Notes to the Group consolidated annual financial statements

for the year ended 29 February 2020

		2020 US$'000	2019 US$'000
1.	**REVENUE**		
	Revenue from product sales	**3 408 222**	3 566 196
	Revenue from sales of hardware/direct product sales	**2 523 022**	2 734 005
	Revenue from sales of software/fulfilment product sales	**823 613**	773 372
	Revenue from vendor resold services and product maintenance services	**61 587**	58 819
	Timing of revenue from product sales	**3 408 222**	3 566 196
	At a point in time	**3 408 222**	3 566 196
	Over time	**–**	–
	Revenue from services	**403 163**	380 984
	Revenue from professional services	**403 163**	380 045
	Revenue from other services	**–**	939
	Timing of revenue from services	**403 163**	380 984
	At a point in time	**67 898**	65 536
	Over time	**335 265**	315 448
	Annuity revenue	**493 460**	385 201
	Revenue from cloud services	**123 737**	44 049
	Revenue from other annuity services	**369 723**	341 152
	Timing of annuity revenue	**493 460**	385 201
	At a point in time	**81 224**	–
	Over time	**412 236**	385 201
		4 304 845	4 332 381

The revenue categories above are consistent with the revenue information presented in the segmental report in Note 33.

A once-off tax credit in Brazil increased gross profit by US$13.6 million in FY20, following a court ruling in favour of Logicalis with regard to certain overpaid indirect taxes. The ruling is not subject to appeal by the Brazilian tax authorities.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS				
The Group plans are detailed in the remuneration report on pages 107 to 109. They provide for a grant price equal or approximately equal to the market price at the date of the grant.				
Datatec Group schemes (equity-settled)				
Datatec Conditional Share Plan ("CSP")		**ZAR**		ZAR
Outstanding at the beginning of the year	**2 267**	**20.78**	–	–
Granted during the year	**1 229**	**33.05**	2 267	20.78
Outstanding at the end of the year	**3 496**	**25.09**	2 267	20.78
At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 1.6 years (FY19: 2.3 years).				
Datatec Deferred Bonus Plan 2017 ("new DBP")		**ZAR**		ZAR
Outstanding at the beginning of the year	**1 092**	**22.50**	–	–
Shares purchased by participants in the year from pre-tax bonus of the prior year	**435**	**33.05**	546	22.50
Shares purchased by the Company for participants	**435**	**33.05**	546	22.50
Forfeitable shares at the end of the year	**1 962**	**27.18**	1 092	22.50
Participants in the DBP defer a portion of their pre-tax bonus to which an equal Company co-investment is added and used to purchase Datatec shares which the participants hold under the terms of the DBP. These shares are forfeitable if the participant leaves the employment of the Group within the three-year holding period (from date of grant). At 29 February 2020, the weighted average remaining life of the awards until the end of the holding period was 1.7 years.				
Datatec Share Appreciation Rights ("SARs") schemes		**ZAR**		ZAR
Outstanding at the beginning of the year	**4 712**	**31.74**	4 712	31.74
Forfeited/lapsed during the year	**(2 073)**	**27.20**	–	–
Outstanding at the end of the year	**2 639**	**35.32**	4 712	31.74
Exercisable at the end of the year	**1 168**	**35.79**	1 168	35.79
The SARs scheme was discontinued after the final awards in FY18. SARs outstanding at 29 February 2020 comprised grant prices in the range R34.94 to R35.79 (FY19: R27.20 to R35.79) and had a weighted average remaining contractual life of 3.4 years (FY19: 4.3 years).				

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Datatec Group schemes (equity-settled) (continued)				
Datatec Long-Term Incentive Plan ("LTIP")				
Outstanding at the beginning of the year	**3 091**		4 097	
Settled during the year – share price on vesting: R33.05 (FY19: n/a)	**(910)**		–	
Forfeited/lapsed during the year	**–**		(1 006)	
Outstanding at the end of the year	**2 181**		3 091	
The LTIP was discontinued after the final awards in FY18. The LTIP awards outstanding at 29 February 2020 had been granted when the share price was in the range R27.20 to R35.79 (FY19: R27.20 to R35.79) and had a weighted average remaining contractual life of 0.3 years (FY19: 0.7 years).				
Datatec Deferred Bonus Plan 2005 ("old DBP")				
Outstanding at the beginning of the year	**149**		291	
Arising during the year (performance condition)	**75**		71	
Settled during the year – share price on vesting: R33.05 (FY19: R20.78)	**(224)**		(213)	
Outstanding at the end of the year	**–**		149	
The old DBP was discontinued with the last awards having been made in FY17. At 29 February 2020, no further awards were outstanding. Participants were entitled to receive shares *in lieu* of dividends during the performance period in addition to the awards shown above.				

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

2. SHARE-BASED PAYMENTS (continued)

Datatec Group schemes (equity-settled) (continued)

Fair value

The CSP awards are conditional upon specific non-market conditions and the completion of a service period. The DBP awards are solely conditional upon completion of a service period. The fair value of these awards, referred to as the "unconditional" fair value, is equal to the underlying share price of Datatec shares at the grant date for which the 30-day volume weighted average price ("VWAP") of a Datatec share is used.

	2020 CSP	2020 DBP	2019 CSP	2019 DBP
Grant date	**1 June 2019**	**1 June 2019**	1 June 2018	14 June 2018
Vesting date	**1 June 2022**	**1 June 2022**	1 June 2021	15 June 2021
Performance period/employment period	**28 February 2019 to 28 February 2022**		28 February 2018 to 28 February 2021	
Share price and fair values:				
Share price grant (closing price)	**R35.90**		R21.89	
Share price at grant (30-day VWAP)	**R33.05**		R20.78	

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
Subsidiary schemes (cash-settled)				
Logicalis				
Logicalis CSP		**US$**		US$
Outstanding at the beginning of the year	**619**	**4.84**	–	–
Granted during the year	**603**	**4.92**	619	4.84
Outstanding at the end of the year	**1 222**	**4.88**	619	4.84
The Logicalis CSP awards outstanding at 29 February 2020 comprised grant prices in the range of US$4.84 to US$4.92 (FY19: US$4.84). At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 5.8 years (FY19: 6.3 years).				
Logicalis SAR scheme		**US$**		US$
Outstanding at the beginning of the year	**2 962**	**4.36**	3 411	4.51
Granted during the year	**476**	**4.92**	493	4.84
Exercised during the year – share price on exercise US$4.92 (FY19: US$4.84)	**(79)**	**4.04**	(172)	4.11
Forfeited/lapsed during the year	**(862)**	**4.46**	(770)	5.41
Outstanding at the end of the year	**2 497**	**4.44**	2 962	4.36
Exercisable at the end of the year	**553**	**5.05**	633	4.92
The Logicalis SARs outstanding at 29 February 2020 comprised grant prices in the range of US$3.70 to US$5.84 (FY19: US$3.70 to US$5.84) and had a weighted average remaining contractual life of 4.0 years (FY19: 4.4 years).				

2. SHARE-BASED PAYMENTS (continued)

Subsidiary schemes (cash-settled) (continued)

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
PromonLogicalis Latin America ("PLLAL") CSP		**US$**		US$
Outstanding at the beginning of the year	**119**	**8.16**	–	–
Granted during the year	**114**	**8.87**	119	8.16
Outstanding at the end of the year	**233**	**8.51**	119	8.16

The PLLAL CSP awards outstanding at 29 February 2020 comprised grant prices in the range of US$8.16 to US$8.67 (FY19: US$8.16). At 29 February 2020, the CSP awards had a weighted average remaining contractual life of 5.8 years (FY19: 6.3 years).

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
PLLAL SAR scheme		**US$**		US$
Outstanding at the beginning of the year	**827**	**6.14**	1 106	6.62
Granted during the year	**184**	**8.87**	152	8.16
Exercised during the year – share price on exercise US$8.87 (FY19: US$8.16)	**(174)**	**5.39**	(90)	5.82
Forfeited/lapsed during the year	**–**	**–**	(341)	8.66
Outstanding at the end of the year	**837**	**6.92**	827	6.14
Exercisable at the end of the year	**146**	**5.22**	30	7.58

The PLLAL SARs outstanding at 29 February 2020 comprised grant prices in the range of US$5.08 to US$8.87 (FY19: US$5.08 to US$9.25) and had a weighted average remaining contractual life of 4.8 years (FY19: 5.0 years).

Westcon International

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
Westcon International Equity Appreciation Plan ("EAP")		**US$**		US$
Outstanding at the beginning of the year	**142**	**125.00**	–	–
Granted during the year	**9**	**125.00**	159	125.00
Forfeited/lapsed during the year	**(6)**	**125.00**	(17)	–
Outstanding at the end of the year	**145**	**125.00**	142	125.00

The Westcon International EAP commenced during FY19. Units were granted with a strike price of US$125 per unit. Some adjustments to the number of awards were made in FY20. At 29 February 2020, the EAP awards had a remaining contractual life of 3.3 years (FY19: 4.0 years).

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 Number of shares ('000)	2020 Weighted average grant price	2019 Number of shares ('000)	2019 Weighted average grant price
2. SHARE-BASED PAYMENTS (continued)				
Subsidiary schemes (cash-settled) (continued)				
Westcon International SAR scheme		**US$**		US$
Outstanding at the beginning of the year	**2 319**	**1.25**	–	–
Granted during the year	**566**	**1.25**	2 319	1.25
Forfeited/lapsed during the year	**(290)**	**1.25**	–	–
Outstanding at the end of the year	**2 595**	**1.25**	2 319	1.25
The Westcon International SAR scheme commenced during FY19. It is a one-time scheme and SARs were granted in FY19 and FY20 with a strike price of US$1.25. At 29 February 2020, the SAR awards had a remaining contractual life of 3.3 years (FY19: 4.3 years).				
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	**217**	**14.21**	209	14.17
Granted during the year	**87**	**15.98**	86	14.64
Exercised during the year – share price on exercise £15.98 (FY19: £14.64)	**(55)**	**14.43**	(64)	14.67
Forfeited/lapsed during the year	**(16)**	**14.38**	(14)	14.18
Outstanding at the end of the year	**233**	**14.80**	217	14.21
The awards outstanding at 29 February 2020 had a weighted average remaining contractual life of 1.1 years (FY19: 1.1 years).				

2. SHARE-BASED PAYMENTS (continued)

The fair value of CSP and performance share awards, referred to as the "unconditional" fair value, is equal to the underlying share price of subsidiary shares at the grant date.

Where awards have optionality, as is the case for SARs and the Westcon International EAP, fair value is measured by the use of Black-Scholes-Merton or binomial tree models.

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

	2020		2019	
Grant date	**1 March 2019**	**1 July 2019**	14 March 2018	1 July 2018
Vesting date	**1 March 2020**	**12 March 2023**	1 March 2019	1 March 2023
Risk-free rate	**0.46%**	**1.40%**	1.29%	3.84%
Expected life (years)	**3.0**	**7.0**	3.0	7.0
Dividend yield	**0.00%**	**2.00%**	0.00%	0.00%
Volatility of subsidiary	**31.60%**	**35.00%**	32.07%	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.

	2020 US$'000	2019 US$'000
Expense in respect of equity-settled schemes		
Datatec Limited	**4 760**	4 792
Subsidiaries	**344**	279
	5 104	5 071
Expense in respect of cash-settled schemes (all in subsidiaries)	**2 519**	4 693
	7 623	9 764

Settlements of US$3.2 million have been made relating to equity-settled schemes for the year ended 29 February 2020 (FY19: US$1.5 million).

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
3. OPERATING PROFIT		
Operating profit is arrived at after taking into account the following items:		
Auditors' remuneration		
Audit fees	**4 122**	3 758
Other services	**1 039**	903
Taxation services	**595**	686
Other services and expenses	**444**	217
Prior year underaccrual	**811**	259
Total auditors' remuneration	**5 972**	4 920
Depreciation: Property, plant and equipment	**27 011**	25 889
Office furniture, equipment and motor vehicles	**4 810**	2 950
Computer equipment	**13 293**	16 212
Leasehold improvements	**8 752**	6 629
Land and buildings	**156**	98
Depreciation: Right-of-use assets	**32 991**	–
Office furniture, equipment and motor vehicles	**5 899**	–
Computer equipment	**271**	–
Land and buildings	**26 821**	–
Amortisation	**16 118**	12 449
Amortisation of software	**1 604**	1 260
Amortisation of capitalised development expenditure	**3 217**	972
Amortisation of acquired intangible assets	**11 297**	10 217
Total depreciation and amortisation	**76 120**	38 338
Foreign exchange losses/(gains)	**1 743**	(8 168)
Realised	**496**	(701)
Unrealised	**1 247**	(7 467)
Impairment losses recognised on trade receivables	**7 044**	6 675
Reversal of impairment losses on trade receivables	**(3 345)**	(2 858)
Fees for professional services	**17 427**	20 468
Administrative and managerial	**2 086**	255
Consulting	**10 045**	12 019
Accounting and advisory	**5 296**	8 194
Short-term lease payments	**4 597**	–
Low-value assets payments	**925**	–
Variable lease payments	**190**	–
Operating lease rentals	**–**	31 064
(Profit)/loss on disposal of office furniture and equipment, computer equipment, leasehold improvements, motor vehicles and software	**(65)**	93
Staff costs	**645 524**	642 983
Staff costs included in cost of sales	**235 427**	237 862
Retirement benefit contributions	**13 323**	13 414
Staff costs	**396 774**	391 707
Directors' emoluments*	**3 722**	5 021
Executive directors	**3 105**	4 363
Salaries	**1 643**	1 988
Bonuses	**1 069**	2 006
Benefits	**393**	369
Non-executive directors' emoluments – fees	**617**	658

Long-term incentives for executive directors are included in the share-based payments charge reflected in Note 2.

** Full details of directors' emoluments are provided in Note 26 on pages 202 to 205.*

		2020 US$'000	2019 US$'000
4.	**NET FINANCE COSTS**		
	Finance costs		
	Bank overdrafts and long-term liabilities	**(34 797)**	(30 809)
	Finance leases	**(5 988)**	(1 336)
	Total finance costs	**(40 785)**	(32 145)
	Interest income		
	Bank and other deposits	**5 276**	8 354
	Investments	**4**	–
	Other*	**9 631**	1 214
	Total interest income	**14 911**	9 568
	Net finance costs	**(25 874)**	(22 577)

** FY20 includes US$7.5 million of interest income recognised by Logicalis Brazil on multi-year taxes overpaid.*

5. TAXATION

5.1 Taxation charge

	2020 US$'000	2019 US$'000
South African normal taxation:		
Current taxation – Current year	**1 430**	3 901
– Prior year	**(117)**	3
Deferred taxation – Current year	**(718)**	(440)
– Prior year	**42**	(233)
	637	3 231
Foreign taxation:		
Current taxation – Current year	**28 677**	33 319
– Prior year	**2 065**	1 300
Deferred taxation – Current year	**1 727**	(16 886)
– Rate adjustment	**398**	445
– Prior year	**(1 695)**	(450)
	31 172	17 728
Total taxation charge	**31 809**	20 959

5.2 Reconciliation of taxation rate to profit before taxation

	2020	2019
South African statutory tax rate	**28.0%**	28.0%
Reconciling items expected to reoccur:		
Equity-accounted earnings (1)	**0.0%**	1.4%
Intra-group management fees (2)	**1.8%**	3.9%
Non-deductible property, plant and equipment, inventory and other asset impairments (3)	**4.4%**	7.8%
Other non-deductible expenses and permanent differences (4)	**0.9%**	4.0%
Share-based payments (5)	**(2.5%)**	6.8%
Exempt profits/incentives (6)	**(0.8%)**	(3.4%)
Non-recoverable withholding taxes (7)	**2.8%**	6.5%
Tax arising on dividend flows (8)	**(1.5%)**	(3.5%)
Tax loss utilised/recognised (9)	**(6.4%)**	(19.7%)
Foreign taxation rate differential (10)	**10.9%**	31.7%
Tax losses and other deferred tax assets not recognised (11)	**15.8%**	34.5%
Rate adjustment (12)	**0.7%**	1.8%
Prior year adjustments (13)	**0.5%**	2.6%
Reconciling items that are not expected to recur:		
Disposal related to intra-group management fees (14)	**0.0%**	2.7%
US goodwill (15)	**0.0%**	(18.7%)
Acquisition-related adjustments (16)	**0.1%**	0.2%
Non-taxable profits on disposals (17)	**(0.3%)**	0.0%
Effective taxation rate	**54.4%**	86.6%

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

5. TAXATION (continued)

5.2 Reconciliation of taxation rate to profit before taxation (continued)

Notes to the Group tax rate reconciliation

The tax rate reconciliation uses the 28% South African statutory tax rate as a starting point. The Group operates in over 50 countries and the head office is based in South Africa. Datatec Limited is listed on the JSE and the majority of the Group's shareholders are based in South Africa. If a weighted average tax rate were to be used, the starting point would change every year making comparability difficult. The South African statutory tax rate is therefore deemed to be the most appropriate starting point. This is a key judgement applied by management.

(1): Arises as the net profit after taxation from equity-accounted investments is presented as a single line item in the Group's profit before taxation.

(2): Arises as a result of the imputation of income for tax purposes where certain management fees are not billed to the entities benefitting from the services provided.

(3): Relates to property, plant and equipment depreciation, inventory and work-in-progress write-offs and other asset impairments not deductible for tax purposes.

(4): Includes entertaining expenses, donations, gifts and other expenses not deductible for tax purposes.

(5): Reflects the differing tax treatments of share-based payments which varies across jurisdictions, and the associated current or deferred tax credits arising often do not directly correspond to the expenses booked in the accounts.

(6): Relates to profits arising that are not chargeable to taxation and tax credits or additional tax deductions given in relation to certain types of expenditure.

(7): Represents tax deducted on cross-border commercial payments that cannot be recovered directly from a tax authority or offset against other income tax liabilities.

(8): Reflects the additional tax benefit obtained as a result of intra-group dividends which have no net impact on the consolidated statement of comprehensive income.

(9): Relates to the utilisation of tax losses and other timing differences that have not previously been recognised as a deferred tax asset.

(10): The tax reconciliation starts by applying the 28% South African tax rate to the profits arising in the year. The Group has earned profits in jurisdictions with significantly higher statutory tax rates such as Brazil at 34% and has also incurred losses in jurisdictions with significantly lower statutory tax rates such as the UK at 19%. This line item reflects the additional taxation of these profits and the reduced tax benefit of these losses.

