will reflect the number of complete months served since the award date to the termination of employment date, over the total number of months in the employment period.
  - In respect of awards subject to the performance condition(s) and the employment condition, the portion of the award which will vest will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period, pro-rated to the extent to which the performance condition, tested by the Remuneration Committee as soon as possible after the end of the performance period, has been met.

- In the case of death, vesting will be accelerated and the awards will vest on the date of termination of employment, as follows:
  - In respect of awards subject to the employment condition only, the portion of the award which will vest will reflect the number of complete months served since the award date to the termination of employment date, over the total number of months in the employment period.
  - In respect of awards subject to the performance condition(s) and the employment condition, the Remuneration Committee will calculate whether and the extent to which, performance conditions have been satisfied on the date of termination of employment with reference to the immediately preceding financial year results. The portion of the award which will vest will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period, pro-rated to the extent to which the performance condition has been met.
- In the case of retirement, or retirement with the approval of the directors, prior to the normal retirement age, the participant will continue to participate in the CSP.

The remainder of any award not vesting according to the above will lapse.

Notice of Annual General Meeting continued

Change of control
In the event of a change of control of the Company occurring before the vesting date of an award, the full award will vest as soon as reasonably practicable after the change of control date and will not be pro-rated based on time served in the employment period or the extent to which the performance condition(s), if applicable, have been met on the change of control date, unless the Remuneration Committee determined otherwise.

Awards will not vest as a consequence of an internal reconstruction or similar event, which is not a change of control as defined in the rules of the CSP. In this case, the Remuneration Committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more of the other companies, provided the participants are no worse off.

Variation of share capital
In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, or the consolidation of shares, participants will continue to participate in the CSP. The Remuneration Committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event.

The issuing of shares as consideration for an acquisition, and the issuing of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the awards.

Liquidation
If the Company is placed into liquidation, other than for purposes of reorganisation, any awards of conditional shares will *ipso facto* lapse as from the liquidation date. Therefore, any unvested conditional shares, will lapse.

Amendment
The Remuneration Committee may alter or vary the rules of the CSP as it sees fit, however in the following instances the rules may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% (seventy-five percent) of the voting rights:
- the category of persons who are eligible for participation in the CSP;
- the number of shares which may be utilised for purposes of the CSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, vesting or settlement of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

General
The rules of the CSP are available for inspection from 1 August 2017 to 14 September 2017 at the Company's registered office.

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.

9B. APPROVAL OF DEFERRED BONUS PLAN
Special Resolution Number 2
"Resolved that the Datatec Deferred Bonus Plan ("DBP"), the draft rules of which will be tabled at the Meeting and initialled by the Chairman for purposes of identification, be and hereby are approved."

Explanation of the resolution and salient features of the DBP
The Company will continue to use a deferred bonus plan to incentivise executives and senior management, but will introduce a revised DBP, to bring the plan in line with current best market practice and to renew Company and individual limits. In addition, the DBP will assist participants in meeting the Company's share ownership guidelines. Under the DBP, participants will elect to defer a certain percentage of their pre-tax annual bonus whereupon the Company will make an award of bonus shares, expressed as a multiple of the deferred percentage. The bonus shares will be awarded as restricted shares and the vesting will be subject to employment conditions. The salient features of the revised DBP are set out below.

Purpose
The DBP will primarily be used as a tool to incentivise, motivate and retain executive directors and officers ("participants") to deliver the Group's business strategy over the long term. Participation in the DBP is voluntary. Participants will be given the election to defer a percentage of their annual bonus on a pre-tax basis and to receive a multiple of the deferred percentage, as bonus shares.

The bonus shares are restricted shares which will entitle participants to all shareholder rights from the settlement date (which will be shortly after the award date), but the shares are subject to disposal and forfeiture restrictions if the employment condition is not met, until the vesting date.

The employment condition is the requirement of continued employment of the participant by the Datatec Group for the duration of a certain number of years from the award date.

Participants

Eligible employees will include executive directors and officers of Datatec Limited. Participation in the DBP is not a condition of employment, and the Remuneration Committee has the absolute discretion to extend an election to any employee in terms of the DBP.

Rights of participants

The bonus shares will have full shareholder rights from the settlement date which is shortly after the award date. However, if employment is terminated under certain circumstances prior to the vesting date, participants will be required to repay to the Company all dividends (pre-tax value) earned from the award date of the bonus shares up to and including the date of termination of employment.

