16 October 2013

Datatec Limited

Half year results

Datatec Limited ("Datatec" or the "Group", JSE and LSE: DTC), the international Information and Communications Technology (ICT) group, is today publishing its unaudited half year results for the six months ended 31 August 2013 ("the Period").

Financial highlights

- Group revenue $2,77 billion (H1 FY13: $2,62 billion)
- Gross margin expands to 15,0% (H1 FY13: 14,4%)
- EBITDA $89,2 million (H1 FY13: $91,9 million)
- Underlying* earnings per share 19,2 US cents (H1 FY13: 23,5 US cents)
- Interim capital distribution maintained at 8 US cents per share (H1 FY13: 8 US cents)

Operational highlights

- Westcon's contribution continues to be impacted by roll-out of ERP system
- Anticipated growth in the US did not materialize
- Logicalis delivered another very strong performance – operating profit up 45% to $32,7 million (H1 FY13: $22,6 million)
- Currency weakness in many countries has impacted market demand

Current trading and prospects

- Cautious outlook for second half of FY14 in light of Westcon's performance
- Revised 2014 financial year forecast:
  - Revenues between $5,6 billion and $5,8 billion (FY13: $5,25 billion)
  - Underlying* earnings per share similar to FY13, approximately 43 US cents per share.

Jens Montanana, Chief Executive of Datatec, commented:

"Performance in parts of Westcon's North American business, where the new ERP system has been implemented, has been disappointing. The volume shortfall in that region has been the main reason for the Group's underperformance in the Period.

"Logicalis continues to execute strongly and in line with our expectations; Analysys Mason has also performed well.

"We are experiencing varying trading conditions in many parts of the world with Europe recently showing signs of improvement, while developing markets have been impacted by currency volatility.

"Our confidence in our long term strategy has enabled us to maintain the interim dividend (capital distribution)."

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GROUP STRUCTURE

Datatec Group is a global provider of ICT products, solutions and services, with more than 6,500 people worldwide and with operations in over 50 countries.

The Group's main lines of business comprise:

- **Technology division**: global distribution of advanced networking, security and unified communications products ("Westcon")
- **Integration division**: ICT infrastructure solutions and services ("Logicalis")
- **Consulting division**: strategic and technical consulting ("Consulting Services")

"Corporate" encompasses the costs of the Group's head office entities.

OVERVIEW

Datatec achieved modest revenue growth with expanding gross margins in the six months ended 31 August 2013. Across the Group the US market did not grow as much as anticipated.

Westcon's performance in the Period was disappointing, impacted adversely by the ERP system roll out in North America which had a big effect on transaction volumes.

Logicalis performed very well, in line with management's expectations and benefitted from the acquisition of the European operations of 2e2 in March 2013.

Latin America continues to be the Group's strongest performing region. There have been signs of nascent economic recovery in Europe, however, the market there remains weak. In many other markets currency fluctuations contributed to a mixed performance.

The rest of the world outside North America and Europe now generates 39% of Datatec's revenues and 44% of the Group's gross profits, compared with 35% of revenue and 41% of gross profits in the Comparative Period.

Group revenues increased 6% to $2,77 billion (H1 FY13: $2,62 billion), of which some 71% came from Westcon; 28% from Logicalis and 1% from Consulting Services.

Overall Group gross margins expanded to 15,0% (H1 FY13: 14,4%). EBITDA was $89,2 million (H1 FY13: $91,9 million) while underlying* earnings per share are 19,2 US cents (H1 FY13: 23,5 US cents).

STRATEGY AND ACQUISITIONS

Datatec has a strong market position with no particular dependency on any single market, territory or technology sector. The Group continues to pursue its long-term strategy to deliver sustainable above average returns to shareholders by focusing on a combination of organic growth in the faster-growing sectors of the ICT market, geographic expansion and earnings-enhancing acquisitions.

During the first half of FY14 the Group made two acquisitions.

On 4 March 2013, Logicalis acquired the European operations of 2e2 in Spain, Ireland, Channel Islands and Netherlands for $31 million.

On 31 May 2013, Datatec completed the acquisition of Comztek, a South Africa based ICT distribution group with operations in a range of African countries. The integration of Comztek into the Westcon South Africa business, which Datatec owns jointly with its BEE partner MIC, is now in progress.

On 31 August 2013, Westcon completed the sale of its 54% holding in Inflow Technologies following Datatec's decision to exit the distribution market in India in May.