(11): Relates to those timing differences that arise in the year for which a deferred tax asset has not been recognised, typically because of the uncertainty that future taxable income will be available against which deductible temporary differences can be utilised.

(12): Refers to changes in the carrying value of deferred tax assets and liabilities as a result of a change in local statutory rates of taxation in the prior year.

(13): Reflects changes to the current and deferred tax recorded in relation to prior accounting periods.

(14): Relates to costs incurred in providing services to entities that have been disposed of which are not deductible for tax purposes.

(15): The tax benefit that arises due to goodwill being deducted for tax purposes in the US, for which no previous benefit was recorded.

(16): Relates to acquisition costs or aborted acquisition costs that are not deductible for tax purposes.

(17): Relates to profits arising on the disposal of investments that are exempt for tax purposes.

	2020 US$'000	2019 US$'000
Taxation charge/(credit) by region:		
North America	**398**	(4 963)
Latin America	**16 701**	14 131
Europe	**9 588**	2 748
Asia-Pacific	**5 657**	5 284
MEA	**(535)**	3 759
Total taxation charge	**31 809**	20 959
Unutilised tax losses		
Certain subsidiaries had tax losses at the end of the financial year that are available to reduce the future taxable income of the Group and are estimated to be:	**215 572**	186 810
Future tax relief at a blended tax rate of 21.4% (FY19: 21.4%) is US$46.2 million (FY19: US$40.0 million). Deferred tax assets of US$17.8 million (FY19: US$16.3 million) have been recognised in respect of a portion of these losses as set out in Note 12	**46 224**	39 962

	2020 US$'000	2019 US$'000
6. EARNINGS PER SHARE		
Reconciliation of attributable profit to headline earnings		
Total profit for the year attributable to the equity holders of the parent	**14 239**	13 134
Profit for the year from continuing operations (net of non-controlling interests)	**12 907**	1 440
Profit for the year from discontinued operations	**1 332**	11 694
Total headline earnings adjustments:	**(1 789)**	(11 375)
(Gain)/loss on disposal of investment	**(415)**	255
Profit on disposal of discontinued operations	**(1 332)**	(11 694)
(Profit)/loss on disposal of property, plant and equipment and right-of-use assets		
– Gross	**(65)**	93
– Tax effect	**23**	(29)
Non-controlling interests	**41**	(101)
Total headline earnings	**12 491**	1 658
Reconciliation of attributable profit to headline earnings – continuing operations		
Total profit for the year attributable to the equity holders of the parent – continuing operations	**12 907**	1 440
Headline earnings adjustments – continuing operations	**(457)**	319
(Gain)/loss on disposal of investment	**(415)**	255
(Profit)/loss on disposal of property, plant and equipment and right-of-use assets		
– Gross	**(65)**	93
– Tax effect	**23**	(29)
Non-controlling interests	**41**	(101)
Headline earnings – continuing operations	**12 491**	1 658
Reconciliation of total headline earnings to underlying* earnings		
Total headline earnings	**12 491**	1 658
Total underlying* earnings adjustments:	**8 352**	14 070
Unrealised foreign exchange losses/(gains)		
– Gross	**1 247**	(7 467)
– Tax effect	**(525)**	1 771
Acquisition-related fair value adjustments		
– Gross	**(696)**	35
– Tax effect	**–**	(14)
Amortisation of acquired intangible assets		
– Gross	**11 297**	10 217
– Tax effect	**(2 907)**	(3 001)
Restructuring costs		
– Gross	**–**	17 506
– Tax effect	**–**	(3 460)
	8 416	15 587
Non-controlling interests	**(64)**	(1 517)
Total underlying* earnings	**20 843**	15 728

** Underlying earnings exclude impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, and the taxation effect on all of the aforementioned.*

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 US cents	2019 US cents
6. EARNINGS PER SHARE (continued)		
Basic earnings per share	**6.8**	5.5
Continuing operations	**6.2**	0.6
Discontinued operations	**0.6**	4.9
Headline earnings per share	**5.9**	0.7
Underlying* earnings per share	**9.9**	6.6
The earnings metrics above are calculated on the weighted average number of shares in issue during the year of 210 474 639 (FY19: 237 771 003), after the deduction of the weighted average number of treasury shares and shares relating to the Deferred Bonus Plan ("DBP") of 2 415 350 (FY19: 897 614). As at 29 February 2020, the Group held 1 000 000 (680 781 weighted average) shares as treasury shares held in a broker account (refer to Note 17). As at 29 February 2020, there were 1 962 856 (1 734 569 weighted average) shares relating to the DBP (refer to Note 2).		
Diluted earnings per share	**6.7**	5.5
Continuing operations	**6.1**	0.6
Discontinued operations	**0.6**	4.9
Diluted headline earnings per share	**5.8**	0.7
Diluted underlying* earnings per share	**9.7**	6.5
	Number of shares	Number of shares
Weighted average number of shares	**210 474 639**	237 771 003
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:		
Shares related to share-based payment schemes	**3 461 798**	2 614 111
Diluted weighted average number of shares	**213 936 437**	240 385 114

The share repurchase programme has an anti-dilutive effect on earnings and headline earnings per share.

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding these items as required by Circular 4/2018 Headline Earnings issued by the South African Institute of Chartered Accountants ("SAICA") as amended from time to time and as required by the JSE Limited.

In addition to the presentation of headline earnings per share and earnings per share, the Group presents underlying* earnings per share. Underlying* earnings per share is determined on the same weighted average number of shares as used in earnings per share.

The underlying* earnings measure is specific to Datatec and is not required in terms of IFRS or the JSE Listings Requirements.

Headline and underlying* earnings from discontinued operations were US$nil.

** Underlying earnings exclude impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, and the taxation effect on all of the aforementioned.*

	2020			2019		
	Cost US$'000	**Accumulated depreciation US$'000**	**Net book value US$'000**	Cost US$'000	Accumulated depreciation US$'000	Net book value US$'000
7. PROPERTY, PLANT AND EQUIPMENT						
Office furniture, equipment and motor vehicles	**31 404**	**(23 999)**	**7 405**	32 050	(20 872)	11 178
Computer equipment	**111 480**	**(92 224)**	**19 256**	135 209	(108 506)	26 703
Leasehold improvements	**58 040**	**(43 206)**	**14 834**	56 422	(36 088)	20 334
Land and buildings	**1 997**	**(192)**	**1 805**	2 189	(98)	2 091
	202 921	**(159 621)**	**43 300**	225 870	(165 564)	60 306

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.

The fair value of property, plant and equipment approximates its net book value.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement of property, plant and equipment	Office furniture, equipment and motor vehicles US$'000	Computer equip-ment US$'000	Lease-hold improve-ments US$'000	Land and buildings US$'000	Total US$'000
Balance at 1 March 2018	12 582	25 331	20 031	1 787	59 731
Subsidiaries acquired	200	1 611	2 688	–	4 499
Subsidiaries disposed	(3)	(3)	(2)	–	(8)
Additions	1 833	17 010	4 584	342	23 769
Translation and other movements	(423)	(991)	(128)	(36)	(1 578)
Disposals	(69)	(78)	(68)	–	(215)
Transfers	8	35	(142)	96	(3)
Depreciation	(2 950)	(16 212)	(6 629)	(98)	(25 889)
Balance at 28 February 2019	**11 178**	**26 703**	**20 334**	**2 091**	**60 306**
Capitalised leased assets transferred to right-of-use assets on adoption of IFRS 16	**–**	**(5 332)**	**–**	**–**	**(5 332)**
Subsidiaries acquired	**844**	**914**	**26**	**765**	**2 549**
Additions	**1 367**	**9 749**	**4 420**	**–**	**15 536**
Translation and other movements	**(360)**	**(1 127)**	**(1 192)**	**(7)**	**(2 686)**
Disposals	**(60)**	**–**	**(2)**	**–**	**(62)**
Transfers	**(754)**	**1 642**	**–**	**(888)**	**–**
Depreciation	**(4 810)**	**(13 293)**	**(8 752)**	**(156)**	**(27 011)**
Balance at 29 February 2020	**7 405**	**19 256**	**14 834**	**1 805**	**43 300**

Included in property, plant and equipment in FY19 were assets held under finance lease agreements with a net book value of US$8.5 million (computer equipment: US$6.4 million and leasehold improvements: US$2.1 million) which were encumbered as security for liabilities under finance lease agreements. In the current year, these assets are included in "right-of-use assets" and disclosed in Note 8.

8. RIGHT-OF-USE ASSETS

	Cost US$'000	2020 Accum-ulated depreciation US$'000	Net book value US$'000
Office furniture, equipment and motor vehicles	**14 310**	**(5 771)**	**8 539**
Computer equipment	**8 895**	**(3 735)**	**5 160**
Land and buildings	**94 657**	**(24 403)**	**70 254**
	117 862	**(33 909)**	**83 953**

Movement of right-of-use assets	Office furniture, equipment and motor vehicles US$'000	Computer equip-ment US$'000	Land and buildings US$'000	Total US$'000
Balance at 28 February 2019*	**–**	**–**	**–**	**–**
Take-on balances on adoption of IFRS 16	**7 362**	**298**	**86 910**	**94 570**
Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16	**–**	**5 332**	**–**	**5 332**
Additions	**7 565**	**854**	**20 911**	**29 330**
Translation and other movements	**(207)**	**(982)**	**(2 598)**	**(3 787)**
Disposals	**(59)**	**(496)**	**(7 946)**	**(8 501)**
Transfers	**(223)**	**425**	**(202)**	**–**
Depreciation	**(5 899)**	**(271)**	**(26 821)**	**(32 991)**
Balance at 29 February 2020	**8 539**	**5 160**	**70 254**	**83 953**

Refer to Note 37 for details of the impact of the adoption of IFRS 16.

** The Group has initially applied IFRS 16 at 1 March 2019 using the cumulative effect method, under which the comparative information is not restated.*

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
9. GOODWILL		
Net book value	**241 369**	234 551
At the beginning of the year	**234 551**	227 321
Arising on acquisition of subsidiaries	**13 016**	13 090
Translation and other movements	**(6 198)**	(5 860)
Balance at the end of the year	**241 369**	234 551
Goodwill at cost	**241 369**	234 551
Accumulated impairment	**–**	–
Per cash-generating unit:	**241 369**	234 551
Logicalis	**222 593**	216 451
Management Consulting	**18 776**	18 100

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 Management Consulting cash-generating units.

External valuations are obtained for the Logicalis and Management 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 which is compared to values arising from a comparable company's market approach and a market transaction method to ensure the reasonableness of the value-in-use assessment. 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 two to 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: Estimated discount rates used are post-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 rates: 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: 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 to be recorded in the year.

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

	Logicalis	Management Consulting
Weighted average cost of capital (post-tax rate)	**16.0%**	**14.1%**
Revenue growth rate in discrete period	**4.0% – 7.0%**	**(2.0%) – 5.1%**
Terminal growth rate	**2.0%**	**2.0%**

9. GOODWILL (continued)

The directors believe that a 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.

Although the current COVID-19 pandemic is a non-adjusting event after the reporting period, the key assumptions on which the recoverable amounts are based have been reassessed, to determine whether the outcome of the sensitivity calculations would result in a possible impairment of the cash-generating units.

The following key assumptions were factored in to determine the sensitivity calculations for each of the cash-generating units:

Logicalis

While it is not possible for the directors to assess the implications of the pandemic for the Logicalis Group with any certainty, a high-level analysis was conducted which indicated that a 10% decrease in equity value may be appropriate (supported by the external independent third-party valuation). Due to the diverse nature of the Logicalis cash-generating unit in terms of geography, the valuation takes into account the various economics and discount rates of the relevant geographies.

The sensitivity analyses have considered elements such as:

- valuation movements in market comparable companies;
- high-level forecast scenarios which assume a negative short-term impact with a return to expected growth rates in subsequent years; and
- IT service industry-specific analysis and impact expectations due to COVID-19.

The weighted average cost of capital was also adjusted to account for the potential impact of COVID-19. This includes an estimated premium of 1.5% which was arrived at after considering movements in value of comparable companies, high-level forecasts, and industry-specific analyst reports.

Even after considering the lower range of the sensitivity analyses performed, there is still sufficient headroom in the valuation of the cash-generating unit to support the carrying value of goodwill.

Management Consulting

The sensitivity calculation was performed under the following possible scenarios:

- Scenario 1: the cash flows for FY21 were delayed by one year, assuming that these will be delayed or take more time to achieve. This implied an 11% reduction in the valuation from the original valuation; and
- Scenario 2: In addition to scenario 1 above, the discount rate was increased by 1% to incorporate the additional market risk arising as a result of COVID-19. This implied an 18% reduction in the valuation from the original valuation.

In both scenarios listed above, the recoverable amount (as per the external independent third-party valuation) exceeded the aggregate carrying value of the Management Consulting cash-generating unit.

The directors have factored the range of sensitivity results and taking into account the most conservative outcome, the directors believe that there is no indicator of impairment for each of the cash-generating units.

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
10. INTANGIBLE ASSETS		
10.1 Capitalised development expenditure		
Included in amounts capitalised below was US$3.7 million (FY19: US$4.6 million) of SAP-related capitalised development expenditure for Westcon International. Non-SAP-related expenditure included digital transformation and cloud projects. US$18.9 million of capitalised development expenditure relates to Westcon International and US$1.0 million of capitalised development expenditure relates to Logicalis.		
Net book value	**19 908**	12 711
At the beginning of the year	**12 711**	1 665
Amounts capitalised	**10 517**	11 264
Arising on acquisition of subsidiaries	**28**	734
Translation	**(131)**	20
Amortisation	**(3 217)**	(972)
Balance at the end of the year	**19 908**	12 711
Capitalised development expenditure at cost	**34 201**	24 121
Accumulated amortisation and impairment	**(14 293)**	(11 410)
Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed seven years.		
10.2 Acquired intangible assets and software		
10.2.1 Trademarks, customer and vendor relationships		
Net book value	**25 915**	33 577
At the beginning of the year	**33 577**	36 984
Arising on acquisition of subsidiaries	**3 864**	8 070
Translation	**(229)**	(1 260)
Amortisation	**(11 297)**	(10 217)
Balance at the end of the year	**25 915**	33 577
Acquired intangible assets at cost	**99 440**	97 786
Accumulated amortisation and impairment	**(73 525)**	(64 209)
Acquired intangible assets are amortised using the straight-line method over their useful lives, which generally do not exceed 10 years.		
10.2.2 Software		
Net book value	**4 087**	4 038
At the beginning of the year	**4 038**	3 677
Arising on acquisition of subsidiaries	**47**	61
Additions	**1 983**	1 853
Transfers from property, plant and equipment	**–**	3
Translation and other movements	**(332)**	(287)
Disposals	**(45)**	(9)
Amortisation	**(1 604)**	(1 260)
Balance at the end of the year	**4 087**	4 038
Software at cost	**13 500**	13 162
Accumulated amortisation	**(9 413)**	(9 124)
Software is amortised using the straight-line method over their useful lives, which range from two to six years.		
Total acquired intangible assets and software	**30 002**	37 615

11. INVESTMENTS

11.1 Equity-accounted investments

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

	Country of incorporation and principal place of business	Nature of business	Effective ownership 2020 %	Effective ownership 2019 %	Carrying value 2020 US$'000	Carrying value 2019 US$'000
Equity-accounted:						
Neteks	Turkey	Distribution	**–**	45.0	**–**	1 585
Esource Resources, LLC.	USA	ICT Solutions	**45.0**	45.0	**552**	733
Directus AS	Norway	Management Consulting	**41.0**	–	**1 691**	–
Mason Advisory Limited	UK	Management Consulting	**44.7**	44.7	**1 389**	1 014
					3 632	3 332

Directus AS' year-end is 31 December, the reporting date when the investment in Directus AS was made. The Group does not control Directus and cannot amend its year-end date. The year-ends of the other associates are the same as the Group.

Significant joint venture

Istanbul-based networking and security distributor, Neteks, previously accounted for as a joint venture, was sold on 28 February 2020. The gain on disposal was US$0.4 million.

	2020 US$'000	2019 US$'000
Associates that are not material		
Carrying amount	**3 632**	1 747
Total share of equity-accounted investment (losses)/profits		
Neteks	**(398)**	(2 143)
Esource Resources, LLC	**(181)**	468
Directus AS	**–**	–
Mason Advisory Limited	**375**	272
	(204)	(1 403)

11.2 Bonds (Angola government bonds)

	2020 US$'000	2019 US$'000
Bonds (Angola government bonds)	**13 118**	18 960
ISIN: AOTNX0322G17	**4 960**	5 001
ISIN: AOTNTX529D15	**882**	882
ISIN: AOTNX0519L18	**7 276**	7 276
ISIN: AOTNX0315G17	**–**	4 001
ISIN: AOTNX0318A17	**–**	1 800
Long-term portion	**7 276**	18 960
Short-term portion	**5 842**	–
	13 118	18 960

Westcon International

The Angolan government bonds are indexed to the US Dollar. The amount of US$13.12 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 for conversion. Bonds to the value of US$0.88 million were purchased in December 2015 and mature in December 2020. The coupon rate on these bonds is 7.8%. Bonds to the value of US$4.96 million were purchased in August 2017 and mature in August 2020. The coupon rate on these bonds is 7.0%. Bonds to the value of US$7.28 million were purchased in July 2018 and mature in July 2023. The coupon rate on the bonds is 5.0%.

US$5.8 million of Angolan bonds were redeemed during the year. The cost of early realisation of the bonds was US$0.2 million.

The weakened economic outlook for Angola, which arose in prior years, 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. The further decline in the price of crude oil has increased uncertainty in the Angolan market. 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.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

11. INVESTMENTS (continued)

11.2 Bonds (Angola government bonds) (continued)

Expected credit losses in respect of the bonds are considered to be negligible. There have been no defaults by the Angolan government on bond maturity in the past and the National Bank of Angola has been settling bonds as they fall due.

