DIRECTORS' REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2022

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

Datatec operates two main divisions:
- **Technology** – Westcon International: Technology distribution of security and networking products
- **Integration and managed services** – Logicalis: ICT infrastructure solutions and services

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

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

STATED SHARE CAPITAL
Authorised stated share capital
The authorised stated capital of the Company as at 28 February 2022 and 28 February 2021 is R4 000 000, made up of 400 000 000 ordinary shares.

Issued stated capital
As at 28 February 2022, the issued stated capital amounted to R2 169 578.74, divided into 216 957 874 ordinary shares (28 February 2021: R2 014 500, divided into 201 450 000 ordinary shares).

DIVIDEND POLICY
The Group's policy is to maintain a three times cover relative to underlying* earnings when declaring ordinary dividends.

FINAL FY22 DIVIDEND
The Board declared a final cash dividend with scrip alternative of 111 South African cents per share (approximately 7 US cents per share).

GOING CONCERN
The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future.

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 or as disclosed as contingent liabilities in Note 29 of the consolidated annual financial statements.

Solvency
The Board has determined that the Group is solvent with net assets at 28 February 2022 of US$563.4 million (FY21: US$583.2 million) and tangible net assets of US$243.3 million (FY21: US$268.7 million). The Group is expected to remain solvent over the next 12 months.

Liquidity
Logicalis is supported by a corporate facility of US$155.0 million, covering all operations outside of Latin America, comprising a rolling credit facility to fund working capital requirements and an acquisition facility. The Latin America region is supported separately via a number of uncommitted overdraft facilities and short-term lending arrangements.

Westcon International has an invoice assignment facility of EUR390.6 million (recently increased from EUR275.0 million) for its European subsidiaries, as well as an extended payables facility of US$65.7 million. Westcon International has a securitisation facility of US$100.0 million for its Asia-Pacific facilities (up from US$80 million in the prior year). In addition, Westcon International utilises accounts receivable facilities in the Middle East (US$15.0 million) and Indonesia (US$11.0 million), as well as overdraft facilities in Europe (EUR4.0 million) and Africa (US$1.0 million), a securitisation facility in South Africa (R250.0 million) and a line of credit in Singapore (US$1.2 million) to finance the business.

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

The Group ended FY22 with net debt (US$130 million) compared to FY21 (US$61 million).

Trade receivables and inventory are of a sound quality and adequate expected credit losses 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.

Conclusion
The Group's projections show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations, and as a result, it is appropriate to prepare these annual financial statements on a going concern basis.

INVESTMENTS AND SUBSIDIARIES
Financial information relating to the Group's investments and interests in subsidiaries is contained in Note 43 to the consolidated annual financial statements and in Note 12.

MATERIAL ACQUISITIONS

The Group made the following acquisitions during the financial year ended 28 February 2022:

Logicalis Group

On 1 March 2021, Logicalis Group's 65% held subsidiary PromonLogicalis Latin America Limited, exercised its option to acquire an additional interest of 20.1% of the issued share capital in Kumulus for US$1.2 million, bringing the effective holding in Kumulus to 50.1%. Kumulus will continue to be equity-accounted for in the Group's results because the Group does not have management control.

On 31 March 2021, Logicalis acquired 70% of the issued share capital in Áudea, a Spanish company which specialises in cyber security and data protection, governance and compliance, for a consideration of US$2.1 million cash. Áudea's cyber security capabilities are complementary to Logicalis Spain's security portfolio, creating a much broader professional and managed service offering.

On 1 June 2021, Logicalis acquired Siticom, a German company that is a leading services and solutions provider in the software-defined networking and 5G market, through a new company Logicalis Siticom GmbH. The transaction involved the acquisition of 100% of the issued share capital for a consideration of US$12.7 million followed by the immediate disposal of 29.6% of the issued share capital to two of the previous owners/managers for a consideration of US$5.4 million. There are two options for Logicalis to repurchase this non-controlling interest for an agreed amount of up to US$10.5 million over the next two years, whereafter Logicalis will own 100% of Siticom. Of this agreed amount, US$9.3 million is required to settle these options and has been placed in an escrow account that is not reflected as part of cash and cash equivalents, but included in other receivables. A potential maximum EUR1.0 million (approximately US$1.2 million) earn-out liability, subject to certain performance conditions, is included in the purchase price and payable in the financial year ended 29 February 2024. Due to these fixed priced options, Logicalis consolidated 100% of the results of Siticom for the period it was owned in FY22, and will continue to do so in the future. The total purchase price of the Siticom acquisition (including the options and earn-out liability) is up to a maximum of EUR15.0 million (approximately US$17.9 million), of which US$10.5 million is accounted for as a liability at the acquisition date and included in acquisition-related liabilities. In H2 FY22, US$5.9 million of this liability was settled.

SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVE SCHEMES

Details of the Group's share-based payment schemes and long-term incentive schemes are set out in Note 2 of the consolidated annual financial statements.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

Acquisitions

After the reporting date, effective 30 April 2022, Access Markets International (AMI) Partners, Inc. a 100% owned subsidiary of Analysys Mason Limited acquired 100% of the membership interests in Northern Sky Research, LLC ("NSR"). NSR is based in the US and specialises in research and consulting services to the space and satellite sector.

On 1 March 2022, Logicalis acquired the remaining 30% of the issued share capital from the non-controlling interest in Logicalis Portugal, a Cisco systems integrator and managed services business in Portugal, for a deferred consideration of US$5.4 million payable in September 2022.

IFRS 5 Disposal group

Subsequent to the year-end, the Board has classified its management consultancy division, Analysys Mason, as a disposal group held for sale as the IFRS 5 criteria have been met.

Analysys Mason is included in the "Corporate and Management Consulting" segment of the Group.

The proposed sale is in terms of a process initiated by the Board pursuant to its strategic review and a transaction is expected to occur within 12 months from the date of these financial statements. Shareholders will be advised of any developments in this regard.

There were no other events that occurred subsequent to the reporting date that require disclosure or adjustment to these financial statements.

DIRECTORS

Directors' interests in the shares of the Company are provided in Note 30 to these consolidated annual financial statements. Directors' remuneration and their interests in share-based remuneration schemes are provided in Note 2 to these consolidated annual financial statements.

All directors are subject to election by shareholders at the first AGM after their appointment. Subsequently, the terms of the Company's Memorandum of Incorporation require one-third of all directors to retire annually (ensuring each director retires at least once every three years) when they may offer themselves for re-election by shareholders.

ANNUAL GENERAL MEETING

The AGM of shareholders of Datatec will be held as a virtual meeting at 14:00 South African time on Wednesday, 27 July 2022.