Basis of awards and award levels

The number of bonus shares awarded will be based on a multiple of the deferred percentage of the annual bonus, determined at the discretion of the Remuneration Committee. It is envisaged that for the first award, the current methodology be continued whereby the number of bonus shares will be determined as follows: the percentage of the annual bonus that a participant elects to defer multiplied by two will be applied to the purchase of bonus shares.

Employment conditions and vesting

The Remuneration Committee will set appropriate employment conditions and employment periods as relevant, for each bonus share award, taking into account the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. The conditions will be set out for the participant in the award letter.

It is envisaged that for the first award, the current methodology be continued whereby the employment period is three years.

Manner of settlement

The rules of the DBP are flexible in order to allow for settlement of bonus shares, in any of the following manners:

- by way of a market purchase of shares;
- use of treasury shares; and
- issue of shares.

The exact method of settlement will be determined by the Remuneration Committee on a case-by-case basis.

Limits and adjustments

Company and individual limits

The aggregate number of shares which may at any one time be settled to participants in terms of the DBP will not exceed 3 200 000 shares, which represents approximately 1.5% of the number of issued shares as at the date of approval of the DBP by shareholders.

The maximum number of shares settled to any single participant under the DBP will not exceed 1 600 000 shares, which equates to approximately 0.75% of the number of issued shares at the date of adoption of this updated CSP.

In calculating the number of shares that may be settled under the DBP (at Company level), the following will be included in the limits:

- new shares allotted and issued by the Company;
- treasury shares, held by a subsidiary or an employee share trust, originally acquired through an issue of shares; and
- bonus shares settled under this DBP which dot not vest to a participant.

In calculating the number of shares that may be settled under the DBP (at individual level), the following will be excluded from the limits:

- treasury shares, held by a subsidiary or an employee share trust, originally acquired through a market purchase of shares; and
- bonus shares settled under this DBP which dot not vest to a participant.

The Remuneration Committee must, where required, adjust the Company limit (without the prior approval of shareholders in a general meeting), to take account of a subdivision or consolidation of the shares of the Company.

The Remuneration Committee may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the Company.

Notice of Annual General Meeting continued

The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit.

The auditors, or other independent adviser acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the DBP and must be reported on in the Company's financial statements in the year during which the adjustment is made.

Consideration
The participant will give no consideration for the bonus shares.

Termination of employment
"Bad leavers"
Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct will be classified as "bad leavers" and will forfeit all unvested bonus shares. In addition, such participant will be required to repay to the Company all dividends (pre-tax value) earned from the award date of the bonus shares up to and including the date of termination of employment. For the avoidance of doubt, any awards which have already vested will be unaffected by the aforesaid provisions.

"Good leavers"
Participants terminating employment due to death, ill-health, disability, injury, retrenchment (except to the extent that the termination constitutes "bad leaver" termination as set out above), or the sale of a subsidiary company, will be classified as "good leavers" and the following treatment will apply:

- Vesting will not be accelerated to the date of termination of employment and bonus shares will vest on the normal intended vested date, unless the termination of employment was due to death or retirement, as follows:
  - The portion of the award which will vest will reflect the number of complete months served since the award date to the termination of employment date, over the total number of months in the employment period.
- In the case of death, vesting will be accelerated and the awards will vest on the date of termination of employment, as follows:
  - The portion of the award which will vest will reflect the number of complete months served since the award date to the termination of employment date, over the total number of months in the employment period.
- In the case of retirement, or retirement with the approval of the directors, prior to the normal retirement age, the participant will continue to participate in the DBP.

The remainder of any award not vesting according to the above will lapse.

Change of control
In the event of a change of control of the Company occurring before the vesting date of a bonus share award, the full portion of the bonus shares will vest as soon as reasonably practicable after the change of control date and will not be pro-rated based on time served in the employment period, unless the Remuneration Committee determined otherwise.

Awards will not vest as a consequence of an internal reconstruction or similar event, which is not a change of control as defined in the rules of the DBP. In this case, the Remuneration Committee will make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more of the other companies, provided the participants are no worse off.

Variation of share capital
In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, or consolidation of shares, participants will continue to participate in the DBP. The Remuneration Committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event. In the event of a rights offer, participants will participate in the event as normal shareholders.

The issuing of shares as consideration for an acquisition, and the issuing of shares or a vendor consideration placing, will not be regarded as a circumstance that requires any adjustment to the awards.