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

	2020 US$'000	2019 US$'000
Equity-accounted investments	3 632	3 332
Other investments	–	90
Bonds	13 118	18 960
Total investments	**16 750**	22 382
Long-term portion	10 908	22 382
Short-term portion	5 842	–
	16 750	22 382

12. DEFERRED TAX ASSETS/(LIABILITIES)

	2020 US$'000	2019 US$'000
12.1 Movement of deferred tax assets		
At the beginning of the year	52 134	41 104
Arising on acquisition of subsidiaries	–	2 234
(Charge)/credit to profit or loss	(2 358)	11 361
Translation and other movements	(3 232)	(2 565)
	46 544	52 134
Analysis of deferred tax assets		
Capital allowances	6 826	5 931
Expense accruals and similar items	20 040	25 674
Effect of tax losses*	17 840	16 343
Goodwill	51	18
Other individually immaterial temporary differences	1 787	4 168
	46 544	52 134
12.2 Movement of deferred tax liabilities		
At the beginning of the year	(28 616)	(30 240)
Arising on acquisition of subsidiaries	(859)	(3 841)
Charge to profit or loss	2 604	6 203
Credit to other comprehensive income	(607)	(616)
Translation and other movements	1 351	(122)
	(26 127)	(28 616)
Analysis of deferred tax liabilities		
Capital allowances	(1 813)	(2 482)
Goodwill	(17 935)	(16 887)
Intangible assets	(4 440)	(6 848)
Other individually immaterial temporary differences	(1 939)	(2 399)
	(26 127)	(28 616)

* *Deferred tax assets of US$11.6 million (included in the US$17.8 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$7.2 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$28.4 million on assessed/estimated losses have not been recognised in the current financial year. Included in this amount is US$4.3 million relating to Angola that will expire by February 2023.

	2020 Minimum lease payments US$'000	2020 Present value of minimum lease payments US$'000	2019 Minimum lease payments US$'000	2019 Present value of minimum lease payments US$'000
13. FINANCE LEASE RECEIVABLES				
Current portion receivable within one year	**10 719**	**8 581**	6 654	5 807
Receivable between two and five years	**26 768**	**23 271**	14 531	13 363
Receivable after five years	**3 300**	**3 840**	–	–
	40 787	**35 692**	21 185	19 170
Less: unearned finance income	**(5 095)**	**–**	(2 015)	–
Present value of minimum lease assets	**35 692**	**35 692**	19 170	19 170
Current portion		**8 581**		5 807
Long-term portion		**27 111**		13 363
Finance lease receivables		**35 692**		19 170

Leases are provided to customers as part of financing for large product deals. In order to manage the risk associated with rights retained in the underlying assets, large penalty clauses are included in contracts whereby customers are required to pay off the remainder of the value of the products should they exit the lease contract.

Unguaranteed residual values of assets leased under finance leases at the end of the year are US$nil (FY19: US$3.4 million).

The carrying value of finance lease receivables approximates fair value, therefore no fair value disclosures are provided.

Logicalis

One of Logicalis' Latin American subsidiaries has entered into various finance leases, bearing interest between 0.00% and 14.20%. These leases are repayable at various dates between 21 March 2020 and 28 December 2024. At 29 February 2020, US$1.7 million was receivable.

One of Logicalis' European subsidiaries has entered into various finance leases, bearing interest between 0.60% and 9.10%. These leases are repayable at various dates between 30 August 2021 and 30 June 2025. At 29 February 2020, US$33.6 million was receivable.

One of Logicalis' Asia-Pacific subsidiaries has entered into a finance lease, bearing interest at 4.30%. This lease is repayable on 29 September 2022. At 29 February 2020, US$0.4 million was receivable.

The majority of the exposure (US$33.6 million) is in Europe (refer to Note 27.4). Expected credit losses for the year are, however, negligible.

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

		2020 US$'000	2019 US$'000
14.	**INVENTORIES**		
	Merchandise for resale	**234 969**	323 232
	Spares/maintenance inventory	**9 878**	10 184
	Work-in-progress	**23 578**	16 802
		268 425	350 218
	Inventory provisions	**(15 154)**	(17 962)
		253 271	332 256

Obsolete inventory amounting to US$0.6 million (FY19: US$2.0 million) was written off during the year.

During the year, inventories of US$2.3 billion (FY19: US$2.5 billion) were recognised as part of cost of sales. There were no inventories encumbered as at 29 February 2020 (FY19: US$nil).

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

Westcon International's European and Middle Eastern subsidiaries have an inventory purchase financing agreement with a financing company for a specific vendor's purchases for a maximum availability of US$220.0 million (FY19: US$220.0 million) which extends payment terms to 60 and 90 days respectively. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 29 February 2020, US$182.5 million (FY19: US$176.4 million) was outstanding and is included in trade payables per Note 20. Purchases within 0 to 30 days are described as unfunded and are also included in trade payables. The funded availability limit of US$220 million is treated as a group limit which is transferable for usage by the subsidiaries.

Westcon International's Singapore subsidiary has an inventory purchase financing agreement for purchases with a vendor for a maximum of US$48.5 million (FY19: US$40.5 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 29 February 2020, US$28.1 million (FY19: US$25.8 million) was outstanding and is included in trade payables per Note 20.

Some of Westcon International's other Asia-Pacific subsidiaries have inventory purchase financing agreements for specific vendors' purchases for a maximum of US$17.0 million (FY19: US$14.1 million). These agreements may be cancelled at any time with a 60-day or 90-day notice by either Westcon International or the vendors. As at 29 February 2020, US$7.3 million (FY19: US$10.2 million) was outstanding and is included in trade payables per Note 20.

Westcon International's South African subsidiary has an inventory purchase financing agreement with a financing company for a specific vendor's purchases for a maximum availability of US$26.5 million (FY19: US$26.5 million) which extends payment terms from 30 days to 60 days. The agreement may be cancelled at any time with a 60-day notice by either Westcon International or the vendor. As at 29 February 2020, US$5.34 million (FY19: US$6.69 million) was outstanding and is included in trade payables per Note 20.

	2020 US$'000	2019 US$'000
15. TRADE RECEIVABLES		
Trade receivables	**1 140 012**	1 290 514
Expected credit loss allowance	**(29 502)**	(31 661)
	1 110 510	1 258 853

All trade receivables represent financial assets of the Group and are measured at amortised cost.

The carrying value of trade receivables balances approximates their fair value, therefore no fair value disclosures are provided.

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 Group recognises lifetime expected credit losses for trade receivables, which are estimated using a provision matrix. This matrix takes into consideration the payment profiles of trade receivables over a period of 12 months in preceding financial years, the Group's historical credit loss experience, adjusted for factors that are specific to the receivables including insurance held and other securities in place, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group considers forward-looking information such as known changes in the macroeconomic environment of customers located in a certain geography, the deterioration in the Group's relationship or discussions with a particular customer. Consideration of these factors enables an estimation of future expected credit losses to be made. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Particular focus is placed on higher value and aged trade receivables where there are other more specific risk factors. The concentration of credit risk in each of the Group's geographic segments is limited due to the customer base being large and geographically diverse. Accordingly, the directors believe that no further credit loss allowance is required.

There has been no change in the estimation techniques or significant assumptions made during the current period.

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$72.6 million, which represents more than 5% of the total balance of trade receivables (FY19: US$141.7 million). Refer to Note 27.4 for details of the concentration risk.

The Group does not hold any collateral over its trade receivables balances. US$430.0 million of credit insurance is held over trade receivables (FY19: US$504.8 million credit insurance and US$191.9 million of credit guarantees).

US$244.3 million (FY19: US$283.4 million of which US$22.5 million in MEA was pledged against long-term interest-bearing liabilities and short-term interest-bearing funding) of trade receivables are pledged as collateral against long-term interest-bearing liabilities and bank overdrafts (refer to Notes 18.1 and 24).

The weighted average write-off rate over recent years across all classes of trade receivables is 0.38% (FY19: 0.37%). The Group therefore has sufficient expected credit loss allowances.

In determining the possible extent of future credit losses as a consequence of COVID-19, the Group has performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity, related to COVID-19. While some of the scenarios suggest that further credit losses could be incurred if COVID-19 affects the ability the Group's customer base to delay payment, there has been little evidence post-year-end to date to suggest any slow down in payment behaviour. Customer receipts subsequent to the year-end have been in line with historic norms. Management has concluded that the likelihood of material expected credit losses is low.

Notes to the Group consolidated annual financial statements continued

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15. TRADE RECEIVABLES (continued)

The following table details the credit risk profile of trade receivables based on the Group's provision matrix.

Days past due

	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2020						
Current	**57 829**	**160 795**	**478 075**	**102 133**	**81 299**	**880 131**
1 – 30 days past due	**18 807**	**8 381**	**42 451**	**39 197**	**15 080**	**123 916**
31 – 60 days past due	**522**	**2 591**	**7 237**	**14 492**	**4 922**	**29 764**
61 – 90 days past due	**1 229**	**2 752**	**5 507**	**3 859**	**2 133**	**15 480**
91 – 120 days past due	**235**	**463**	**5 464**	**2 948**	**3 857**	**12 967**
Over 120 days	**1 652**	**7 246**	**27 144**	**11 041**	**30 671**	**77 754**
Gross trade accounts receivable	**80 274**	**182 228**	**565 878**	**173 670**	**137 962**	**1 140 012**
Credit loss allowance	**(59)**	**(833)**	**(10 017)**	**(4 658)**	**(13 935)**	**(29 502)**
Net trade receivables	**80 215**	**181 395**	**555 861**	**169 012**	**124 027**	**1 110 510**
Expected credit loss rate (%)	**0.05**	**0.13**	**0.19**	**0.15**	**1.55**	**0.33**
2019						
Current	73 983	223 037	506 445	133 049	86 787	1 023 301
1 – 30 days past due	3 835	11 858	58 135	42 010	15 534	131 372
31 – 60 days past due	1 927	8 151	16 939	12 776	6 877	46 670
61 – 90 days past due	1 902	1 545	4 737	4 904	3 694	16 782
91 – 120 days past due	389	1 956	2 978	2 751	7 203	15 277
Over 120 days	2 208	6 815	14 457	11 766	21 866	57 112
Gross trade accounts receivable	84 244	253 362	603 691	207 256	141 961	1 290 514
Credit loss allowance	(533)	(927)	(8 822)	(4 556)	(16 823)	(31 661)
Net trade receivables	83 711	252 435	594 869	202 700	125 138	1 258 853
Expected credit loss rate (%)	0.11	0.04	0.38	0.34	1.59	0.42

Reconciliation of the expected credit loss allowance account

	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
Balance at 1 March 2018	(830)	(1 189)	(8 689)	(3 517)	(19 915)	(34 140)
Impairment losses recognised on trade receivables	(86)	(650)	(3 835)	(1 563)	(541)	(6 675)
Impairment losses reversed	426	738	1 422	159	113	2 858
Bad debt write-offs	–	21	2 201	281	1 999	4 502
Net exchange gains and losses	(43)	153	79	84	1 521	1 794
Balance at 28 February 2019	**(533)**	**(927)**	**(8 822)**	**(4 556)**	**(16 823)**	**(31 661)**
Impairment losses recognised on trade receivables	**(356)**	**(773)**	**(4 205)**	**(1 071)**	**(639)**	**(7 044)**
Impairment losses reversed	**744**	**590**	**1 824**	**183**	**4**	**3 345**
Bad debt write-offs	**86**	**91**	**1 074**	**650**	**2 410**	**4 311**
Net exchange gains and losses	**–**	**186**	**112**	**136**	**1 113**	**1 547**
Balance at 29 February 2020	**(59)**	**(833)**	**(10 017)**	**(4 658)**	**(13 935)**	**(29 502)**

	2020 US$'000	2019 US$'000
16. CONTRACT ASSETS AND CONTRACT COSTS		
Non-current		
Non-current costs to obtain contracts^	**43**	86
Current		
Current contract assets	**105 104**	98 741
Current costs to obtain contracts	**29**	57
Total current contract assets and contract costs	**105 133**	98 798
Total contract assets and contract costs	**105 176**	98 884
Changes during the period		
At the beginning of the year	**98 798**	–
Changes due to adoption of IFRS 15	**–**	81 537
Change in the time frame for a right to consideration to become unconditional	**(3 783)**	(4 732)
Amounts recognised during the year	**10 266**	21 880
Translation and other movements	**(148)**	113
Total revenue contract assets and contract costs	**105 133**	98 798

^ Included in sundry receivables and contract cost balance of US$9.5 million (FY19: US$4.7 million).

Amounts relating to contract assets are balances due where products have been sold and services have been performed with contractual payment terms based on performance or time-based milestones. Once these milestones have been reached, customers are invoiced and reclassified to trade receivables. The contract asset amount represents the full remaining amount due under the contract adjusted for financing and risk of loss components.

Expected credit losses for the year were negligible.

Contract costs are amortised on a straight-line basis over three years.

	2020 US$'000	2019 US$'000
17. STATED CAPITAL		
Authorised share capital		
400 000 000 (FY19: 400 000 000) ordinary shares		
Issued share capital		
201 450 000 (FY19: 219 200 000) ordinary shares, including treasury and DBP shares		
Stated capital	**113 123**	172 998
	113 123	172 998

Notes **to the Group consolidated annual financial statements** continued

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	Number of shares	Stated capital US$'000
17. STATED CAPITAL (continued)		
Balance at 1 March 2018	242 960 000	258 461
Cancellation of shares repurchased	(23 760 000)	(43 881)
Deferred Bonus Plan ("DBP") shares and treasury shares	(1 106 828)	(1 776)
Effects of foreign currency translation	–	(39 806)
Balance at 28 February 2019	**218 093 172**	**172 998**
Issue of shares for scrip distribution	**1 250 718**	**3 204**
Cancellation of shares repurchased	**(19 000 718)**	**(44 345)**
DBP shares and treasury shares	**(1 856 028)**	**(2 013)**
Effects of foreign currency translation	**–**	**(16 721)**
Balance at 29 February 2020	**198 487 144**	**113 123**

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

During the year ended 29 February 2020, 1 250 718 (FY19: nil) shares were issued as a scrip distribution to shareholders.

The Company repurchased the following shares during the year:

- 4 400 000 shares under the terms of a general authority given by shareholders at a general meeting on 15 January 2019.
- 4 050 718 shares under the terms of a general authority given by shareholders at a general meeting on 26 June 2019.
- 10 550 000 shares up to 29 February 2020 under the terms of a general authority given by shareholders at the AGM on 29 August 2019.

In total, the Company repurchased 19 000 718 shares during FY20 at a total cost of US$44.3 million.

As at 29 February 2020, the Group held 1 000 000 (FY19: 14 315) shares as treasury shares that are held in a broker account. These treasury shares have been set off against stated capital.

As at 29 February 2020, there were 1 962 856 shares (FY19: 1 092 513 shares) relating to the DBP (refer to Note 2). These shares have been set off against stated capital.

Share cancellation expenses for the year amounted to US$0.2 million (FY19 share issue and cancellation expenses: US$0.2 million) and were accounted for in equity.

	2020 US$'000	2019 US$'000
18. LONG-TERM INTEREST-BEARING LIABILITIES		
Secured loans	**13 052**	14 458
Other long-term liabilities – unsecured	**29 980**	30 948
	43 032	45 406
Less: current portion included in trade payables (Note 20)	**(24 394)**	(35 956)
Long-term portion	**18 638**	9 450
Repayable between one and two years	**15 379**	8 518
Repayable between two and three years	**1 337**	841
Repayable between three and four years	**1 036**	–
Repayable between four and five years	**796**	–
Repayable after five years	**90**	91
	18 638	9 450

Logicalis has a US$45.0 million committed facility to fund future acquisitions as part of the Barclays syndicate. This facility matures in January 2023 after a three-year term, thereafter there is the option to extend this facility for a year. The applicable interest rate is London Interbank Offered Rate ("LIBOR") plus a margin rate determined from a margin ratchet on quarterly leverage. The margin ranges between 2.00% and 3.00%. The facility includes covenants which are tested quarterly. No amounts were drawn under this facility at 29 February 2020.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

18. LONG-TERM INTEREST-BEARING LIABILITIES (continued)

18.1 Secured loans and other long-term liabilities

Counterparty	Currency	Interest rate	Final repayment date	Repayment terms	Principal amount (loan currency) '000	Principal amount US$'000	Total capital amount out-standing US$'000
Secured:							**13 052**
Westcon International							**12 900**
Futuregrowth Asset Management	ZAR	3-month JIBAR + 2.5%	September 2021	Full capital repayable every two years, interest paid quarterly	200 000	12 810	**12 810**
Tokyo Century Leasing (Singapore) Pte Ltd	SGD	5.19%	August 2024*	Monthly instalments	180	129	**90**
Management Consulting							**152**
Handelsbanken	SEK	3.50%	December 2021	Quarterly instalments	4 000	416	**152**
Unsecured:							**29 980**
Logicalis							**29 533**
Cisco Systems Capital Corporation	AU$	0.00%	December 2020*	Quarterly instalments	9 719	6 328	**6 192**
Cisco Systems Capital Corporation	US$	2.00%	August 2020*	Quarterly instalments	20 569	20 569	**5 494**
Cisco Systems Capital Corporation	US$	1.82%	November 2024*	Quarterly instalments	3 946	3 946	**3 967**
Cisco Systems Capital Corporation	US$	3.00%	January 2020^	Biannual instalments	4 957	4 957	**3 372**
IBM Financed invoices	EUR	1.40%	March 2021*	Biannual instalments	4 170	4 602	**2 322**
IBM Financed invoices	EUR	1.40%	January 2021*	Annual instalments	3 063	3 381	**1 690**
Cisco Systems Capital Corporation	US$	4.42%	October 2020*	Quarterly instalments	3 465	3 465	**1 291**
Cisco Systems Capital Corporation	AU$	0.00%	March 2023*	Annual instalments	567	369	**1 052**
Other	Various	Interest-free to 11.80%	Between March 2020 and December 2025*	Monthly, quarterly, biannual and annual instalments	Various	13 575	**4 153**
Datatec Financial Services							**447**
PEAC UK Limited	GBP	4.80%	August 2021	Quarterly instalments	522	522	**447**

** The amount due within 12 months is included in current portion of long-term liabilities.*
^ The repayment date for this loan has been extended. There is no fixed repayment date.

The Futuregrowth Asset Management liability is secured by trade receivables to the value of US$20.6 million (FY19: US$21.5 million). The Tokyo Century Leasing loan is secured by a car to the value of US$0.14 million. The Handelsbanken loan is secured by business assets to the value of US$0.05 million.

The carrying value of long-term liabilities approximates their fair value, therefore no fair value disclosures are provided.

