Consolidated annual financial statements

Contents

Directors' responsibility statement

for the year ended 28 February 2018

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 2018, 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").

In terms of the Companies Act, the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the Group at the end of the financial year and of the profit for that year. The consolidated annual financial statements for the year ended 28 February 2018 are prepared in accordance with IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act and incorporate transparent and responsible disclosure together with appropriate accounting policies. These annual financial statements were compiled under the supervision of Ivan Dittrich CA(SA), the Chief Financial Officer, 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.

These annual financial statements have been audited in compliance with the requirements of the Companies Act. The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and believe that the Group and its subsidiaries have adequate resources to continue in operation for the foreseeable future and accordingly these financial statements have been prepared on a going concern basis.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Datatec Limited as identified in the first paragraph were approved by the Board of Directors on 16 May 2018 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 2018 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

16 May 2018

Independent auditors' report

for the year ended 28 February 2018

TO THE SHAREHOLDERS OF DATATEC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datatec Limited and its subsidiaries ("the Group") set out on pages 81 to 155, which comprise the consolidated statement of financial position as at 28 February 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 28 February 2018, 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
IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*	
Effective 1 September 2017, Datatec Limited sold its Westcon-Comstor business in North America and Latin America (Westcon Americas) for an amount of US$600 million. Westcon Americas constitutes a discontinued operation in terms of IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* ("IFRS 5"). The key audit matter in this regard pertains to the appropriate application of IFRS 5, in particular: > the directors had to apply significant judgement in determining the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas; and > given the significance of the Westcon Americas disposal group to the consolidated financial results, the disclosures in relation to the disposal group would be fundamental to the presentation of the financial statements; this is considered a key audit matter. The profit on disposal of Westcon Americas is included in discontinued operations in the statement of comprehensive income and the disclosures relating to the disposal group are contained in the critical accounting judgement and key sources of estimation accounting policy and Note 36 of the consolidated financial statements.	In determining the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas and assessing the disclosure requirements in respect of the disposal group, we performed the following procedures: > inspected the share purchase agreement and other underlying correspondence to verify that all relevant facts were taken into account in the determination of the profit on disposal of Westcon Americas; > considered the directors' judgement in the determination of the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas taking into account the financial performance of the disposal group; > consulted with our accounting specialists on the accounting treatment in relation to the determination of the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas; > considered the adequacy of disclosures in the consolidated financial statements relating to the disposal group; and > obtained representations from management confirming that the requirements of IFRS 5 in relation to the disposal group have been considered and all appropriate disclosures have been made in the consolidated financial statements. We concur with the directors' assessment in determining the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas. Based on the results of the above procedures, we consider the disclosures in relation to the disposal group in the consolidated financial statements to be adequate.

Key audit matter	How the matter was addressed in the audit
Assessment of goodwill for impairment	
The carrying value of goodwill is US$227 million. The recoverability of the carrying value of goodwill is determined with reference to its value-in-use, based on the cash flow forecasts for each cash-generating unit. There is estimation and judgement involved in the forecasting and discounting of future cash flows, with the future cash flows and discount rates being the most significant assumptions influencing the valuation to determine if any impairment is required in terms of IFRS. As the goodwill balance is material to the Group and significant judgement is exercised by the directors in evaluating the valuation of the goodwill, the evaluation of goodwill for possible impairment is considered to be a key audit matter. The disclosures relating to goodwill is contained in the goodwill accounting policies note and Note 8 of the consolidated financial statements.	In evaluating goodwill for impairment, we reviewed the calculations of its value-in-use, as prepared by the independent parties together with the directors. We, with the assistance of our specialists, performed various procedures, including the following: > evaluating the Group's valuation models and the principles and integrity of the models; > testing of inputs into the cash flow forecast against historical performance and in comparison to the Group's strategic plans; > comparing the growth rates used to historical performance; > testing the assumptions used to calculate the discount rates and recalculating those rates taking into account external market factors; > re-computing of the value-in-use of each cash-generating unit; > assessing the competence, capabilities and objectivity of the independent parties used by the directors to evaluate goodwill for impairment; and > assessing the adequacy of the Group's disclosures in respect of goodwill with reference to applicable accounting standards. Based on the results of the above procedures, we consider the assumptions used in the valuation models to be appropriate and the disclosures in relation to the goodwill balance to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit, Risk and Compliance Committee's Report and the Certificate by Company Secretary, 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 auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 2018

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit, Risk and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Risk and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Datatec Limited for 23 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: M Rayfield
Partner

16 May 2018

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Audit, Risk and Compliance Committee report

for the year ended 28 February 2018

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. *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 pages 38 and 39 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 IV™ Code and the Companies Act and to ensure the incorporation of best practice developments. The charter is available at **www.datatec.com**.

The committee is satisfied that it has met 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.

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, that the Group has established appropriate financial reporting procedures, and that those procedures are operating. 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 is responsible for selecting the external auditor and recommending its appointment to the shareholders. Deloitte & Touche has been the external auditor for 23 years and has the policy of rotating the designated partner every five years. The current designated audit partner is M Rayfield who is in the first year of his tenure. The committee monitors the external auditor and obtained and reviewed the information specified in Paragraph 22.15(h) of the JSE Listings Requirements. The committee is satisfied that Deloitte & Touche and the designated audit partner are independent of the Company, that the quality of their audit work is of a sufficiently high standard and assessed them as suitable for reappointment. The committee is also responsible for approving the external auditor's fees and oversees the Company's policy on the provision of non-audit services by the external auditor which contributes to maintaining the external auditor's independence.

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

The committee assists the Board in reviewing the risk management process and significant risks facing the Group (see pages 40 to 44). The committee reviews the Group's risk strategy with the executive directors and senior management and oversees the Group's use of recognised risk management and internal control models and frameworks to maintain a sound system of risk management and internal control. Combined assurance processes are in place throughout the Group to provide the committee with internal management assurance and external assurance from a range of assurance providers including the outsourced internal auditor. The ARCC is satisfied that the appropriate processes are in place, including effective combined assurance, to enable the Board to make an objective assessment of the Group's system of internal controls and risk management.

The committee is 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 2018, 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 notes the following:

- discontinued operations; and
- assessment of goodwill impairment.

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.

Discontinued operations

The key risk in terms of the discontinued operations pertains to the appropriate application of IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations.*

The directors applied significant judgement in determining the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas.

Given the significance of the Westcon Americas disposal group to the consolidated financial results, the disclosures in relation to the disposal group would be fundamental to the presentation of the financial statements.

The committee has assessed management's judgement in determining the goodwill and intangible assets previously attributable to the disposal group to be derecognised in calculating the profit on disposal of Westcon Americas, taking into account the financial performance of the disposal group. Based on the assessment, the committee considers the application of IFRS 5 in terms of the judgement applied to be appropriate and the disclosures in relation to the disposal group to be adequate. Refer to Note 36 in the consolidated financial statements.

Assessment of goodwill impairment

Goodwill is assessed annually for impairment. The directors have exercised significant judgement on the recoverability on the carrying value of goodwill. This is determined with reference to each cash-generating unit's value-in-use, based on the cash flow forecasts approved by senior management. There is estimation and judgement involved in the forecasting and discounting of future cash flows, with the future cash flows and discount rates being the most significant assumptions influencing the valuation to determine if any impairment is required in terms of IFRS.

In evaluating goodwill for impairment, the committee has considered the impairment tests, in terms of the assumptions used, sensitivities applied and resultant headroom. Based on the review of the calculations and assumptions used in the valuation models, the committee considers the assessment of goodwill impairment and disclosures in terms of IFRS to be appropriate. Refer to Note 8 in the consolidated financial statements.

CS Seabrooke
Audit, Risk and Compliance Committee Chairman
Sandton

16 May 2018

Directors' report

for the year ended 28 February 2018

PROFILE AND GROUP STRUCTURE

Datatec is an international ICT solutions and services group operating in more than 50 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific. The Group's service offering spans the technology, integration and consulting sectors of the ICT market.

Datatec operates two main divisions:

> **Technology –** Westcon International: distribution of security, collaboration, networking and data centre products and solutions; and
> **Integration and managed services –** Logicalis: ICT infrastructure solutions and services.

The specialist activities of Consulting and Datatec Financial Services are included with the corporate head office functions in the "Corporate, Consulting and Financial Services" segment of the Group.

Datatec Limited (the "Company"), a South African company with registration number 1994/005004/06, is the parent company of the Group. The Company's shares are listed on the JSE Limited with share code DTC and ISIN ZAE000017745.

GROUP FINANCIAL RESULTS

Commentary on the financial position and financial results of the Group are set out in the Integrated Report on pages 16 to 21.

STATED SHARE CAPITAL

Authorised stated share capital

The authorised stated share capital of the Company as at 28 February 2018 and 28 February 2017 is R4 000 000 made up of 400 000 000 ordinary shares.

Issued stated capital

As at 28 February 2018, the issued stated share capital amounted to R2 429 600, divided into 242 960 000 ordinary shares (FY17: R2 119 676 divided into 211 967 622 ordinary shares).

STATED CAPITAL CHANGES DURING THE YEAR

Special cash dividend with a scrip alternative

In January 2018, a special dividend of R23 per share, representing a total amount of approximately US$350 million, was declared to ordinary shareholders with an election to receive non-renounceable capitalisation issue shares *in lieu* of the cash dividend.

As a result, Datatec Limited issued 43 770 095 shares as a scrip distribution to shareholders who elected to receive the scrip distribution alternative in respect of the special distribution. A total cash dividend of US$244.2 million was paid to shareholders.

In FY17, 2 519 461 shares were issued as a scrip distribution to shareholders arising from the FY16 final and FY17 interim cash dividends with scrip distribution alternatives. No final dividend was declared for FY17.

Share repurchase

The Company repurchased 12 777 717 shares at an average price of R32.86 per share for cancellation in February 2018 under the terms of a general authority given by shareholders at the AGM on 14 September 2017. A total amount of US$34.6 million was returned to shareholders as a result of the share repurchase.

Share issue expenses relating to the special cash dividend and share buy-back for the year amounted to US$0.3 million. These were accounted for in equity.

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.

DISPOSALS DURING THE YEAR

Effective 1 September 2017, the Datatec Group or Datatec Limited and its subsidiaries ("the Group") sold its Westcon-Comstor businesses in North America and Latin America ("Westcon Americas") and a 10% interest in the remaining part of Westcon-Comstor ("Westcon International") to SYNNEX Corporation ("SYNNEX") for a consideration of US$630 million with a potential earn-out based on the gross profit of the Westcon Americas businesses.

In October 2017, Logicalis also realised significant value from the sale of its non-core SMC consulting business for a consideration of US$42 million.

Refer to Note 36 for further details on the above discontinued operations.

DIRECTORS

Brief *curricula vitae* of directors are included on pages 10 and 11 of the Integrated Report 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 out on pages 45 to 55 and in Note 23 to these consolidated annual financial statements on pages 127 to 130.

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

Solvency

The Group has determined from the solvency tests that the Group is solvent with net assets at 28 February 2018 at US$721.6 million (2017: US$855.0 million) and tangible net assets of US$452.0 million (2017: US$263.9 million). The Group is also expected to remain solvent over the next 12 months.

Liquidity

The Group is anticipated to generate sufficient cash to settle liabilities as they fall due. Working capital remains well controlled. Trade receivables and inventory are of a sound quality and adequate provisions are held against both.

It should be noted that the US$375 million syndicated banking facility in Westcon Europe expires in July 2018. See Note 20 in the annual financial statements. Management is in an advanced stage of negotiation of a replacement facility for up to US$280 million, which we believe is adequate for Westcon Europe's working capital needs. There is a high probability that the facility will be replaced, as terms have been agreed with existing and new banks and credit approval for the facility has been received. In addition, the Group has cash at the centre, which it could use for working capital funding until the facility is renewed.

The Group is expected to have sufficient liquidity and borrowing capacity to meet its ongoing operating needs, including approved capital expenditure.

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 152 to 155).

Directors’ report continued

for the year ended 28 February 2018

ACQUISITIONS

The following acquisitions were concluded during the financial year ended 28 February 2018 within the Logicalis Group and Analysys Mason:

Effective 1 June 2017, Analysys Mason Limited acquired 100% of the share capital of Nexia Management Consulting AS, a telecommunications management consultancy company registered in Norway.

On 4 July 2017, Logicalis acquired 51% of the share capital in NubeliU Limited, a South American company specialising in cloud computing projects based on OpenStack. The 51% interest in NubeliU was acquired for a cash consideration of US$3.8 million. NubeliU’s expertise in OpenStack will accelerate the global expansion of Logicalis’ cloud computing and SDx (Software Defined everything) practices, strengthening its position as a cloud integrator and ensuring its ability to meet its customers’ requirements on their journey to digital transformation.

On 4 September 2017, Logicalis acquired 54% of the share capital in PT Packet Systems Indonesia, Inc. (“PSI”) a leading ICT systems integrator and services company. The 54% interest in PSI was acquired for a cash consideration of US$6.8 million. The acquisition has allowed Logicalis to strengthen its position within Indonesia and the Asia market.

CANCELLATION OF AIM LISTING

The AIM listing of Datatec shares was cancelled on 8 December 2017. The AIM listing has not had the desired effect of diversifying Datatec’s investor base and trading of the shares on AIM has dwindled to negligible volumes.

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 consolidated annual financial statements on pages 47 to 54.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

On 14 May 2018, Logicalis signed an agreement to acquire 100% of the issued share capital of Coasin Chile S.A., a Chilean and Peruvian ICT services and solutions provider, for a maximum purchase consideration of US$20.2 million. The acquisition is subject to certain third-party consents as well as approval from the Chilean Competition Authorities.

There are no other material subsequent events to report.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of Datatec will be held at the JSE, 1st Floor Training Room, One Exchange Square, Gwen Lane, Sandown, Sandton, 2196, Republic of South Africa, at 12:00 on Thursday, 20 September 2018.

Group accounting policies

for the year ended 28 February 2018

BASIS OF ACCOUNTING AND REPORTING

The consolidated financial statements as set out on pages 92 to 151 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, 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, the Companies Act of South Africa as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS

The Group adopted the following amendments to accounting standards:

> 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 12 *Disclosure of Interests in Other Entitie*s (effective for accounting periods beginning on or after 1 January 2017)
> Amendments to IAS 7 *Statement of Cash Flows* resulting from the disclosure initiative (effective for accounting periods beginning on or after 1 January 2017)

The Group has applied these amendments for the first time in the current year. The Group's liabilities arising from financing activities consist of borrowings (Note 16 and Note 17). A reconciliation between the opening and closing balances of these items is provided in Note 29.2. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

The application of the revised standards and amendments to existing standards has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements except for amendments to IAS 7. 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:

Applicable standard	Key requirements or changes in accounting policy	Implementation progress and expected impact
IFRS 9 *Financial Instruments* *Effective date 1 January 2018*	The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.	**Implementation progress** During the year, the Group has undertaken an accounting impact analysis of the new standard based on the nature of the financial instruments. **Expected impact** IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require additional disclosures. The Group does not expect the adoption of the standard to have a significant impact on the Group's results. The primary change relates to the assessment of provisioning for potential future credit losses on financial assets. The Group intends to adopt a prospective approach to the new standard.

Group accounting policies continued

for the year ended 28 February 2018

Applicable standard	Key requirements or changes in accounting policy	Implementation progress and expected impact
IFRS 15 *Revenue from Contracts with Customers* *Effective date 1 January 2018*	The new standard requires entities to recognise revenue to depict the transfer of goods or services to customers that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.	**Implementation progress** During the year, the Group has undertaken an accounting impact analysis based on a review of its principal revenue streams, particularly key terms and conditions that may impact revenue in terms of the new standard. Training has been provided to relevant staff to ensure that all personnel are aware of the requirements of IFRS 15. **Expected impact** During the year, the Group completed a detailed review of the requirements for IFRS 15, against its current accounting policies. Based on the work performed to date, no significant recognition and measurement differences have been identified. The Group will continue to review new contracts and transactions with customers to ensure compliance with IFRS 15 on adoption. The Group intends to adopt a modified retrospective approach to the new IFRS 15 standard.
IFRS 16 *Leases* *Effective date 1 January 2019*	The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in profit and loss in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the statement of financial position are available for leases with terms of 12 months or less or where the underlying asset is of low value.	**Implementation progress** During the year, the Group undertook a preliminary impact assessment of IFRS 16. **Expected impact** The adoption of this standard will have a significant impact on the consolidated financial statements. This is expected to be on the statement of financial position as a consequence of the recognition of the right-of-use assets and lease liabilities in relation to arrangements currently accounted for as operating leases. The Group will continue to assess the impact of IFRS 16 and intends to adopt a modified retrospective approach with an adjustment to the opening balances of equity at the date of initial recognition and no adjustment to the prior year comparatives.

The Group has elected to adopt the new standards when they become effective and these amendments and new standards 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.

In addition to the above, the Group does not currently believe that the adoption to the following amendments will have a material impact on the consolidated results or financial position of the Group:

> Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* effective 1 January 2018
> IFRIC 22 *Foreign Currency Transactions and Advance Considerations* effective 1 January 2018
> Amendments resulting from Annual Improvements 2014 – 2016 Cycle effective 1 January 2018

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies described below, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent that it is available and the Group also engages third parties to perform valuations.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is 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 and capitalised development expenditure 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 consolidated 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 and the accounting for rebates from suppliers (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).
> Estimates made in determining the derecognition of goodwill and intangible assets in respect of discontinued operations (refer to Note 8 and Note 9).
> Estimates made in determining the probability of contingent assets on the earn-out in respect of the discontinued operation (refer to Note 36).

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. 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.

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.

Group accounting policies continued

for the year ended 28 February 2018

The translation for 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 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 (ie 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (refer above) or additional assets or liabilities are recognised to reflect new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

On the disposal of a foreign operation (ie disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in a group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Group accounting policies continued

for the year ended 28 February 2018

PROPERTY, PLANT AND EQUIPMENT

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

The basis of depreciation provided on property, plant and equipment is as follows:

	Useful lives (years)
Office furniture and equipment	2 – 6
Motor vehicles	2 – 4
Computer equipment	2 – 6
Buildings	20
Leasehold improvements	Shorter of useful life/period of the lease

Land and buildings comprise mainly warehouses and offices. Software purchased to support the Group's back-office, accounting and customer relationship functions that is an integral part of the hardware, is included in computer equipment and is depreciated over its expected useful life.

All assets' residual values and useful lives are reviewed at each reporting date and any changes to these estimates are accounted for on a prospective basis.

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 10 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.

Other 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. The basis of amortisation provided on intangible assets is as follows:

	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.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 2018

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 and 2 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; and
> 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.

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. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

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 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 2018

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 taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group's consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

REVENUE 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 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 and collectability 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 are 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, SYNNEX deal-related expenses and the taxation effect on all of the aforementioned.