Liquidation
If the Company is placed into liquidation, other than for purposes of reorganisation, any unvested bonus shares awards will vest.

Amendment
The Remuneration Committee may alter or vary the rules of the DBP as it sees fit, however in the following instances the DBP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% (seventy-five percent) of the voting rights:

- the category of persons who are eligible for participation in the DBP;
- the number of shares which may be utilised for the purpose of the DBP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;

- the adjustment of awards in the event of a variation of capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

General

The rules of the CSP are available for inspection from 1 August 2017 to 14 September 2017 at the Company's registered office.

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.

10. APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

Special Resolution Number 3

"Resolved that the Board and committee fees for non-executive directors for the financial year ending 28 February 2018, which fees will be increased by 2% (two percent) from the previous year, 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 28 February 2017 until the Company's 2018 Meeting.

Directors' fees for the financial year ending 28 February 2018

- 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; and
- Trustee of Datatec trusts: US$7 426."

Reason for Special Resolution Number 3

The Companies Act requires shareholder approval of directors' fees prior to payment of such fees.

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.

11. AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO ANY GROUP COMPANY

Special Resolution Number 4

"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 4

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 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.

Notice of Annual General Meeting continued

12. GENERAL AUTHORITY TO REPURCHASE SHARES

Special Resolution Number 5

"Resolved that the Board be authorised by way of a general authority given as a renewable mandate, to facilitate the acquisition by the Company 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:

- 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;
- 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 Annual General Meeting, whichever period is shorter;
- at any point in time, the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- the Company or its subsidiary shall not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements;
- 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);
- 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;
- any such repurchases are subject to exchange control approval at that point in time;
- 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 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company or a subsidiary of the Company; and
- 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.

Additional disclosure

For purposes of considering Special Resolution Number 5 and in terms of the Listings Requirements, the information below has been included in the Integrated Report, in which this notice of Meeting is included, at the places indicated:

- Major shareholders (refer page 160 of the Integrated Report); and
- Share capital of the Company (refer page 114 of the Integrated Report).

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.

Reason and effect

The reason and effect for Special Resolution Number 5 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 has no specific intention to effect the provisions of Special Resolution number 5 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 5.

Directors' responsibility statement

The directors, whose names are given on page 161 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 5 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. ADOPTION OF A REVISED MOI

Special Resolution Number 6

"Resolved that the MoI, in the form of the draft tabled at this Meeting and initialled by the Chairman of the Meeting for the purposes of identification, be and is hereby adopted in substitution for and to the exclusion of the entire current MoI, subject to obtaining the prior written consent of the Company."

Reason for Special Resolution Number 6

The reason for this special resolution is (i) to bring the MoI into harmony with the provisions of the Listings Requirements and any applicable new law; and (ii) to ensure that the MoI complies with the Companies Act, the Listings Requirements and is in line with best practice. The revised MoI has been approved by the Board and JSE Limited and the Board's intention is for the shareholders to pass a special resolution adopting the revised MoI in substitution for the existing MoI. In compliance with section 65(4) of the Companies Act, an explanation of the salient amendments to the existing MoI is presented on page 159. The revised MoI will be available on the Company's website, and copies can be obtained at the Company offices during normal office hours. Any person who has a beneficial interest in any securities of the Company may request for copies from the issue date of this notice up to and including the date of the 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.

14. AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

Ordinary Resolution Number 7

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 Resolutions Number 1 to 6 and Special Resolutions Number 1 to 6 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.

15. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

NOTICE OF 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, 14 July 2017.

VOTING 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, 8 September 2017. Accordingly, the last day to trade for the purposes of being entitled to attend and vote at the Meeting is Tuesday, 5 September 2017.

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 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. Proxy forms must be forwarded to reach the registered office of the Company or the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa so as to be received by them by no later than 12:00 on Tuesday, 12 September 2017. Any forms of proxy not lodged by this time must be handed to the chairperson of the Meeting.

Shareholders holding shares on the Jersey Branch register should forward the form of proxy sent with this notice to Computershare Investor Services (Jersey) Limited in accordance with the instructions on the proxy form.

Proxy forms must only be completed by shareholders who have dematerialised their shares with "own name" registration or who have not dematerialised their shares.

Every member present in person or by proxy and entitled to vote at the Meeting of the Company shall, on a show of hands, 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 must obtain the necessary letter of representation from their CSDP or broker.