	2020 US$'000	2019* US$'000
19. LEASE LIABILITIES		
Non-current	**95 148**	21 933
Current	**34 325**	9 049
	129 473	30 982
Current portion repayable within one year	**34 325**	9 049
Repayable between one and two years	**30 067**	8 278
Repayable between two and three years	**23 388**	6 875
Repayable between three and four years	**15 544**	4 610
Repayable between four and five years	**11 443**	1 754
Repayable between five and 10 years	**14 706**	416
	129 473	30 982

** Previously included in long-term interest-bearing borrowings (liabilities under capitalised finance leases).*

Geographic segment	Currency	Classes of right-of-use assets leased	Interest rate	Final repayment date	Principal amount US$'000	Total capital amount outstanding US$'000
Westcon International						**31 350**
North America	US$	Equipment, motor vehicles and land and buildings	4.50%	Unspecified – over five years	2 445	**2 436**
Europe	Various	Equipment, motor vehicles and land and buildings	4.50%	February 2025	30 242	**22 898**
Asia-Pacific	Various	Equipment, motor vehicles and land and buildings	Between 5.22% and 10.17%	Between February 2021 and February 2023	4 874	**2 293**
MEA	Various	Equipment, motor vehicles and land and buildings	Between 10.00% and 15.00%	Between February 2021 and February 2025	1 271	**3 723**
Logicalis						**89 013**
North America	US$	Equipment, computer equipment and land and buildings	Between 3.8% and 7.6%	Between July 2020 and September 2026	27 045	**18 124**
Latin America	Various	Equipment, leasehold improvements and land and buildings	Between 0.0% and 22.8%	Between March 2020 and November 2025	20 937	**13 297**
Europe	EUR and GBP	Office furniture, equipment, motor vehicles, computer equipment, leasehold improvements and land and buildings	Between 0.6% and 9.1%	Between March 2020 and January 2030	61 949	**43 958**

Notes to the Group consolidated annual financial statements continued

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Geographic segment	Currency	Classes of right-of-use assets leased	Interest rate	Final repayment date	Principal amount US$'000	Total capital amount outstanding US$'000
19. LEASE LIABILITIES (continued)						
Logicalis (continued)						
Asia-Pacific	Various	Office furniture, equipment, computer equipment, leasehold improvements and land and buildings	Between 3.0% and 10.6%	Between March 2020 and September 2024	15 834	**12 253**
MEA	ZAR	Land and buildings	Between 7.0% and 10.25%	Between October 2020 and March 2025	1 532	**1 381**
Corporate and Management Consulting						**9 110**
Europe	Various	Computer equipment and land and buildings	Between 2.75% and 3.02%	Between October 2022 and January 2023	7 288	**8 422**
MEA	ZAR	Equipment and land and buildings	9.25%	Between December 2023 and November 2030	664	**688**

Generally, these lease contracts are entered into for fixed periods but may have extension options.

The Group's finance lease arrangements include immaterial variable lease payments.

Short-term leases (lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease (refer to Note 3).

No residual value guarantees have been provided.

Refer to Note 37 for details of the impact of the adoption of IFRS 16.

	2020 US$'000	2019 US$'000
20. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES		
20.1 Trade and other payables	**1 259 013**	1 358 928
Trade payables	**928 201**	1 056 451
VAT/sales tax	**37 933**	29 868
Accruals	**204 651**	195 882
Sundry payables	**85 498**	70 026
Short-term portion of share-based payments	**2 730**	6 701
20.2 Short-term interest-bearing liabilities	**75 145**	100 702
Unsecured short-term funding – Cisco Systems Capital Corporation	**19 802**	45 240
Unsecured short-term funding – Banco Santander	**17 583**	1 148
Unsecured short-term funding – Banco Bradesco	**7 354**	8 277
Unsecured short-term funding – Banco Votorantim	**2 752**	2 762
Unsecured short-term funding – Banco AV Villas	**1 094**	553
Unsecured short-term funding – Matthias Seitle	**105**	–
Unsecured short-term funding – Billie GmbH	**22**	–
Secured short-term funding – Tanner Servicios Financieros	**1 865**	–
Secured short-term funding – Factoring Security S.A.	**174**	5 251
Secured short-term funding – Futuregrowth Asset Management	**–**	717
Secured short-term funding – BCI Factoring S.A.	**–**	698
Secured short-term funding – Banco Internacional and Banco de Chile	**–**	100
Current portion of other long-term liabilities (Note 18)	**24 394**	35 956
	1 334 158	1 459 630

The carrying value of trade and other payables and short-term interest-bearing liabilities approximates their fair value, therefore no fair value disclosures are provided. Trade accounts payable will be settled in the normal course of business.

Logicalis' subsidiaries have four inventory financing arrangements, described below, with financing companies for specific vendors' purchases which extend payment terms beyond the vendors' normal payment terms. Purchases within the normal vendor credit terms are described as unfunded and are included in trade payables.

Logicalis United Kingdom: Extended payment terms begin at 60 days+ for a maximum of US$26.0 million. At 29 February 2020, US$1.4 million was utilised (FY19: US$1.7 million). Logicalis United States: Extended payment terms begin at 60 days+ for a maximum of US$50.0 million. At 29 February 2020, US$3.4 million was utilised (FY19: US$5.0 million). Logicalis United States: Extended payment terms begin at 75 days+ for a maximum of US$28.0 million. At 29 February 2020, US$19.0 million was utilised (FY19: US$0.9 million). Logicalis Latin America: Extended payment terms begin at 90 days+ for a maximum of US$125.0 million. At 29 February 2020, US$6.0 million was utilised (FY19: US$21.5 million).

Notes **to the Group consolidated annual financial statements** continued

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20. TRADE AND OTHER PAYABLES AND SHORT-TERM INTEREST-BEARING LIABILITIES (continued)

20.2 Short-term interest-bearing liabilities (continued)

Unsecured loans

Some of Logicalis' subsidiaries has entered into various loans with Cisco Systems Capital Corporation, between US$0.06 million and US$3.5 million each, bearing interest at between 0.00% and 3.00%. These loans are repayable at various dates between February 2020 and September 2020. At 29 February 2020, US$19.8 million was outstanding.

Some of Logicalis' subsidiaries have entered into various forfaiting arrangements with Banco Santander, between US$0.007 million and US$0.6 million each, bearing interest between 3.25% and 3.95%. These loans are repayable in April 2020. At 29 February 2020, US$6.8 million was outstanding.

One of Logicalis' subsidiaries has factoring arrangements with Banco Santander, payable in September 2020 and bearing interest at 3.97%. At 29 February 2020, US$10.8 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Bradesco, between US$0.003 million and US$0.4 million each, bearing interest at between 3.20% and 3.30%. These liabilities are repayable at various dates between April 2020 and June 2020. At 29 February 2020, US$7.4 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Votorantim, between US$0.4 million and US$0.6 million each, bearing interest at 4.55%. These liabilities are repayable in April 2020. At 29 February 2020, US$2.8 million was outstanding.

One of Logicalis' subsidiaries has entered into factoring arrangements with Banco AV Villas of between US$0.3 million and US$0.4 million each, payable in April 2020, bearing interest at between 8.24% and 8.27%. These liabilities are repayable in April 2020. At 29 February 2020, US$1.1 million was outstanding.

One of Logicalis' subsidiaries entered into a short-term loan with Matthias Seitle, payable in April 2020 and bearing interest at 0.00%. At 29 February 2020, US$0.1 million was outstanding.

One of Logicalis' subsidiaries entered into a factoring arrangement with Billie GmbH, payable in March 2020 and bearing interest at 0.00%. At 29 February 2020, US$0.02 million was outstanding.

Secured loans

One of Logicalis' subsidiaries entered into various funding arrangements with Tanner Servicios Financieros, S.A., between US$0.06 million and US$0.8 million each, bearing interest between 5.80% and 7.56%. These loans are repayable between March 2020 and May 2020. At 29 February 2020, US$1.9 million was outstanding. The liability is secured by invoices to the value of US$1.9 million.

One of Logicalis' subsidiaries entered into various funding arrangements with Factoring Security S.A., between US$0.005 million and US$0.1 million each, bearing interest at 5.80%. These loans are repayable at various dates between March 2020 and April 2020. At 29 February 2022, US$0.2 million was outstanding. The liability is secured by invoices to the value of US$0.2 million.

Refer to Note 14 for details of inventory purchase financing arrangements. Amounts outstanding under these arrangements are included in trade payables.

	2020 US$'000	2019 US$'000
21. AMOUNTS OWING TO VENDORS		
Long-term portion	**2 052**	1 393
Short-term portion	**3 438**	936
	5 490	2 329

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. 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.

Amounts owing to vendors are classified as financial liabilities designated at fair value through profit or loss. They are classified as level 3 financial instruments, whose fair value measurements are derived from inputs that are unobservable for the liability. Movements are presented in the statement of comprehensive income as acquisition-related fair value adjustments.

Logicalis

Effective 4 September 2017, Logicalis acquired Packets Systems Indonesia ("PSI"), a leading ICT systems integrator and services company. The consideration payable comprised an initial cash consideration of US$6.8 million and deferred cash consideration of up to US$0.8 million, split into two payments over two years. The payment of deferred cash consideration is dependent on certain targets being met for each of these two periods.

Effective 8 October 2018, Logicalis acquired Computer Networks Integration (Pty) Ltd ("CNI"), a Microsoft Gold-Certified Partner based in Melbourne. The consideration payable comprised an initial cash consideration of US$1.8 million (AU$2.5 million) and deferred cash consideration of up to US$1.3 million (the equivalent of AU$1.8 million) split into three payments over three years. The payment of the deferred consideration is dependent on certain targets being met for each of these three periods. During the year, US$0.7 million (the equivalent of AU$1.0 million) was released to the statement of comprehensive income as the targets were not met. At year-end, US$0.5 million (the equivalent of AU$0.8 million) remains outstanding with payment of US$0.3 million (the equivalent of AU$0.4 million) due shortly after year-end.

On 30 June 2019, Logicalis completed the acquisition of Mars Investment Holdings (Pty) Ltd ("Mars Technologies"), a South African IT services business, offering managed IT services ranging from the remote monitoring of networks and servers, managed desktop, anti-virus, cloud backup, and printers, to full outsourcing, with a strong offering to small and mid-market enterprises. The consideration payable comprised an initial amount of US$0.3 million (the equivalent of R4.0 million) with a deferred consideration payable of US$0.1 million (the equivalent of R1.2 million) due within three years, provided certain conditions are met.

Logicalis purchased a 70% interest in Comunicações e Projectos Especiais S.A. ("Cilnet") on 2 September 2019, a Cisco systems integrator and managed services business in Portugal which increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region. The consideration payable comprised an initial amount of US$6.4 million (the equivalent of EUR5.8 million) with a deferred consideration payable of US$2.3 million (the equivalent of EUR2.1 million) due over two years, provided certain conditions are met.

Logicalis acquired Orange Networks GmbH ("Orange Networks") on 2 September 2019, a Microsoft services business focused on Microsoft cloud and managed services, with Germany-wide presence including Hamburg, Munich, Offenbach and Düsseldorf. This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering. The consideration payable comprised an initial amount of US$2.4 million (the equivalent of EUR2.1 million) with a deferred consideration payable of US$0.6 million (the equivalent of EUR0.5 million) due within three years, provided certain conditions are met.

Management Consulting

Effective 17 July 2018, Analysys Mason acquired Access Markets International-Partners, Inc., a global research and consulting firm based in the US. The consideration payable comprised an initial cash consideration of US$3.3 million and a deferred cash consideration of up to US$0.2 million. The deferred cash consideration was dependent on certain conditions being met. The deferred cash consideration of US$0.2 million was paid during the year based on certain conditions being met.

Effective 1 March 2019, Analysys Mason acquired Stelacon Holding AB, a consultancy based in Sweden. The consideration payable comprised an initial consideration of US$1.4 million (the equivalent SEK13.0 million) paid as a mix of cash and Analysys Mason shares, and deferred cash consideration of up to US$1.3 million (the equivalent of SEK12.0 million). US$1.2 million (the equivalent of SEK11.8 million) was agreed as the final deferred consideration based on certain targets being met. The agreed deferred consideration is to be paid in FY21.

Notes to the Group consolidated annual financial statements continued

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	Restructuring US$'000	Legal claims and costs US$'000	VAT/ sales tax US$'000	Pension obligations US$'000	Dilapidations/ asset retirement obligations US$'000	Onerous contracts US$'000	Other US$'000	Total US$'000
22. PROVISIONS								
Balance at 1 March 2019	8 546	1 739	710	5 451	7 018	705	4 398	28 567
Amounts added	6 865	1 471	802	545	822	3 179	3 472	17 156
Utilised	(13 231)	(1 410)	(723)	(33)	(153)	(194)	(1 819)	(17 563)
Amounts reversed	(177)	(569)	–	(168)	(2 170)	–	(2 989)	(6 073)
Translation and other	(460)	(239)	(440)	(78)	(139)	(529)	(797)	(2 682)
Balance at 29 February 2020	1 543	992	349	5 717	5 378	3 161	2 265	19 405
Expected maturity								
Within one year	1 543	214	349	834	605	2 955	1 835	8 335
Between two to five years	–	778	–	1 036	2 610	206	285	4 915
More than five years	–	–	–	3 847	2 163	–	145	6 155
	1 543	992	349	5 717	5 378	3 161	2 265	19 405

	2020 US$'000	2019 US$'000
22. PROVISIONS (continued)		
Long-term portion	**11 070**	11 019
Short-term portion	**8 335**	17 548
	19 405	28 567

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 disclosed 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. Onerous contracts consist of projects in progress in which the costs of meeting the obligations under the contract exceed the economic benefits expected to be received. Other provisions include asset vendor credits, employee settlement claims and other provisions, which are individually insignificant.

The timing of restructuring provisions is fairly certain and is expected to be settled within 12 months. There is little uncertainty with regard to the amounts but some provisions are subject to final agreement.

There is uncertainty regarding the timing of legal claims as the finalisation of certain lawsuits cannot be determined. There is some uncertainty regarding the amounts but best estimates have been provided by legal counsel.

The VAT/sales tax provision relates to tax exposures in foreign jurisdictions and external tax consultants are being utilised to investigate these exposures.

The timing of pension obligations is uncertain and is determined by external actuaries. The amounts of pension obligations are determined by external actuaries. The uncertainty related to assumptions include discount rates, retirement ages and estimates of growth in retirement funding.

The timing of some dilapidations/asset retirement obligations are fairly certain and based on the lease agreement end dates but there is uncertainty regarding one dilapidation obligation. There is uncertainty with regard to the amount as they are subject to the properties' conditions, the position and behaviour of the landlord and the local rates prevailing at the time.

Some uncertainty exists over the timing and amount of onerous contracts. These have been determined using management's best estimate of the duration and costs to complete the relevant projects.

Notes to the Group consolidated annual financial statements continued

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	2020 US$'000	2019 US$'000
23. CONTRACT LIABILITIES		
Current contract liabilities	**4 197**	3 476
Changes during the period:		
At the beginning of the year	**3 476**	–
Changes due to adoption of IFRS 15	**–**	3 800
Change in the time frame for a right to consideration to become unconditional	**(3 325)**	(3 800)
Amounts recognised during the year	**4 166**	3 435
Translation	**(120)**	41
	4 197	3 476
The aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations is US$4.2 million (FY19: US$3.5 million).		
Expected to be recognised:		
Within one year	**4 197**	3 476
	4 197	3 476

Contract liabilities relate to payments received from customers where there is still a commitment to complete the performance obligation. Revenue is only recognised once the performance obligation has been satisfied either at a point in time or over time.

	2020 US$'000	2019 US$'000
24. BANK OVERDRAFTS		
Total bank overdrafts at the end of the year	**263 800**	304 019

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Westcon International					**132 245**
UK	HSBC syndicate	US$	220 000	2.95% above the US$, Euro or Sterling base rates (1.625%, 0.0% and 0.75% as at 29 February 2020)	**103 400**

- The facility matures in June 2020*.
- Advances under this arrangement are available up to 75% 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.
- This balance fluctuates daily.

24. BANK OVERDRAFTS (continued)

Westcon International (continued)

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Germany	HSBC syndicate	US$	60 000	2.95% above the US$ and Euro base rates (1.625% and 0.0% as at 29 February 2020)	**9 882**
	• The facility matures in June 2020*. • Advances under this arrangement are available up to 75% 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$7.5 million value without the bank's prior consent. • This balance fluctuates daily.				
UAE	HSBC	US$	15 000	London or Emirates Interbank Offered ("LIBOR" or "EIBOR") + 2.25% (1.61% and 1.85% as at 29 February 2020)	**5 820**
Singapore	HSBC	US$	11 000	For US$ drawings, LIBOR + 1.60% (3.25% as at 29 February 2020)	**5 100**
	• Borrowings under this facility are collateralised by current and future assets.				
Singapore	HSBC	US$	6 000	For US$ drawings, LIBOR + 1.60% For SGD drawings, Singapore Interbank Rate + 1.60% (3.48% for US$ and 3.30 for SGD as at 29 February 2020)	**3 720**
	• Borrowings under this facility are collateralised by current and future assets.				
Indonesia	HSBC	IDR	3 000	For US$ drawings, bank best lending rate less 4.15% For IDR drawings, bank best lending rate less 7.75% (9.15% as at 29 February 2020)	**2 370**
Singapore	HSBC	US$	6 000	For US$ drawings, LIBOR + 1.60% (3.31% as at 29 February 2020)	**1 953**
	• Borrowings under this facility are collateralised by current and future assets.				

Only facilities that have been drawn at 29 February 2020 have been included in the table above. There are further facilities available, which together with the drawn facilities above, amount to total facilities of US$355.8 million (US$132.2 million was drawn at year-end). Restrictions of US$81.8 million apply to the facilities. The net availability of the facilities, taking into account restrictions, is US$141.7 million. The net availability does not include any cash balances in Westcon International.

US$236.9 million (FY19: US$234.9 million) of trade receivables are pledged as collateral against bank overdrafts.

Datatec PLC has US$15 million (FY19: US$30 million) of cash as collateral for Westcon Asia facilities.