Group statement of comprehensive income

for the year ended 28 February 2018

	Notes	2018 US$'000	Re-presented 2017[1] US$'000
CONTINUING OPERATIONS			
Revenue	1	3 923 715	3 861 991
Continued operations		3 881 547	3 859 775
Revenue from acquisitions		42 168	2 216
Cost of sales		(3 287 670)	(3 239 701)
Gross profit		636 045	622 290
Operating costs		(586 277)	(579 177)
Restructuring costs		(16 873)	(13 072)
Share-based payments	2	(6 198)	(1 000)
Operating profit before interest, tax, depreciation, amortisation and impairment ("EBITDA")		26 697	29 041
Depreciation	3	(27 548)	(27 440)
Amortisation of capitalised development expenditure	3	(11 375)	(13 461)
Amortisation of acquired intangible assets and software	3	(12 640)	(11 429)
Impairment of investment in joint venture	10	(1 000)	–
Impairment of capitalised development expenditure	9	(55 112)	–
Operating loss	3	(80 978)	(23 289)
Interest income		8 670	2 912
Finance costs	4	(27 073)	(16 733)
Share of equity-accounted investment losses	10.1	(276)	(793)
Acquisition-related fair value adjustments		48	5 565
Fair value adjustments on put option liabilities		*	658
Fair value adjustments on deferred and/or contingent purchase consideration		48	4 907
Other income		257	230
Profit on disposal of associate/loss of control of subsidiary	35	–	319
Loss before taxation		(99 352)	(31 789)
Taxation	5	(18 465)	(21 242)
Loss for the year from continuing operations		(117 817)	(53 031)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	36	159 608	63 780
Profit for the year		41 791	10 749
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		13 942	56 947
Translation of equity loans		8 487	(13 285)
Tax on translation of equity loans		308	3 291
Translation reserve reclassified to profit on disposal of foreign operation		57 345	–
Transfers and other items		2 265	622
Total comprehensive income for the year		124 138	58 324
Profit attributable to:			
Owners of the parent		44 359	3 038
Non-controlling interests		(2 568)	7 711
		41 791	10 749
Total comprehensive income attributable to:			
Owners of the parent		130 480	44 732
Non-controlling interests		(6 342)	13 592
		124 138	58 324
Earnings/(loss) per share (US cents)			
Basic	6	20.5	1.4
– Continuing operations		(53.3)	(28.9)
– Discontinued operations		73.8	30.3
Diluted	6	20.3	1.4
– Continuing operations		(52.6)	(28.7)
– Discontinued operations		72.9	30.1

[1] The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).
** Less than US$1 000.*

Group statement of financial position

as at 28 February 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets		**417 370**	786 361
Property, plant and equipment	7	**59 731**	73 742
Goodwill	8	**227 321**	461 651
Capitalised development expenditure	9.1	**1 665**	80 843
Acquired intangible assets and software	9.2	**40 661**	48 620
Investments	10	**26 613**	24 887
Deferred tax assets	11	**41 104**	67 644
Finance lease receivables	12	**12 283**	8 885
Other receivables		**7 992**	20 089
Current assets		**2 244 228**	2 698 539
Inventories	13	**238 537**	438 503
Trade receivables	14	**1 192 237**	1 548 003
Current tax assets	26	**9 492**	17 849
Prepaid expenses		**189 182**	184 419
Finance lease receivables	12	**5 479**	7 854
Other receivables		**133 059**	156 277
Cash and cash equivalents	30	**476 242**	345 634
Total assets		**2 661 598**	3 484 900
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		**721 603**	854 986
Stated capital	15	**258 461**	151 947
Non-distributable reserves		**45 331**	63 299
Foreign currency translation reserve		**(58 378)**	(141 816)
Share-based payments reserve		**4 883**	2 681
Distributable reserves		**471 306**	778 875
Non-controlling interests		**69 217**	51 889
Total equity		**790 820**	906 875
Non-current liabilities		**120 685**	127 056
Long-term interest-bearing liabilities	16	**61 723**	31 902
Liability for share-based payments		**1 517**	2 080
Amounts owing to vendors	19	**211**	580
Deferred tax liabilities	11	**30 240**	78 959
Provisions	18	**10 685**	8 376
Other liabilities		**16 309**	5 159
Current liabilities		**1 750 093**	2 450 969
Trade and other payables	17.1	**1 296 578**	1 720 391
Short-term interest-bearing liabilities	17.2	**105 999**	64 787
Provisions	18	**16 026**	8 634
Amounts owing to vendors	19	**1 029**	512
Current tax liabilities	26	**15 561**	11 159
Bank overdrafts	20	**314 900**	645 486
Total equity and liabilities		**2 661 598**	3 484 900

Group statement of changes in equity

for the year ended 28 February 2018

	Stated capital US$'000	Foreign currency translation reserve US$'000
Balance at 1 March 2016	115 090	(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 stated capital**	28 914	–
Dividend	7 943	–
Disposals	–	–
Share-based payments	–	–
Balance at 28 February 2017	151 947	(141 816)
Total comprehensive income/(loss) recognised for the year	**–**	**83 438**
Profit attributable to the owners of the parent	**–**	**–**
Profit attributable to the non-controlling interests	**–**	**–**
Translation of equity loans	**–**	**8 487**
Tax on translation of equity loans	**–**	**308**
Translation reserve reclassified to profit on disposal of foreign operation	**–**	**57 345**
Exchange differences arising on translation to presentation currency	**–**	**17 298**
Transfers and other items	**–**	**–**
Translation of stated capital**	**32 857**	**–**
Special dividend***	**108 286**	**–**
Share repurchases	**(34 629)**	**–**
Disposal of 10% of Westcon International without loss of control	**–**	**–**
Acquisitions of subsidiaries	**–**	**–**
Share-based payments	**–**	**–**
Balance at 28 February 2018	**258 461**	**(58 378)**

**Non-distributable reserves relate to the translation of stated capital of the parent company 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.

SPECIAL CASH DIVIDEND WITH AN ELECTION TO RECEIVE NON-RENOUNCEABLE CAPITALISATION ISSUE SHARES *IN LIEU* OF THE CASH DIVIDEND AND REPURCHASE OF SHARES – FY18

***The Company paid a special cash dividend of R23 (approximately US$1.66) per share to ordinary shareholders with an election to receive non-renounceable capitalisation issue shares *in lieu* of the cash dividend.

The result of the shareholder election was that 43 770 095 fully paid new ordinary shares were issued on 17 January 2018 to shareholders who did not elect to receive the cash dividend. A total cash dividend of US$244.2 million has been paid to shareholders who retained the default cash dividend. The total distribution to shareholders was US$352.5 million of which the scrip portion was US$108.3 million. The proportion of the Company's total shares which received the scrip distribution was 30.7% and the proportion of the Company's total shares which received the cash dividend was 69.3%.

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
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
1 714	**418**	**44 910**	**130 480**	**(6 342)**	**124 138**
–	**–**	**44 359**	**44 359**	**–**	**44 359**
–	**–**	**–**	**–**	**(2 568)**	**(2 568)**
–	**–**	**–**	**8 487**	**–**	**8 487**
–	**–**	**–**	**308**	**–**	**308**
–	**–**	**–**	**57 345**	**–**	**57 345**
–	**418**	**–**	**17 716**	**(3 774)**	**13 942**
1 714	**–**	**551**	**2 265**	**–**	**2 265**
(32 857)	**–**	**–**	**–**	**–**	**–**
–	**–**	**(352 479)**	**(244 193)**	**–**	**(244 193)**
–	**–**	**–**	**(34 629)**	**–**	**(34 629)**
13 175	**–**	**–**	**13 175**	**16 825**	**30 000**
–	**–**	**–**	**–**	**6 845**	**6 845**
–	**1 784**	**–**	**1 784**	**–**	**1 784**
45 331	**4 883**	**471 306**	**721 603**	**69 217**	**790 820**

The Company repurchased 12 777 717 shares at an average price of R32.86 per share for cancellation in February 2018 under the terms of a general authority given by shareholders at the AGM on 14 September 2017.

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 FY18 is declared.

SCRIP DISTRIBUTION WITH CASH DIVIDEND ALTERNATIVE – FY17

The Group declared a US$28.9 million dividend 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.

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

Group statement of cash flows

for the year ended 28 February 2018

	Notes	2018 US$'000	2017 US$'000
Cash flow from operating activities			
Cash generated from/(utilised in) operations	25	17 625	(37 321)
Interest income		9 078	2 045
Finance costs		(33 862)	(27 309)
Taxation paid	26	(43 446)	(43 299)
Net cash outflow from operating activities		(50 605)	(105 884)
Cash flow from investing activities			
Cash outflow for acquisitions	27	(10 749)	(1 854)
Increase in investments	10	(3 002)	(9 201)
Net cash inflow from disposal of discontinued operations	31/36.2	744 832	533
Additions to property, plant and equipment	28	(26 004)	(30 796)
Additions to capitalised development expenditure	9.1	(20 043)	(29 091)
Additions to software	9.2	(2 668)	(1 566)
Proceeds on disposal of property, plant and equipment and software		821	2 302
Net cash inflow/(outflow) from investing activities		683 187	(69 673)
Cash flow from financing activities			
Dividends paid to shareholders		(244 193)	(20 949)
Share repurchases		(34 629)	–
Proceeds on disposal of 10% of Westcon International	36.2	30 000	–
Amounts paid to vendors		(609)	(3 429)
Proceeds from short-term liabilities		93 282	39 185
Repayment of short-term liabilities		(39 185)	(1 250)
Proceeds from long-term liabilities		51 398	33 472
Repayment of long-term liabilities		(31 551)	(50 556)
Net cash outflow from financing activities		(175 487)	(3 527)
Net increase/(decrease) in cash and cash equivalents		457 095	(179 084)
Cash and cash equivalents at the beginning of the year		(299 852)	(132 685)
Translation differences on cash and cash equivalents	29	4 099	11 917
Cash and cash equivalents at the end of the year	30	161 342	(299 852)
			Re-presented[1]
Cash flows from discontinued operations			
Net cash outflow from operating activities		(49 747)	(18 654)
Net cash outflow from investing activities		(2 700)	(1 472)
Net cash inflow/(outflow) from financing activities		8 240	(35)
Net decrease in cash and cash equivalents		(44 207)	(20 161)

[1] *The prior year has been re-presented to show comparative results from discontinued operations in accordance with IFRS 5 (refer to Note 36).*

Notes to the Group consolidated annual financial statements

for the year ended 28 February 2018

		2018 US$'000	Re-presented 2017[1] US$'000
1.	**REVENUE**		
	Revenue from sale of goods	**3 242 383**	3 266 063
	Revenue from rendering of services	**681 332**	595 928
		3 923 715	3 861 991

Imputed interest income included in revenue, which would result from a notional unwinding of interest inherent in trade finance for the year is US$25.9 million (FY17: US$27.2 million).

[1] *The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).*

		2018 Number of shares ('000)	2018 Weighted average grant price	2017 Number of shares ('000)	2017 Weighted average grant price
2.	**SHARE-BASED PAYMENTS**				
	The Group plans are detailed in the remuneration report on pages 47 to 54. 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	**3 004**	**51.10**	3 219	51.71
	Granted during the year	**866**	**53.87**	1 222	46.16
	Exercised during the year – weighted average share price on exercise – N/A (FY17: N/A)	**–**	**–**	–	–
	Forfeited during the year	**(1 094)**	**50.85**	(1 437)	48.26
	Modification in respect of special dividend	**1 936**	**(23.00)**	–	–
	Outstanding at the end of the year	**4 712**	**30.87**	3 004	51.10
	Exercisable at the end of the year	**–**	**–**	–	–
	The SARs outstanding at 28 February 2018 comprised grant prices in the range of R23.16 to R37.74 after modification (FY17: R46.16 to R60.74 before modification) and had a weighted average remaining contractual life of 5.3 years (FY17: 5.2 years).				
	Datatec Long-Term Incentive Plan ("LTIP")				
	Outstanding at the beginning of the year	**2 605**		2 445	
	Granted during the year	**750**		1 071	
	Settled during the year – share price on vesting N/A (FY17: N/A)	**–**		–	
	Forfeited during the year	**(941)**		(911)	
	Modification in respect of special dividend	**1 683**		–	
	Outstanding at the end of the year	**4 097**		2 605	
	Exercisable at the end of the year	**–**		–	
	The LTIP awards outstanding at 28 February 2018 had been granted when the share price was in the range of R23.16 to R37.74 after modification (FY17: R46.16 to R60.74 before modification) and had a weighted average remaining contractual life of 1.33 years (FY17: 1.33 years).				

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 Number of shares ('000)	2018 Number of shares ('000)
2. SHARE-BASED PAYMENTS (continued)		
Equity-settled schemes (continued)		
Datatec Deferred Bonus Plan ("DBP")		
Outstanding at the beginning of the year	**393**	319
Granted during the year	**–**	150
Settled during the year – share price on vesting R59.29 (FY17: R46.16)	**(51)**	(27)
Forfeited during the year	**(51)**	(49)
Outstanding at the end of the year	**291**	393
Exercisable at the end of the year	**–**	–

The DBP matching shares outstanding at 28 February 2018 had been granted when the share price was in the range of R46.16 to R60.74 (FY17: R46.16 to R60.74) and had a weighted average remaining contractual life of 0.7 years (FY17: 1.7 years).

Modification

The Datatec share-based remuneration plans were modified to account for the special dividend paid in January 2018 so that the participants' interest was not detrimentally affected. The number of SARs and LTIP awards in existence at the time of the special dividend were increased by 69.7% and the exercise price for the SARs was reduced by a factor of 1.697. Both these adjustments are based on the amount of the special dividend. No adjustment was required for the DBP because, on settlement, the matching shares will have additional shares added *in lieu* of the dividends arising during the performance period.

	2018		2017	
Fair value is measured by use of an actuarial binomial model for the equity-settled share-based payment schemes with an additional Monte Carlo simulation model used for the TSR performance condition on the LTIP. The main inputs into the models, in addition to those recorded above, are set out in the table below.				
Grant date	**28 July 2017**		12 May 2016	
Vesting date	**22 May 2020**		12 May 2019	
Performance period (LTIP)	**28 February 2017 to 29 February 2020**		29 February 2016 to 28 February 2019	
Share price showing effect of modification	**Original**	**Modified**	Original	Modified
Share price grant (closing price)	**R57.44**	**R34.44**	R44.40	R21.40
Fair value at grant date: SARs	**R14.65**	**R8.63**	R13.09	R7.71
LTIP	**R56.00**	**R33.00**	R38.85	R22.89
DBP	**N/A**	**N/A**	R44.40	N/A
Risk-free rate (NACA) – 6-year SARs	**7.51%**		8.39%	
Risk-free rate (NACA) – 3-year LTIP	**6.80%**		N/A	
Dividend yield (NACA)	**0.00%**		3.30%	
Volatility of Datatec	**25.50%**		27.50%	

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.

	2018 Number of shares ('000)	2018 Weighted average grant price	2017 Number of shares ('000)	2017 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Cash-settled schemes				
Westcon Group, Inc. SAR Scheme		US$		
Outstanding at the beginning of the year	505.4	73.08	513.5	74.39
Granted during the year	–	–	184.0	69.00
Exercised during the year – exercise value US$80.90 (FY17: US$69.00)	(384.1)	73.67	(45.5)	66.45
Forfeited during the year	(121.3)	71.46	(146.6)	74.61
Outstanding at the end of the year	–	–	505.4	73.08
Exercisable at the end of the year	–	–	241.8	74.99
The SYNNEX transaction during FY18 triggered the change of control provisions in the Westcon Group, Inc. SAR Scheme. 50% of unvested SARs vested and then all vested SARs were exercised and settled in cash in accordance with the scheme rules.				
Logicalis SAR Scheme		US$		US$
Outstanding at the beginning of the year	3 364	5.07	2 692	5.23
Granted during the year	1 063	3.70	906	4.45
Exercised during the year – share price on exercise US$3.70 (FY17: US$4.45)	(75)	2.97	(113)	3.46
Forfeited during the year	(941)	5.73	(121)	5.42
Outstanding at the end of the year	3 411	4.51	3 364	5.07
Exercisable at the end of the year	486	4.55	557	4.34
The SARs outstanding at 28 February 2018 comprised grant prices in the range of US$3.70 to US$5.57 (FY17: US$2.97 to US$5.84) and had a weighted average remaining contractual life of 4.6 years (FY17: 4.6 years).				
PromonLogicalis Latin America SAR Scheme		US$		US$
Outstanding at the beginning of the year	967	7.41	803	8.03
Granted during the year	356	6.03	293	5.08
Exercised during the year – share price on exercise N/A (FY17: US$5.08)	–	–	(58)	2.42
Forfeited during the year	(217)	9.18	(71)	8.81
Outstanding at the end of the year	1 106	6.62	967	7.41
Exercisable at the end of the year	96	5.84	96	5.84
The SARs outstanding at 28 February 2018 comprised grant prices in the range of US$4.22 to US$9.10 (FY17: US$4.22 to US$9.25) and had a weighted average remaining contractual life of 4.7 years (FY17: 4.8 years).				

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 Number of shares ('000)	2018 Weighted average grant price	2017 Number of shares ('000)	2017 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	212	14.72	220	14.29
Granted during the year	84	13.52	79	14.43
Exercised during the year – share price on exercise £13.52 (FY17: £14.43)	(21)	15.14	(22)	13.06
Forfeited during the year	(66)	14.82	(65)	13.46
Outstanding at the end of the year	209	14.17	212	14.72
Exercisable at the end of the year	–	–	–	–
The awards outstanding at 28 February 2018 had a weighted average remaining contractual life of 1.2 years (FY17: 1.3 years).				
Analysys Mason Growth Share Plan				
Outstanding at the beginning of the year	46		95	
Exercised during the year	(46)		(44)	
Forfeited during the year	–		(5)	
Outstanding at the end of the year	–		46	
Exercisable at the end of the year	–		46	

The final tranche of awards vested during the financial year ended 28 February 2018.

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:

	2018	2017
Grant date	1 July 2017	1 July 2016
Vesting date	30 June 2019 to 1 July 2020	30 June 2018 to 1 July 2021
Risk-free rate	2.05% – 2.78%	1.10% – 2.16%
Expected life (years)	0.34 – 6.34	0.34 – 6.34
Dividend yield	Zero	Zero
Volatility of subsidiary	28%	25.50% – 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. The fair value of the cash-settled awards is deemed to be nil on grant and nil at the end of the accounting period because the awards have not vested.

	2018 US$'000	Re-presented 2017[1] US$'000
Expense in respect of equity-settled schemes		
Datatec Limited	1 849	993
Subsidiaries	243	184
	2 092	1 177
Expense/(credit) in respect of cash-settled schemes (all in subsidiaries)	4 106	(177)
	6 198	1 000

Settlements of US$0.3 million have been made relating to equity-settled schemes for the year ended 28 February 2018 (FY17: US$0.3 million).