The Group will continue to seek to improve its competitive position. It believes that the prevailing economic climate continues to provide attractive opportunities to enhance margins, to facilitate consolidation in proven markets and to extend the Group's geographical reach.

FINANCIAL RESULTS

Group revenues increased by 6% to $2,77 billion (H1 FY13: $2,62 billion) with 27% of Group revenue generated from North America (H1 FY13: 34%), 34% from Europe (H1 FY13: 31%), 18% from Latin America (H1 FY13: 14%), 11% from Asia Pacific (H1 FY13: 13%) and 10% from Africa, India and Middle East ("AME") (H1 FY13: 8%).

Gross margins improved to 15,0% (H1 FY13: 14,4%). Gross profit increased by 10% to $413,5 million (H1 FY13: $377,0 million), while operating costs increased at a higher rate of 14,0% to $324,3 million (H1 FY13: $285,1 million).

EBITDA was $89,2 million (H1 FY13: $91,9 million), which includes net unrealised foreign exchange gains of $0,2 million (H1 FY13: losses of $0,5 million). Depreciation was $15,3 million (H1 FY13: $13,7 million). Amortisation of intangible fixed assets arising from acquisitions was $6,9 million (H1 FY13: $7,2 million).

The fair value of companies acquired during the year was $40,1 million. As a result, goodwill and intangible assets increased by $11,8 million and $9,5 million respectively. The revenue and EBITDA included from these acquisitions in H1 FY14 was $90,4 million and $2,3 million respectively; with an after tax loss of $0,4 million. Had the acquisition dates been 1 March 2013, revenue in H1 FY14 attributable to these acquisitions would have been approximately $113,6 million. It is not practical to establish the EBITDA that would have been contributed by the acquisitions in H1 FY14 if they had been included for the entire period.

Operating profit was $67,0 million (H1 FY13: $71,0 million). The net interest charge decreased to $10,4 million (H1 FY13: $11,4 million) as a result of improved funding levels for working capital in Logicalis' Brazilian business and the cessation of prompt pay arrangements in parts of the Westcon business.

Profit before tax was $57,7 million (H1 FY13: $60,4 million).

The Group's reported effective tax rate for H1 FY14 is 31,2% (H1 FY13: 31,6%). The Group's effective tax rate is higher than the South African rate of 28% due to the profits arising in jurisdictions with higher tax rates, in particular North and Latin America.

The decrease in the effective tax rate in the current half year is due mainly to lower effective rates in North and Latin America and a reduced statutory rate in the UK. The effective tax rate for the financial year ending 28 February 2014 is expected to be 34,0% (FY13: 34,9%).

Underlying* earnings per share were 19,2 US cents (H1 FY13: 23,5 US cents). Headline earnings per share ("HEPS") were 18,2 US cents (H1 FY13: 20,7 US cents).

The Group's operations utilised $19,1 million cash during the Period (H1 FY13: $57,8 million cash generated from operations).

The Group ended the Period with net debt of $56,7 million (H1 FY13: $135,5 million), after deducting long-term debt of $20,2 million and short-term debt of $19,2 million, included in the payables and provisions line on the statement of financial position. The Group continues to enjoy comfortable headroom in terms of its working capital lines.

The Group issued 4,1 million new shares. Of this 3,4 million shares were issued as part of consideration for acquisitions, while a further 0,7 million shares were issued to settle commitments under the terms of Datatec's equity-settled share-based remuneration schemes.

The Group paid $16,2 million to shareholders during H1 FY14 as a final capital distribution relating to FY13, bringing the total capital distribution for FY13 to $31,4 million.

DIVISIONAL REVIEWS

Westcon

Westcon accounted for 71% of the Group's revenues (H1 FY13: 73%) and 50% of its EBITDA (H1 FY13: 63%).

Westcon is the world's leading specialty distributor in networking, security, mobility and convergence for leading technology vendors, including Cisco, Avaya, Check Point, Brocade, Polycom and other complementary manufacturers. Through its Comstor Cisco-dedicated business unit and Westcon Convergence and Westcon Security divisions, Westcon sells products and services to resellers, systems integrators and service providers.

Westcon has expertise in the convergence of voice, data and video applications and technologies, security for networking and communications systems, data centre technologies, videoconferencing and wireless connectivity.