** On 14 May 2020, Westcon extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced with effect from 4 June 2020 to US$224 million with an accordion facility to go up to US$280 million during the period November 2020 to February 2021 when working capital utilisation is typically at its highest.*

Notes **to the Group consolidated annual financial statements** continued

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Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
24. BANK OVERDRAFTS (continued)					
Logicalis					**131 555**
UK	Barclays syndicate	Multiple currencies	40 137	LIBOR (dependent on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 2.00% and 3.00% (4.26% as at 29 February 2020)	**40 137**
	• This facility matures in January 2023 after a three-year term. • Thereafter there is the option to extend this facility for a year. • The facility includes EBITDA and interest cover covenants which are tested quarterly.				
UK	Barclays syndicate	Multiple currencies	50 000	LIBOR (dependent on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 1.75% and 2.75% (3.65% as at 29 February 2020)	**33 263**
	• This facility matures in January 2023 after a three-year term. • Thereafter there is the option to extend this facility for a year. • The facility includes EBITDA and interest cover covenants which are tested quarterly.				
UK	HSBC	Multiple currencies	0*	Interest rates vary based on the amounts drawn down	**14 684**
	• This is not an additional facility. This overdraft is offset by cash in a pooling agreement.				
Chile	Banco Itaú Unibanco	US$	11 000	This facility has a fixed interest rate (7.70% as at 29 February 2020)	**10 123**
Brazil	Banco Votorantim	US$	7 931	This facility has a per annum pre-fixed interest rate in US$ (4.80% as at 29 February 2020)	**7 931**
	• There are four different overdrafts under this facility, maturing between March and July 2020. • This facility contains covenants that require the bank's claims to rank *pari passu* with other unsecured payables and that restrict Logicalis' ability to create, incur, assume or permit any encumbrances on the cross guarantees in place.				
Brazil	Banco ABC do Brasil	US$	6 183	This facility has a per annum pre-fixed interest rate in US$ (4.50% as at 29 February 2020)	**6 183**
	• There are two different overdrafts under this facility, maturing in June 2020. • This facility contains covenants that restrict Logicalis' ability to create or incur liens, dispose of or transfer any substantial part of its assets, merge, consolidate or transfer all or substantially all of its assets and make material changes to accounting policies or reporting practices without the bank's prior consent.				

24. BANK OVERDRAFTS (continued)

Logicalis (continued)

Region	Provider	Facility currency	Facility limit US$'000	Interest rate	Overdraft US$'000
Brazil	Banco Itaú Unibanco	BRL	5 690	CDI + 1.50% (CDI: 4.15% at 29 February 2020)	**5 690**
	• This facility matures in August 2020.				
Brazil	Banco Votorantim	BRL	3 580	CDI + 1.79% (CDI: 4.15% at 29 February 2020)	**3 580**
	• This facility matures in August 2020.				
Brazil	De Lage Landen	BRL	2 733	This facility has a per annum pre-fixed interest rate in BRL (13.35% as at 29 February 2020)	**2 733**
	• There are three different overdrafts under this facility, maturing between June and October 2020.				
Chile	Banco Santander	CLP	3 660	This facility has a fixed interest rate (43.00% at 29 February 2020)	**2 067**
Mexico	HSBC	US$	2 000	For MXN drawings, 3.5% + TIIE (interbank equilibrium rate) For US$ drawings, 4.5% + LIBOR (MXN: 9.84% and US$: 5.20% at 29 February 2020)	**1 445**
Colombia	Banco Itaú Corbanca	COP	2 025	IBR M.V. + 5.119% (8.42% at 29 February 2020)	**1 201**
Brazil	Banco Bradesco	US$	1 010	This facility has a per annum pre-fixed interest rate in US$ (5.50% as at 29 February 2020)	**1 010**
	• This facility matures in June 2020.				
Other	HSBC	Various	Various	Between 1.83% and 8.75%	**1 508**

** The total facility limit applies to an account with cash pooling.*

Only facilities that have been drawn at 29 February 2020 have been included in the table above. There are further facilities available, which together with the drawn facilities above, amount to total facilities of US$203.8 million (US$131.6 million in overdrafts at year-end). No restrictions apply to the facilities. The net availability of all facilities, excluding unlinked overdrafts is US$87.0 million. The net availability does not include any cash balances in Logicalis.

Notes to the Group consolidated annual financial statements continued

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25. 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 14 was generally guaranteed by Westcon International and Datatec PLC.

Logicalis has a contingent liability in respect of a possible tax liability at its PromonLogicalis Latin America Limited ("PromonLogicalis") subsidiary in Brazil. In April 2011, a Brazilian state tax authority claimed that PromonLogicalis should have paid a higher rate of state tax on its equipment sales up to October 2010 than actually paid. PromonLogicalis management, supported by a legal opinion, strongly disagrees with the state tax authority's assessment and have formally appealed against it. Datatec management supports PromonLogicalis management's view and believes it unlikely that PromonLogicalis will have to pay any additional tax.

The Group has certain contingent liabilities resulting from litigation and claims, including breach of warranties, where operations have been acquired or disposed of, generally involving commercial and employment matters, which are incidental to the ordinary conduct of its business. Management believes, after taking legal advice where appropriate on the probable outcome of these contingencies, that none of these contingencies will materially affect the financial position or the results of operations of the Group.

26. RELATED-PARTY TRANSACTIONS

Sales and purchases between Group companies are concluded on normal commercial terms in the ordinary course of business. For the year ended 29 February 2020, the inter-group sales of goods and provision of services amounted to US$40.0 million (FY19: US$40.4 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.

The Group also transacts with its associate Esource Resources, LLC (refer to Note 11.1). During the year, the Group made sales totalling US$51.1 million (FY19: US$48.4 million) and received management fees of US$0.3 million (FY19: US$0.5 million). As at 29 February 2020, US$2.2 million (FY19: US$4.2 million) was due from Esource Resources, LLC.

This includes a short-term loan of US$0.1 million which is repayable in monthly instalments to March FY22. The remainder of the balance is repayable under normal commercial terms.

US$0.1 million (FY19: US$0.2 million) was due to Esource Resources, LLC and is repayable under normal commercial terms. The amounts due to and from Esource Resources, LLC are unsecured and interest-free.

During the year, the Group entered into the following material trading transactions with SYNNEX, 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 – FY19	73	113 146
SYNNEX Corporation Limited – FY20	**5**	**107 506**

26. RELATED-PARTY TRANSACTIONS (continued)

	Amounts owed by related party US$'000	Amounts owed to related party US$'000
The following balances were outstanding at the end of the reporting period:		
SYNNEX Corporation Limited – FY19	290	2 621
SYNNEX Corporation Limited – FY20	**242**	**2 435**

SYNNEX became a related party to the Datatec Group on 1 September 2017 when it purchased 10% of Westcon International. Sales of goods to SYNNEX were made on normal commercial terms. Logicalis has an inventory purchase agreement with SYNNEX where Logicalis has agreed to purchase inventory from SYNNEX in return for a rebate. During the year, US$107.5 million (FY19: US$113.1 million) of inventory was purchased from SYNNEX in return for rebate of US$0.4 million (included in the statement of comprehensive income). 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.

	2020 US$'000	2019 US$'000
Key management personnel compensation		
Short-term employee benefits	**7 374**	7 551
Post-employment benefits	**241**	300
Share-based payments	**369**	222
	7 984	8 073

Key management personnel compensation comprises the compensation of 12 (FY19: 12) senior executives of the Group's divisions. The remuneration of Datatec's executive directors is included in Note 3 and in the tables on the following page. There were no other prescribed officers in the Company.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments

The following tables set out the remuneration of individual directors who held office during FY20 and FY19:

	2020						
	Guaranteed package						
US$'000	**Basic salary**	**Pension**	**Other benefits***	**Fees**	**STI**	**LTI**	**Total**
Executive directors							
JP Montanana	**1 140**	**214**	**48**	**–**	**862**	**3 106**	**5 370**
IP Dittrich	**503**	**84**	**47**	**–**	**207**	**665**	**1 506**
Total executive directors	**1 643**	**298**	**95**	**–**	**1 069**	**3 771**	**6 876**
Non-executive directors							
SJ Davidson	**–**	**–**	**–**	**202**	**–**	**–**	**202**
M Makanjee	**–**	**–**	**–**	**93**	**–**	**–**	**93**
JF McCartney	**–**	**–**	**–**	**101**	**–**	**15**	**116**
CRK Medlock (from 1 January 2020)	**–**	**–**	**–**	**13**	**–**	**–**	**13**
MJN Njeke	**–**	**–**	**–**	**109**	**–**	**–**	**109**
E Singh-Bushell	**–**	**–**	**–**	**99**	**–**	**–**	**99**
Total non-executive directors	**–**	**–**	**–**	**617**	**–**	**15**	**632**
Total directors' emoluments	**1 643**	**298**	**95**	**617**	**1 069**	**3 786**	**7 508**

	2019						
	Guaranteed package						
US$'000	Basic salary	Pension	Other benefits*	Fees	STI	LTI	Total
Executive directors							
JP Montanana	1 428	214	28	–	1 624	2 170	5 464
IP Dittrich	560	84	43	–	382	421	1 490
Total executive directors	1 988	298	71	–	2 006	2 591	6 954
Non-executive directors							
SJ Davidson	–	–	–	202	–	–	202
O Ighodaro (to 31 October 2018)	–	–	–	62	–	–	62
JF McCartney	–	–	–	90	–	–	90
M Makanjee (from 1 November 2018)	–	–	–	28	–	–	28
MJN Njeke	–	–	–	110	–	–	110
CS Seabrooke (to 20 September 2018)	–	–	–	50	–	–	50
E Singh-Bushell (from 1 June 2018)	–	–	–	71	–	–	71
NJ Temple (to 20 September 2018)	–	–	–	45	–	–	45
Total non-executive directors	–	–	–	658	–	–	658
Total directors' emoluments	1 988	298	71	658	2 006	2 591	7 612

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

During FY20, Rick Medlock joined the Board on 1 January 2020.

The LTI remuneration received by John McCartney during FY20 arose from a final payment from the legacy Westcon Group, Inc. SAR scheme based on the SYNNEX earn-out determination in May 2019.

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

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Conditional share plan ("CSP")

Grants were made under the CSP in FY20 and FY19 including the following awards to directors:

CSP	Grant date	Number of awards 2019	Number of awards 2020	Fair value of awards on grant US$'000	Grant fair value as a % of base pay %	Fair value of awards at 29 February 2020 US$'000	Fair value of awards at 28 February 2019 US$'000
JP Montanana	1 Jun 18	1 291 148		2 142	150%	277	2 704
	1 Jun 19		538 870	1 246	109%	115	–
						392	2 704
IP Dittrich	1 Jun 18	405 066		672	120%	87	848
	1 Jun 19		190 212	344	87%	41	–
						128	848

Deferred bonus plan ("DBP")

Jens Montanana has elected to defer 37.3% of his FY20 bonus, being US$300 000 (FY19: US$812 000) into the DBP to purchase forfeitable shares in June 2020. The Company will contribute the same amount of forfeitable shares and the Company's contribution is included in the LTI element shown in the directors' remuneration table.

Ivan Dittrich has elected to defer 25% of his FY20 bonus, being US$48 100 (FY19: US$96 000) into the new DBP to purchase forfeitable shares in May/June 2020. The Company will contribute the same amount of forfeitable shares and the Company's contribution is included in the LTI element shown in the directors' remuneration table.

Notes to the Group consolidated annual financial statements continued

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26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Westcon International equity appreciation plan ("WI – EAP")

During FY19, Datatec executive directors received once-off awards of units in the WI – EAP as follows:

WI – EAP	Grant date	Number of awards	Fair value of awards on grant US$'000	Grant fair value as a % of base pay %	Fair value of awards at 29 February 2020 US$'000	Fair value of awards at 28 February 2019 US$'000
JP Montanana	14 Mar 18	30 000	–	–	**102**	88
IP Dittrich	14 Mar 18	15 000	–	–	**51**	44

In addition to the above, in FY19 Jens Montanana received an award of 10 000 units in the WI – EAP conditional on a sale of Westcon International for in excess of US$300 million being achieved. The fair value of this award on grant was US$nil and at 29 February 2020 was US$37 000 (FY19: US$14 000).

Discontinued long-term incentives ("old LTI")

Directors holding office during FY20 held the following share appreciation rights under the rules of the SARs scheme:

	Grant date	Grant price ZAR	SARs held at the beginning of the year	Exercised during the year	Lapsed during the year	SARs held at the end of the year
JP Montanana	14 May 15	35.79	**629 000**	**–**	**–**	**629 000**
	12 May 16	27.20	**1 122 269**	**–**	**(1 122 269)**	**–**
	28 Jul 17	34.94	**748 955**	**–**	**–**	**748 955**
Sub-total			**2 500 224**	**–**	**(1 122 269)**	**1 377 955**
IP Dittrich	12 May 16	27.20	**308 665**	**–**	**(308 665)**	**–**
	28 Jul 17	34.94	**230 039**	**–**	**–**	**230 039**
Sub-total			**538 704**	**–**	**(308 665)**	**230 039**
Total			**3 038 928**	**–**	**(1 430 934)**	**1 607 994**

The SARs granted in May 2016 did not meet their performance condition in May 2019 and hence they lapsed.

The SARs granted in May 2017 are not expected to meet their performance condition in May 2020 and hence they will lapse. Accordingly, the directors received no remuneration from the SARs scheme in FY20 and FY19.

26. RELATED-PARTY TRANSACTIONS (continued)

Directors' emoluments (continued)

Discontinued long-term incentives ("old LTI") (continued)

Directors holding office during FY20 held the following conditional awards under the LTIP:

	Grant date	Awards held at the beginning of the year	Vested and settled during the year	Lapsed/ forfeited during the year	Awards held at the end of the year
JP Montanana	12 May 16	1 122 269	(561 134)	–	561 135
	28 Jul 17	748 955	–	–	748 955
Sub-total		1 871 224	(561 134)	–	1 310 090
IP Dittrich	12 May 16	231 499	(115 750)	–	115 749
	28 Jul 17	172 529	–	–	172 529
Sub-total		404 028	(115 750)	–	288 278
Total		2 275 252	(676 884)	–	1 598 368

The 2016 LTIP awards vested 50% in May 2019 and the other 50% is expected to vest 50% in May 2020. Accordingly, the value of the vesting is included in the directors' FY19 and FY20 LTI remuneration figure disclosed above.

The 2017 LTIP awards are expected to vest 100% in May 2020. Accordingly the value of the vesting is included in the directors' FY20 LTI remuneration figure disclosed above.

The final settlement under the deferred bonus plan 2005 ("old DBP") was made in June 2019 when matching shares were delivered to directors. The value of the performance condition based part of these matching shares (valued at the 30-day VWAP on 28 February 2019) was included in the directors' FY19 LTI figures in the table above: Jens Montanana: US$183 000; Ivan Dittrich US$84 000.

Notes **to the Group consolidated annual financial statements** continued

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27. FINANCIAL INSTRUMENTS

27.1 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 leases.

27.2 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 FY19. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 18 and 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital (see Note 17), reserves and retained earnings.

Gearing ratio

The Group's capital structure is reviewed on at least a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year-end was as follows:

	2020 US$'000	2019 US$'000
Long-term interest-bearing liabilities	**(18 638)**	(9 450)
Short-term interest-bearing liabilities	**(75 145)**	(100 702)
Lease liabilities	**(129 473)**	(30 982)
Net cash and cash equivalents	**83 389**	40 381
Net debt	**(139 867)**	(100 753)
Total equity attributable to the parent	**572 315**	648 927
Gearing ratio: debt-to-equity ratio	**(24%)**	(16%)

27.3 Categories of financial instruments

	2020 US$'000	2019 US$'000
Financial assets		
Financial assets at fair value through profit or loss*	**–**	14 012
Financial assets at amortised cost	**1 572 657**	1 709 059
Financial liabilities		
Financial liabilities at fair value through profit or loss	**(724)**	(2 407)
Financial liabilities at amortised cost	**(1 613 493)**	(1 675 838)
Other financial liabilities at fair value through profit or loss (designated)	**(5 490)**	(2 329)

** Included in financial assets at fair value through profit or loss in FY19 is the net earn-out receivable (refer to Note 36).*

There were no transfers between level 1 and level 2 during the year.

27. FINANCIAL INSTRUMENTS (continued)

27.4 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$72.6 million (FY19: US$141.7 million), which represents more than 5% of the total balance of trade receivables. There has not been any change in the credit quality of this receivable and the amount is considered recoverable. The majority of the balance receivable is current and this receivable therefore presents a low risk. 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.

The carrying amount of financial assets recorded in the financial statements (see Note 27.3), 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:

	Level	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2020							
Financial assets at amortised cost							
Bonds		–	–	–	–	13 118	13 118
Finance lease receivables		–	1 681	33 601	410	–	35 692
Loans granted to third parties and other long-term assets due		326	–	4 059	4 018	1 057	9 460
Gross trade accounts receivable		80 274	182 228	565 878	173 670	137 962	1 140 012
Less: Expected credit loss allowances		(59)	(833)	(10 017)	(4 658)	(13 935)	(29 502)
Sundry receivables		10 055	28 885	13 577	2 744	1 427	56 688
Cash and cash equivalents at financial institutions		42 960	43 820	124 468	97 320	38 621	347 189
Derivative financial assets	2	–	–	–	–	–	–
Maximum on-balance sheet exposure		133 556	255 781	731 566	273 504	178 250	1 572 657
Financial guarantees		–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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27. FINANCIAL INSTRUMENTS (continued)

27.4 Credit risk management (continued)

	Level	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Total US$'000
2019							
Financial assets at amortised cost							
Bonds		–	–	–	–	18 960	18 960
Finance lease receivables		174	3 469	15 527	–	–	19 170
Loans granted to third parties and other long-term assets due		53	–	2 562	157	1 866	4 638
Gross trade accounts receivable		84 244	253 362	603 691	207 256	141 961	1 290 514
Less: Expected credit loss allowances		(533)	(927)	(8 822)	(4 556)	(16 823)	(31 661)
Sundry receivables		15 537	17 374	20 814	6 401	2 912	63 038
Cash and cash equivalents at financial institutions		26 061	62 683	112 809	83 220	59 627	344 400
Financial assets at fair value through profit or loss							
Earn-out receivable	3	–	–	11 694	–	–	11 694
Derivative financial assets	2	–	2 318	–	–	–	2 318
Maximum on-balance sheet exposure		125 536	338 279	758 275	292 478	208 503	1 723 071
Financial guarantees		–	–	3 963	–	–	3 963

The carrying values of loans granted to third parties, other long-term assets due and sundry receivables balances approximates their fair value, therefore no fair value disclosures are provided.

The internal risk rating of loans granted to third parties and other long-term assets due and other receivables is "low risk" and these financial assets are considered to be performing.

The external credit ratings of the Group's main banks range from lower medium grade to high grade. The external credit risk rating of bonds is Ba3 – non-investment grade. There have been no defaults by the Angolan government on bond maturity in the past and the National Bank of Angola has been settling bonds as they fall due.

When measuring expected credit losses, the Group uses publicly available, reasonable forward-looking information. Expected credit losses are based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

For trade receivables, finance lease receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, which takes into consideration the payment profiles of these receivables over a period of 12 months in preceding financial years, the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group considers forward-looking information such as known changes in the macroeconomic environment of customers located in a certain geography, the deterioration in the Group's relationships or discussions with a particular customer. Consideration of these factors enables an estimation of future expected credit losses to be made. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. A default on a receivable occurs when the receivable fails to make contractual payments when they fall due.