[1] *The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).*

	2018 US$'000	Re-presented 2017[1] US$'000
3. OPERATING LOSS		
Operating loss is arrived at after taking into account the following items:		
Auditors' remuneration		
Audit fees	3 707	3 688
Other services	280	347
Taxation services	193	224
Other services and expenses	87	123
Prior year under/(over) accrual	191	(188)
	4 178	3 847
Audit-related expenses relating to discontinued operations were US$0.8 million for the year (refer to Note 36).		
Depreciation		
Office furniture, equipment and motor vehicles	3 902	3 644
Computer equipment	18 550	19 212
Leasehold improvements	5 096	4 568
Land and buildings	–	16
	27 548	27 440
Amortisation of software	1 341	1 258
Amortisation of capitalised development expenditure	11 375	13 461
Amortisation of acquired intangible assets	11 299	10 171
Total depreciation and amortisation	51 563	52 330
Foreign exchange losses/(gains)	6 364	4 607
Realised	(4 699)	2 860
Unrealised	11 063	1 747
Impairment losses recognised on trade receivables	20 384	14 373
Reversal of impairment losses on trade receivables	(5 123)	(3 172)
Fees for professional services	32 977	33 195
Administrative and managerial	249	215
Consulting	25 418	27 397
Accounting and advisory	7 310	5 583
Operating lease rentals	38 254	34 949
Office furniture, equipment and motor vehicles	2 614	3 823
Land and buildings	32 717	28 167
Computer equipment	2 923	2 959
Loss/(profit) on disposal of office furniture and equipment, computer equipment, leasehold improvements and motor vehicles	170	(36)
Staff costs	592 358	506 288
Staff costs included in cost of sales	210 358	174 515
Retirement benefit contributions	11 706	11 255
Staff costs	370 294	320 518
Directors' emoluments*	3 994	3 210
Executive directors	3 284	2 488
Salaries	1 776	1 785
Bonuses	1 201	394
Benefits	307	309
Non-executive directors' emoluments – fees	710	722

** Full details of directors' emoluments are provided in Note 23 on pages 127 to 130. A deal completion bonus of US$3.5 million was awarded to Mr Montanana and US$1.75 million to Mr Dittrich. This is included in Note 36 as part of the costs associated with the disposal.*

[1] The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

			2018 US$'000	Re-presented 2017[1] US$'000
4.	**FINANCE COSTS**			
	Bank overdrafts and long-term liabilities		**26 353**	16 331
	Finance leases		**720**	402
			27 073	16 733
	Imputed interest expense included in cost of sales, which would result from the discounting of trade payables for the year, is US$20.4 million (FY17: US$21.6 million). Total finance costs incorporating actual finance costs of US$27.1 million (FY17: US$16.7 million) and the imputed finance costs, are US$47.5 million (FY17: US$38.3 million).			
5.	**TAXATION**			
	5.1	**Taxation charge**		
		South African normal taxation:		
		Current taxation – current year	**2 013**	(898)
		– prior year	**103**	(2)
		Deferred taxation – current year	**(110)**	219
		– prior year	**519**	–
			2 525	(681)
		Foreign taxation:		
		Current taxation – current year	**27 796**	27 120
		– prior year	**1 211**	1 168
		Deferred taxation – current year	**(3 988)**	(7 245)
		– rate adjustment	**(9 383)**	316
		– prior year	**304**	564
			15 940	21 923
		Total taxation charge	**18 465**	21 242
	5.2	**Reconciliation of taxation rate to profit before taxation**		
		South African statutory tax rate	**28.0%**	28.0%
		Intra-group management fees	**(9.9%)**	(44.2%)
		Non-deductible capitalised development expenditure and property, plant and equipment write downs	**(11.9%)**	(2.6%)
		Acquisition-related adjustments	**(0.2%)**	1.4%
		Other non-deductible expenses and non-deductible income*	**(2.9%)**	(2.5%)
		Share-based payments	**0.1%**	(2.9%)
		Tax arising on dividend flow	**0.0%**	(5.0%)
		Tax loss utilised/recognised	**0.5%**	11.3%
		Foreign taxation rate differential	**(9.7%)**	(26.9%)
		Tax losses and other deferred tax assets not recognised	**(19.8%)**	(17.0%)
		Rate adjustment	**9.4%**	(1.0%)
		Prior year adjustments	**(2.2%)**	(5.4%)
		Effective taxation rate	**(18.6%)**	(66.8%)
		** Non-deductible expenses mainly relate to non-deductible foreign exchange losses, legal and acquisition costs, joint venture losses, depreciation on certain assets and income imputed for tax purposes.*		
		Unutilised tax losses		
		Certain subsidiaries had tax losses at the end of the financial year that are available to reduce the future taxable income of the Group and are estimated to be:	**185 442**	79 527
		Future tax relief at a blended tax rate of 22.9% (FY17: 24.4%) is US$42.5 million (FY17: US$19.4 million). Deferred tax assets of US$13.2 million (FY17: US$11.5 million) relating to the continuing business have already been recognised in respect of a portion of these losses as set out in Note 11	**42 507**	19 441

[1] The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).

	2018 US$'000	2017 US$'000
6. EARNINGS PER SHARE		
Reconciliation of attributable profit to total headline (loss)/earnings		
Total profit for the year attributable to the equity holders of the parent	44 359	3 038
Loss for the year from continuing operations (net of non-controlling interest)	(115 249)	(60 742)
Profit for the year from discontinued operations	159 608	63 780
Total headline earnings adjustments:	(80 080)	1 262
Gain on the loss of control of a subsidiary/disposal of associate	–	(319)
Impairments		
Property impairment	–	1 600
Impairment of capitalised development expenditure	55 112	–
Impairment of joint venture	1 000	–
Profit on disposal of discontinued operations	(136 341)	–
Loss/(profit) on disposal of property, plant and equipment		
– Gross	170	(36)
– Tax effect	(21)	17
Non-controlling interests	(5 616)	(7)
Total headline (loss)/earnings	(41 337)	4 293
Reconciliation of attributable profit to headline loss – continuing operations		
Total loss for the year attributable to the equity holders of the parent	(115 249)	(60 742)
Total headline loss adjustments – continuing operations:	56 261	1 262
Gain on the loss of control of a subsidiary/disposal of associate	–	(319)
Impairments		
Property impairment	–	1 600
Impairment of capitalised development expenditure	55 112	–
Impairment of joint venture	1 000	–
Loss/(profit) on disposal of property, plant and equipment		
– Gross	170	(36)
– Tax effect	(21)	17
Non-controlling interests	(5 616)	(7)
Headline loss – continuing operations	(64 604)	(59 487)
Reconciliation of attributable profit to headline earnings – discontinued operations		
Total profit for the year attributable to the equity holders of the parent	159 608	63 780
Total headline earnings adjustments – discontinued operations:	(136 341)	–
Profit on disposal of investments	(136 341)	–
Headline earnings – discontinued operations	23 267	63 780
Total headline (loss)/earnings	(41 337)	4 293

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
6. EARNINGS PER SHARE (continued)		
Reconciliation of total headline (loss)/earnings to total underlying (loss)/earnings		
Total headline (loss)/earnings	(41 337)	4 293
Headline loss for the year from continuing operations	(64 604)	(59 487)
Headline earnings for the year from discontinued operations	23 267	63 780
Underlying earnings adjustments:	29 181	18 849
Unrealised foreign exchange losses	11 131	1 854
Fair value adjustments on deferred and/or contingent purchase consideration		
– Gross	(48)	(4 907)
– Tax effect	19	1 482
Fair value adjustments on put option liabilities	#	(658)
Amortisation of acquired intangible assets		
– Gross	12 061	11 829
– Tax effect	(3 497)	(3 476)
Restructuring costs		
– Gross	18 701	16 559
– Tax effect	(4 001)	(3 421)
	34 366	19 262
Tax effect – other	(2 470)	(73)
Non-controlling interests	(2 715)	(340)
Total underlying* (loss)/earnings	(12 156)	23 142
Reconciliation of headline loss to underlying loss from continuing operations		
Headline loss – continuing operations	(64 604)	(59 487)
Underlying loss adjustments:	27 469	15 294
Unrealised foreign exchange losses	11 063	1 747
Fair value adjustments on deferred and/or contingent purchase consideration		
– Gross	(48)	(4 907)
– Tax effect	19	1 482
Fair value adjustments on put option liabilities	#	(658)
Amortisation of acquired intangible assets		
– Gross	11 299	10 171
– Tax effect	(3 280)	(2 966)
Restructuring costs		
– Gross	16 873	13 072
– Tax effect	(3 288)	(2 221)
	32 638	15 720
Tax effect – other	(2 454)	(86)
Non-controlling interests	(2 715)	(340)
Underlying* loss – continuing operations	(37 135)	(44 193)
Reconciliation of headline earnings to underlying earnings from discontinued operations		
Headline earnings – discontinued operations	23 267	63 780
Underlying earnings adjustments:	1 712	3 555
Unrealised foreign exchange losses	68	107
Amortisation of acquired intangible assets		
– Gross	762	1 658
– Tax effect	(217)	(510)
Restructuring costs		
– Gross	1 828	3 487
– Tax effect	(713)	(1 200)
	1 728	3 542
Tax effect – other	(16)	13
Underlying* earnings – discontinued operations	24 979	67 335
Total underlying* (loss)/earnings	(12 156)	23 142

Less than US$1 000.

	2018 US cents	2017 US cents
6. EARNINGS PER SHARE (continued)		
Basic earnings/(loss) per share	**20.5**	1.4
Continuing operations	**(53.3)**	(28.9)
Discontinued operations	**73.8**	30.3
Headline (loss)/earnings per share	**(19.1)**	2.0
Continuing operations	**(29.9)**	(28.3)
Discontinued operations	**10.8**	30.3
Underlying (loss)/earnings per share	**(5.6)**	11.0
Continuing operations	**(17.2)**	(21.0)
Discontinued operations	**11.6**	32.0
The earnings metrics above are calculated on the weighted average number of shares in issue during the year of 216 305 987, after the deduction of the weighted average number of treasury shares of 517 941 (FY17: 100 000).		
Diluted earnings/(loss) per share	**20.3**	1.4
Continuing operations	**(52.6)**	(28.7)
Discontinued operations	**72.9**	30.1
Diluted headline (loss)/earnings per share	**(18.9)**	2.0
Continuing operations	**(29.5)**	(28.1)
Discontinued operations	**10.6**	30.1
Diluted underlying (loss)/earnings per share	**(5.6)**	10.9
Continuing operations	**(17.0)**	(20.9)
Discontinued operations	**11.4**	31.8
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:		
	216 305 987	210 572 583
Shares related to share-based payment schemes	**2 500 786**	1 157 017
Diluted weighted average number of shares	**218 806 773**	211 729 600

** 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, SYNNEX deal-related expenses and the taxation effect on all of the aforementioned.*

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000 Cost	2018 US$'000 Accumulated depreciation	2018 US$'000 Net book value	2017 US$'000 Cost	2017 US$'000 Accumulated depreciation	2017 US$'000 Net book value
7. PROPERTY, PLANT AND EQUIPMENT						
Office furniture, equipment and motor vehicles	**31 564**	**(18 982)**	**12 582**	34 699	(20 975)	13 724
Computer equipment	**125 910**	**(100 579)**	**25 331**	164 267	(129 284)	34 983
Leasehold improvements	**51 777**	**(31 746)**	**20 031**	53 974	(30 806)	23 168
Land and buildings	**3 104**	**(1 317)**	**1 787**	4 026	(2 159)	1 867
	212 355	**(152 624)**	**59 731**	256 966	(183 224)	73 742

A register of land and buildings is maintained at the registered office of the applicable Logicalis entities and may be inspected by shareholders or their duly authorised agents.

Movement of property, plant and equipment US$'000	Office furniture, equipment and motor vehicles	Computer equipment	Leasehold improve-ments	Land and buildings	Total
Balance at 1 March 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)
Impairment	–	–	–	(1 600)	(1 600)
Transfers	423	1 543	(221)	–	1 745
Depreciation – Continuing operations	(3 644)	(19 212)	(4 568)	(16)	(27 440)
Depreciation – Discontinued operations	(737)	(2 138)	(1 115)	–	(3 990)
Balance at 28 February 2017	**13 724**	**34 983**	**23 168**	**1 867**	**73 742**
Subsidiaries acquired	**179**	**212**	**–**	**1 738**	**2 129**
Additions	**4 823**	**14 480**	**6 687**	**14**	**26 004**
Translation differences	**496**	**(1 546)**	**1 643**	**762**	**1 355**
Disposals	**(151)**	**(225)**	**(585)**	**–**	**(961)**
Disposal of discontinued operations	**(2 228)**	**(3 284)**	**(4 932)**	**(2 565)**	**(13 009)**
Transfers	**15**	**(37)**	**(298)**	**–**	**(320)**
Depreciation – Continuing operations	**(3 902)**	**(18 550)**	**(5 096)**	**–**	**(27 548)**
Depreciation – Discontinued operations	**(374)**	**(702)**	**(556)**	**(29)**	**(1 661)**
Balance at 28 February 2018	**12 582**	**25 331**	**20 031**	**1 787**	**59 731**

Included in property, plant and equipment are assets held under finance lease agreements with a net book value of US$8.5 million (FY17: US$6.0 million) 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 improve-ments	Land and buildings	Total
Balance at 28 February 2017	–	6 029	–	–	6 029
Balance at 28 February 2018	**–**	**8 489**	**–**	**–**	**8 489**

	2018 US$'000	2017 US$'000
8. GOODWILL		
Net book value	**227 321**	461 651
At the beginning of the year	**461 651**	462 577
Arising on acquisition of subsidiaries	**5 955**	1 194
Disposal of discontinued operations	**(247 268)**	–
Disposals and other	**–**	38
Translation	**6 983**	(2 158)
Balance at the end of the year	**227 321**	461 651
Goodwill at cost	**227 321**	537 869
Accumulated impairment	**–**	(76 218)
Per segment:	**227 321**	461 651
Westcon	**–**	245 591
Logicalis	**209 674**	203 115
Consulting	**17 647**	12 945

Derecognition of goodwill relating to Westcon Americas

The total Westcon-Comstor goodwill of US$246.1 million has been allocated to the Westcon Americas disposal group on the basis of the Westcon Americas contribution to EBITDA prior to disposal and the proceeds received from the sale of Westcon Americas. The derecognition of Westcon goodwill is taken into account in determining the profit on disposal of Westcon Americas (refer to Note 36).

At 28 February 2018, no goodwill has been attributed to the Westcon International business. Due to the loss of control of Westcon Americas, goodwill of US$246.1 million has been derecognised on the effective date of the transaction being 1 September 2017 and included in the carrying value of the disposal group.

Goodwill impairment assessment

The Group completed its annual impairment tests which are performed at the segmental cash-generating unit level. Goodwill has been allocated for impairment testing purposes to the Logicalis and Consulting cash-generating units. External valuations are obtained for the Logicalis and Consulting cash-generating units and compared to the corresponding net asset value including goodwill. The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation. Value-in-use is based on discounted cash flow calculations and includes the following key assumptions:

- Future earnings: Cash flow forecasts are prepared and derived from the most recent financial budgets for the next three years which are approved by management. Cash flows are extrapolated for a further three-year period with estimated annual growth reducing gradually, to a rate which is considered not to exceed the long-term market growth, in perpetuity used to calculate the terminal value.
- Discount rates: Management estimates discount rates using pre-tax rates of return that reflect current market assessments of the time value of money and the risks specific to the cash-generating units to which goodwill is attributable.
- Growth rate: Growth rates are based on budgeted figures and management estimates/assumptions in respect of the three to six-year cash flow projections, a terminal growth rate and a discount rate. The growth rates are based on industry growth forecasts.
- Expected changes to selling prices and direct costs: For the Consulting cash-generating unit, changes in selling prices and direct costs are based on past practices and reasonable expectations of future changes in the market.

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

	Logicalis	Consulting
Weighted average cost of capital (pre-tax rate)	20.2%	13.5%
Revenue growth rate in discrete period	6.0% – 17%	0.3% – 4.5%
Terminal growth rate	3.0%	2.0%

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
9. INTANGIBLE ASSETS		
9.1 Capitalised development expenditure		
Capitalised development expenditure related mainly to SAP-related development expenditure in Westcon-Comstor which had been capitalised. SAP-related capital expenditure, included in amounts capitalised below, was US$5.0 million (FY17: US$21.8 million). During FY18 US$32.6 million of capitalised development expenditure was derecognised as part of the disposal of Westcon Americas (refer to Note 36). Impairment indicators were identified and impairments of US$55.1 million were recognised in accordance with IAS 36 against the remaining Westcon International capitalised development expenditure. The majority of the balance as at 28 February 2018 relates to Logicalis.		
Net book value	**1 665**	80 843
At the beginning of the year	**80 843**	66 411
Amounts capitalised	**20 043**	29 091
Disposals	**(66)**	–
Disposal of discontinued operations	**(32 648)**	–
Impairment	**(55 112)**	–
Transfers from/(to) property, plant and equipment	**298**	(1 394)
Translation	**20**	547
Amortisation – Continuing operations	**(11 375)**	(13 461)
Amortisation – Discontinued operations	**(338)**	(351)
Balance at the end of the year	**1 665**	80 843
Capitalised development expenditure at cost	**67 280**	135 200
Accumulated amortisation and impairment	**(65 615)**	(54 357)
Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed 10 years.		
9.2 Acquired intangible assets and software		
9.2.1 Trademarks, marketing, customer and vendor relationships		
Net book value	**36 984**	46 246
At the beginning of the year	**46 246**	57 996
Arising on acquisition of subsidiaries	**6 892**	119
Disposal of discontinued operations	**(4 842)**	–
Translation	**749**	(40)
Amortisation – Continuing operations	**(11 299)**	(10 171)
Amortisation – Discontinued operations	**(762)**	(1 658)
Balance at the end of the year	**36 984**	46 246
Acquired intangible assets at cost	**93 392**	110 112
Accumulated amortisation and impairment	**(56 408)**	(63 866)
Acquired intangible assets are amortised using the straight-line method over their useful lives, which generally do not exceed 10 years.		