Westcon had a challenging first half of FY14 as a result of the impact of the ERP implementation on its North American business and mixed trading conditions across its geographic markets. Overall revenues increased 3% to $1,96 billion (H1 FY13: $1,90 billion) with increases in Latin America, Europe and AME offset by lower sales in Asia Pacific and a significant decrease in North America.

Westcon acquisitions contributed $32,0 million in revenue.

Of Westcon's revenue, 35% was generated in Europe (H1 FY13: 33%), 28% in North America (H1 FY13: 34%), 12% in Asia Pacific (H1 FY13: 14%), 14% in AME (H1 FY13: 11%) and 11% in Latin America (H1 FY13: 8%).

Gross margin of 11,3% was consistent with H1 FY13 as margin pressures in Latin America, AME and Europe were offset by margin expansion in North America and Asia Pacific. A decrease in early payment discount for Cisco product in Europe was offset by a favourable product mix.

The share of lower–margin Cisco products decreased to 48% of Westcon's revenue (H1 FY13: 51%) followed by 12% for Avaya/Nortel (H1 FY13: 13%), 26% for security (H1 FY13: 20%) and 14% for Affinity/other development vendors (H1 FY13: 16%). Gross profit increased 4% to $222,2 million (H1 FY13: $214,0 million).

Westcon's EBITDA decreased to $45,7 million (H1 FY13: $62,1 million) while EBITDA margin was 2,3% (H1 FY13: 3,3%). Operating profit was $35,0 million (H1 FY13: $53,4 million).

Westcon's net working capital days improved eleven days on the strength of increased payables compared with 31 August 2012 and over the same period net debt improved by $60 million.

Westcon is in the process of transitioning its existing global ERP system to a new platform. The upgrade is part of a multi-year programme to improve and optimise Westcon's systems and infrastructure capabilities. To date it has been only implemented in North America. All other regions are operating on legacy systems.

The transition in North America has caused operating disruptions which have adversely impacted revenues, particularly in the high volume transaction business. The roll-out schedule has been adjusted and the amount of disruption is expected to decline.

Market conditions are expected to remain challenging in the second half of the year in the mature markets of Europe and particularly North America. Despite the difficult trading environment, Westcon management expects to leverage certain vendor relationships to deliver an improved performance in the second half of FY14.

Logicalis

Logicalis accounted for 28% of the Group's revenues (H1 FY13: 26%) and 48% of its EBITDA (H1 FY13: 35%).

Logicalis is an international IT solutions and managed services provider with a breadth of knowledge and expertise in communications and collaboration, data centre and cloud services, and managed services.

Overall revenues and profits in the first half were significantly better than the first half of the previous year. The Latin America region was particularly strong and the performances of the other regions were in line with expectations.

Revenue increased by 12% to $767,3 million (H1 FY13: $682,3 million), including $58,4 million of revenue from the 2e2 acquisition. Organic revenue growth was 4%.

Latin America remained the largest revenue contributor at 37% of total revenue (H1 FY13: 33%) despite a further depreciation in the Brazilian currency relative to the US dollar. The Europe region grew from 26% to 29% of total revenue whilst North America's share of revenues fell from 32% to 26%.

Revenues from product sales were up 6%, with robust increases in the Cisco and Other vendor categories. Revenues from total services were up 29%, with strong growth in both professional and annuity service revenues.

With the strong growth in professional and annuity service revenues, the gross margin improved to 23,1% (H1 FY13: 21,8%). The gross profit was up 19% to $176,9 million (H1 FY13: $149,0 million) and EBITDA increased by 28% to $43,7 million (H1 FY13: $34,2 million) resulting in an EBITDA margin of 5,7% (H1 FY13: 5,0%).

Operating profit was up 45% to $32,7 million (H1 FY13: $22,6 million) after charges for depreciation and amortisation of intangible assets.

Logicalis continues to have a contingent liability in respect of a possible tax liability at its Promon-Logicalis subsidiary in Brazil.

Despite generally more positive macroeconomic news flow, trading conditions continue to remain challenging but stable, particularly in the European and North American markets. The outlook in the Latin America region remains positive with the exception of Argentina where government-imposed import restrictions are disrupting normal business activities. Logicalis continues to concentrate on demonstrating the value of ICT to customers by focusing on business benefits while managing cost. Logicalis expects the second half results to be seasonally better than the first half.