The Group's trade receivables share similar risk characteristics by nature. The default percentages on outstanding trade receivables are determined based on the geographical regions of the trade receivables.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Credit risk management (continued)

In determining the possible extent of future credit losses as a consequence of COVID-19, the Group has performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity, related to COVID-19. While some of the scenarios suggest that further credit losses could be incurred if COVID-19 affects the ability of the Group's customer base to delay payment, there has been little evidence post-year-end to date to suggest any slow down in payment behaviour. Collections from customers subsequent to the year-end were in line with historic norms. Based on these subsequent receipts management has concluded that the likelihood of material expected credit losses is low.

Expected credit losses for finance lease receivables and contract assets are negligible and all balances are included in the "current" ageing per the Group's past due matrix. Note 15 includes further details on the loss allowance for trade receivables.

There has been no change in the estimation techniques or significant assumptions made during the year in assessing the credit losses for these financial assets.

US$244.3 million (FY19: US$283.4 million of which US$22.5 million in MEA was pledged against long-term interest-bearing liabilities and short-term interest-bearing funding) of trade receivables are pledged as collateral against long-term interest-bearing liabilities and bank overdrafts (refer to Notes 18.1 and 24).

There has not been any deterioration or changes in the collateral policies during the year, nor are there any financial instruments for which a loss allowance has not been recognised because of the collateral.

All significant customers are vetted by an external credit agency. In certain instances, customers with low credit ratings are investigated further and requests for collateral are made. Credit guarantees are sought for receivables over a certain credit limit. The Group makes use of credit insurance in many of its geographies. US$430.0 million (FY19: US$504.8 million credit insurance and US$191.9 million of credit guarantees) of credit insurance is held over trade receivables.

No material expected credit losses have been recognised for any financial assets, other than trade receivables.

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.

27.5 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 24 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

In determining the extent of the possible effect of COVID-19, the Group has assessed liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing on various possible scenarios, varying in severity, related to COVID-19. The Group's liquidity is to a large degree impacted by customers continuing to pay their invoices. In the first two trading months of the FY21 year, customers have continued to pay largely in line with historic norms, and some suppliers have also been willing to provide extended payment terms where required. Depending on how severe the COVID-19 pandemic becomes, this may have an impact on customers' ability to pay, which could have a significant impact on future cash flows. The Group's forecasts and projections of its current and expected financial performance show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these annual financial statements.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

27. FINANCIAL INSTRUMENTS (continued)

27.5 Liquidity risk management (continued)

There was a technical breach of covenant in Westcon International's HSBC Invoice Finance facility in March 2019 relating to credit note dilution, as a result of higher than usual levels of credit notes issued, which self-corrected. The facility was not withdrawn as a result. As at 29 February 2020, no further breaches of covenants have been identified.

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.

	Level	0 – 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	After 5 years US$'000	Total US$'000
2020						
Financial liabilities at amortised cost						
Long-term interest-bearing liabilities		**(24 394)**	**(15 379)**	**(3 169)**	**(90)**	**(43 032)**
Lease liabilities		**(34 325)**	**(30 067)**	**(50 375)**	**(14 706)**	**(129 473)**
Trade payables		**(928 201)**	**–**	**–**	**–**	**(928 201)**
Other payables and other financial liabilities*		**(198 236)**	**–**	**–**	**–**	**(198 236)**
Short-term interest-bearing liabilities		**(50 751)**	**–**	**–**	**–**	**(50 751)**
Bank overdrafts		**(263 800)**	**–**	**–**	**–**	**(263 800)**
Financial liabilities at fair value through profit or loss						
Amounts owing to vendors	**3**	**(3 438)**	**(2 052)**	**–**	**–**	**(5 490)**
Derivative financial liabilities	**2**	**(724)**	**–**	**–**	**–**	**(724)**
		(1 503 869)	**(47 498)**	**(53 544)**	**(14 796)**	**(1 619 707)**
Financial guarantees/commitments		**–**	**–**	**–**	**–**	**–**
2019						
Financial liabilities at amortised cost						
Long-term interest-bearing liabilities		(35 956)	(8 518)	(841)	(91)	(45 406)
Lease liabilities		(9 049)	(8 278)	(13 239)	(416)	(30 982)
Trade payables		(1 056 451)	–	–	–	(1 056 451)
Other payables and other financial liabilities*		(174 234)	–	–	–	(174 234)
Short-term interest-bearing liabilities		(64 746)	–	–	–	(64 746)
Bank overdrafts		(304 019)	–	–	–	(304 019)
Financial liabilities at fair value through profit or loss						
Amounts owing to vendors	3	(936)	(1 393)	–	–	(2 329)
Derivative financial liabilities	2	(2 349)	(58)	–	–	(2 407)
		(1 647 740)	(18 247)	(14 080)	(507)	(1 680 574)
Financial guarantees/commitments		(802)	–	–	(14)	(816)

** Other payables per Note 20 of US$330.8 million (FY19: US$302.5 million) less VAT/sales tax of US$37.9 million (FY19: US$29.9 million), short-term portion of share-based payments of US$2.7 million (FY19: US$6.7 million), accruals which are not financial instruments of US$56.2 million (FY19: US$55.9 million), other payables which are not financial liabilities of US$35.1 million (FY19: US$33.4 million) and derivative financial liabilities which are disclosed separately of US$0.7 million (FY19: US$2.4 million).*

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.

27. FINANCIAL INSTRUMENTS (continued)

27.6 Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 27.7) and interest rates (see Note 27.8). 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.

27.7 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.

27.7.1 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/or 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 and the total exposure is US$6.2 million. A 10% movement will result in a US$0.6 million movement in the statement of comprehensive income.

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/or 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$20.5 million. A 10% movement will result in a US$2.1 million movement in the statement of comprehensive income.

10% represents a reasonable average year-on-year movement in the exchange rates of the Group's material currencies against the US Dollar.

Corporate, Management Consulting and Financial Services

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

Notes **to the Group consolidated annual financial statements** continued

for the year ended 29 February 2020

27. FINANCIAL INSTRUMENTS (continued)

27.7 Foreign exchange risk management (continued)

27.7.2 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 27.4 and 27.5, as derivative financial assets and derivative financial liabilities respectively.

27.8 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 27.5).

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. Interest rates in the Group vary due to the large number of geographic locations. Interest rates fluctuate more in certain regions due to economic uncertainty, particularly in emerging markets. Therefore, 10% has been chosen for the sensitivity analyses as it represents a reasonable average expected change in interest rates across the various regions in the Group.

Datatec Group

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$1.00 million (FY19: US$0.94 million decrease)

Westcon International

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$0.93 million (FY19: US$0.76 million decrease)

Logicalis

- Profit for the year ended 29 February 2020 would decrease by a net amount of US$0.07 million (FY19: US$0.12 million decrease)

Corporate, Management Consulting and Financial Services

- Immaterial (FY19: US$0.30 million decrease)

28. CASH GENERATED FROM OPERATIONS

	2020 US$'000	2019 US$'000
Profit before taxation+	**59 820**	35 909
Adjustment for:		
Unrealised foreign exchange losses/(gains)	**1 247**	(7 467)
Share-based payments	**7 623**	9 764
Share of equity-accounted investment losses	**204**	1 403
Depreciation and amortisation	**76 120**	38 338
(Profit)/loss on disposal of office furniture and equipment, computer equipment, leasehold improvements, motor vehicles and software	**(65)**	93
Profit on disposal of discontinued operations	**(1 332)**	(11 694)
Net movement in provisions	**(11 082)**	581
(Gain)/loss on disposal of investment	**(415)**	255
Net movements on expected credit loss allowances	**3 700**	3 817
Acquisition-related fair value adjustments	**(696)**	35
Cash payments to settle share-based payment obligations	**(1 574)**	(1 513)
Interest income	**(14 911)**	(9 568)
Finance costs*	**40 785**	32 145
Other non-cash items (individually immaterial)	**(1 086)**	(3 167)
Operating profit before working capital changes	**158 338**	88 931
Working capital changes:	**56 984**	(21 228)
Decrease/(increase) in inventories	**70 992**	(95 518)
Decrease/(increase) in receivables	**78 496**	(90 937)
(Decrease)/increase in payables	**(69 698)**	171 592
Increase in revenue-related assets	**(23 252)**	(17 234)
Increase in revenue-related liabilities	**446**	10 869
Decrease/(increase) in finance lease receivables	**247**	(1 408)
Other non-current assets and liabilities	**–**	2 695
	215 569	68 990

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

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

	2020 US$'000	2019 US$'000
29. TAXATION PAID		
Net taxation liability – at the beginning of the year	**(4 384)**	(6 069)
Subsidiaries acquired	**(17)**	(199)
Charge to profit or loss (excluding deferred taxation)	**(32 055)**	(38 523)
Other movements and translation differences	**(1 071)**	1 876
Net taxation liability – at the end of the year	**586**	4 384
	(36 941)	(38 531)
Net taxation		
Current tax assets	**16 091**	11 442
Current tax liability	**(16 677)**	(15 826)
	(586)	(4 384)
30. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Maintenance of operations:		
Office furniture, equipment and motor vehicles	**930**	1 554
Computer equipment	**5 575**	8 932
Leasehold improvements	**1 343**	3 712
Land and buildings	**–**	8
Expansion of operations:		
Office furniture, equipment and motor vehicles	**437**	279
Computer equipment	**4 174**	8 078
Leasehold improvements	**3 077**	872
Land and buildings	**–**	334
	15 536	23 769
31. CASH FLOW ADDITIONAL NOTES		
31.1 Translation difference on cash and cash equivalents		
The translation difference on the net cash/(overdraft) position is calculated on the combined cash resources and bank overdrafts of companies that hold cash in currencies other than the US Dollar	**3 099**	(15 116)

31. CASH FLOW ADDITIONAL NOTES (continued)

31.2 Reconciliation of liabilities arising from financing activities

	Opening balance as at 1 March 2019 US$'000	Financing cash (inflows)* US$'000	Financing cash outflows* US$'000	Non-cash changes: Acquisition of subsidiary US$'000	Non-cash changes: Foreign currency and other changes US$'000	Closing balance as at 29 February 2020 US$'000
Amounts owing to vendors	(2 329)	–	196	(4 186)	829	(5 490)
Long-term interest-bearing liabilities**	(45 406)	(16 002)	14 963	(145)	3 558	(43 032)
Unsecured loans	(30 948)	(16 002)	14 195	–	2 775	(29 980)
Secured loans	(14 458)	–	768	(145)	782	(13 052)
Lease liabilities***/****#	(30 982)	–	22 248	(1 216)	(119 523)	(129 473)
Short-term interest-bearing liabilities	(64 746)	(53 110)	61 620	–	5 485	(50 751)

* 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 liabilities.

** Includes current portion (US$24.4 million – refer to Note 18).

*** The non-cash movement in leases include the IFRS 16 take on leases of US$94.6 million (refer to Note 37), finance cost related to finance leases of US$6.0 million (refer to Note 4), new leases, foreign currency and other movements.

**** Includes current portion (US$34.3 million – refer to Note 19).

\# Cash outflows include US$6.0 million that is included in cash flows from operating activities.

32. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	2020 US$'000	2019 US$'000
Cash resources	347 189	344 400
Bank overdrafts	(263 800)	(304 019)
	83 389	40 381

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. 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 and solutions;
- Logicalis – ICT infrastructure solutions and services; and
- Corporate, Management Consulting and Financial Services – includes strategic, trusted advisory, modelling and market intelligence services, financing/leasing business, Group head office companies and Group consolidation adjustments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

	Westcon International	
Condensed statement of comprehensive income	**2020 US$'000**	2019 US$'000
Revenue	**2 544 623**	2 544 774
EBITDA	**40 038**	5 565
North America	**–**	–
Latin America	**–**	–
Europe	**41 763**	18 248
Asia-Pacific	**18 622**	10 836
MEA	**8 767**	4 905
Datatec Group and divisional central costs	**(29 114)**	(28 424)
Depreciation and amortisation	**(21 066)**	(9 791)
Operating profit/(loss)	**18 972**	(4 226)
Interest income	**1 084**	1 491
Finance costs	**(14 733)**	(13 683)
Share of equity-accounted investment (losses)/earnings	**(398)**	(2 143)
Acquisition-related fair value adjustments	**–**	–
Other income/(expenses)	**918**	(97)
Gain/(loss) on disposal of investment	**415**	(255)
Profit/(loss) before taxation	**6 258**	(18 913)
Taxation	**(5 962)**	(3 271)
Profit/(loss) for the year from continuing operations	**296**	(22 184)
Profit for the year from discontinued operations	**–**	–
Profit/(loss) for the year	**296**	(22 184)

During FY20 and FY19, there were no customers that individually accounted for over 10% of the Group's revenue.

	Logicalis		Corporate, Management Consulting and Financial Services		Datatec Group total	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
	1 700 445	1 741 064	**59 777**	46 543	**4 304 845**	4 332 381
	123 854	93 366	**(5 235)**	(12 170)	**158 657**	86 761
	24 649	21 898	**129**	(259)	**24 778**	21 639
	66 641	55 801	**249**	109	**66 890**	55 910
	22 308	8 265	**4 504**	619	**68 575**	27 132
	21 819	20 156	**1 375**	196	**41 816**	31 188
	(573)	(290)	**1 924**	440	**10 118**	5 055
	(10 990)	(12 464)	**(13 416)**	(13 275)	**(53 520)**	(54 163)
	(51 567)	(27 417)	**(3 487)**	(1 130)	**(76 120)**	(38 338)
	72 287	65 949	**(8 722)**	(13 300)	**82 537**	48 423
	11 538	1 693	**2 289**	6 384	**14 911**	9 568
	(25 608)	(18 455)	**(444)**	(7)	**(40 785)**	(32 145)
	(181)	468	**375**	272	**(204)**	(1 403)
	696	(35)	**–**	–	**696**	(35)
	–	–	**–**	159	**918**	62
	–	–	**–**	–	**415**	(255)
	58 732	49 620	**(6 502)**	(6 492)	**58 488**	24 215
	(21 949)	(12 317)	**(3 898)**	(5 371)	**(31 809)**	(20 959)
	36 783	37 303	**(10 400)**	(11 863)	**26 679**	3 256
	–	–	**1 332**	11 694	**1 332**	11 694
	36 783	37 303	**(9 068)**	(169)	**28 011**	14 950

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT (continued)

Revenue	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
	Westcon International 2020						
Revenue	–	–	1 536 170	599 985	408 468	–	2 544 623
Revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
Revenue from sales of hardware/direct product sales	–	–	1 014 622	376 940	263 650	–	1 655 212
Revenue from sales of software/ fulfilment product sales	–	–	422 620	203 356	99 445	–	725 421
Revenue from vendor resold services and product maintenance service	–	–	40 804	10 961	9 015	–	60 780
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Nature of revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
Principal	–	–	1 478 046	591 257	372 110	–	2 441 413
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Timing of revenue from product sales	–	–	1 465 287	566 243	370 842	–	2 402 372
At a point in time	–	–	1 478 046	591 257	372 110	–	2 441 413
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	(12 759)	(25 014)	(1 268)	–	(39 041)
Revenue from services	–	–	48 535	11 828	7 535	–	67 898
Revenue from professional services	–	–	48 535	11 828	7 535	–	67 898
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	–	–	48 535	11 828	7 535	–	67 898
Principal	–	–	48 535	11 828	7 535	–	67 898
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	–	–	48 535	11 828	7 535	–	67 898
At a point in time	–	–	48 535	11 828	7 535	–	67 898
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	–	–	22 348	21 914	30 091	–	74 353
Revenue from cloud services	–	–	22 348	21 914	30 091	–	74 353
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	–	–	22 348	21 914	30 091	–	74 353
Principal	–	–	22 348	21 914	30 091	–	74 353
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	–	–	22 348	21 914	30 091	–	74 353
At a point in time	–	–	22 348	21 914	30 091	–	74 353
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–

Westcon International 2019						
North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
–	–	1 613 905	593 450	337 419	–	2 544 774
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 136 097	412 585	223 897	–	1 772 579
–	–	410 258	175 661	102 117	–	688 036
–	–	40 065	11 089	6 665	–	57 819
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 586 420	599 335	332 679	–	2 518 434
–	–	–	–	–	–	–
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	1 565 345	581 958	332 104	–	2 479 407
–	–	1 586 420	599 335	332 679	–	2 518 434
–	–	–	–	–	–	–
–	–	(21 075)	(17 377)	(575)	–	(39 027)
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	4 376	–	64 428
–	–	–	–	939	–	939
–	–	–	–	–	–	–
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	5 315	–	65 367
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	48 560	11 492	5 315	–	65 367
–	–	48 560	11 492	5 315	–	65 367
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–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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33. SEGMENTAL REPORT (continued)

Revenue (continued)	North America US$'000	Latin America US$'000	Europe US$'000	Logicalis 2020 Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	419 637	613 827	407 903	252 551	6 593	(66)	1 700 445
Revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
Revenue from sales of hardware/direct product sales	258 209	334 018	164 061	139 568	1 087	(66)	896 877
Revenue from sales of software/fulfilment product sales	46 783	336	49 242	10 944	708	–	108 013
Revenue from vendor resold services and product maintenance service	601	–	206	–	–	–	807
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Nature of revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
Principal	304 992	334 276	208 707	150 383	1 795	(66)	1 000 087
Agent	601	78	4 802	129	–	–	5 610
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Timing of revenue from product sales	305 263	334 354	212 969	150 494	1 795	(66)	1 004 809
At a point in time	305 593	334 354	213 509	150 512	1 795	(66)	1 005 697
Over time	–	–	–	–	–	–	–
Inter-segmental	(330)	–	(540)	(18)	–	–	(888)
Revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
Revenue from professional services	39 647	141 180	69 296	32 209	1 068	–	283 400
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
Principal	39 647	136 727	69 296	32 209	1 068	–	278 947
Agent	–	4 453	–	–	–	–	4 453
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	39 647	141 180	69 296	32 209	1 068	–	283 400
At a point in time	–	–	–	–	–	–	–
Over time	39 647	141 180	69 296	32 209	1 068	–	283 400
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
Revenue from cloud services	24 425	702	9 941	12 858	1 458	–	49 384
Revenue from other services	50 302	137 591	115 697	56 990	2 272	–	362 852
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
Principal	58 074	137 212	107 336	64 801	3 730	–	371 153
Agent	16 653	1 081	18 302	5 047	–	–	41 083
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	74 727	138 293	125 638	69 848	3 730	–	412 236
At a point in time	–	–	–	–	–	–	–
Over time	74 727	138 293	125 638	69 848	3 730	–	412 236
Inter-segmental	–	–	–	–	–	–	–