	2018 US$'000	2017 US$'000
9. INTANGIBLE ASSETS (continued)		
9.2 Acquired intangible assets and software (continued)		
9.2.2 Software		
Net book value	3 677	2 374
At the beginning of the year	2 374	1 802
Arising on acquisition of subsidiaries	–	16
Additions	2 668	1 566
Transfers from property, plant and equipment	22	3
Translation	(16)	256
Disposals	(30)	(11)
Amortisation	(1 341)	(1 258)
Balance at the end of the year	3 677	2 374
Software at cost	12 115	9 757
Accumulated amortisation	(8 438)	(7 383)
Software is amortised using the straight-line method over its useful lives, which ranges from two to six years.		
Total acquired intangible assets and software	40 661	48 620

10. INVESTMENTS

10.1 Equity-accounted investments

The investments comprise an interest in a joint venture and associates that are equity-accounted. Details of the Group's investments are:

	Country	Nature of business	Ownership 2018 %	Ownership 2017 %	Carrying value 2018 US$'000	Carrying value 2017 US$'000
Equity-accounted						
Neteks	Turkey	Distribution	45.0	50.0	3 721	5 157
Esource Resources, LLC.	USA	ICT Solutions	45.0	–	265	–
Mason Advisory Limited	UK	Consulting	44.7	44.7	742	527
					4 728	5 684

Significant joint venture

Neteks is an Istanbul-based networking and security distributor. An agreement is in place whereby both Westcon International and Turkish-listed group Index, have joint control of the entity. Westcon International 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 net asset value of Neteks has decreased and Neteks is in a loss making position. The investment in Neteks was therefore impaired by US$1 million during the year.

The carrying value as at 28 February 2018 includes a US$1 million impairment of Neteks, a loss of US$276 077 from equity-accounted investments and US$316 500 acquisition of Esource Resources, LLC.

The carrying value of the equity-accounted investments approximates its 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.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
10. INVESTMENTS (continued)		
10.1 Equity-accounted investments (continued)		
Non-current assets	**368**	329
Current assets	**77 499**	53 189
Non-current liabilities	**(12)**	(29)
Current liabilities	**(73 570)**	(48 324)
Net assets	**4 285**	5 165
The above assets and liabilities include the following:		
Cash and cash equivalents	**26 850**	10 931
Current financial liabilities (excluding trade and other payables and provisions)	**22 511**	18 165
Revenue	**88 537**	90 056
Loss for the year – continuing operations	**(879)**	(1 866)
Total comprehensive loss	**(879)**	(1 866)
The above loss includes the following:		
Depreciation and amortisation	**(45)**	(66)
Interest income	**121**	–
Interest expense	**(1 104)**	(780)
Income tax	**80**	(111)
Reconciliation of the above summarised financial information to the carrying amount:		
Net assets	**4 285**	5 165
Group's share of net assets	**2 143**	2 583
Control premium paid on purchase	**1 578**	2 574
Carrying amount	**3 721**	5 157
Group's share of losses after tax	**(440)**	(933)
Associates that are not material		
Share of profit for the period – continuing operations	**164**	140
Carrying amount	**1 007**	527
Total share of equity-accounted investment losses		
Neteks	**(440)**	(933)
Esource Resources, LLC.	**(51)**	–
Mason Advisory Limited	**215**	140
	(276)	(793)

	2018 US$'000	2017 US$'000
10. INVESTMENTS (continued)		
10.2 Bonds (Angola government bonds)	**21 885**	19 203
ISIN: AOTNX0315G17	**5 001**	–
ISIN: AOTNX0322G17	**5 001**	–
ISIN: AOTNX0318A17	**1 800**	–
ISIN: AOTNTX529D15	**882**	–
ISIN: AOTNTX219L16	**7 500**	7 500
ISIN: AOTNTX206S16	**1 200**	1 200
ISIN: AOTNTX206S16	**501**	501
ISIN: AOTNTX218G15	**–**	5 001
ISIN: AOTNTX211G15	**–**	2 500
ISIN: AOTNTX211G15	**–**	2 501

Westcon International

The Angolan government bonds are indexed to the US Dollar. The amount of US$21.9 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$0.9 million were purchased in December 2017 and mature in December 2020. Bonds to the value of US$10.0 million were purchased in August 2017 and mature in August 2020. Bonds to the value of US$1.8 million were purchased in April 2017 and mature in April 2020. Bonds to the value of US$1.7 million were purchased in September 2016 and mature in September 2018. Bonds to the value of US$7.5 million were purchased in July 2016 and mature in July 2018. The coupon rate on the bonds is 7.0%. The bonds have a B+ rating.

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 are restricted, therefore they have been classified as long term.

The bonds are classified as level 1 financial instruments and are valued using quoted market rates.

	2018 US$'000	2017 US$'000
Equity-accounted investments	**4 728**	5 684
Bonds	**21 885**	19 203
Total investments	**26 613**	24 887

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
11. DEFERRED TAX ASSETS/(LIABILITIES)		
11.1 Movement of deferred tax assets		
At the beginning of the year	67 644	51 062
Arising on acquisition of subsidiaries	610	6
Credit to profit and loss from continuing operations	2 823	5 587
(Charge)/credit to profit and loss from discontinued operations	(10 337)	9 152
Disposal of discontinued operations	(19 930)	–
Credit to other comprehensive income	–	2 096
Translation and other movements	294	(259)
	41 104	67 644
Analysis of deferred tax assets		
Capital allowances	5 588	2 702
Expense accruals and similar items	17 058	37 753
Effect of tax losses*	13 209	24 637
Goodwill	72	–
Other temporary differences	5 177	2 552
	41 104	67 644
11.2 Movement of deferred tax liabilities		
At the beginning of the year	(78 959)	(73 491)
Arising on acquisition of subsidiaries	(1 688)	–
Disposal of discontinued operations	14 111	–
Charge to profit and loss from continuing operations	9 835	559
Charge to profit and loss from discontinued operations (including rate adjustment)	25 394	(6 258)
Credit to other comprehensive income	1 029	1 713
Translation and other movements	38	(1 482)
	(30 240)	(78 959)
Analysis of deferred tax liabilities		
Capital allowances	(1 358)	(26 667)
Goodwill	(22 446)	(44 412)
Intangible assets	(4 365)	(3 885)
Other temporary differences	(2 071)	(3 995)
	(30 240)	(78 959)

** Deferred tax assets of US$12.2 million (included in the US$13.2 million above) have been recognised in respect of losses incurred by entities that were loss making in either the current or prior year. Of this, US$6.7 million relates to entities that were loss making in both the current and prior year. The recognition of the deferred tax asset on tax losses is based on the strong probability that future profits will arise based on budgets, in excess of the profits arising on the reversal of existing taxable differences, against which these losses can be offset.*

Potential deferred tax assets of US$29.3 million on assessed/estimated losses have not been recognised in the current financial year. Included in this amount is US$4.8 million relating to Angola that will expire by February 2021 and US$1.4 million relating to Kenya that will expire by February 2028.

12. FINANCE LEASE RECEIVABLES

	2018 US$'000		2017 US$'000	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Current portion receivable within one year	**6 007**	**5 479**	8 748	7 854
Receivable between two and five years	**13 116**	**12 283**	9 890	8 885
	19 123	**17 762**	18 638	16 739
Less: Unearned finance income	**(1 361)**	**–**	(1 899)	–
Present value of minimum lease assets	**17 762**	**17 762**	16 739	16 739
Current portion		**5 479**		7 854
Long-term portion		**12 283**		8 885
Finance lease receivables		**17 762**		16 739

Unguaranteed residual values of assets leased under finance leases at the end of the year are US$nil (FY17: US$nil).

The carrying value of finance lease receivables approximate fair value.

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

Logicalis

One of Logicalis' subsidiaries has entered into a finance lease, bearing interest at 6.48%. The lease is repayable on 31 March 2019. At 28 February 2018, US$0.4 million was receivable.

One of Logicalis' subsidiaries has entered into various finance leases, bearing interest between 1.48% and 5.28%. These leases are repayable at various dates between 30 September 2021 and 28 February 2023. At 28 February 2018, US$15.4 million was receivable.

Datatec Financial Services

Datatec Financial Services' Australian subsidiary 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 2018, US$0.5 million was receivable.

Datatec Financial Services' US subsidiary 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 2018, US$1.5 million was receivable.

Finance lease receivables are classified as to be level 2 financial instruments.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

		2018 US$'000	2017 US$'000
13.	**INVENTORIES**		
	Merchandise for resale	**235 244**	440 264
	Spares/maintenance inventory	**10 341**	6 195
	Work in progress	**12 931**	6 100
		258 516	452 559
	Inventory provisions	**(19 979)**	(14 056)
		238 537	438 503

Obsolete inventory amounting to US$3.1 million (FY17: US$5.2 million) was written off during the year.

During the year, inventories of US$3.2 billion (FY17: US$4.2 billion) were recognised as part of cost of sales. There were no inventories that were encumbered as at 28 February 2018 (FY17: US$0.8 million).

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

One of Westcon International'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 (FY17: US$300 million) which extends payment terms from 60 to 90 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 28 February 2018, US$259.2 million (FY17: US$150.7 million) was outstanding and is included in trade payables per Note 17.

Westcon International's Singapore subsidiary has an inventory purchase financing agreement for purchases with a vendor for a maximum of US$35.5 million (FY17: US$34.5 million) which extends payment terms from 30 days to 90 days. The agreement may be cancelled at any time with a 90-day notice by either Westcon International or the vendor. As at 28 February 2018, US$24.9 million (FY17: US$25.7 million) was outstanding and is included in trade payables per Note 17.

Some of Westcon International's other Asia-Pacific subsidiaries have inventory purchase financing agreements for specific vendors' purchases for a maximum of US$25.7 million (FY17: US$24.0 million). The agreement may be cancelled at any time with a 60-day or 90-day notice by either Westcon International or the vendors. As at 28 February 2018, US$14.0 million (FY17: US$12.8 million) was outstanding and is included in trade payables per Note 17.

Westcon International's Middle East subsidiary has an inventory purchase financing agreement in place for a maximum of US$27.5 million (FY17: US$17.5 million) which extends payment terms up to a maximum of 90 days. Borrowings under this agreement are collateralised by a pledge of 100% of the subsidiary's inventory. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 28 February 2018, US$11.7 million (FY17: US$12.8 million) was outstanding and is included in trade payables per Note 17.

	2018 US$'000	2017 US$'000
14. TRADE RECEIVABLES		
Trade receivables	**1 226 377**	1 585 450
Receivables allowance	**(34 140)**	(37 447)
	1 192 237	1 548 003

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 receivable 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 is one customer in Latin America, with a gross value of US$145.2 million, which represents more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balances are trade receivables with a carrying amount of US$245.1 million (FY17: US$868.9 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 0.37% (FY17: 0.40%). 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 impaired trade receivables

Included in the allowance for doubtful debts are individually impaired trade receivables with balances of US$279.4 million FY17: US$94.8 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
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
2018						
Gross value of debtors that have been individually impaired	**2 796**	**163 303**	**49 518**	**18 215**	**45 568**	**279 400**
Impairment allowance against these debtors	**(830)**	**(1 189)**	**(8 689)**	**(3 517)**	**(19 915)**	**(34 140)**
	1 966	**162 114**	**40 829**	**14 698**	**25 653**	**245 260**

Included in Latin America is a trade receivable with a gross value of US$145.2 million of which US$0.02 million has been impaired. The balance is deemed to be recoverable. Included in Europe are a large amount of low value receivables to the value of US$39.9 million of which US$3.6 million has been impaired. The balance is deemed to be recoverable.

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

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

14. TRADE RECEIVABLES (continued)

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
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
2018						
One month past due	**11 268**	**8 584**	**55 110**	**42 388**	**12 237**	**129 587**
Two months past due	**4 550**	**2 505**	**16 520**	**15 099**	**8 636**	**47 310**
Three months past due	**1 175**	**3 345**	**5 734**	**8 364**	**4 612**	**23 230**
Four months and greater past due	**1 461**	**4 250**	**16 252**	**15 435**	**7 610**	**45 008**
	18 454	**18 684**	**93 616**	**81 286**	**33 095**	**245 135**

Westcon International changed its bad debt policy during the year to a more conservative approach, resulting in an increase in impairments.

Reconciliation of the receivables allowance account:

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
Balance on 1 March 2016	(1 916)	(8 403)	(7 805)	(994)	(7 627)	(26 745)
Impairment losses recognised on trade receivables – continuing operations	–	(1 179)	(1 139)	(1 171)	(10 884)	(14 373)
Impairment losses recognised on trade receivables – discontinued operations	(1 426)	(3 029)	–	–	–	(4 455)
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
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)**
Impairment losses recognised on trade receivables – continuing operations	**(600)**	**(2 841)**	**(6 636)**	**(3 257)**	**(7 050)**	**(20 384)**
Impairment losses recognised on trade receivables – discontinued operations	**(866)**	**(557)**	**–**	**–**	**–**	**(1 423)**
Impairment losses reversed	**(39)**	**2 281**	**2 230**	**651**	**–**	**5 123**
Bad debt write-offs	**59**	**691**	**995**	**494**	**2 695**	**4 934**
Acquisition of subsidiary	**–**	**–**	**(7)**	**–**	**–**	**(7)**
Disposal of discontinued operations	**3 525**	**9 305**	**–**	**–**	**–**	**12 830**
Net exchange gains and losses	**(515)**	**1 394**	**71**	**96**	**1 188**	**2 234**
Balance at 28 February 2018	**(830)**	**(1 189)**	**(8 689)**	**(3 517)**	**(19 915)**	**(34 140)**

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.

		2018 US$'000	2017 US$'000
15.	**STATED CAPITAL**		
	Authorised share capital		
	400 000 000 (FY17: 400 000 000) ordinary shares		
	Issued share capital		
	242 960 000 (FY17: 211 967 622) ordinary shares, including treasury shares		
	Stated capital	**258 461**	151 947

	Number of shares	Stated capital US$'000
Balance at 1 March 2016	**209 448 161**	115 090
Issue of shares for scrip distributions	**2 519 461**	7 943
Effects of foreign currency translation	**–**	28 914
Balance at 28 February 2017	**211 967 622**	151 947
Issue of shares for special scrip distribution	**43 770 095**	108 286
Cancellation of shares repurchased	**(12 777 717)**	(34 629)
Effects of foreign currency translation	**–**	32 857
Balance at 28 February 2018	**242 960 000**	258 461

Stated capital is in the Rand denominated accounts of the holding company and is translated into US Dollar each year in the Group accounts in accordance with the accounting policy.

During the year ended 28 February 2018, Datatec Limited issued 43 770 095 (FY17: 2 519 461) shares as a scrip distribution to shareholders who elected not to receive the cash dividend in respect of the special distribution paid in January 2018.

The Company repurchased 12 777 717 shares at an average price of R32.86 per share for cancellation in February 2018 under the terms of a general authority given by shareholders at the AGM on 14 September 2017.

As at 28 February 2018, the Group held 517 941 (FY17: 100 000) shares as treasury shares that had been acquired by the Datatec Share Incentive Trust 2005. These have been set off against stated capital. Share issue expenses for the year amounted to US$286 384 (FY17: US$10 730), and were accounted for in equity.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
16. LONG-TERM LIABILITIES		
Liabilities under capitalised finance leases	**25 109**	10 511
Secured loans	**17 134**	16 833
Other long-term liabilities – unsecured	**39 365**	30 160
	81 608	57 504
Less: Current portion included in trade and other payables (Note 17)	**(19 885)**	(25 602)
Long-term portion	**61 723**	31 902
Repayable between one and two years	**43 486**	7 465
Repayable between two and three years	**11 239**	20 604
Repayable between three and four years	**4 162**	2 535
Repayable between four and five years	**2 339**	911
Repayable after five years	**497**	387
	61 723	31 902

16.1 Liabilities under capitalised finance leases

	2018 US$'000		2017 US$'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	**8 707**	**7 647**	3 454	3 205
Repayable between two and five years	**18 650**	**17 262**	7 900	7 306
Repayable after five years	**205**	**200**	–	–
	27 562	**25 109**	11 354	10 511
Less: Future finance charges	**(2 453)**	**–**	(843)	–
Present value of capitalised finance lease liabilities	**25 109**	**25 109**	10 511	10 511

The Group leased certain property, plant and equipment under finance leases. The book value of secured property, plant and equipment is US$8.5 million (Note 7). The average lease term for the Group's material leases is two 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 6.99%.

Finance lease liabilities are classified as to be level 2 financial instruments held at amortised cost.

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$'000	Total capital amount outstanding US$'000
Unsecured:						
Logicalis						**36 412**
Cisco Systems Capital Corporation	US$	2.00%	August 2020*	Quarterly instalments	20 569	**17 729**
Banco Itaú	BRL	2.60%	February 2020	Bullet repayment	7 688	**3 844**
Cisco Systems Capital Corporation	US$	4.42%	October 2020*	Quarterly instalments	3 465	**3 302**
Banco Bradesco	US$	1.55%	April 2019	Quarterly instalments	29 013	**2 500**
Société Générale	US$	16.50%	May 2020	Quarterly instalments	6 252	**1 976**
Cisco Systems Capital Corporation	US$	2.00%	July 2020*	Quarterly instalments	3 369	**1 754**
Banco DLL	BRL	12.55%	June 2019	Monthly instalments	7 418	**1 745**
Banco DLL	BRL	13.35%	October 2020	Quarterly instalments	2 736	**1 468**
Other	Various	Interest-free to 6.48%	Between March 2018 and December 2025	Monthly, quarterly and annual instalments	3 376	**2 094**
Datatec Financial Services						**2 953**
Cisco Systems Capital Corporation	US$	2.51%	May 2018*	Quarterly instalments	28 768	**1 130**
Other	Various	Between 0.40% and 8.61%	Between September 2018 and June 2020	Monthly instalments	4 809	**1 823**
Secured:						
Westcon International						**17 134**
Futuregrowth Asset Management	ZAR	10.16%	September 2019	Full capital repayable every three years; quarterly interest instalments	17 007	**17 006**
Other	US$	5.19%	August 2024	Monthly instalments	137	**128**

** The amount due within 12 months is included in current portion of long-term liabilities.*

The Futuregrowth Asset Management liability is secured by trade receivables to the value of US$29.4 million (FY17: US$25.6 million).

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

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
17. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES		
17.1 Trade and other payables	**1 296 578**	1 720 391
Trade payables	**894 192**	1 322 321
Deferred revenue	**97 194**	77 308
VAT/sales tax	**14 994**	45 395
Accruals and sundry creditors	**286 771**	272 629
Short-term portion of share-based payments	**3 427**	2 738
17.2 Short-term interest-bearing liabilities	**105 999**	64 787
Unsecured short-term funding – Cisco Systems Capital Corporation	**65 060**	–
Unsecured short-term funding – Banco Santander	**12 024**	5 287
Unsecured short-term funding – Banco Votorantim	**5 566**	9 171
Unsecured short-term funding – Dell Bank International	**2 614**	–
Unsecured short-term funding – Banco Bradesco	**–**	3 517
Unsecured short-term funding – HSBC	**–**	21 210
Secured short-term funding – Futuregrowth Asset Management	**850**	–
Current portion of other long-term liabilities (Note 16)	**19 885**	25 602
	1 402 577	1 785 178

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.

