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		2017	
	Number of shares ('000)	Weighted average grant price	Number of shares ('000)	Weighted average grant price
2. SHARE-BASED PAYMENTS				
The Group plans are detailed in the remuneration report on pages 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

	2018 US$'000	Re-presented 2017[1] US$'000
Certain subsidiaries had tax losses at the end of the financial year that are available to reduce the future taxable income of the Group and are estimated to be:	**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%

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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.

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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$'000 Minimum lease payments	2018 US$'000 Present value of minimum lease payments	2017 US$'000 Minimum lease payments	2017 US$'000 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

for the year ended 28 February 2018

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.

Notes to the Group consolidated annual financial statements continued

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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.

Notes to the Group consolidated annual financial statements continued

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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

Notes to the Group consolidated annual financial statements continued

for the year ended 28 February 2018

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

for the year ended 28 February 2018

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

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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

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32. SEGMENTAL REPORT (continued)

Condensed statement of financial position	Westcon International 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.