Consulting Services

The Consulting Services division accounted for 1% of Group revenues (H1 FY13: 1%) and 2% of EBITDA (H1 FY13: 2%).

The division comprises: Analysys Mason, a provider of management consulting, advisory, modelling and market intelligence services to the telecoms, IT and digital media industries; Intact, a services and support consultancy delivering high-end professional services in networking, unified communications, and related security, wireless and data centre connectivity focusing on Cisco technologies; and The Via Group ('Via'), a specialist professional services organisation providing unified communications and integrated voice solutions that encompass Microsoft technology.

Revenues contracted slightly to $37,1 million (H1 FY13: $38,3 million). An exceptional performance from Analysys Mason and revenue expansion at Via was offset by lower revenues at Intact. Analysys Mason's strong performance contributed to growth in divisional gross profit to $14,4 million (H1 FY13: $13,9 million), expanding gross margins to 38,8% (H1 FY13: 36,3%).

The strong demand experienced by Analysys Mason for transaction support services in particular, has resulted in a continuation of enhanced operational leverage which is driving improved profitability. With the inclusion of Via and despite a tougher trading period at Intact, overall EBITDA improved by 42% to $2,2 million (H1 FY13: $1,6 million).

The division has seen growing demand for core propositions with an emphasis on projects in Emerging markets. While the division continues to trade well in a few European jurisdictions, the management's sentiment is that Europe generally, still remains weak. This has been compensated by stronger sales in the Middle East, Asia and Africa. These trends are expected to continue into the second half.

Corporate

Corporate encompasses the net operating costs of the Datatec head office entities of $5,5 million (H1 FY13: $6,4 million) and unrealised exchange gains of $2,2 million and realised exchange gains of $0,9 million (H1 FY13: $0,3 million unrealised exchange gains and immaterial realised exchange losses). Head office costs are slightly lower than in the Comparative Period due to lower acquisition and other project costs and the weakening of the Rand against the Dollar.

Accounting for acquisitions

The following table sets out the provisional assessment of the fair value of assets acquired across all acquisitions made by the Group. 2e2 is the largest component of this. The receivables, inventory and taxation fair value assessments and the amounts recognised in the financial statements in respect of the 2e2 and Comztek acquisitions have only been determined provisionally due to the timing and number of legal entities acquired and this may impact goodwill (•).

Acquisitions made in H1 FY14	
Assets acquired	**$'000**
Non-current assets	7 048
Current assets	91 301
Non-current liabilities	(13 192)
Current liabilities	(65 840)
Net asset value acquired	**19 317**
Intangible assets	9 542
Goodwill (•)	11 809
Non-controlling interest	(586)
Fair value of acquisitions	**40 082**
Purchase consideration	
Issue of Datatec shares	16 740
Cash	23 342
Total consideration	**40 082**
Cash outflows for acquisitions	
Cash and cash equivalents acquired	22 929
Cash consideration paid	(23 342)
	(413)

SUBSEQUENT EVENTS

On 14 October 2013, Logicalis acquired iConsult, a Channel Islands based integrator.

CURRENT TRADING AND PROSPECTS

The Group remains very well positioned to support its vendors and customers through its investments to drive scale and create broad international coverage. Technology innovation remains high in the sectors in which the Group operates as IT infrastructure migrates to cloud based services, which is fuelling demand for networking, security, mobility and unified communications solutions.

In light of Weston's underperformance and the effect of continued disruption caused by the system transition, the forecast for the financial year ending 28 February 2014 has been revised down from that originally presented on 15 May 2013. The revised forecast for the 2014 financial year is as follows:

- revenues of between $5,6 billion and $5,8 billion (previous forecast of between $5,6 billion and $5,9 billion, FY13: $5,25 billion);
- profit after tax** of approximately $88 million (previous forecast $102 million, FY13: $85 million);
- underlying* earnings per share approximately 43 US cents, the same as the last financial year (previous forecast 50 US cents, FY13: 43,1 US cents);
- earnings** per share of approximately 38 US cents (previous forecast 46 US cents, FY13: 40,8 US cents); and
- headline** earnings per share of approximately 40 US cents (previous forecast 46 US cents, FY13: 40,8 US cents).

The financial information on which this forecast is based has not been reviewed or reported on by Datatec's external auditors.