Short-term interest-bearing liabilities

Unsecured loans

One of Logicalis' subsidiaries has entered into various loans with Cisco Systems Capital Corporation, between US$2.2 million and US$25.9 million each, bearing interest at 2.0%. These loans are repayable at various dates between 20 July 2018 and 18 January 2019. At 28 February 2018, US$65.1 million was outstanding.

One of Logicalis' subsidiaries has entered into various loans with Banco Santander, between US$1.5 million and US$5.7 million each, bearing interest at between 3.41% and 3.75%. These loans are repayable at various dates between 27 March 2018 and 20 June 2018. At 28 February 2018, US$12.0 million was outstanding.

One of Logicalis' subsidiaries has entered into various loans with Banco Votorantim, between US$0.4 million and US$1.9 million each, bearing interest at between 3.58% and 3.83%. These loans are repayable at various dates between 31 March 2018 and 26 June 2018. At 28 February 2018, US$5.6 million was outstanding.

One of Logicalis' subsidiaries has entered into a US$2.6 million loan with Dell Bank International, bearing interest at 1.22%. This loan is repayable on 1 June 2018. At 28 February 2018, US$2.6 million was outstanding.

Secured loans

One of Westcon International's subsidiaries entered into a US$0.9 million loan with Futuregrowth Asset Management, bearing interest at 9.63%. The loan is repayable on 20 March 2018. At 28 February 2018, US$0.9 million was outstanding. The liability is secured by trade receivables to the value of US$1.2 million.

Refer to Note 13 for details of inventory purchase financing arrangements. Amounts outstanding under these arrangements are included in trade payables.

18. PROVISIONS

US$'000	Restruc-turing	Legal claims and costs	VAT/ sales tax	Pension obligations	Dilapi-dations/ asset retirement obligations	Other	Total
Balance at 1 March 2017	2 939	522	183	2 551	5 922	4 893	17 010
Amounts added	7 774	272	1 904	2 124	1 422	5 037	18 533
Utilised	(2 990)	(286)	(21)	–	(145)	(2 254)	(5 696)
Disposal of discontinued operations	(477)	–	(220)	–	(183)	(211)	(1 091)
Amounts reversed	(242)	(2)	–	–	126	(2 018)	(2 136)
Translation and other	199	(40)	–	(110)	(30)	72	91
Balance at 28 February 2018	7 203	466	1 846	4 565	7 112	5 519	26 711

	2018 US$'000	2017 US$'000
Long-term portion	10 685	8 376
Short-term portion	16 026	8 634
	26 711	17 010

Restructuring provisions include expected costs for certain restructuring activities of the Group where the details have already been announced to affected parties. Legal claims and costs are provisions for anticipated settlements including costs, for various legal matters that the Group is defending. VAT/sales tax provisions relate to provisions for potential taxes in foreign jurisdictions. Pension obligations relate to a pension scheme operated by Logicalis Group, for which a full defined benefit pension disclosure has not been recognised due to its immaterial value. Dilapidations and asset retirement obligations relate to provisions where the Group is expected to restore certain leased property and assets to its original condition. Other provisions include asset vendor credits, onerous contracts and waste reserves.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
19. AMOUNTS OWING TO VENDORS		
Long-term portion	**211**	580
Short-term portion	**1 029**	512
	1 240	1 092

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 Trovus (White Label Intelligence Limited), 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 GBP0.4 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. The first payment portion of US$0.2 million was partially paid in FY18 in accordance with targets being met and an amount of US$0.05 million was released to the statement of comprehensive income.

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 GBP0.4 million, split into two payments over two years. In total, GBP0.2 million (US$0.25 million equivalent) was paid out to vendors in FY17. During FY18, the remaining GBP0.2 million (US$0.2 million equivalent) of the deferred consideration was paid out to the vendors based on targets being met.

Effective 1 June 2017, Analysys Mason acquired Nexia Management Consulting AS, a telecoms management consultancy based in Norway. The consideration payable comprised an initial consideration of NOK34.0 million (the equivalent of US$4.1 million) paid as a mix of cash and Analysys Mason shares, and deferred cash consideration of up to NOK7.1 million (the equivalent of US$0.9 million). In total £0.1 million (the equivalent of US$0.1 million) of the deferred consideration is a payment adjustment based on the value of net assets acquired over a target amount and £0.6 million (the equivalent of US$0.7 million) of the remaining deferred cash consideration is dependent on certain targets being met.

On 29 November 2012, Datatec 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 with Westcon Emerging Markets Group (Pty) Ltd ("WEMG"). Effective 31 August 2017, Datatec Limited acquired the remaining 4.98% of the shares held by the Management Shareholders for a consideration of US$0.3 million in terms of the put and call option agreement and therefore no liability exists as at 28 February 2018. The amount included in the closing balance in respect of the fair value for put option liabilities is US$nil (FY17: US$0.2 million).

SYNNEX Corporation Limited has an option to acquire an additional 10% of the shares of Westcon International Limited for a consideration of US$30 million. The option expires on 31 August 2018. As at 28 February 2018, the fair value of the option was US$nil.

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 (ie as prices) or indirectly (ie derived from prices).

	2018 US$'000	2017 US$'000
20. BANK OVERDRAFTS		
Total bank overdrafts at the end of the year	**314 900**	645 486

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Westcon International					**(209 831)**
UK	HSBC	US$	335 000*	1.55% above the US$, Euro or Sterling base rate (4.18%, 3.30% and 2.80% as at 28 February 2018)	**(145 491)**
> 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 International's ability to grant guarantees or incur debt with its third parties other than to immediate affiliates (as defined) subject to specific thresholds dependent on the nature of the debt, restrict the creation of liens, debentures and mortgages and restrict acquisitions higher than US$7.5 million value without the bank's prior consent.					
UK	HSBC	US$	25 000	Money market rate (2.77% as at 28 February 2018)	**(25 000)**
Singapore	HSBC	US$	8 000	For US Dollar drawings, London Interbank Offered Rate ("LIBOR") + 1.60% For SGD drawings, Singapore Interbank Rate + 1.60% (3.48% as at 28 February 2018)	**(7 925)**
> Borrowings under this facility are collateralised by current and future assets.					
China	HSBC	US$	15 248	Benchmarked lending rate effective on loan drawdown date promulgated by the People's Bank of China + 0.3% pa For US$ six months LIBOR + 1.65% pa (2.90% as at 28 February 2018).	**(7 285)**
Singapore	HSBC	US$	16 000	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank Rate +1.60% (3.35% as at 28 February 2018)	**(7 253)**
> Borrowings under this facility are collateralised by current and future assets.					
Hong Kong	HSBC	US$	7 000	LIBOR + 1.75% pa (2.95% as at 28 February 2018)	**(6 967)**
Germany	HSBC	US$	40 000*	1.55% above the US$, Euro or Sterling base rate (4.18% as at 28 February 2018)	**(4 875)**
> 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 International's ability to grant guarantees or incur debt with its third parties other than to immediate affiliates (as defined) subject to specific thresholds dependent on the nature of the debt, restrict the creation of liens, debentures and mortgages and restrict acquisitions higher than US$7.5 million value without the bank's prior consent.					
South Africa	Standard Bank	ZAR	2 551	South African prime interest rate (10.25% at 28 February 2018)	**(2 361)**
UAE	HSBC	US$	15 000	LIBOR + 2.5% (4.2% as at 28 February 2018)	**(2 674)**

** The Group is in an advanced stage of renegotiating a new facility of up to US$280 million, which is considered adequate for Westcon International's liquidity needs. There is a high probability that the facility will be replaced, as terms have been agreed with existing and new banks and credit approval for the facility has been received.*

Notes to the Group consolidated annual financial statements continued

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20. BANK OVERDRAFTS (continued)

Westcon International (continued)

One of Westcon international's subsidiaries manages a debenture facility through a securitisation agreement which contains certain (positive and negative) covenants. In FY18, the level of debtors required to be insured and the asset cover ratio were breached in terms of the securitisation agreement. This breach was remedied within the required period.

One of Westcon International's subsidiaries breached both its EBITDA and tangible net asset value covenants for quarter 3 and quarter 4 of FY18 and the full year for its HIF (HSBC Invoicing Facility). The HIF agreement is currently being renegotiated and covenant levels will be reset in line with future projections. The breach resulted in an increased interest rate as well as an adjustment to the drawdown from 87% to 75%. The breach did not result in the termination of the facility.

There have been no other breaches during the year nor any that exist at year-end.

Westcon International has total facilities of US$511.8 million of which US$209.8 million was drawn at year-end. Restrictions of US$149.1 million apply to the facilities and the net availability on the facilities taking into account restrictions is US$152.9 million. The net availability does not include any cash sources in Westcon International.

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Logicalis					**(105 069)**
Brazil	Banco Bradesco, Banco Santander and Banco Votorantim	BRL	64 289	4.45% to 16.50%	**(51 135)**
US	Comerica/ HSBC	US$	75 000	Applicable margin plus greater of > Prime rate > Federal funds effective rate plus 1.00% > 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 2018 SWAP 2.4%/LIBOR + 1.3%/revolver 3.05%)	**(20 000)**
Singapore	HSBC	US$	14 500	For US Dollar drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank Rate + 1.60%	**(13 249)**
> Each drawdown has a specific maturity date.					
UK	HSBC	GBP/ US$/EUR	0*	UK base rate + 2.00% (2.50% at 28 February 2018)	**(12 068)**
> This facility is secured by Logicalis' trade receivables.					
Australia	HSBC	AUD	7 598	AUS BBSY + 1.85% to 2.35%	**(3 640)**
> The overall facility is subject to two financial covenants: an interest cover ratio and a leverage ratio.					
Colombia	Banco Itaú	COP	1 645	9.23% to 9.48%	**(1 645)**
Peru	Banco Itaú	US$	1 484	6.28% at 28 February 2018	**(1 484)**
UK	HSBC	US$	7 500	UK base rate + 2.00% (2.50% at 28 February 2018)	**(1 077)**
Other	Various	Various	Various	Between 1.75% and 7.00%	**(771)**

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

Logicalis has total facilities of US$199.1 million of which US$105.1 million was drawn at year-end. Restrictions of US$5.6 million apply to the facilities and the net availability on the facilities taking into account restrictions is US$88.4 million. The net availability does not include any cash sources in Logicalis.

	2018 US$'000	2017 US$'000
21. COMMITMENTS		
21.1 Capital commitments		
Capital expenditure authorised and contracted for	19 973	33 495
Property, plant and equipment	7 324	12 790
Intangible assets	12 649	20 705
Capital expenditure authorised but not yet contracted for	3 156	2 660
Total capital commitments	23 129	36 155
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	27 572	28 414
Office furniture, equipment and motor vehicles	3 636	3 625
Computer equipment	503	1 855
Total operating lease commitments due within one year	31 711	33 894
Due between one and two years:		
Property	23 086	22 422
Office furniture, equipment and motor vehicles	2 077	2 738
Computer equipment	254	132
Total operating lease commitments due between one and two years	25 417	25 292
Due between two and three years:		
Property	18 763	18 485
Office furniture, equipment and motor vehicles	602	1 658
Computer equipment	49	79
Total operating lease commitments due between two and three years	19 414	20 222
Due between three and four years:		
Property	16 931	13 767
Office furniture, equipment and motor vehicles	125	392
Computer equipment	–	3
Total operating lease commitments due between three and four years	17 056	14 162
Due between four and five years:		
Property	12 893	11 830
Office furniture, equipment and motor vehicles	35	16
Computer equipment	–	–
Total operating lease commitments due between four and five years	12 928	11 846
Due after five years:		
Property	22 263	27 786
Office furniture, equipment and motor vehicles	–	–
Computer equipment	–	–
Total operating lease commitments due after five years	22 263	27 786
Total non-cancellable operating lease commitments	128 789	133 202

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

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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 International.

In connection with Westcon International's investment in the Turkish joint venture, Neteks, Westcon International 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 International 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 2018 was US$6.2 million (FY17: US$5.5 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 has 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 2018, the inter-group sales of goods and provision of services amounted to US$43.6 million (FY17: US$49.0 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.

Logicalis has an inventory purchase agreement with SYNNEX Corporation for three years.

During the year, the Group entered into the following trading transactions with a related party that is not a member of the Group:

	Sale of goods US$'000	Purchases of goods US$'000
Trading transactions		
SYNNEX Corporation Limited	371	40 303
The following balances were outstanding at the end of the reporting period:	**Amounts owed by related party**	**Amounts owed to related party**
SYNNEX Corporation Limited	60	1 381

SYNNEX Corporation Limited became a related party to the Datatec Group on 1 September 2017 when it purchased 10% of Westcon International. Sales of goods to SYNNEX Corporation Limited were made at arm's length. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the current year for doubtful debts in respect of amounts owed by the related party. In addition to the above transactions, SYNNEX Corporation Limited has the option to purchase 10% of the share capital of Westcon International (refer to Note 19).

	2018 US$'000	Re-presented 2017[1] US$'000
23. RELATED-PARTY TRANSACTIONS (continued)		
Key management personnel compensation		
Short-term employee benefits	7 278	7 881
Post-employment benefits	274	368
Share-based payments	545	135
	8 097	8 384

[1] *The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5 (refer to Note 36).*

Key management personnel compensation comprises the compensation of 12 (FY17 re-presented: 14) senior executives of the Group's divisions. The FY18 short-term employee benefits of key management personnel include US$679 000 of deal completion bonuses that has been included in the profit on disposal of discontinued operation (refer to Note 36). The remuneration of Datatec's executive directors is included in Note 3 and in the tables below. There were no other prescribed officers in the Company.

Directors' emoluments

The following tables set out the remuneration of individual directors who held office during FY18 and FY17:

FY18 – US$'000	Basic salary	FY18 bonus	Deal completion bonus	Fees	Pension	Other benefits	Total
Executive directors							
JP Montanana	1 340	1 005	3 500	–	201	26	6 072
IP Dittrich	436	196	1 750	–	65	15	2 462
Total executive directors	1 776	1 201	5 250	–	266	41	8 534
Non-executive directors							
SJ Davidson	–	–	–	202	–	–	202
O Ighodaro	–	–	–	88	–	–	88
JF McCartney – Datatec fees	–	–	–	85	–	–	85
JF McCartney – Westcon fees (to 31 August 2017)	–	–	–	31	–	–	31
MJN Njeke	–	–	–	98	–	–	98
CS Seabrooke	–	–	–	116	–	–	116
NJ Temple	–	–	–	90	–	–	90
Total non-executive directors	–	–	–	710	–	–	710
Total directors' emoluments	1 776	1 201	5 250	710	266	41	9 244
Operating expenses	1 776	1 201	–	710	266	41	3 994
Profit on disposal of Westcon Americas	–	–	5 250	–	–	–	5 250
	1 776	1 201	5 250	710	266	41	9 244

During FY18 the Remuneration Committee awarded a deal completion bonus of US$3 500 000 to Mr Montanana and US$1 750 000 to Mr Dittrich, following the successful completion of the disposal of Westcon Americas to SYNNEX.

Other benefits include private medical insurance, permanent health insurance, life assurance and fuel for private vehicles.

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23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

FY17 – US$'000	Basic salary	FY17 bonus	Fees	Pension	Other benefits	Total
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 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

Of the emoluments shown above, US$887 000 (2017: US$860 000) was paid by Datatec Limited and US$8 357 000 (2017: US$2 405 000) was paid by subsidiaries of Datatec Limited.

There were no changes to the Board of directors (appointments, resignations or retirements) during the year.

Directors holding office during FY18 held the following share appreciation rights ("SARs") under the rules of the SAR Scheme:

	Grant date	Grant price (ZAR)	SARs held at the beginning of the year	Granted during the year	Modified during the year	Exercised during the year	Lapsed during the year	SARs held at year-end
JP Montanana	15/05/2014	50.55	371 519	–	–	–	(371 519)	–
	14/05/2014	35.79	370 654	–	258 346	–	–	629 000
	12/05/2016	27.20	661 325	–	460 944	–	–	1 122 269
	28/07/2017	34.94	–	441 341	307 614	–	–	748 955
Sub-total			1 403 498	441 341	1 026 904	–	(371 519)	2 500 224
IP Dittrich	12/05/2016	27.20	181 888	–	126 776	–	–	308 664
	28/07/2017	34.94	–	135 556	94 483	–	–	230 039
Sub-total			181 888	135 556	221 259	–	–	538 703
Total			1 585 386	576 897	1 248 163	–	(371 519)	3 038 927

The underlying earnings per share growth performance condition for the vesting of the 2014 SARs was not met and accordingly the awards did not vest and lapsed in May 2017. The SARs in issue at 15 January 2018 were modified to account for the special dividend on that date; the number of awards was increased by 69.7% and the grant price was reduced by a factor of 1.697. No SARs were available for exercise during FY18 or FY17.

23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Directors holding office during FY18 held the following conditional awards under the Long-Term Incentive Plan ("LTIP"):

	Grant date	Awards held at the beginning of the year	Granted during the year	Modified during the year	Vested and settled during the year	Lapsed/ forfeit during the year	Awards held at year-end
JP Montanana	15/05/2014	371 519	–	–	–	(371 519)	–
	14/05/2015	370 654	–	258 346	–	–	629 000
	12/05/2016	661 325	–	460 944	–	–	1 122 269
	28/07/2017	–	441 341	307 614	–	–	748 955
Sub-total		1 403 498	441 341	1 026 904	–	(371 519)	2 500 224
IP Dittrich	12/05/2016	136 416	–	95 082	–	–	231 498
	28/07/2017	–	101 667	70 862	–	–	172 529
Sub-total		136 416	101 667	165 944	–	–	404 027
Total		1 539 914	543 008	1 192 848	–	(371 519)	2 904 251

The total shareholder return ("TSR") performance condition for the vesting of the 2014 conditional awards under the LTIP was not met and accordingly the awards did not vest and lapsed in May 2017. The LTIP conditional awards in issue at 15 January 2018 were modified to account for the special dividend on that date; the number of awards was increased by 69.7%.

Directors holding office during FY18 held the following Datatec shares acquired and pledged under the terms of the Deferred Bonus Plan ("DBP"):

	Date of purchase of pledged shares	Share price (ZAR)	Pledged shares held at the beginning of the year	Pledged shares purchased during the year	Matched during the year	Lapsed or forfeit during the year	Pledged shares held at the end of the year
JP Montanana	04/06/2014	52.67	50 000	–	(25 000)	(25 000)	–
	11/06/2015	67.75	130 000	–	–	–	130 000
	28/06/2016	43.49	100 000	–	–	–	100 000
	28/07/2017	N/A	–	–	–	–	–
Sub-total			280 000	–	(25 000)	(25 000)	230 000
IP Dittrich	29/06/2016	43.49	45 745	–	–	–	45 745
	28/07/2017	N/A	–	–	–	–	–
Sub-total			45 745	–	–	–	45 745
Total			325 745	–	(25 000)	(25 000)	275 745

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23. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

No modification is required to account for the special dividend on 15 January 2018 because the rules of the DBP specify that the matching shares will receive dividends in the three-year holding period.