Notice of Annual General Meeting continued

Shareholders holding depositary interests in shares on the Jersey Branch register should forward the form of instruction sent to them with this notice to Computershare Investor Services (Jersey) Limited in accordance with the instructions on the form of instruction.

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.

Should any shareholder (or any proxy for a shareholder) wish to participate in the meeting by way of electronic participation, the shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address as reflected on page 165, to be received by the transfer secretaries at least 5 (five) business days prior to the Meeting in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purpose of section 63(1) of the Companies Act, and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The cost of accessing any means of electronic participation provided by the Company will be borne by the Company. It should be noted, however, that voting will not be possible via the electronic facilities and for shareholders wishing to vote, their shares will need to be represented at the Meeting either in person, or by proxy or by letter of representation, as provided for in the notice of Meeting.

All meeting participants will be required to provide identification reasonably satisfactory to the chairperson of the Meeting. Forms of identification include valid identity documents, driver's licences and passports.

By order of the Board

SP Morris
For and on behalf of
Datatec Management Services (Pty) Ltd
Company Secretary

Sandton
July 2017

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 12:00 on Thursday, 14 September 2017 and at any adjournment of that meeting.

Signed at ______________ this ______________ day of ______________ 2017

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 CS Seabrooke			
6.	O4	Reappointment of independent auditors			
7.	O5	Election of Audit, Risk and Compliance Committee members:			
		7.1 Election of CS Seabrooke			
		7.2 Election of MJN Njeke			
		7.3 Election of O Ighodaro			
		7.4 Election of SJ Davidson			
8.	O6	Non-binding advisory vote on Remuneration Policy			
9A.	S1	Approval of conditional share plan			
9B.	S2	Approval of deferred bonus plan			
10.	S3	Approval of non-executive directors' fees			
11.	S4	Authority to provide financial assistance to any Group company			
12.	S5	General authority to repurchase shares			
13.	S6	Adoption of a revised MoI			
14.	O7	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 present in person or by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a show of hands, 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 subregister 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 transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, or email proxy@computershare.co.za, or call the transfer secretaries on +27 11 370 5000, to be received by them not later than 12:00 on Tuesday, 12 September 2017. Any forms of proxy not lodged by this time must be handed to the chairperson of the Annual General Meeting.
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 transfer secretaries or waived 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.

Explanation of changes to the existing Memorandum of Incorporation

Datatec's Memorandum of Incorporation ("the MoI") was last reviewed in March 2013. Since then, there have been a number of revisions to the JSE Listings Requirements. The following changes are proposed by the Board to ensure that the MoI is aligned with the most recent JSE Listings Requirements.

The following is an explanation of the changes to the MoI. For the full revised MoI please refer to Datatec's website **www.datatec.com**. or visit the Company during normal office hours.

Revised MoI article reference	Explanation of revision
2.7	This amendment has been inserted to ensure that to the extent the Companies Act and/or JSE Listings Requirements are amended and the Company does not have sufficient time to amend the MoI, the Company will be able to comply with the Companies Act and/or Listings Requirements during the period which its MoI has not been amended.
2.8 and 2.9	This amendment has been inserted to ensure that to the extent that the JSE grants the Company an exemption from complying with a provision of the JSE Listings Requirements, the Company will not be obliged in terms of its MoI to comply with the JSE Listings Requirements following such exemption from the JSE.
6.8.4	In terms of 10.11(h)(i) of Schedule 10 of the JSE Listings Requirements, subject to the provisions of the MoI, these resolutions may be proposed as written resolutions. This amendment provides clarity and allows flexibility should the Company want to propose any of these resolutions as written resolutions. These include: • Change of name of the Company; • Odd lot offers; • Increase in authorised share capital; and • Approval of amendments to the MoI.
6.9.2	This amendment is inserted to clarify item 10.11(d) of Schedule 10. The Listings Requirements state that there must be no prohibition or restriction on the Company from calling any meeting for the purposes of adhering to the JSE Listings Requirements.
8	This amendment has been inserted to ensure (and should be read in conjunction with the other amendments relating to payment of dividends by electronic funds transfer ("EFT") and sending of notices) that shareholders provide the requisite contact details to the Company in order for the Company to be able to maintain electronic registers and be able to pay dividends by EFT.
9	This amendment enables the Company, *inter alia*, to pay dividends by EFT, clarifies that the shareholders bear the risk for any loss or misdirection of dividends paid by EFT and that any dividends unclaimed for a period of three years or more may be declared forfeit by the Board.
10	This amendment would enable Datatec to send notices to shareholders by electronic communication – so long as it is permissible to do so in terms the Companies Act.
11.3	This amendment has been inserted to address the treatment of fractional entitlements, which will be treated in accordance with the JSE Listings Requirements.
11.4	This amendment is inserted to clarify 10.9 of Schedule 10 of the JSE Listings Requirements, which states that these corporate actions must be provided for in the MoI in accordance with the JSE Listings Requirements. For clarity, the Company shall comply with the Companies Act when undertaking the following corporate action: • the issue of shares for cash and options and convertible securities granted/issued for cash; • the repurchase of securities by the Company; and • the alteration of the Company's share capital, authorised shares and rights attaching to a class/es of shares.

