

Independent auditor's report

To the Shareholders of Datatec Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Datatec Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Datatec Limited's consolidated financial statements set out on pages 74 to 185 comprise:

- the consolidated statement of financial position as at 29 February 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

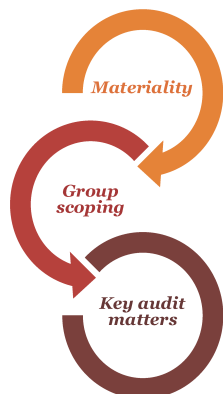
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview



Overall group materiality

US\$27 million, which represents 0.5% of consolidated revenue.

Group audit scope

We performed full scope audits on the three components that were financially significant, in addition to the full scope audit of the Company. Analytical review procedures were performed over all remaining insignificant components which are not in scope based on the associated risk of those components.

Key audit matter

Impairment assessment of goodwill arising from business combinations.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	US\$27 million.
How we determined it	0.5% of consolidated revenue.
Rationale for the materiality benchmark applied	<p>We selected consolidated revenue as the benchmark for materiality because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, as it is an indicator of market share. Consolidated revenue is one of the key drivers of the Group's business and is one of the key performance indicators for stakeholders. The Group's focus is on growth which is attributable to an increase in revenue. Furthermore, consolidated profit before tax is typically volatile, whereas consolidated revenue has remained stable and therefore deemed a more appropriate benchmark.</p> <p>We chose 0.5% as the benchmark threshold, which is lower than the quantitative materiality threshold that we would typically apply when using consolidated revenue to compute materiality. We took into account various factors, including the intended users and distribution of the consolidated financial statements, as well as the level of external debt in the consolidated financial statements.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of the financial significance of the Group's components as well as the sufficiency of work planned to be performed over material consolidated financial statement line items. We identified three financially significant components in the Group, namely Westcon International Limited and Logicalis International Limited, both incorporated in the United Kingdom, as well as Logicalis Latin America Holdings S.A., incorporated in Brazil. These components were considered to be financially significant based on their contribution to consolidated revenue, consolidated profit before tax, consolidated assets or consolidated liabilities. We performed a full scope audit of these three components and the Company. Analytical review procedures were performed over all remaining components not in scope, to assess whether any risks exist that would require additional audit procedures. These components were considered to be insignificant, individually and in aggregate.

In establishing the overall approach to the Group audit, we determined the type and extent of work that needed to be performed by us, as the group auditor, or component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components (including their scoping considerations regarding their respective components) to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our audit opinion on the consolidated financial statements as a whole. Detailed group audit instructions were communicated to all components in scope.

We conducted various meetings with all of our significant component teams and management. During these meetings we discussed the strategy and financial performance of the local businesses, the audit plan and execution, significant risks and other relevant audit topics and the clearance of those matters at the conclusion of the component audits. We conducted site visits at each of the three financially significant component locations. During these site visits, we also met with the divisional Chief Financial Officers of the financially significant components, to discuss the status of the component audits.

We assessed the competence, knowledge and experience of the component auditors and evaluated the procedures performed on the significant audit areas to assess the adequacy thereof to support our audit opinion on the consolidated financial statements.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill arising from business combinations</p> <p>As at 29 February 2024, the Group recognised goodwill with a carrying amount of US\$281 million, which includes goodwill arising on acquisition of subsidiaries in the current year amounting to US\$35 million.</p> <p>In accordance with IAS 36 Impairment of Assets ("IAS 36") the Group is required to conduct an annual impairment test on goodwill, or more frequently when an indication of impairment exists on goodwill attributed to an individual cash-generating unit ("CGU").</p> <p>For purposes of its impairment testing, the Group allocated goodwill to each of its segmental CGUs that are expected to benefit from the synergies of the business combinations.</p> <p>The Group performed its annual impairment tests and concluded that no impairments were required to be recognised in the current financial year.</p> <p>The recoverable amount of each respective segmental CGU was determined based on a fair value less cost to sell model. The fair value less costs to sell is based on a discounted cash flow calculation. The key assumptions used in the calculation are disclosed in Note 7 to the consolidated financial statements. The fair values less costs to sell are compared to values arising from a comparable company's market approach and a market transactions method.</p> <p>External valuations were obtained for the Logicials International and Logicials Latin America CGUs. An internal valuation was prepared for Mason Advisory Limited, which constitutes the goodwill in the Corporate and Management Consulting CGU. The recoverable amounts yielded by the aforementioned valuations were compared to the corresponding net asset value of the CGUs, including goodwill.</p> <p>We considered the impairment assessment of goodwill arising from business combinations to be a matter of most significance to our current year audit of the consolidated financial statements due to:</p> <ul style="list-style-type: none"> the significant judgement and assumptions applied by management in determining the recoverable amounts of the segmental CGUs; the magnitude of the goodwill balance in relation to the consolidated financial statements; and the audit effort expended in this area, including our use of experts. <p>Refer to the following accounting policies and notes to the Group consolidated annual financial statements for details:</p> <ul style="list-style-type: none"> Group accounting policies - Goodwill; Critical accounting judgements and key sources of estimation - Key sources of estimation uncertainty; and Note 7: Goodwill. 	<p>Our audit addressed this key audit matter as follows:</p> <ul style="list-style-type: none"> We tested the mathematical accuracy of the valuation models used by management and no material differences were noted. We assessed the reasonableness of the valuation methodology (discounted cash flows model) applied by management's experts and found this to be consistent with industry practice and in line with the requirements of IAS 36. We evaluated the independence, objectivity and competence of management's experts with reference to their professional qualifications. We evaluated the reliability of the Group's budgets included in the business plans (which form the basis of the future earnings in the cash flow forecasts), by comparing prior period budgets to actual results. Where variances were noted, we applied historically achieved rates to our independent assessment of future forecasts as further explained in the procedures below. We further compared the budgets included in the business plans to the budgets approved by the Board and noted no differences. <p>Using our valuations expertise, we performed the following:</p> <ul style="list-style-type: none"> Independently calculated a range of discount rates for each segmental CGU taking into account independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums adjusted for specific risks relating to the relevant CGUs, debt/equity ratios, sovereign risk premiums as well as the beta of comparable companies; Using our independently calculated discount rates for each material CGU, we performed a stress test on the impairment calculations by applying our independently calculated discount rates to the CGUs to assess whether there is an impairment, noting no further indications of possible impairments to be recognised; and Calculated the terminal value consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGUs operate. No material exceptions were noted. <p>We applied the above independently sourced and calculated inputs to management's forecasts (adjusted for actual achieved rates) and compared management's recoverable amount of each CGU to the results of our calculations. Whilst our independently determined key assumptions were different from those applied by management in certain instances, the impact of these differences was found to have an immaterial impact on the recoverable amounts.</p> <p>We further assessed the reasonableness of the discount rates, terminal growth rates and forecasted cash flows by independently performing a sensitivity analysis to determine the degree by which certain key assumptions (discount rate, long-term growth rate and budgeted gross margin) would need to change in order to result in an impairment or a material difference between the resultant recoverable amounts of the CGUs. Our sensitivity analyses did not yield a reasonable scenario that would trigger impairment.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Datatec Audited Group Consolidated Annual Financial Statements 2024" and "Datatec Limited Audited Financial Statements for the year ended 29 February 2024", which include the Directors' Report, the Audit, Risk and Compliance Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the documents titled "Datatec Integrated Report 2024" and "Datatec Annual Report 2024", which are expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

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

Independent auditor's report continued

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D Storm

Registered Auditor

Johannesburg, South Africa

26 May 2024