During FY18, shares were transferred to Mr Montanana on 22 June 2017 in settlement of the 25 000 matching shares under the DBP which vested (50% of the pledged shares) plus 2 903 shares (FY17: 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$124 000 (FY17: US$81 000).

Mr McCartney's holding of SARs in Westcon Group, Inc. which he was awarded as a non-executive director of Westcon Group, Inc. in line with American practice for directors' fees and awards (as approved by the Remuneration Committee) is shown below:

	Grant date	Grant price (US$)	SARs held at the beginning of the year	Granted during the year	Lapsed during the year	Exercised during the year	SARs held at year-end
JF McCartney	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	–	(500)	(2 500)	–
	01/07/2016	69.00	3 000	–	(1 000)	(2 000)	–
Total			13 000	–	(1 500)	(11 500)	–

During the year the Westcon SAR Plan terminated in accordance with the change of control provisions in its rules on completion of the SYNNEX transaction. All vested and 50% of unvested SARs were settled based on the cash completion valuation.

The proceeds paid to Mr McCartney on termination of the Westcon SAR Scheme during FY18 were US$66 570 (FY17: US$2 500).

There has been no change in the directors holding office up to the date of approval of these financial statements.

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 a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy with respect to the debt and equity balance remains unchanged from FY17. 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 (see Note 15), reserves and retained earnings.

24. FINANCIAL INSTRUMENTS (continued)

24.2 Capital risk management (continued)

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 year-end was as follows:

	2018 US$'000	2017 US$'000
Long-term liabilities	**(61 723)**	(31 902)
Short-term interest-bearing liabilities	**(105 999)**	(64 787)
Net cash and cash equivalents/(overdraft)	**161 342**	(299 852)
Net debt	**(6 380)**	(396 541)
Total equity attributable to the parent	**721 603**	854 986
Gearing ratio: debt-to-equity ratio	**(1%)**	(46%)

24.3 Categories of financial instruments

	2018 US$'000	2017 US$'000
Financial assets		
Financial assets held-for-trading – at fair value	**2 373**	4 732
Loans and receivables (including cash and cash equivalents) – at amortised cost	**1 827 920**	2 078 359
Financial liabilities		
Financial liabilities held-for-trading – at fair value	**(3 368)**	(2 491)
Liabilities – at amortised cost	**(1 531 604)**	(2 205 372)
Other financial liabilities designated at fair value through profit or loss ("FVTPL")	**(1 240)**	(1 092)

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.

There is one customer in Latin America, with a gross value of US$145.2 million, which represents more than 5% of the total balance of trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with appropriate credit ratings assigned by international or recognised credit rating agencies. Concentration risk is monitored and addressed by management on an ongoing basis.

Notes to the Group consolidated annual financial statements continued

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24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk management (continued)

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
2018						
Gross trade accounts receivable	82 514	252 517	573 970	181 765	135 611	1 226 377
Less: Trade receivables allowances	(830)	(1 189)	(8 689)	(3 517)	(19 915)	(34 140)
Loans granted to third parties	–	–	35	–	–	35
Other long-term assets due	2 559	27	15 228	255	24 056	42 125
Other receivables	12 156	35 528	29 346	37 430	2 821	117 281
Derivative financial assets (level 2)	–	1 341	977	55	–	2 373
Cash and cash equivalents at financial institutions	170 770	44 484	73 279	69 134	118 575	476 242
Maximum on-balance sheet exposure	267 169	332 708	684 146	285 122	261 148	1 830 293
Financial guarantees	–	–	6 170	–	–	6 170
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

Included in other receivables, there are US$0.4 million of receivables that are past due but not impaired in the one, two, and three months past due categories.

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.

24. FINANCIAL INSTRUMENTS (continued)

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. Included in Note 20 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The proceeds from the SYNNEX transaction significantly reduced the Group's liquidity risk.

One of Westcon International's subsidiaries manages a debenture facility through a securitisation agreement which contains certain (positive and negative) covenants. In FY18, the level of debtors required to be insured and the asset cover ratio were breached in terms of the securitisation agreement. This breach was remedied within the required period.

One of Westcon International's subsidiaries breached both its EBITDA and tangible net asset value covenants for quarter 3 and quarter 4 of FY18 and the full year for its HIF (HSBC Invoicing Facility). The HIF agreement is currently being renegotiated and covenant levels will be reset in line with future projections. The breach resulted in an increased interest rate as well as an adjustment to the drawdown from 87% to 75%. The breach did not result in the termination of the facility.

There have been no other breaches during the year nor any that exist at year-end.

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.

US$'000	0 – 1 year	1– 2 years	2 – 5 years	After 5 years	Total
2018					
Trade payables	**(894 192)**	**–**	**–**	**–**	**(894 192)**
Fixed rate liabilities	**(85 264)**	**(17 006)**	**–**	**–**	**(102 270)**
Variable rate liabilities	**(209 261)**	**(18)**	**(60)**	**(34)**	**(209 373)**
Derivative financial liabilities (level 2)	**(3 368)**	**–**	**–**	**–**	**(3 368)**
Financial guarantees/commitments	**(505)**	**(165)**	**–**	**–**	**(670)**
Other	**(263 642)**	**(13 519)**	**(47 062)**	**(2 116)**	**(326 339)**
	(1 456 232)	**(30 708)**	**(47 122)**	**(2 150)**	**(1 536 212)**
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)

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.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

24. FINANCIAL INSTRUMENTS (continued)

24.6 Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 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.

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 statement of comprehensive income as foreign exchange gains and/or losses.

Westcon International

Westcon International operates in the global business environment and undertakes many transactions denominated in foreign currencies. Westcon International is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise forward exchange contracts. Forward exchange contracts require a future purchase or sale of foreign currency at a specified price.

Datatec management has performed a review of foreign currency exposures of the financial assets and liabilities of Westcon International. In addition the foreign exchange gains and losses in the statement of comprehensive income were reviewed to identify the regions with potential exposures. Where no natural hedges occur, Westcon International is adequately hedged in most regions. There were foreign exchange exposures found in Africa; 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. The total exposure is US$111.9 million. A 10% movement will result in a US$11.2 million movement in the statement of comprehensive income.

24. FINANCIAL INSTRUMENTS (continued)

24.7 Foreign exchange risk management (continued)

24.7.1 Foreign currency exposure analysis (continued)

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, except for R1.0 billion (US$87.1 million) held in Rand in South African banks and this cash and its transferability is subject to the regulations of the South African Reserve Bank.

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.

24.8 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).

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 2018 would decrease by a net amount of US$0.69 million (FY17: US$1.66 million decrease);

Westcon International

> profit for the year ended 28 February 2018 would decrease by a net amount of US$0.76 million (FY17: US$1.40 million decrease);

Logicalis

> profit for the year ended 28 February 2018 would decrease by a net amount of US$0.30 million (FY17: US$0.26 million decrease); and

Corporate, Consulting and Financial Services

> profit for the year ended 28 February 2018 would increase by a net amount of US$0.37 million (FY17: immaterial).

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
25. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Profit before taxation**	**58 919**	41 659
Adjustment for:		
Unrealised foreign exchange losses**	**11 131**	1 854
Share-based payments**	**6 599**	861
Share of equity-accounted investment losses	**276**	793
Depreciation and amortisation**	**54 324**	58 329
Loss/(profit) on disposal of property, plant and equipment	**170**	(36)
Profit on disposal of discontinued operations	**(136 341)**	–
Profit on disposal of associate/loss of control of subsidiary	**–**	(319)
Net movement in provisions	**10 792**	(1 512)
Net movements on trade receivables allowances for bad debt	**11 757**	15 656
Acquisition-related fair value adjustments	**(48)**	(5 565)
Impairment of capitalised development expenditure	**55 112**	–
Impairments	**1 000**	1 600
Cash payments to settle share-based payment obligations	**(5 043)**	(1 132)
Interest income**	**(9 078)**	(3 994)
Finance costs*,**	**34 377**	28 197
Other non-cash items	**(2 672)**	(1 856)
Operating profit before working capital changes	**91 275**	134 535
Working capital changes:	**(60 184)**	(184 576)
Decrease/(increase) in inventories	**28 831**	(11 995)
Increase in receivables	**(258 056)**	(83 753)
Increase/(decrease) in payables	**169 041**	(88 828)
Increase in finance lease receivables	**(18 378)**	(2 055)
Other non-current assets and liabilities	**4 912**	14 775
	17 625	(37 321)

* *Includes non-cash accruals.*
** *Includes both continuing and discontinued operations.*

	2018 US$'000	2017 US$'000
26. TAXATION PAID		
Net taxation asset – at the beginning of the year	**6 690**	4 234
Subsidiaries acquired	**(592)**	(47)
Subsidiaries disposed of	**(9 927)**	–
Charge to profit and loss for continuing operations (excluding deferred tax)	**(31 123)**	(27 388)
Charge to profit and loss for discontinued operations (excluding deferred tax)	**(13 720)**	(12 562)
Charge to other comprehensive income	**(721)**	(518)
Other movements and translation differences	**(122)**	(328)
Net taxation liability/(asset) at the end of the year	**6 069**	(6 690)
	(43 446)	(43 299)
Net taxation		
Current tax assets	**9 492**	17 849
Current tax liability	**(15 561)**	(11 159)
	(6 069)	6 690
27. ACQUISITIONS OF SUBSIDIARY COMPANIES		
The fair value of assets acquired and the liabilities assumed on the acquisition of subsidiary companies are (Note 33):		
Property, plant and equipment and software	**2 129**	30
Trade and other receivables	**17 978**	1 245
Inventories	**11 882**	174
Net cash and cash equivalents	**1 931**	(285)
Trade and other payables and provisions	**(18 480)**	(961)
Net taxation (liability)/asset	**(592)**	47
Other non-current liabilities	**(4 137)**	–
Net deferred tax	**(1 078)**	6
Net fair value of tangible assets acquired	**9 633**	256
Goodwill arising on acquisitions	**5 955**	1 194
Intangible assets	**6 892**	119
Non-controlling interest acquired	**(6 845)**	–
Total fair value of acquisitions	**15 635**	1 569
Net (cash)/overdraft acquired	**(1 931)**	285
Deferred purchase consideration	**(858)**	–
Subsidiary company shares	**(2 097)**	–
Net cash outflow for acquisitions	**10 749**	1 854

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

	2018 US$'000	2017 US$'000
28. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Maintenance of operations:		
Office furniture, equipment and motor vehicles	**3 301**	1 583
Computer equipment	**5 428**	13 369
Leasehold improvements	**5 253**	1 615
Land and buildings	**14**	–
Expansion of operations:		
Office furniture, equipment and motor vehicles	**1 522**	507
Computer equipment	**9 052**	12 651
Leasehold improvements	**1 434**	1 071
	26 004	30 796
29. CASH FLOW ADDITIONAL NOTES		
29.1 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	**4 099**	11 917

29.2 Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	Opening balance as at 1 March 2017	Financing cash inflows[1]	Financing cash (outflows)[1]	Acquisition of subsidiary	Disposal of subsidiary	Foreign currency and other changes	Closing balance as at 28 February 2018
Amounts paid to vendors	1 092	–	(609)	858	–	(101)	1 240
Long-term liabilities	57 504	51 398	(31 551)	4 137	(766)	886	81 608
Secured loans	16 833	–	(218)	–	(481)	1 000	17 134
Unsecured loans	30 160	34 162	(26 399)	1 876	(285)	(149)	39 365
Finance leases	10 511	17 236	(4 934)	2 261	–	35	25 109
Short-term interest-bearing liabilities	39 185	93 282	(39 185)	–	(8 019)	851	86 114

[1] *The cash flows from bank loans and other borrowings make up the net amount of proceeds and repayments in terms of short-term and long-term liabilities in the Group statement of cash flows under financing activities.*

	2018 US$'000	2017 US$'000
30. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash resources	476 242	345 634
Bank overdrafts	(314 900)	(645 486)
	161 342	(299 852)

During the year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Company issued 43 770 095 shares as a scrip distribution to shareholders in respect of the special distribution (refer to Note 15); and
- The acquisition of Nexia Management Consulting AS was financed as a combination of cash and shares. In total, 117 312 of Analysys Mason Limited shares were transferred from the Analysys Mason Limited Employee Benefit Trust as consideration for the acquisition made during the year (refer to Note 33).

	2018 US$'000	2017 US$'000
31. NET CASH INFLOW ON DISPOSAL OF INVESTMENTS/SUBSIDIARIES WITHOUT A LOSS OF CONTROL		
Subsidiary		
Consideration received in cash and cash equivalents	30 000	29
Bank overdraft disposed of	–	490
Investments		
Consideration received in cash and cash equivalents	–	14
	30 000	533

Refer to Note 36.2.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

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 International: Distribution of security, collaboration, networking and data centre products;
> Logicalis: ICT infrastructure solutions and services; and
> Corporate, Consulting and Financial Services: Includes strategic and technical consulting, capital/leasing business, Group head office companies and Group consolidation adjustments.

	Westcon International	
Condensed statement of comprehensive income	2018 US$'000	Re-presented 2017[1] US$'000
Revenue	**2 316 650**	2 352 752
North America	**–**	–
Latin America	**–**	–
Europe	**1 496 033**	1 513 680
Asia-Pacific	**521 206**	502 752
MEA	**339 693**	382 137
Inter-segmental	**(40 282)**	(45 817)
EBITDA	**(48 123)**	(33 667)
North America	**–**	–
Latin America	**–**	–
Europe	**6 620**	45 075
Asia-Pacific	**3 004**	(2 240)
MEA	**(11 436)**	(13 505)
Datatec Group and divisional central costs	**(46 311)**	(62 997)
Depreciation and amortisation	**(23 699)**	(27 435)
Impairment of investment in joint venture	**(1 000)**	–
Impairment of capitalised development expenditure	**(55 112)**	–
Operating (loss)/profit	**(127 934)**	(61 102)
Interest income	**1 609**	1 313
Finance costs	**(12 833)**	(9 996)
Share of equity-accounted investment (losses)/earnings	**(440)**	(933)
Fair value movements on put option liabilities	*****	658
Fair value adjustments on deferred purchase consideration	**–**	–
Other income	**–**	–
Profit on disposal of associate/loss of control of subsidiary	**–**	–
(Loss)/profit before taxation	**(139 598)**	(70 060)
Taxation	**(7 649)**	(2 697)
(Loss)/profit for the year from continuing operations	**(147 247)**	(72 757)
(Loss)/profit for the year from discontinued operations	**(433 629)**	62 275
(Loss)/profit for the year	**(580 876)**	(10 482)

[1] *The prior year has been re-presented to show comparative results from continuing and discontinued operations in accordance with IFRS 5.*
** Less than US$1 000.*

During FY18 and FY17, there were no customers that individually accounted for over 10% of the Group's revenue.

	Logicalis		Corporate, Consulting and Financial Services		Total	
	2018 US$'000	Re-presented 2017[1] US$'000	2018 US$'000	Re-presented 2017[1] US$'000	2018 US$'000	Re-presented 2017[1] US$'000
	1 563 714	1 468 238	43 351	41 001	3 923 715	3 861 991
	385 791	450 294	84	1 566	385 875	451 860
	536 663	423 901	3 042	1 187	539 705	425 088
	432 786	431 623	6 933	(5 353)	1 935 752	1 939 950
	211 714	165 207	(15 571)	(7 983)	717 349	659 976
	(22)	–	5 363	2 980	345 034	385 117
	(3 218)	(2 787)	43 500	48 604	–	–
	86 165	76 350	(11 345)	(13 642)	26 697	29 041
	16 516	27 296	(463)	(417)	16 053	26 879
	46 943	39 505	170	66	47 113	39 571
	15 496	4 870	668	803	22 784	50 748
	16 769	10 041	438	222	20 211	8 023
	(797)	–	314	264	(11 919)	(13 241)
	(8 762)	(5 362)	(12 472)	(14 580)	(67 545)	(82 939)
	(26 682)	(24 333)	(1 182)	(562)	(51 563)	(52 330)
	–	–	–	–	(1 000)	–
	–	–	–	–	(55 112)	–
	59 483	52 017	(12 527)	(14 204)	(80 978)	(23 289)
	1 444	1 273	5 617	326	8 670	2 912
	(14 227)	(6 694)	(13)	(43)	(27 073)	(16 733)
	(51)	–	215	140	(276)	(793)
	–	–	–	–	*	658
	48	4 907	–	–	48	4 907
	–	–	257	230	257	230
	–	–	–	319	–	319
	46 697	51 503	(6 451)	(13 232)	(99 352)	(31 789)
	(7 311)	(16 326)	(3 505)	(2 219)	(18 465)	(21 242)
	39 386	35 177	(9 956)	(15 451)	(117 817)	(53 031)
	26 340	1 505	566 897	–	159 608	63 780
	65 726	36 682	556 941	(15 451)	41 791	10 749

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

32. SEGMENTAL REPORT (continued)

	Westcon International	
Condensed statement of financial position	**2018 US$'000**	**2017 US$'000**
Total assets	**1 088 316**	2 405 604
North America	**(211 537)**	690 008
Latin America	**–**	394 306
Europe	**890 635**	900 429
Asia-Pacific	**258 985**	231 956
MEA	**150 233**	188 905
Non-current assets (excluding financial instruments and deferred tax assets)	**26 200**	378 890
North America	**(193 785)**	260 118
Latin America	**–**	(24 635)
Europe	**203 042**	173 587
Asia-Pacific	**13 607**	(1 376)
MEA	**3 336**	(28 804)
Net cash resources	**(113 818)**	(359 040)
North America	**12 114**	(96 217)
Latin America	**–**	(6 163)
Europe	**(162 774)**	(273 119)
Asia-Pacific	**21 545**	(7 681)
MEA	**15 297**	24 140
Inventories	**172 663**	399 955
North America	**500**	90 996
Latin America	**–**	50 515
Europe	**107 445**	170 695
Asia-Pacific	**45 791**	53 606
MEA	**18 927**	34 143
Trade receivables	**715 538**	1 245 200
North America	**–**	255 096
Latin America	**–**	248 135
Europe	**466 124**	495 541
Asia-Pacific	**135 088**	123 675
MEA	**114 326**	122 753
Total liabilities	**(957 802)**	(1 861 416)
North America	**(13 976)**	(488 461)
Latin America	**–**	(300 904)
Europe	**(626 897)**	(749 889)
Asia-Pacific	**(186 430)**	(194 201)
MEA	**(130 499)**	(127 961)
Trade and other payables and short-term interest-bearing liabilities	**(681 249)**	(1 240 012)
North America	**(26 443)**	(308 286)
Latin America	**–**	(235 174)
Europe	**(420 868)**	(451 764)
Asia-Pacific	**(155 839)**	(144 761)
MEA	**(78 099)**	(100 027)
Number of employees at the end of the year*	**2 930**	4 177
Continuing operations	**2 930**	2 799
Discontinued operations	**–**	1 378

