

# 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](http://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