Shares and shareholders

Stock exchange performance	1 March 2016 to 28 February 2017	1 March 2015 to 29 February 2016
Total number of shares traded ('000)	145 093	149 707
Total number of shares traded as a percentage of total shares (%)	68.8	72.3
Total value of shares traded (R'million)	6 953	8 901
JSE Limited prices (SA cents)		
Closing	5 458	4 648
High	5 848	8 088
Low	4 006	3 820
London Stock Exchange (AIM) prices (UK pence)		
Closing	342.5	210.0
High	375.0	357.6
Low	193.0	162.5
Public/non-public shareholding		
Percentage of shares held by non-public shareholders (%)	37.2	35.4
Percentage of shares hold by public shareholders (%)	62.8	64.6

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 28 February 2017:

	Shareholders in SA		Shareholders outside SA		Total shareholders	
Shareholder type	Number	Percentage of shares	Number	Percentage of shares	Number	Percentage of shares
Directors	1	0.0%	3	7.5%	4	7.5%
Other holdings over 10%	2	29.6%	–	–	2	29.6%
Share trust (treasury shares)	1	0.0%	–	–	1	0.0%
Non-public	4	29.6%	3	7.5%	7	37.1%
Public	4 499	41.4%	272	21.5%	4 771	62.9%
	4 503	71.0%	275	29.0%	4 778	100.0%

The following are the principal beneficial shareholders whose holding directly or indirectly in the Company total more than 3% of the issued share capital as at 28 February 2017:

Government Employees Pension Fund (PIC) (ZA)	32 252 156	15.2%
Old Mutual Life Assurance Co Limited (ZA)	30 471 232	14.4%
Jens Montanana (director)	15 169 941	7.2%
MMI Group	8 082 319	3.8%
Allan Gray – Equity Fund, Balanced Fund and Stable Fund (ZA)	7 437 144	3.5%

Shareholders' diary

2017 Annual General Meeting		14 September 2017
2018 Annual General Meeting		13 September 2018
Reports		
Interim results to August 2017	Published	18 October 2017
Annual results to 28 February 2018	Published	17 May 2018
2018 Integrated Report	Published	July 2018

Administration

BOARD OF DIRECTORS

Name	Date of appointment	Position held at 28 February 2017
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	Chairman
O Ighodaro (Nigerian/British)[*#]	1 September 2010	Independent non-executive director
JF McCartney (American)[^#]	16 July 2007	Independent non-executive director
MJN Njeke[*+]	1 September 2016	Independent non-executive director
CS Seabrooke[*^#]	6 October 1994	Independent non-executive director
NJ Temple (British)[^]	1 October 2002	Senior non-executive director

* *Audit, Risk and Compliance Committee*
^ *Remuneration Committee*
\# *Nomination Committee*
\+ *Social and Ethics Committee*