** Includes both permanent employees and contractors.*

Logicalis		Corporate, Consulting and Financial Services		Total	
2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
1 253 824	986 291	319 458	93 005	2 661 598	3 484 900
242 541	230 191	2 824	16 718	33 828	936 917
537 380	383 484	404	486	537 784	778 276
303 037	280 618	207 929	35 686	1 401 601	1 216 733
169 877	91 998	3 768	3 620	432 630	327 574
989	–	104 533	36 495	255 755	225 400
286 751	276 746	21 155	14 904	334 106	670 540
155 623	136 896	7	(7)	(38 155)	397 007
35 517	33 367	–	–	35 517	8 732
68 461	83 950	21 084	14 847	292 587	272 384
26 988	22 533	(35)	14	40 560	21 171
162	–	99	50	3 597	(28 754)
7 122	18 140	268 038	41 048	161 342	(299 852)
(18 343)	(27 395)	1 328	720	(4 901)	(122 892)
(10 419)	17 742	–	–	(10 419)	11 579
35 460	20 355	167 753	10 012	40 439	(242 752)
(115)	7 438	1 252	898	22 682	655
539	–	97 705	29 418	113 541	53 558
65 874	38 548	–	–	238 537	438 503
3 212	3 193	–	–	3 712	94 189
29 990	22 873	–	–	29 990	73 388
13 465	7 436	–	–	120 910	178 131
19 207	5 046	–	–	64 998	58 652
–	–	–	–	18 927	34 143
467 142	296 732	9 557	6 071	1 192 237	1 548 003
81 257	68 307	438	445	81 695	323 848
251 208	134 677	120	301	251 328	383 113
93 387	67 908	6 177	3 308	565 688	566 757
41 290	25 840	1 452	968	177 830	150 483
–	–	1 370	1 049	115 696	123 802
(890 820)	(685 867)	(22 156)	(30 742)	(1 870 778)	(2 578 025)
(162 138)	(161 006)	5 802	(15 781)	(170 312)	(665 248)
(392 162)	(249 401)	(186)	(5)	(392 348)	(550 310)
(247 871)	(223 217)	(28 354)	(14 497)	(903 122)	(987 603)
(88 249)	(52 243)	(828)	(1 517)	(275 507)	(247 961)
(400)	–	1 410	1 058	(129 489)	(126 903)
(697 945)	(520 450)	(23 383)	(24 716)	(1 402 577)	(1 785 178)
(122 263)	(104 044)	(2 150)	(14 541)	(150 856)	(426 871)
(304 965)	(204 313)	(234)	(5)	(305 199)	(439 492)
(186 081)	(170 882)	(24 432)	(13 934)	(631 381)	(636 580)
(84 294)	(41 211)	(350)	(963)	(240 483)	(186 935)
(342)	–	3 783	4 727	(74 658)	(95 300)
5 446	4 798	240	228	8 616	9 203
5 446	4 632	240	228	8 616	7 659
–	166	–	–	–	1 544

Notes to the Group consolidated annual financial statements continued

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33. ACQUISITIONS OF SUBSIDIARIES

Subsidiaries acquired	Principal activity	Proportion of shares acquired
Nexia Management Consulting AS ("Nexia")	Consulting	100%
NubeliU Limited ("NubeliU")	IT solutions	51%
PT Packet Systems Indonesia ("PSI")	IT solutions	54%

	Nexia Fair value on acquisition US$'000	NubeliU Fair value on acquisition US$'000	PSI Fair value on acquisition US$'000	Total Fair value on acquisition US$'000
Current assets	874	2 012	30 405	33 291
Cash and cash equivalents	169	1 854	1 408	3 431
Trade receivables and other receivables	705	158	17 115	17 978
Inventories	–	–	11 882	11 882
Non-current assets	1 862	656	7 113	9 631
Plant and equipment	61	27	2 041	2 129
Deferred tax assets	2	11	597	610
Intangible assets	1 799	618	4 475	6 892
Current liabilities	(705)	(152)	(19 715)	(20 572)
Trade and other payables	(618)	(48)	(17 814)	(18 480)
Bank overdraft	–	–	(1 500)	(1 500)
Taxation liabilities	(87)	(104)	(401)	(592)
Non-current liabilities	(414)	(142)	(5 269)	(5 825)
Deferred tax liabilities	(414)	(142)	(1 132)	(1 688)
Other non-current liabilities	–	–	(4 137)	(4 137)
	1 617	2 374	12 534	16 525
Goodwill on acquisition	3 380	2 533	42	5 955
Non-controlling interest recognised	–	(1 091)	(5 754)	(6 845)
Fair value of acquisition	4 997	3 816	6 822	15 635
Add net (cash)/overdraft acquired	(169)	(1 854)	92	(1 931)
Subsidiary company shares	(2 097)	–	–	(2 097)
Deferred purchase consideration	(858)	–	–	(858)
Net cash outflow for acquisition	1 873	1 962	6 914	10 749

The above acquisition represents the subsidiaries acquired during the year.

The revenue and EBITDA included from these acquisitions in FY18 was US$42.2 million and US$5.1 million respectively; profit after tax included from these acquisitions was US$3.0 million. Had the acquisition date been 1 March 2017, the revenue would have been approximately US$81.8 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 all three of the acquisitions has been finalised at the date of the finalisation of these consolidated financial statements, except for the resolution of a withholding tax liability in the PSI acquisition.

None of the goodwill raised on the above acquisitions will be deductible for tax purposes.

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

33. ACQUISITIONS OF SUBSIDIARIES (continued)

The following acquisitions were concluded during the financial year ended 28 February 2018 and included in the table on the previous page:

Analysys Mason

Effective 1 June 2017, Analysys Mason acquired Nexia Management Consulting AS, a telecoms management consultancy based in Norway. The consideration payable comprised an initial consideration of US$4.1 million paid as a combination of cash and shares, and deferred cash consideration of US$0.9 million. The acquisition of Nexia Management Consulting AS will enhance Analysys Mason's existing track record in the Nordics, where telecoms, media and technology ("TMT") markets are among the most advanced in the world and have been at the forefront of many new developments.

Logicalis Group

On 4 July 2017, Logicalis acquired 51% of the share capital in NubeliU Limited, a South American company specialising in cloud computing projects based on OpenStack. The 51% interest in NubeliU was acquired for a cash consideration of US$3.8 million. NubeliU's expertise in OpenStack will accelerate the global expansion of Logicalis' cloud computing and SDx (Software Defined everything) practices, strengthening its position as a cloud integrator and ensuring its ability to meet its customers' requirements on their journey to digital transformation.

On 4 September 2017, Logicalis acquired 54% of the share capital in PT Packet Systems Indonesia ("PSI") a leading ICT systems integrator and services company. The 54% interest in PSI was acquired for a cash consideration of US$6.8 million. The acquisition has allowed Logicalis to strengthen its position within Indonesia and the Asia market.

The directors of Logicalis assessed whether or not the Group has control over NubeliU and PSI based on whether the Group has the practical ability to direct the relevant activities of NubeliU and PSI unilaterally. In making their judgement the directors considered the absolute size of holding in NubeliU and PSI and the relative size of shareholdings owned by other shareholders as well as the Group's ability to appoint directors and determine management focus. Both PSI and NubeliU have been consolidated in the Group results.

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

On 1 September 2017, Datatec disposed of 10% of the business of Westcon International Limited to SYNNEX Corporation Limited.

This did not result in the loss of control of the subsidiary. Refer to Note 36.2.

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

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

	Country of incorporation	Ownership rights and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests – Datatec Group	
		2018 %	2017 %	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
PromonLogicalis Latin America Limited	UK	35	35	6 631	7 250	45 977	42 139
Westcon International, Limited*	UK	10	N/A	2 810	–	8 530	–
Westcon Southern Africa Holdings (Pty) Ltd	SA	40.00	44.98	20	–	406	349

** From 1 September 2018.*

Summarised information in respect of the above subsidiaries is shown below as at 28 February 2018 and 28 February 2017. The summarised financial information below represents amounts before inter-group eliminations.

	PromonLogicalis Latin America Limited		Westcon International, Limited		Westcon Southern Africa Holdings (Pty) Ltd	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Non-current assets	39 641	37 241	60 481	–	3 087	4 137
Current assets	484 230	331 411	1 012 394	–	45 893	48 282
Non-current liabilities	(18 021)	(6 037)	(127 551)	–	(18 901)	(17 089)
Current liabilities	(372 881)	(242 219)	(871 417)	–	(46 379)	(37 589)
Equity attributable to equity holders of the parent	(85 626)	(78 257)	(74 120)	–	16 706	2 608
Non-controlling interest	(47 343)	(42 139)	213	–	(406)	(349)
Revenue	537 919	424 355	2 251 344	–	102 562	133 551
Operating profit/(loss) before finance costs, depreciation and amortisation ("EBITDA")	46 943	39 005	(69 502)	–	(7 868)	(1 559)
Profit/(loss) for the year	18 984	20 713	(467 832)	–	(12 554)	(5 034)
Attributable to the owners of the parent	12 353	13 463	(470 642)	–	(12 574)	(5 008)
Attributable to non-controlling interests	6 631	7 250	2 810	–	20	(26)
Total comprehensive loss	(12 897)	(37 683)	(410 288)	–	(14 040)	(4 531)
Attributable to the owners of the parent	(8 288)	(24 494)	(411 136)	–	(14 097)	(4 707)
Attributable to non-controlling interests	(4 609)	(13 189)	848	–	57	176
Net cash (outflow)/inflow	(28 381)	(8 049)	50 814	–	2 551	(5 383)
Net cash (outflow)/inflow from operating activities	(113 416)	(21 608)	21 470	–	(3 867)	(7 517)
Net cash (outflow)/inflow from investing activities	(5 816)	(2 392)	(53 681)	–	40	(314)
Net cash inflow/(outflow) from financing activities	90 851	15 951	83 025	–	6 378	2 448

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

	2018 US$'000	2017 US$'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 the new management shareholder. This reduced Datatec's shareholding in Mason Advisory 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

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

36. DISCONTINUED OPERATIONS

Datatec has completed the sale of its Westcon-Comstor business in North America and Latin America ("Westcon Americas") and of 10% of the remaining part of Westcon ("Westcon International") to SYNNEX effective on 1 September 2017. Westcon Americas are disclosed as a disposal group in terms of IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*. In October 2017, Logicalis also realised significant value from the sale of its non-core SMC consulting business to DXC Technology Company (NYSE: DXC) for US$42 million.

The contribution of discontinued operations included in the Group's results until disposal is as follows:

US$'000	Westcon Americas Year ended 28 February 2018	SMC Year ended 28 February 2018
Revenue	1 151 849	19 331
Continued operations	1 130 598	19 331
Inter-segmental revenue	21 251	–
Cost of sales	(1 056 453)	(15 238)
Gross profit	95 396	4 093
Operating costs	(62 172)	(3 501)
Impairment of property	–	–
Restructuring costs	(1 828)	–
Share-based payments	(401)	–
Operating profit before EBITDA and management fees	30 995	592
Management fees – Westcon	(18 109)	–
Management fees – Logicalis	–	(223)
Datatec Group management fees	(4 441)	–
EBITDA after management fees	8 445	369
Depreciation	(1 555)	(106)
Amortisation of capitalised development expenditure	(338)	–
Amortisation of acquired intangible assets and software	(667)	(95)
Operating profit	5 885	168
Net finance costs	(6 889)	(10)
(Loss)/profit before taxation	(1 004)	158
Taxation	1 384	(47)
Profit for the year	380	111

The Westcon-Comstor and Logicalis management fees charged are added back as these costs will remain within the Datatec Group as per the share purchase agreement. Datatec management fees are eliminated at Datatec Group.

The results of the earn-out with SYNNEX has not yet been agreed and a resolution process is currently under way between the parties, as provided for in the sale and purchase agreement. No asset has been recognised at 28 February 2018.

Datatec consolidation adjustments Year ended 28 February 2018	Disposal Group Year ended 28 February 2018	Westcon Americas Year ended 28 February 2017	SMC Year ended 28 February 2017	Datatec consolidation adjustments Year ended 28 February 2017	Disposal Group Year ended 28 February 2017
(21 251)	1 149 929	2 234 659	42 061	(55 328)	2 221 392
–	1 149 929	2 179 331	42 061	–	2 221 392
(21 251)	–	55 328	–	(55 328)	–
21 251	(1 050 440)	(2 033 077)	(32 801)	55 328	(2 010 550)
–	99 489	201 582	9 260	–	210 842
–	(65 673)	(109 463)	(6 601)	–	(116 064)
–	–	(1 600)	–	–	(1 600)
–	(1 828)	(3 488)	–	–	(3 488)
–	(401)	139	–	–	139
–	31 587	87 170	2 659	–	89 829
18 109	–	(40 027)	–	40 027	–
223	–	–	–	–	–
4 441	–	(7 208)	–	7 208	–
22 773	31 587	39 935	2 659	47 235	89 829
–	(1 661)	(3 887)	(103)	–	(3 990)
–	(338)	(351)	–	–	(351)
–	(762)	(1 507)	(151)	–	(1 658)
22 773	28 826	34 190	2 405	47 235	83 830
3	(6 896)	(9 964)	(422)	4	(10 382)
22 776	21 930	24 226	1 983	47 239	73 448
–	1 337	(9 186)	(482)	–	(9 668)
22 776	23 267	15 040	1 501	47 239	63 780

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

36. DISCONTINUED OPERATIONS (continued)

The statements of financial position at the disposal date are as follows:

US$'000	Westcon Americas Period ended 31 August 2017	SMC Period ended 12 October 2017	Total Discontinued operations
ASSETS	343 267	1 935	345 202
Property, plant and equipment	12 302	707	13 009
Goodwill	246 097	1 171	247 268
Capitalised development expenditure	32 648	–	32 648
Acquired intangible assets and software	4 785	57	4 842
Deferred tax assets	19 930	–	19 930
Finance lease receivables	11 512	–	11 512
Other receivables	15 993	–	15 993
Current assets	952 557	28 758	981 315
Inventories	173 904	–	173 904
Trade receivables	563 754	3 559	567 313
Current tax assets	10 430	–	10 430
Prepaid expenses and other receivables	44 342	23 508	67 850
Finance lease receivables	5 931	–	5 931
Short-term inter-company loans and receivables	26 806	–	26 806
Cash resources	127 390	1 691	129 081
Total assets	1 295 824	30 693	1 326 517
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Non-distributable reserves	154 262	–	154 262
Distributable reserves	219 150	9 617	228 767
Total equity	373 412	9 617	383 029
Non-current liabilities	16 259	11	16 270
Long-term liabilities	766	–	766
Liability for share-based payments	133	–	133
Deferred tax liabilities	14 100	11	14 111
Provisions	403	–	403
Other liabilities	857	–	857
Current liabilities	906 153	21 065	927 218
Trade and other payables	589 030	21 000	610 030
Short-term interest-bearing	8 019	–	8 019
Provisions	688	–	688
Current tax liabilities	438	65	503
Short-term inter-company loans and payables	25 778	–	25 778
Bank overdrafts	282 200	–	282 200
Total equity and liabilities	1 295 824	30 693	1 326 517

36. DISCONTINUED OPERATIONS (continued)

US$'000	Westcon Americas	SMC	Total
Gain on disposal of subsidiary			
Consideration received	600 000	41 883	641 883
Goodwill derecognised	(246 097)	(1 171)	(247 268)
Capitalised development expenditure derecognised	(32 648)	–	(32 648)
Other net assets disposed of	(94 667)	(8 446)	(103 113)
Cumulative loss on disposal group reclassified from equity on loss of control of subsidiary	(57 345)	–	(57 345)
Transitional-related costs incurred on the disposal	(28 905)	(6 263)	(35 168)
Transitional services provided to SYNNEX – FY18	(15 000)	–	(15 000)
Transitional services provided to SYNNEX – FY19	(15 000)	–	(15 000)
	110 338	26 003	136 341

	2018 US$'000	2017 US$'000
Profit for the period from discontinued operations		
Profit for the period – disposal group	23 267	63 780
Gain on disposal of subsidiaries	136 341	–
	159 608	63 780

36.1 Net cash inflow on disposal of subsidiary

US$'000	Westcon Americas	SMC	Total
Consideration received in cash	600 000	41 883	641 883
Less: Cash and cash equivalent balances disposed of	(127 390)	(1 691)	(129 081)
Add: Overdraft disposed of	282 200	–	282 200
Transaction and transitional-related costs incurred on the disposals	(43 905)	(6 263)	(50 168)
Net cash flow on disposal of subsidiary	710 903	33 929	744 832

36.2 Partial disposal of subsidiary company without the loss of control

On 1 September 2017, Datatec disposed of 10% of Westcon International to SYNNEX Corporation Limited. This did not result in the loss of control of the subsidiary.

	US$'000
Consideration received in cash for 10% of Westcon International	30 000

37. SUBSEQUENT EVENTS

On 14 May 2018, Logicalis signed an agreement to acquire 100% of the issued share capital of Coasin Chile S.A., a Chilean and Peruvian ICT services and solutions provider, for a maximum purchase consideration of US$20.2 million. The acquisition is subject to certain third-party consents as well as approval from the Chilean Competition Authorities.

38. GOING CONCERN

Please refer to the Directors' Report.