North America US$'000	Latin America US$'000	Europe US$'000	Logicalis 2019 Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
406 172	639 826	450 276	242 458	2 332	–	1 741 064
298 507	399 193	243 176	145 495	418	–	1 086 789
255 743	398 696	199 723	137 187	308	–	991 657
43 223	497	43 243	8 410	110	–	95 483
736	–	264	–	–	–	1 000
(1 195)	–	(54)	(102)	–	–	(1 351)
298 507	399 193	243 176	145 495	418	–	1 086 789
298 966	398 543	241 039	145 979	418	–	1 084 945
736	650	2 191	(382)	–	–	3 195
(1 195)	–	(54)	(102)	–	–	(1 351)
298 507	399 193	243 176	145 495	418	–	1 086 789
299 702	399 193	243 230	145 597	418	–	1 088 140
–	–	–	–	–	–	–
(1 195)	–	(54)	(102)	–	–	(1 351)
39 939	115 689	82 675	30 456	315	–	269 074
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
39 939	115 677	82 675	30 456	315	–	269 062
–	12	–	–	–	–	12
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
39 939	115 689	82 675	30 456	315	–	269 074
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
18 932	1 031	11 486	11 941	659	–	44 049
48 794	123 913	112 939	54 566	940	–	341 152
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
51 223	124 238	110 136	63 119	1 418	–	350 134
16 503	706	14 289	3 388	181	–	35 067
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

33. SEGMENTAL REPORT (continued)

Revenue (continued)	Corporate, Management Consulting and Financial Services 2020 North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	3 991	1 611	32 560	9 268	12 347	–	59 777
Revenue from product sales	165	–	435	441	–	–	1 041
Revenue from sales of hardware/direct product sales	(165)	–	(9 547)	(18 088)	(1 267)	–	(29 067)
Revenue from sales of software/ fulfilment product sales	–	–	(3 317)	(6 503)	(1)	–	(9 821)
Revenue from vendor resold services and product maintenance service	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Nature of revenue from product sales	165	–	435	441	–	–	1 041
Principal	(165)	–	(12 864)	(24 591)	(1 268)	–	(38 888)
Agent	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Timing of revenue from product sales	165	–	435	441	–	–	1 041
At a point in time	(165)	–	(12 864)	(24 591)	(1 268)	–	(38 888)
Over time	–	–	–	–	–	–	–
Inter-segmental	330	–	13 299	25 032	1 268	–	39 929
Revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
Revenue from professional services	2 514	1 519	28 481	7 670	11 681	–	51 865
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
Principal	2 514	1 519	28 481	7 670	11 681	–	51 865
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	2 514	1 519	28 481	7 670	11 681	–	51 865
At a point in time	–	–	–	–	–	–	–
Over time	2 514	1 519	28 481	7 670	11 681	–	51 865
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	1 312	92	3 644	1 157	666	–	6 871
Revenue from cloud services	–	–	–	–	–	–	–
Revenue from other services	1 312	92	3 644	1 157	666	–	6 871
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	1 312	92	3 644	1 157	666	–	6 871
Principal	1 312	92	3 644	1 157	666	–	6 871
Agent	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	1 312	92	3 644	1 157	666	–	6 871
At a point in time	1 312	92	3 644	1 157	666	–	6 871
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–

	Corporate, Management Consulting and Financial Services						
	2019						
	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
	4 285	1 944	24 530	7 939	7 845	–	46 543
	–	–	–	–	–	–	–
	(1 195)	–	(15 650)	(12 961)	(425)	–	(30 231)
	–	–	(5 479)	(4 518)	(150)	–	(10 147)
	–	–	–	–	–	–	–
	1 195	–	21 129	17 479	575	–	40 378
	–	–	–	–	–	–	–
	(1 195)	–	(21 129)	(17 479)	(575)	–	(40 378)
	–	–	–	–	–	–	–
	1 195	–	21 129	17 479	575	–	40 378
	–	–	–	–	–	–	–
	(1 195)	–	(21 129)	(17 479)	(575)	–	(40 378)
	–	–	–	–	–	–	–
	1 195	–	21 129	17 479	575	–	40 378
	4 285	1 944	24 530	7 939	7 845	–	46 543
	4 285	1 944	24 530	7 939	7 845	–	46 543
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	4 285	1 944	24 530	7 939	7 845	–	46 543
	4 285	1 944	24 530	7 939	7 845	–	46 543
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	4 285	1 944	24 530	7 939	7 845	–	46 543
	–	–	–	–	169	–	169
	4 285	1 944	24 530	7 939	7 676	–	46 374
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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33. SEGMENTAL REPORT (continued)

	Datatec Group total 2020						
Revenue (continued)	North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
Revenue	423 628	615 438	1 976 633	861 804	427 408	(66)	4 304 845
Revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Revenue from sales of hardware/ direct product sales	258 044	334 018	1 169 136	498 420	263 470	(66)	2 523 022
Revenue from sales of software/ fulfilment product sales	46 783	336	468 545	207 797	100 152	–	823 613
Revenue from vendor resold services and product maintenance service	601	–	41 010	10 961	9 015	–	61 587
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Principal	304 827	334 276	1 673 889	717 049	372 637	(66)	3 402 612
Agent	601	78	4 802	129	–	–	5 610
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from product sales	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
At a point in time	305 428	334 354	1 678 691	717 178	372 637	(66)	3 408 222
Over time	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
Revenue from professional services	42 161	142 699	146 312	51 707	20 284	–	403 163
Revenue from other services	–	–	–	–	–	–	–
Inter-segmental	–	–	–	–	–	–	–
Nature of revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
Principal	42 161	138 246	146 312	51 707	20 284	–	398 710
Agent	–	4 453	–	–	–	–	4 453
Inter-segmental	–	–	–	–	–	–	–
Timing of revenue from services	42 161	142 699	146 312	51 707	20 284	–	403 163
At a point in time	–	–	48 535	11 828	7 535	–	67 898
Over time	42 161	142 699	97 777	39 879	12 749	–	335 265
Inter-segmental	–	–	–	–	–	–	–
Annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
Revenue from cloud services	24 425	702	32 289	34 772	31 549	–	123 737
Revenue from other services	51 614	137 683	119 341	58 147	2 938	–	369 723
Inter-segmental	–	–	–	–	–	–	–
Nature of annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
Principal	59 386	137 304	133 328	87 872	34 487	–	452 377
Agent	16 653	1 081	18 302	5 047	–	–	41 083
Inter-segmental	–	–	–	–	–	–	–
Timing of annuity revenue	76 039	138 385	151 630	92 919	34 487	–	493 460
At a point in time	1 312	92	25 992	23 071	30 757	–	81 224
Over time	74 727	138 293	125 638	69 848	3 730	–	412 236
Inter-segmental	–	–	–	–	–	–	–

Datatec Group total
2019

North America US$'000	Latin America US$'000	Europe US$'000	Asia-Pacific US$'000	MEA US$'000	Central US$'000	Total US$'000
410 457	641 770	2 088 711	843 847	347 596	–	4 332 381
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
254 548	398 696	1 320 170	536 811	223 780	–	2 734 005
43 223	497	448 022	179 553	102 077	–	773 372
736	–	40 329	11 089	6 665	–	58 819
–	–	–	–	–	–	–
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
297 771	398 543	1 806 330	727 835	332 522	–	3 563 001
736	650	2 191	(382)	–	–	3 195
–	–	–	–	–	–	–
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
298 507	399 193	1 808 521	727 453	332 522	–	3 566 196
–	–	–	–	–	–	–
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
44 224	117 633	155 765	49 887	12 536	–	380 045
–	–	–	–	939	–	939
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
44 224	117 621	155 765	49 887	13 475	–	380 972
–	12	–	–	–	–	12
–	–	–	–	–	–	–
44 224	117 633	155 765	49 887	13 475	–	380 984
–	–	48 560	11 492	5 484	–	65 536
44 224	117 633	107 205	38 395	7 991	–	315 448
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
18 932	1 031	11 486	11 941	659	–	44 049
48 794	123 913	112 939	54 566	940	–	341 152
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
51 223	124 238	110 136	63 119	1 418	–	350 134
16 503	706	14 289	3 388	181	–	35 067
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–
67 726	124 944	124 425	66 507	1 599	–	385 201
–	–	–	–	–	–	–

Notes to the Group consolidated annual financial statements continued

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33. SEGMENTAL REPORT (continued)

Condensed statement of financial position	Westcon International 2020 US$'000	Westcon International 2019 US$'000	Logicalis 2020 US$'000	Logicalis 2019 US$'000	Corporate, Management Consulting and Financial Services 2020 US$'000	Corporate, Management Consulting and Financial Services 2019 US$'000	Datatec Group total 2020 US$'000	Datatec Group total 2019 US$'000
Total assets	**1 155 583**	1 226 057	**1 303 083**	1 318 226	**137 860**	178 024	**2 596 526**	2 722 307
North America	**42 862**	37 792	**291 703**	276 961	**3 929**	4 982	**338 494**	319 735
Latin America	**–**	–	**490 609**	602 503	**614**	328	**491 223**	602 831
Europe	**716 668**	758 520	**343 288**	245 504	**106 657**	123 634	**1 166 613**	1 127 658
Asia-Pacific	**257 888**	273 016	**169 917**	187 455	**4 186**	4 112	**431 991**	464 583
MEA	**138 165**	156 729	**7 566**	5 803	**22 474**	44 968	**168 205**	207 500
Non-current assets (excluding financial instruments and deferred tax assets)	**63 228**	29 995	**324 856**	296 969	**34 123**	21 727	**422 207**	348 691
North America	**21 632**	12 644	**137 748**	133 725	**(114)**	34	**159 266**	146 403
Latin America	**–**	–	**43 701**	49 831	**–**	–	**43 701**	49 831
Europe	**31 706**	11 444	**111 656**	86 920	**32 654**	21 636	**176 016**	120 000
Asia-Pacific	**4 823**	3 649	**26 983**	22 886	**727**	17	**32 533**	26 552
MEA	**5 067**	2 258	**4 768**	3 607	**856**	40	**10 691**	5 905
Net cash resources	**(4 463)**	(94 360)	**12 600**	16 443	**75 252**	118 298	**83 389**	40 381
North America	**12 057**	18 657	**28 803**	(20 145)	**2 100**	2 548	**42 960**	1 060
Latin America	**–**	–	**811**	(2 328)	**–**	–	**811**	(2 328)
Europe	**(96 416)**	(171 792)	**(38 372)**	32 015	**57 600**	76 564	**(77 188)**	(63 213)
Asia-Pacific	**62 676**	53 559	**20 692**	6 103	**640**	1 199	**84 008**	60 861
MEA	**17 220**	5 216	**666**	798	**14 912**	37 987	**32 798**	44 001
Inventories	**174 618**	239 955	**78 653**	92 301	**–**	–	**253 271**	332 256
North America	**–**	–	**2 128**	5 367	**–**	–	**2 128**	5 367
Latin America	**–**	–	**45 377**	55 285	**–**	–	**45 377**	55 285
Europe	**117 305**	175 919	**7 765**	9 944	**–**	–	**125 070**	185 863
Asia-Pacific	**32 804**	44 947	**23 270**	21 659	**–**	–	**56 074**	66 606
MEA	**24 509**	19 089	**113**	46	**–**	–	**24 622**	19 135
Trade accounts receivable	**695 076**	768 932	**403 155**	478 273	**12 279**	11 648	**1 110 510**	1 258 853
North America	**(13)**	(41)	**79 766**	83 038	**462**	714	**80 215**	83 711
Latin America	**–**	–	**181 169**	252 285	**226**	149	**181 395**	252 434
Europe	**455 593**	494 429	**93 401**	94 676	**6 867**	5 764	**555 861**	594 869
Asia-Pacific	**119 471**	153 408	**47 912**	47 616	**1 629**	1 677	**169 012**	202 701
MEA	**120 025**	121 136	**907**	658	**3 095**	3 344	**124 027**	125 138
Total liabilities	**(985 859)**	(1 046 305)	**(926 877)**	(943 441)	**(40 697)**	(20 331)	**(1 953 433)**	(2 010 077)
North America	**(5 853)**	(6 808)	**(188 435)**	(191 291)	**(1 319)**	5 479	**(195 607)**	(192 620)
Latin America	**–**	–	**(312 071)**	(414 968)	**(104)**	(75)	**(312 175)**	(415 043)
Europe	**(681 184)**	(706 106)	**(322 863)**	(204 098)	**(34 613)**	(24 051)	**(1 038 660)**	(934 255)
Asia-Pacific	**(188 917)**	(198 327)	**(100 786)**	(131 533)	**(2 398)**	(1 207)	**(292 101)**	(331 067)
MEA	**(109 905)**	(135 064)	**(2 722)**	(1 551)	**(2 263)**	(477)	**(114 890)**	(137 092)
Trade and other payables and short-term interest-bearing liabilities	**(767 414)**	(792 174)	**(549 242)**	(648 633)	**(17 502)**	(18 823)	**(1 334 158)**	(1 459 630)
North America	**(2 914)**	(4 551)	**(147 515)**	(137 466)	**(599)**	(3 955)	**(151 028)**	(145 972)
Latin America	**–**	–	**(189 203)**	(285 909)	**(15)**	–	**(189 218)**	(285 909)
Europe	**(512 489)**	(497 772)	**(145 754)**	(161 780)	**(17 618)**	(17 525)	**(675 861)**	(677 077)
Asia-Pacific	**(168 042)**	(190 556)	**(65 642)**	(62 307)	**(1 149)**	(654)	**(234 833)**	(253 517)
MEA	**(83 969)**	(99 295)	**(1 128)**	(1 171)	**1 879**	3 311	**(83 218)**	(97 155)
Number of employees at the end of the year*	**3 281**	3 171	**7 339**	6 690	**304**	269	**10 924**	10 130

** Includes both permanent employees and contractors.*

34. ACQUISITIONS OF SUBSIDIARIES

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired
Stelacon Holdings AB ("Stelacon")	Management Consulting	1 March 2019	100%
Mars Investment Holdings (Pty) Ltd ("Mars Technologies")	ICT consulting	30 June 2019	100%
Cilnet – Comunicações e Projectos Especiais S.A. ("Cilnet")	ICT consulting	2 September 2019	70%
Orange Networks GmbH ("Orange Networks")	ICT consulting	2 September 2019	100%

	2020					2019
	Mars Technologies	**Orange Networks**	**Cilnet**	**Stelacon**	**Total**	
	Fair value on acquisition US$'000	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	**Fair value on acquisition US$'000**	Total fair value on acquisition US$'000
Non-current assets	**220**	**799**	**7 947**	**1 167**	**10 133**	15 598
Plant and equipment	**174**	**337**	**2 033**	**5**	**2 549**	4 499
Capitalised development expenditure	**–**	**–**	**28**	**–**	**28**	734
Software	**3**	**–**	**44**	**–**	**47**	61
Intangible assets	**43**	**462**	**2 197**	**1 162**	**3 864**	8 070
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	2 234
Other non-current assets	**–**	**–**	**3 645**	**–**	**3 645**	–
Current assets	**501**	**471**	**7 832**	**756**	**9 560**	30 142
Inventories	**44**	**–**	**958**	**–**	**1 002**	3 538
Trade and other receivables	**316**	**464**	**6 104**	**518**	**7 402**	23 212
Current tax assets	**86**	**–**	**–**	**2**	**88**	33
Cash and cash equivalents	**55**	**7**	**770**	**236**	**1 068**	3 359
Non-current liabilities	**(476)**	**(353)**	**(1 585)**	**(393)**	**(2 807)**	(6 676)
Long-term interest-bearing liabilities	**(464)**	**(23)**	**(1 069)**	**(145)**	**(1 701)**	(2 835)
Deferred tax liabilities	**(12)**	**(139)**	**(460)**	**(248)**	**(859)**	
Other non-current liabilities	**–**	**(191)**	**(56)**	**–**	**(247)**	(3 841)
Current liabilities	**(330)**	**(1 914)**	**(11 773)**	**(506)**	**(14 523)**	(24 473)
Trade and other payables	**(286)**	**(1 301)**	**(6 833)**	**(410)**	**(8 830)**	(19 998)
Provisions	**–**	**–**	**–**	**–**	**–**	(1 274)
Deferred revenue	**–**	**–**	**(4 927)**	**(48)**	**(4 975)**	–
Current tax liabilities	**(44)**	**–**	**(13)**	**(48)**	**(105)**	(232)
Bank overdrafts	**–**	**(613)**	**–**	**–**	**(613)**	(2 969)
	(85)	**(997)**	**2 421**	**1 024**	**2 363**	14 591
Goodwill on acquisition	**455**	**3 915**	**7 043**	**1 603**	**13 016**	13 090
Non-controlling interests recognised	**–**	**–**	**(710)**	**–**	**(710)**	459
Fair value of acquisition	**370**	**2 918**	**8 754**	**2 627**	**14 669**	28 140
Net (cash)/overdraft acquired	**(55)**	**606**	**(770)**	**(236)**	**(455)**	(390)
Deferred purchase consideration	**(84)**	**(554)**	**(2 327)**	**(1 221)**	**(4 186)**	(2 300)
Subsidiary shares issued	**–**	**–**	**–**	**(728)**	**(728)**	–
Net cash outflow for acquisitions	**231**	**2 970**	**5 657**	**442**	**9 300**	25 450

The above acquisitions represent the subsidiaries acquired during the year.

Notes to the Group consolidated annual financial statements continued

for the year ended 29 February 2020

34. ACQUISITIONS OF SUBSIDIARIES (continued)

The revenue and EBITDA included from these acquisitions in FY20 were US$23.3 million and US$2.6 million respectively; profit after tax included from these acquisitions was US$1.7 million. Had the acquisition date been 1 March 2019, the revenue and EBITDA would have been approximately US$42.8 million and US$4.9 million respectively. It is not practical to establish EBITDA and profit after tax that would have been contributed to the Group if they had been included for the entire year.

The initial amount of acquisition accounting for all of the acquisitions have been finalised at the date of the finalisation of these consolidated financial statements.

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

All trade receivables acquired are measured at amortised cost. The carrying value of trade receivables balances approximates its fair value, therefore no fair value disclosures are provided.

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

Acquisition-related costs, included in operating costs, for the year amounted to US$0.3 million.