Glossary

AGM	Annual General Meeting
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller, growing companies
Analysys Mason	A company within Datatec's Consulting division, which provides specialist advice in telecoms, IT and media
ARCC	The Datatec Group Audit, Risk and Compliance Committee
BBBEE	Broad-Based Black Economic Empowerment
BPO	Business Process Outsourcing
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIPC	Companies and Intellectual Property Commission
Consulting and Financial Services	Includes Analysys Mason, a specialist telecommunications, media and technology adviser and Datatec Financial Services, a specialist team of financial experts
COO	Chief Operating Officer
CPI	Consumer Price Index
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
EDGE	Engage, Develop, Grow, Extend; Westcon-Comstor's global enablement programme for new customer acceleration
EMEA	Europe, Middle East and Africa
Exco	Executive Committee
GTDC	Global Technology Distribution Council
ICAEW	Institute of Chartered Accountants in England and Wales
IIRC	International Integrated Reporting Council
IRC	South African Integrated Reporting Committee
ISIN	International Securities Identification Number
JSE	The Johannesburg Stock Exchange, a securities exchange operated by JSE Limited
King III Code or King III	The King Code of Corporate Governance Principles for South Africa, 2009 and the King Report on Corporate Governance for South Africa, 2009
King IV	The King IV Report on Corporate Governance for South Africa, 2016
KPIs	Key performance indicators, a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting its strategic and operational goals
Logicalis or Logicalis Group	A division of Datatec that supplies ICT infrastructure and solutions and managed services
LSE	London Stock Exchange
MBA	Master of Business Administration
MEA	Middle East and Africa
NASDAQ	National Association of Securities Automated Quotations, a United States electronic securities market
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety Act 85 of 1993
SAICA	South African Institute of Chartered Accountants
The Board	The Board of Directors of Datatec Limited, as set out on pages 10 and 11
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 and on the LSE's AIM and its subsidiaries as the context indicates
The current year, the year or the year under review	The year ended 28 February 2017
The Group	The Datatec Group, Datatec Limited and its subsidiaries
The previous year	The year ended 29 February 2016
The Register	The register of ordinary shareholders
The UK Code	UK Corporate Governance Code
The Via Group or Via	A company within Datatec's Logicalis division, providing unified communications and voice solutions
TMT	Telecommunications, Media and Technology
WEEE	Waste Electrical and Electronic Equipment
Westcon Group or Westcon-Comstor	A division of Datatec that provides distribution of security, unified communications, networking and data centre products

Financial definitions

Amortisation	The systematic allocation of the cost of an intangible asset over its useful life
BBSY	Bank Bill Swap Bid Rate
Constant currency	Constant currency information presents the Group's revenue for the current year, had it been translated at the average foreign currency exchange rates of the prior year
DBP	Deferred Bonus Plan
Depreciation	The systematic allocation of the cost of an asset, less its residual value, over its useful life
Diluted HEPS	Diluted headline earnings per share, the weighted average number of shares, as calculated, is adjusted for the effect of the share-based payment schemes and other items that have a dilutive effect
EBITDA	Earnings before interest, taxation, depreciation and amortisation
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
NACA	Nominal Amount Compounded Annually
Organic growth	The growth rate that a company can achieve by increasing output and enhancing sales. This excludes any profits or growth acquired from takeovers, mergers or acquisitions
P/E ratio	Price-earnings ratio
ROIC	Return on invested capital. This is calculated by dividing net operating profit after tax by average invested capital
RNS	Regulatory News Service
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

Technical definitions

API	Application Programming Interface – used for building software applications
APIaaS	API as a service, service platform that enables the creation and hosting of APIs
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
Data centre	A centralised storage facility by an application service provider to retain database information
ERP	Enterprise resource planning systems integrate internal and external management of information across an entire organisation
Hardware	The machines, wiring and other physical components or other electronic system
IaaS	Infrastructure as a Service, computer infrastructure being delivered on an outsourced basis. Typically, IaaS provides hardware, storage, servers and data centre space or network components
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
ISV	Independent Software Vendor
IT	Information technology
ITaas	Information technology as a service

Technical definitions continued

Mobility	The technology used for cellular communication
MSP	Managed service provider
Networking	The construction, design and use of a network
OEM	Original equipment manufacturer
SD-WAN	Software-defined wide area network
Security	The protection of computer systems from the theft or damage to their hardware, software or information, as well as from disruption of the services they provide
SMB	The Server Message Block (SMB) protocol is a network file sharing protocol that allows applications on a computer to read and write files and to request services from server programs in a computer network
Software	The programs and other operating information used by a computer
Systems integrator	Specialises in bringing together component subsystems into a whole and ensuring that those subsystems function together
UC	Unified communications
UCC	Unified communications and collaboration
Unified communications	The integration of communication tools that are used daily such as voice, email, instant messaging, conferencing and video into a single interface
Xaas	Everything as a service. The extensive number of services available over the internet via Cloud Computing

Contact details

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1994/005004/06

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(Managing Director – SP Morris)

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United Kingdom

JOINT BROKER
finnCap Limited
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