Annexure 1 – subsidiary companies

for the year ended 28 February 2018

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2018	2017
INCORPORATED IN AFRICA				
Analysys Mason Limited (Mauritius)	C	Mauritius	**89.00**	94.95
Netshield (Pty) Ltd	D	South Africa	**27.54**	28.06
Westcon Africa (Kenya) Limited	D	Kenya	**89.99**	96.07
Westcon Africa (Mauritius) Limited	D	Mauritius	**89.99**	96.07
Westcon Africa (Morocco) SARL	D	Morocco	**90.00**	100.00
Westcon Africa Angola Limited	D	Angola	**89.99**	96.07
Westcon Africa Distribution (Nigeria) Limited	D	Nigeria	**89.99**	96.07
WestconGroup SA (Pty) Ltd (formerly Westcon Comztek (Pty) Ltd)	D	South Africa	**44.01**	55.02
Westcon Emerging Markets Group (Pty) Ltd	D	South Africa	**90.00**	100.00
Westcon Namibia Distribution (Pty) Ltd	D	Namibia	**54.00**	55.02
Logicalis SA (Pty) Ltd	I	South Africa	**100.00**	100.00
INCORPORATED IN UK AND EUROPE				
Analysys Limited	C	United Kingdom	**89.00**	94.95
Analysys Mason AB	C	Sweden	**89.00**	N/A
Analysys Mason AS	C	Norway	**89.00**	N/A
Analysys Mason GmbH	C	Switzerland	**89.00**	94.95
Analysys Mason Limited	C	United Kingdom	**89.00**	94.95
Analysys Mason Limited	C	Ireland	**89.00**	94.95
Analysys Mason S.L.	C	Spain	**89.00**	N/A
Analysys Mason S.R.L.	C	Italy	**89.00**	N/A
Neteks Bilgisayar ve Dis Ticaret Limited Sti	D	Turkey	**45.00**	50.00
Neteks íletişim Ürünleri Dağitim Anonim Şirketi (50% JV)	D	Turkey	**45.00**	50.00
Westcon Africa (UK) Limited	D	United Kingdom	**89.99**	96.07
Westcon Emerging Markets Limited	D	United Kingdom	**90.00**	100.00
Westcon Group Austria GmbH	D	Austria	**90.00**	100.00
Westcon Group European Operations Limited	D	United Kingdom	**90.00**	100.00
Westcon Group Germany GmbH	D	Germany	**90.00**	100.00
Westcon Group Italia S.R.L.	D	Italy	**90.00**	100.00
Westcon Group Poland Sp. Z.O.O.	D	Poland	**90.00**	100.00
Westcon Group Portugal, Sociedade Unipessoal, Limitada	D	Portugal	**90.00**	100.00
Westcon International, Limited	D	United Kingdom	**90.00**	N/A
WGEO Switzerland GmbH	D	Switzerland	**90.00**	100.00

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2018	2017
INCORPORATED IN UK AND EUROPE (continued)				
Datatec Financial Services Holdings Limited	F	United Kingdom	**100.00**	100.00
Datatec Financial Services Limited	F	United Kingdom	**100.00**	100.00
Datatec Group Finance Limited	F	United Kingdom	**100.00**	100.00
inforsacom Logicalis GmbH	I	Germany	**100.00**	100.00
ITUMA GmbH	I	Germany	**51.00**	51.00
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 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 plc	O	United Kingdom	**100.00**	100.00
INCORPORATED IN US AND CANADA				
WG Services, Inc.	D	USA	**90.00**	N/A
Datatec Financial Services, Inc.	F	USA	**100.00**	100.00
Canada WGIT Services, Inc. (formerly Westcon Financial Services Canada, Inc.)	F	Canada	**90.00**	100.00
Westcon GDS LLC.	D	USA	**45.00**	N/A
Esource Resources, LLC.	I	USA	**45.00**	N/A
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
NubeliU I LLC.	I	USA	**33.15**	N/A
NubeliU II LLC.	I	USA	**33.15**	N/A
NubeliU Limited	I	Cayman Islands	**33.15**	N/A
PLLAL International LLC.	I	USA	**65.00**	65.00
The Via Group, Inc.	I	USA	**100.00**	100.00

Annexure 1 – subsidiary companies continued

for the year ended 28 February 2018

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2018	2017
INCORPORATED IN LATIN AMERICA				
Logicalis Andina Bolivia LAB. Limitada	I	Bolivia	**65.00**	65.00
Logicalis Andina S.A.C.	I	Peru	**65.00**	65.00
Logicalis Argentina S.A.	I	Argentina	**65.00**	65.00
Logicalis Chile S.A.	I	Chile	**65.00**	65.00
Logicalis Colombia S.A.S.	I	Colombia	**65.00**	65.00
Logicalis Ecuador S.A.	I	Ecuador	**65.00**	65.00
Logicalis Inc. S.A.	I	Uruguay	**65.00**	65.00
Logicalis Mexico, S. de R.L. de C.V.	I	Mexico	**65.00**	65.00
Logicalis Paraguay S.A.	I	Paraguay	**65.00**	65.00
Logicalis Puerto Rico Inc.	I	Puerto Rico	**65.00**	N/A
Logicalis Uruguay S.A.	I	Uruguay	**65.00**	65.00
NubeliU Argentina S.R.L.	I	Argentina	**33.15**	N/A
NubeliU Consultoria e Licenciamento de Software Limitada	I	Brazil	**33.15**	N/A
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
INCORPORATED IN AUSTRALIA AND NEW ZEALAND				
Westcon Group NZ Limited	D	New Zealand	**90.00**	100.00
Westcon Group Pty. Limited	D	Australia	**90.00**	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	I	Australia	**100.00**	100.00
Thomas Duryea Logicalis Pty. Limited	I	Australia	**100.00**	100.00
INCORPORATED IN BRITISH VIRGIN ISLANDS				
Fastec Management, Inc.	I	British Virgin Islands	**33.15**	N/A
NetStar Group Holding Limited	I	British Virgin Islands	**100.00**	100.00
Datatec International Holdings Limited	O	British Virgin Islands	**100.00**	100.00

Subsidiary companies	Nature of business	Country of incorporation	Effective holding (% held) 2018	2017
INCORPORATED IN ASIA				
Analysys Mason FZ LLC	C	United Arab Emirates	**89.00**	94.95
Analysys Mason India Pvt. Limited	C	India	**89.00**	94.95
Analysys Mason Limited	C	Hong Kong	**89.00**	94.95
Analysys Mason Pte. Limited	C	Singapore	**89.00**	94.95
Neteks International FZE	D	United Arab Emirates	**45.00**	50.00
PT. Westcon Group	D	Indonesia	**90.00**	100.00
PT. Westcon Solutions	D	Indonesia	**90.00**	100.00
Westcon Group (Thailand) Co. Limited	D	Thailand	**88.20**	98.00
Westcon Group (Vietnam) Co. Limited	D	Vietnam	**90.00**	100.00
Westcon Group Pte. Limited	D	Singapore	**90.00**	100.00
Westcon Middle East FZE	D	United Arab Emirates	**90.00**	100.00
Westcon Middle East Limited	D	Kingdom of Saudi Arabia	**67.50**	75.00
Westcon Solutions (HK) Limited	D	Hong Kong	**90.00**	100.00
Westcon Solutions (M) Sdn. Bhd.	D	Malaysia	**90.00**	100.00
Westcon Solutions (Shanghai) Limited	D	China	**90.00**	100.00
Westcon Solutions IMH Pte. Limited	D	Singapore	**90.00**	100.00
Westcon Solutions Philippines, Inc.	D	Philippines	**89.10**	99.00
Westcon Solutions Pte. Limited	D	Singapore	**90.00**	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
PT. Packet Systems Indonesia	I	Indonesia	**54.06**	N/A
Thomas Duryea Asia Pacific Sdn. Bhd. (formerly Logicalis Asia Pacific MSC Sdn. Bhd.)	I	Malaysia	**100.00**	100.00

Only trading entities have been disclosed.
C – Consulting Services
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 JSE, 1st Floor Training Room, One Exchange Square, Gwen Lane, Sandown, Sandton, 2196, Republic of South Africa at 12:00 on Thursday, 20 September 2018 for the purpose of: (i) considering the following business to be transacted and voting on the resolutions, with or without modification, in the manner required by the Companies Act, No 71 of 2008, as amended ("Companies Act"), as read with the Listings Requirements of the JSE Limited ("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 2018, including the directors' report, the Audit, Risk and Compliance Committee report, and Group audited annual financial statements for the year ended 28 February 2018; all of which are contained from pages 70 to 155 of the Integrated Report."

2. The Social and Ethics Committee report

"Please refer to page 34 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 Ms O Ighodaro who retires in terms of the Company's Memorandum of Incorporation ("the MoI") and who offers herself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 11 of the Integrated Report for Ms Ighodaro's brief *curriculum vitae*. On behalf of the Board of Directors ("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 Ms Ighodaro throughout her period of office was highly satisfactory.

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the meeting is required.

4. Re-election of director

Ordinary Resolution Number 2

"Resolved that Mr NJ Temple 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 Temple'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 Temple 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 Ms E Singh-Bushell, who has been appointed by the Board on 1 June 2018, be and is hereby elected as a director of the Company."

On behalf of the Board, the Chairman confirms that Ms Singh-Bushell's experience in the management and governance of technology will make a significant contribution to Datatec's ongoing growth.

Ms Singh-Bushell serves on public and private corporate boards bringing diverse global management experience and expertise in financial, digital and technology, cyber security and risk operations.

She was Chief Operating Officer, Executive Office at the Federal Reserve Bank of New York, and previously had a 17-year career in senior managing partner roles, such as US Innovation & Digital Strategy Leader, Northeast Advisory People Leader and Chief Information Security Officer with EY. She has led transformations across multiple industries impacted by digital, technology, data and cyber.

She is currently a member of the Board of Directors and of the Audit Committee of TTEC (NASDAQ: TTEC), a global CX services leader, and acts for DecisionGPS LLC and LifeStream [Taxonometrics] as Strategic Board Adviser.

Ms Singh-Bushell holds American and Indian nationalities and is a Certified Public Accountant (USA). She has a Master's degree in Electrical Engineering and Computer Science from the University of California, Berkeley, and a Bachelors of Engineering from the University of Poona, India.

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 MJN Njeke;
7.2 Ms O Ighodaro; and
7.3 Ms E Singh-Bushell."

Please refer to page 11 of the Integrated Report for Mr Njeke's and Ms Ighodaro's brief *curricula vitae* and to item 5 above for Ms Singh-Bushell's brief *curriculum vitae*. On behalf of the Board, the Chairman confirms that each candidate for election to the Audit, Risk and Compliance Committee has the relevant knowledge and experience to discharge their role effectively and that the performance of each candidate in the service of the Audit, Risk and Compliance Committee to the date of this notice has been highly satisfactory.

In order for each of the above resolutions to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the meeting is required.

Notice of Annual General Meeting continued

8. Non-binding advisory votes on remuneration policy and remuneration implementation

Ordinary Resolution Number 6

"Resolved that the remuneration policy of the Company as reflected on page 45 of the Integrated Report, be and is hereby endorsed through a non-binding advisory vote as recommended by King IV™."

Ordinary Resolution Number 7

"Resolved that the remuneration implementation report of the Company as reflected on pages 46 to 53 of the Integrated Report, be and is hereby endorsed through a non-binding advisory vote as recommended by King IV™."

Explanatory note on Ordinary Resolutions Number 6 and 7

In terms of principle 14 of King IV™, the Company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the Company and on the implementation thereof. Shareholders are requested to endorse the Company's remuneration policy set out in the Integrated Report.

9. Approval of non-executive directors' fees

Special Resolution Number 1

"Resolved that the Board and committee fees for non-executive directors for the financial year ending 28 February 2019, which fees will be unchanged 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 2018 until the Company's 2019 annual general meeting.

Directors' fees:

- Chairman of the Board: US$201 552 total fee inclusive of all committee and subsidiary board work;
- Senior non-executive directors' fee: US$74 256;
- Non-executive directors' 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;
- Member of the Social and Ethics Committee: US$5 304;
- 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$7 428."

Reason for Special Resolution Number 1

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.

10. Authority to provide financial assistance to any Group company

Special Resolution Number 2

"Resolved that, to the extent required by sections 44 and/or 45 of the Companies Act, the Board may, subject to the provisions of the Companies Act, the Company's MoI and the requirements of any recognised stock exchange on which the shares in the capital of the Company may from time to time be listed, authorise the Company to provide direct or indirect financial assistance to any related or inter-related (as defined in the Companies Act) company or corporation of the Company, on terms and conditions which the directors may determine, commencing on the date of passing of this resolution and ending at the next meeting."

Reason for Special Resolution Number 2

In terms of the Companies Act, the Board may authorise the Company to provide any financial assistance in terms of sections 44 and/or 45 of the Companies Act to any related or inter-related company or corporation of the Company, subject to certain requirements set out in the Companies Act, including the Company meeting the solvency and liquidity test. This general authority would greatly assist the Company *inter alia* with making inter-company loans to Group companies as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general shareholder authority would avoid the need to refer each instance to members for approval which might impede the negotiations and add time and expense. If approved, this general authority will expire at the next annual general 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.

11. General authority to repurchase shares

Special Resolution Number 3

"Resolved that the Board be authorised by way of a general authority given as a renewable mandate, to facilitate the acquisition by the Company 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 unless the repurchase is done in accordance with the provisions of the Listings Requirements, including, but not limited to, a repurchase programme being in place, where dates and quantities of shares to be traded during the prohibited period are fixed (not subject to any variation) and full details of the programme being disclosed to the JSE in writing prior to the commencement of the prohibited period, as required and the Company having instructed an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
> 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;

Notice of Annual General Meeting continued

- 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 3 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 165 of the Integrated Report); and
- share capital of the Company (refer page 117 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.

Any decision by the Board involving a repurchase by the Company of more than 5% (five percent) of the issued shares of any class will be subject to the requirements of sections 48, 114 and 115 of the Companies Act, including the distribution of a circular to the shareholders of the Company in compliance with the Companies Act and the Listings Requirements, seeking the approval of the shareholders for such repurchase.

Reason and effect

The reason and effect for Special Resolution Number 3 is to authorise the Company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above.

Statement of Board's intention

The Board intends to use the shareholder authority which this resolution would provide to undertake the repurchase having regard to prevailing circumstances, market conditions as well as the Company's liquidity requirements.

Directors' responsibility statement

The directors, whose names are given on pages 10 and 11 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the Listings Requirements.

Material changes

There have been no material changes in the affairs or financial position of the Company and/or the Group since the date of signature of the audit report up to the date of this notice.

12. Authority to sign all documents required

Ordinary Resolution Number 8

"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 7 and Special Resolutions Number 1 to 3 passed at the meeting."

In order for this resolution to be adopted, the support of more than 50% (fifty percent) of votes cast by shareholders present or represented by proxy at the meeting is required.

13. 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, 22 June 2018.

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, 14 September 2018. Accordingly, the last day to trade for the purposes of being entitled to attend and vote at the meeting is Tuesday, 11 September 2018.

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. Forms of proxy must be forwarded to reach the registered office of the Company or the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or emailed to proxy@computershare.co.za, so as to be received by them by no later than 12:00 on Tuesday, 18 September 2018. Any forms of proxy not lodged by this time must be handed to the chairperson of the meeting.

Forms of proxy must only be completed by shareholders who have dematerialised their shares with "own name" registration or who have not dematerialised their shares.

Every member 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

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 169, 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 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
June 2018

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 form of proxy 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, 20 September 2018 and at any adjournment of that meeting.

Signed at this day of 2018

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 O Ighodaro			
4.	O2	Re-election of NJ Temple			
5.	O3	Election of E Singh-Bushell			
6.	O4	Reappointment of independent auditors			
7.	O5	Election of Audit, Risk and Compliance Committee members:			
		7.1 Election of MJN Njeke			
		7.2 Election of O Ighodaro			
		7.3 Election of E Singh-Bushell			
8A.	O6	Non-binding advisory vote on remuneration policy			
8B.	O7	Non-binding advisory vote on remuneration implementation report			
9.	S1	Approval of non-executive directors' fees			
10.	S2	Authority to provide financial assistance to any Group company			
11.	S3	General authority to repurchase shares			
12.	O8	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 (Pty) Ltd 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 (Pty) Ltd, 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, 18 September 2018. 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.

Shares and shareholders

Stock exchange performance	1 March 2017 to 28 February 2018	1 March 2016 to 28 February 2017
Total number of shares traded ('000)	202 681	145 093
Shares traded as a percentage of issued shares (%)	91.72	68.81
Total value of shares traded (R million)	10 340	6 953
JSE Limited prices (SA cents)		
Historical prices		
Closing	2 500	5 458
High	6 499	5 848
Low	2 301	4 006
Adjusted for the special dividend of 2 300 cents per share in January 2018		
Closing	2 500	3 158
High	4 199	3 548
Low	2 301	1 706
Public/non-public shareholding		
Percentage non-public shareholders (%)	41.78	38.04
Percentage public shareholders (%)	58.22	61.96

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 28 February 2018:

Shareholder type	Shareholders in SA Number	Percentage of shares	Shareholders outside SA Number	Percentage of shares	Total shareholders Number	Percentage of shares
Directors	1	0.0%	3	10.0%	4	10.0%
Other holdings over 10%	2	31.6%	–	0.0%	2	31.6%
Share trust (treasury shares)	1	0.2%	–	0.0%	1	0.2%
Total non-public	4	31.8%	3	10.0%	7	41.8%
Public	3 712	38.8%	243	19.4%	3 955	58.2%
Total	3 716	70.6%	246	29.4%	3 962	100.0%

The following are the principal beneficial shareholders whose holdings directly or indirectly in the Company total more than 3% of the issued share capital as at 28 February 2018:		
Government Employees Pension Fund (PIC)	48 405 402	19.92%
Old Mutual Life Assurance Co Ltd	28 246 111	11.63%
Jens Montanana (director)	23 004 635	9.47%
Prudential (various funds)	11 365 329	4.68%

Shareholders' diary

2018 Annual General Meeting	20 September 2018
Reports	
Interim results (half-year to August 2018)	18 October 2018
Announcement of FY19 annual results	16 May 2019
FY19 Integrated Report	June 2019

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
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
CSP	Common Service Platform
EDGE	Engage, Develop, Grow, Extend; Westcon International's global enablement programme for new customer acceleration
EMEA	Europe, Middle East and Africa
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 IV	The King IV Report on Corporate Governance for South Africa, 2016
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
NPO	Non-profit organisation
NWC	Net working capital
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
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 2018
The Group	The Datatec Group, Datatec Limited and its subsidiaries
The previous year	The year ended 28 February 2017
The register	The register of ordinary shareholders
Via	The Via Group, 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 International or Westcon	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
DBP	Deferred Bonus Plan
Depreciation	The systematic allocation of the cost of an asset, less its residual value, over its useful life
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
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
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, SYNNEX deal-related expenses and the taxation effect on all of the aforementioned

Technical definitions

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
CSP	Common Service Platform
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

Technical definitions continued

IP	Internet protocol
IT	Information technology
Line of business	Line of business is a general term which refers to a product or a set of related products that serve a particular customer transaction or business need
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
SaaS	Software as a service. SaaS is one of three main categories of cloud computing, alongside infrastructure as a service (IaaS) and platform as a service (Paas)
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	Small and medium-sized business
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
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

Administration

Board of Directors

Name	Date of appointment	Position held at 28 February 2018
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*

Contact details

REGISTRATION NUMBER
1994/005004/06

REGISTERED OFFICES
Datatec Limited
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Sandown Village
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Fax +27 (0) 11 233 3300

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Berkshire SL1 4PF
United Kingdom
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Fax +44 (0) 1753 797 150

COMPANY SECRETARY
Datatec Management Services (Pty) Ltd
(Managing Director – SP Morris)

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Rivonia Road
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TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
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PO Box 61051
Marshalltown, 2107

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