

Independent auditor's report

TO THE SHAREHOLDERS OF DATATEC LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datatec Limited and its subsidiaries ("the Group") set out on pages 144 to 241, which comprise the consolidated statement of financial position as at 29 February 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 29 February 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together "the IRBA Codes") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter

Assessment of Logicalis goodwill for impairment

As disclosed in Note 9 the carrying value of goodwill amounts to US\$241 million of which US\$222 million relates to the Logicalis cash-generating unit.

Significant judgement is required by the directors in assessing the impairment of goodwill, which is determined with reference to the value-in-use, including the key assumptions utilised in the goodwill discounted cash flow ("DCF") model for each cash-generating unit. Accordingly, for the purposes of our audit, we identified the impairment of goodwill relating to the Logicalis cash-generating unit as representing a significant risk of material misstatement, due to the significance of this balance.

The assumption with the most significant effect on the Logicalis valuation was the discount rate, which is based on the weighted average cost of capital. The calculation of the weighted average cost of capital is highly complex and significant movements to the discount rate were noted in the current year due to the recognition of operating leases (in terms of IFRS 16 *Leases*) in the capital structure in the current and reductions in the risk-free interest rates in the USA and United Kingdom. As a result, the assessment of goodwill for Logicalis was considered a key audit matter.

How the matter was addressed in the audit

In evaluating the Logicalis goodwill for impairment, we assessed the calculation of its value-in-use, as prepared by the independent party specialist on behalf of the directors, with a particular focus on the discount rate.

Focused audit procedures were performed on the valuation, including the following:

- assessing the competence, capabilities and objectivity of the independent parties used by the directors to evaluate goodwill for impairment;
- engaging with our internal specialists to critically evaluate whether the directors' model complies with the requirements of IAS 36 *Impairment of Assets*;
- involving our internal corporate finance specialist to assist with the assessment of the discount rate applied. Our specialist's procedures included evaluating the entity's current funding rates, funding structures and risk profile against relevant market data;
- re-computing the results of the valuation and comparing the value-in-use to the carrying value of Logicalis net assets including goodwill;
- performing sensitivity analyses on the inputs to the valuation model to evaluate the impact on the valuation; and
- assessing the adequacy of the Group's disclosures in respect of goodwill with reference to applicable accounting standards.

Based on the results of the above procedures, we consider the assumptions used in the valuation models to be appropriate and the disclosures in relation to the goodwill balance to be appropriate.



Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Audited Group consolidated annual financial statements for the year ended 29 February 2020”, which includes the directors’ report, the Audit, Risk and Compliance Committee’s report and the certificate of the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled the “Datatec Limited separate financial statements for the year ended 29 February 2020” and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent **auditor's report** continued

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

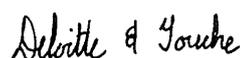
We communicate with the Audit, Risk and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA rule published in *Government Gazette Number 39475* dated 4 December 2015; we report that Deloitte & Touche has been the auditor of Datatec Limited for 25 years.



Deloitte & Touche

Registered Auditor

Per: M Rayfield

Partner

26 May 2020

5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

** Partner and registered auditor*