The following acquisitions were concluded during the financial year ended 29 February 2020 and included in the table on the previous page:

Logicalis Group

Effective 30 June 2019, Logicalis SA (Pty) Ltd acquired 100% of the issued share capital of Mars Technologies, a South African IT services business, with offices in Cape Town, Johannesburg, Port Elizabeth, Durban and East London for US$0.4 million (including a deferred purchase consideration of US$0.1 million – refer to Note 21). With this acquisition, the Logicalis South African operation strengthens and expands its managed services offering to better serve its corporate customers and deliver new services to existing customers from both companies.

Logicalis Group purchased a 70% interest in Cilnet on 2 September 2019, a Cisco systems integrator and managed services business in Portugal, for US$8.8 million (including a deferred purchase consideration of US$2.3 million and US$0.7 million non-controlling interest that was raised at acquisition). The acquisition increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region. The company designs and integrates networking, data centre and contact centre solutions, complemented with security, managed services and application development skills.

In addition, Logicalis also acquired 100% of Orange Networks on 2 September 2019, a Microsoft services business focused on Microsoft cloud and managed services, with Germany-wide presence including Hamburg, Munich, Offenbach and Düsseldorf. The purchase price was US$2.9 million (including US$0.6 million deferred purchase consideration – refer to Note 21). This acquisition advances Logicalis Germany to Microsoft Gold-Certified Partner status and enhances its hybrid cloud offering.

Analysys Mason

On 1 March 2019, Analysys Mason Limited acquired 100% of the issued share capital Stelacon, a Swedish consulting company, for US$2.6 million (including a deferred purchase consideration of US$1.2 million). This was an important further step in building a pan-Scandinavian presence, after Analysys Mason's successful expansion into Norway. Stelacon brings experience in areas including smart cities, regional development, digital services, policy and regulation, and telecoms and digital communication.

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

	Country of incor-poration and principal place of business	Ownership rights and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests – Datatec Group	
		2020 %	2019 %	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
PromonLogicalis Latin America Limited	UK	**35**	35	**8 284**	8 113	**52 726**	47 649
Westcon International, Limited	UK	**10**	10	**(456)**	(4 043)	**4 473**	5 861

During the year, Westcon SA Holdings (Pty) Ltd ("Westcon SA") changed its BBBEE partner which holds 40.005% of Westcon SA. Datatec Group has control over the new BBBEE fund. As a result of Datatec's control of Westcon SA's non-controlling interest, as at 29 February 2020, Westcon SA does not have a material non-controlling interest. The accumulated non-controlling interest attributable to Westcon SA in FY19 was a debit of US$3.4 million.

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

(continued)

Summarised information in respect of the above subsidiary is shown below as at 29 February 2020 and 28 February 2019. The summarised financial information below represents amounts before inter-group eliminations.

	PromonLogicalis Latin America Limited		Westcon International, Limited	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Non-current assets	**50 170**	37 410	**89 854**	63 420
Current assets	**387 297**	526 584	**1 051 932**	1 135 251
Non-current liabilities	**(21 051)**	(14 783)	**(215 042)**	(184 234)
Current liabilities	**(283 992)**	(411 661)	**(904 811)**	(973 692)
Equity attributable to equity holders of the parent	**(85 411)**	(88 727)	**(26 645)**	(45 001)
Non-controlling interests	**(47 013)**	(48 823)	**4 712**	4 256
Revenue	**615 540**	640 322	**2 456 642**	2 484 979
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	**66 641**	55 764	**31 048**	3 086
Profit/(loss) for the year	**23 685**	23 387	**(13 226)**	(27 334)
Attributable to the owners of the parent	**15 401**	15 274	**(12 770)**	(23 291)
Attributable to non-controlling interests	**8 284**	8 113	**(456)**	(4 043)
Total comprehensive income/(loss)	**4 610**	(4 257)	**(18 812)**	(33 162)
Attributable to the owners of the parent	**2 876**	(2 993)	**(18 356)**	(29 119)
Attributable to non-controlling interests	**1 734**	(1 264)	**(456)**	(4 043)
Dividends paid to non-controlling interests	**2 031**	–	**–**	–
Net cash inflow	**133**	18 775	**87 169**	17 236
Net cash inflow from operating activities	**26 736**	28 507	**119 615**	(28 975)
Net cash (outflow)/inflow from investing activities	**(3 596)**	(37 103)	**(11 060)**	730
Net cash (outflow)/inflow from financing activities	**(23 007)**	27 371	**(21 386)**	45 481

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

36. DISCONTINUED OPERATIONS

	2020 US$'000	2019 US$'000
Profit for the period from discontinued operations		
Net earn-out receivable	**–**	11 694
Earn-out in respect of prior year disposal	**1 332**	–
	1 332	11 694

The result of the arbitration to determine the amount of the earn-out receivable relating to the disposal of Westcon Americas to SYNNEX was concluded on 29 May 2019. The arbitrator appointed by the parties to determine the quantum of the earn-out ruled that the amount of US$14 million was payable by SYNNEX to the Group.

Notes **to the Group consolidated annual financial statements** continued

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37. ADOPTION OF IFRS 16

The impact of the adoption of IFRS 16 in the FY20 year is disclosed below.

Reconciliation between operating lease commitments and lease liabilities recognised at the date of initial application

	Land and buildings US$'000	Office furniture, equipment and motor vehicles US$'000	Computer equipment US$'000	Total US$'000
Operating lease commitments disclosed as at 28 February 2019	**116 720**	**5 191**	**1 814**	**123 725**
Discounted using the lessees' incremental borrowing rates at the date of initial application	**(12 246)**	**(353)**	**(50)**	**(12 649)**
Less: low-value leases recognised on a straight-line basis as expense	**72**	**(167)**	**(123)**	**(218)**
Less: short-term leases recognised on a straight-line basis as expense	**(286)**	**(76)**	**(325)**	**(687)**
Less: adjustments as a result of a different treatment of extension and termination options	**(1 407)**	**(3)**	**–**	**(1 410)**
Less: translation and other movements	**(8 149)**	**(450)**	**(535)**	**(9 134)**
Lease liabilities recognised as at 1 March 2019	**94 704**	**4 142**	**781**	**99 627**

Lease liabilities as at 28 February 2019 amounted to US$30.982 million. Total lease liabilities as at 1 March 2019 amounted to US$130.609 million.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 28 February 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 March 2019.

Previous guidance issued by the Group estimated that lease liabilities of between US$110 million and US$125 million would be recognised. However, only US$95 million was recognised due to exchange rate fluctuations as well as an overestimation in Logicalis Europe.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019. Incremental borrowing rates have been determined based on country-specific factors and vary across the Group. The weighted average incremental borrowing rates applied to the lease liabilities on 1 March 2019 were:

- **Westcon International:** 4.79% and 10%
- **Logicalis:** 9%
- **Management Consulting:** 2.75%
- **Corporate:** 9.25%

The change in accounting policy affected the following items in the statement of financial position:

	1 March 2019 Increase/ (decrease)
ASSETS	
Right-of-use assets	**94 570**
Office furniture, equipment and motor vehicles	**7 362**
Computer equipment	**298**
Leasehold improvements	**–**
Land and buildings	**86 910**
Prepaid expenses	**46**
EQUITY AND LIABILITIES	
Lease liabilities	**99 627**
Operating lease smoothing liabilities	**(5 011)**
Distributable reserves	**–**

37. ADOPTION OF IFRS 16 (continued)

Pro forma information

The adoption of IFRS 16 from 1 March 2019 complicates performance comparison between the results of the current and prior financial year. To provide a more meaningful assessment of the Group's performance, *pro forma* information has been presented for the year ended 29 February 2020. The *pro forma* financial information as set out has been prepared for illustrative purposes and reflects the impact of IFRS 16 on the numbers disclosed on the statement of comprehensive income and statement of financial position as at 29 February 2020. The *pro forma* numbers represent the results and balance sheet position showing the impact on FY20 as if IFRS 16 had not been applied at 1 March 2019. IFRS 16 balances have been removed from the reported figures in order to determine the *pro forma* figures. These adjustments have been made to enable a like-for-like comparison to FY19 where IFRS 16 had not been applied.

The *pro forma* IFRS 16 information, which is the responsibility of the Datatec directors, has been compiled taking into account the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 (applicable criteria). The *pro forma* information does not constitute financial statements fairly presented in accordance with IFRS. The *pro forma* information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's statement of comprehensive income, salient financial features and statement of financial position. The Group's external auditor, Deloitte & Touche, has issued an unmodified assurance report on the *pro forma* IFRS 16 information on 26 May 2020. A copy of their report is available for inspection at the registered office of the Company.

Impact on current year results

The following tables show the impact of IFRS 16 on the numbers disclosed on the statement of comprehensive income and statement of financial position as at 29 February 2020. The *pro forma* numbers represent the results and balance sheet position showing the impact on FY20 as if IFRS 16 had not been applied at 1 March 2019. IFRS 16 balances have been removed from the reported figures in order to determine the *pro forma* figures to enable a like-for-like comparison to FY19 where IFRS 16 had not been applied.

US$'000	**Year ended February 2020 *Pro forma***	Year ended February 2020 Adjustments	Year ended February 2020 Reported	Year ended February 2019 Reported
Statement of comprehensive income				
Gross profit	**736 365**	5 213	741 578	687 744
Operating costs	**(601 542)**	29 944[1]	(571 598)	(569 896)
EBITDA	**123 500**	35 157	158 657	86 761
Depreciation	**(29 456)**	(30 546)[2]	(60 002)	(25 889)
Operating profit	**77 926**	4 611	82 537	48 423
Finance costs	**(36 197)**	(4 588)[3]	(40 785)	(32 145)
Profit before taxation	**58 465**	23	58 488	24 215
Profit for the year	**27 964**	47	28 011	14 950
Basic earnings per share from continuing operations (cents)	**6.1**	0.1	6.2	0.6
Statement of financial position				
Total assets	**2 517 562**	78 964	2 596 526	2 722 307
Property, plant and equipment and right-of-use assets	**47 455**	79 798[4]	127 253	60 306
Prepaid expenses and other receivables	**238 145**	(834)	237 311	232 965
Total equity	**(643 046)**	(47)[5]	(643 093)	(712 230)
Total liabilities	**(1 874 516)**	(78 917)	(1 953 433)	(2 010 077)
Long-term interest-bearing liabilities and leases	**(50 361)**	(63 425)[6]	(113 786)	(31 383)
Trade and other payables	**(1 264 836)**	5 823	(1 259 013)	(1 358 928)
Short-term interest-bearing liabilities and leases	**(88 156)**	(21 314)[6]	(109 470)	(109 751)
Salient financial features				
Headline earnings per share (cents)	**5.9**	0.0	5.9	0.7
Underlying earnings per share (cents)	**9.9**	0.0	9.9	6.6
Net asset value per share (cents)	**288.3**	0.0	288.3	297.5

[1] *Includes operating lease rentals that would have been incurred.*
[2] *Excludes depreciation of right-of-use assets of US$27.0 million. Depreciation of assets previously held under finance lease agreements has been included.*
[3] *Excludes IFRS 16-related finance costs.*
[4] *Excludes right-of-use assets and includes assets previously held under finance lease agreements.*
[5] *Total adjustments made to statement of comprehensive income.*
[6] *Excludes lease liabilities recognised as a result of IFRS 16.*

Notes to the Group consolidated annual financial statements continued

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37. ADOPTION OF IFRS 16 (continued)

The number of shares in issue excluding treasury shares was 198 million and the weighted average number of shares in issue was 210 million.

These adjustments are of a continuing nature.

Impact on segmental reporting

EBITDA, operating profit, profit before taxation, segmental assets and liabilities increased for the period ended 29 February 2020, as a result of the change in accounting policy. The following segments were affected by the change:

	Westcon International	Logicalis	Corporate, Management Consulting and Financial Services	Datatec Group total
	Year ended February 2020 US$'000	Year ended February 2020 US$'000	Year ended February 2020 US$'000	Year ended February 2020 US$'000
EBITDA	13 002	19 914	2 241	35 157
Depreciation	(11 591)	(16 927)	(2 028)	(30 546)
Operating profit	1 411	2 987	213	4 611
Finance costs	(1 872)	(2 398)	(318)	(4 588)
(Loss)/profit before taxation	(461)	589	(105)	23
Total assets	30 346	39 835	8 783	78 964
Total liabilities	(30 807)	(39 246)	(8 864)	(78 917)

38. SUBSEQUENT EVENTS

COVID-19

On 11 March 2020 the World Health Organization ("WHO") declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. This was followed by most countries in which the Group operates instituting "lockdown" restrictions to slow the spread of the disease. The Datatec Group responded by ensuring the safety and wellbeing of its employees and enabling working from home to maintain social distancing. Travel and face-to-face meetings were quickly reduced and eliminated completely in accordance with prevailing regulations. Most of the Group's business activities are able to continue under lockdown conditions and the provision of IT and communications equipment and services is often an essential component of the global response to the pandemic. The effect on the Group's business at the date of this report has been considered in detail by the Board in approving the annual financial statements for FY20. Please refer to Note 39 for detailed consideration of the ability of the Group to continue as a going concern.

The countries in which the Group operates are all in different stages of "lockdown", including travel, trade restrictions and social distancing measures. Outcomes range from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential global recession or recessions in countries in which the Group operate. At the same time, there a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. Datatec is monitoring the developments closely and continuously adjusting across all its operations. The Group follows guidelines from the WHO and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

As the WHO declared COVID-19 a global pandemic on 11 March 2020 after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. As a result the financial effects resulting from the impact of COVID-19 have not been reflected in the Group's financial statements as at 29 February 2020.

As the situation remains fluid and rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak may materially affect the consolidated results of the Group for the first half and full year of its FY21 financial year.

Westcon International facility

Westcon International extended its Europe Financing facility on 14 May 2020 (refer to Note 39).

Acquisition

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad for €7 million, a consultancy based in Bonn, Germany with an extensive track record in the telecommunications industry and long-term client relationships with Europe's leading telecom operators. Allolio&Konrad's services include the design, management and assurance of major business support systems and operational support systems transformation programmes and large-scale, multi-year IT strategy initiatives, alongside other solutions focused on performance and operations management. Due to the timing of this acquisition, the at acquisition accounting has not been finalised and the fair value assessments of assets and liabilities acquired are still in progress, thus the goodwill and intangible assets related to this acquisition have not been determined. Acquisition-related costs of €0.2 million have been incurred on this acquisition.

There are no other material subsequent events to report.

Notes **to the Group consolidated annual financial statements** continued

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39. GOING CONCERN

The Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its core segments to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing on various possible scenarios, varying in severity, related to COVID-19, which had been declared a global pandemic by the WHO on 11 March 2020. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group currently has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business.

Solvency

The Board has determined that the Group is solvent with net assets at 29 February 2020 of US$572.3 million (FY19: US$648.9 million) and tangible net assets of US$281 million (FY19: US$364.1 million). The Group is expected to remain solvent over the next 12 months.

This conclusion has been arrived at after applying the various sensitivity scenarios applied above.

Liquidity

In February 2020, Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities. It is used to fund working capital requirements and also includes a new acquisition credit line. In addition, the Latin American credit facilities are considered adequate in the current environment.

On 14 May, Westcon International extended its expiring European Invoice Financing facility of US$280 million for a further 12 months until 4 June 2021. The facility has been reduced to US$224 million with effect from 4 June 2020, with an accordion facility to go up to US$280 million during the period November 2020 to February 2021 when working capital utilisation is typically at its highest. This extended facility is considered adequate for Westcon International's working capital requirements, based on prior year utilisation of the facility, as well as projected headroom as per the scenario modelling and stress testing.

The Group performed covenant projections to confirm that banking covenants are unlikely to be breached for the next 12 months.

39. GOING CONCERN continued

The Group's liquidity is dependent on customers continuing to pay their invoices. Between the reporting date and the authorisation date of these annual financial statements, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

Trade receivables and inventory are of a sound quality and adequate provisions have been recorded.

The Group's forecasts and projections of its current and expected financial performance, show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these annual financial statements.

Trading from 1 March 2020 to the date of this report

Trading has remained steady since the beginning of the FY21 financial year, although some delays and supply disruptions were experienced especially in countries with highly restrictive lockdowns. Initial indications are that Westcon International revenues and order intake for the first quarter of FY21 ("Q1 FY21") are similar to the same period last year. For Logicalis, order intake for Q1 FY21 is similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

Increased demand for the Group's technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, virtualisation, security and unified communications remains strong. The positioning of the Group's divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

Furthermore, the multi-year investment in systems and processes in Westcon International was a key enabler to move all of its employees to working remotely, with the exception of warehouse staff, who continue to work in the warehouses subject to increased safety protocols. Most of the Logicalis global workforce also successfully works from home in the current environment.

Conclusion

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations. As a result, it is appropriate to prepare these annual financial statements on a going concern basis. This is further supported by trading after the financial year-end, as outlined above.

Notes **to the Group consolidated annual financial statements** continued

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40. CONSTANT CURRENCY

Pro forma financial information is included for the Group's revenue for the current reporting period, it had been translated at the average foreign currency exchange rates of the prior reporting period ("constant currency financial information").

The *pro forma* financial information, which is the responsibility of the Datatec directors, has been compiled taking into account the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 (applicable criteria). The *pro forma* information does not constitute financial statements fairly presented in accordance with IFRS. The *pro forma* information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's statement of comprehensive income, salient financial features and statement of financial position. The Group's external auditor, Deloitte & Touche, has issued an unmodified assurance report on the *pro forma* financial information on 26 May 2020. A copy of their report is available for inspection at the registered office of the Company.

To determine the revenues in constant currency terms, the current financial reporting period's monthly revenues in local currency have been converted to US Dollar at the average monthly exchange rates prevailing over the same period in the prior year. The average exchange rates of the Group's material currencies are listed below:

Average US Dollar exchange rates (US$)	**FY20**	FY19
British Pound/US Dollar	**1.27**	1.32
Euro/US Dollar	**1.11**	1.16
US Dollar/Brazilian Real	**4.06**	3.75
US Dollar/Australian Dollar	**1.46**	1.37
US Dollar/Singapore Dollar	**1.37**	1.36
US Dollar/South African Rand	**14.67**	13.56

Constant currency financial information

- In constant currency terms, Group revenues increased by 3.6% reflecting the impact of foreign currency translation effects on the results.
- In constant currency terms, Logicalis' revenue increased by 4.28% in FY20.
- In constant currency terms, Westcon's revenues increased by 2.7% and revenues in all regions except Europe, were up year-on-year.