INTERIM CASH DISTRIBUTION BY WAY OF CAPITAL REDUCTION

The Group will distribute to shareholders an interim capital reduction out of contributed tax capital in lieu of a dividend, of 80 RSA cents per share (approximately 8 US cents per share) for the six months ended 31 August 2013. The issued share capital at the declaration date is 196,534,384 ordinary shares of ZAR0.01 each.

The salient dates will be as follows:

Last day to trade	Friday, 22 November 2013
Shares to commence trading "*ex*" the distribution	Monday, 25 November 2013
Record date	Friday, 29 November 2013
Payment date	Monday, 2 December 2013

Share certificates may not be dematerialised or rematerialised between Monday, 25 November 2013 and Friday, 29 November 2013, both days inclusive.

The capital distribution will be paid to shareholders on the Jersey branch register in pounds sterling translated at the closing exchange rate on Wednesday, 27 November 2013.

REPORTING

This interim report complies with International Accounting Standard 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa, the AIM Rules for Companies and the disclosure requirements of the JSE Limited's Listings Requirements. The accounting policies comply with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board and are consistent with those applied in the prior year financial statements. The preparation of the Group's consolidated interim results for the six months ended 31 August 2013 was supervised by the Chief Financial Officer, Mr RP Evans. The financial information has not been audited or reviewed by Deloitte & Touche.

On behalf of the Board:

SJ Davidson	**JP Montanana**	**RP Evans**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

16 October 2013

**Excluding goodwill and intangibles impairment, amortisation of acquired intangible assets, acquisition-related adjustments, profit or loss on sale of assets and businesses, fair value movements on acquisition-related financial instruments and unrealised foreign exchange movements.*

***Forecasts for profit after tax, earnings per share and headline earnings per share do not take into account any fair value gains or losses on acquisition-related financial instruments (including put option liabilities), which are required under IFRS.*

Condensed Group statement of comprehensive income

for the six months to 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
Revenue	**2 765 508**	2 621 254	5 246 667
Existing operations	**2 675 108**	2 591 630	5 063 855
Acquisitions	**90 400**	29 624	182 812
Cost of sales	**(2 351 991)**	(2 244 218)	(4 466 333)
Gross profit	**413 517**	377 036	780 334
Operating costs	**(324 435)**	(284 645)	(593 151)
Unrealised foreign exchange gains/(losses)	**167**	(493)	(1 645)
Operating profit before finance costs, depreciation and amortisation ("EBITDA")	**89 249**	91 898	185 538
Depreciation	**(15 330)**	(13 634)	(28 657)
Amortisation of acquired intangible assets	**(6 917)**	(7 216)	(15 508)
Operating profit	**67 002**	71 048	141 373
Interest income	**2 075**	2 611	5 086
Financing costs	**(12 474)**	(13 979)	(26 993)
Acquisition-related fair value adjustments	**2 469**	–	6 443
Fair value movements on put option liabilities	**2 469**	–	(505)
Fair value adjustments on deferred purchase consideration	**–**	–	6 948
Share of equity-accounted investment earnings	**301**	573	1 078
Other income	**106**	167	260
Loss on disposal of investments	**(1 778)**	–	–
Profit before taxation	**57 701**	60 420	127 247
Taxation	**(18 015)**	(19 093)	(42 163)
Profit for the period	**39 686**	41 327	85 084
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation to presentation currency	**(55 643)**	(41 250)	(45 925)
Other items	**481**	(40)	–
Translation difference on equity loans	**10 119**	9 519	13 646
Tax effect of equity loans translation	**(3 047)**	(1 639)	(2 386)
Total comprehensive (loss)/income for the period	**(8 404)**	7 917	50 419

Profit for the period attributable to:			
Owners of the parent	**33 925**	39 292	78 077
Non-controlling interests	**5 761**	2 035	7 007
	39 686	41 327	85 084
Total comprehensive (loss)/income attributable to:			
Owners of the parent	**(7 065)**	12 221	48 555
Non-controlling interests	**(1 339)**	(4 304)	1 864
	(8 404)	7 917	50 419
Number of shares issued (millions)			
Issued	**197**	193	193
Weighted average	**196**	190	191
Diluted weighted average	**198**	191	193
Earnings per share ("EPS") (US cents)			
Basic EPS	**17,3**	20,7	40,8
Diluted basic EPS	**17,1**	20,5	40,4
SALIENT FINANCIAL FEATURES			
Headline earnings	**35 720**	39 290	78 071
Headline earnings per share (US cents)			
Headline	**18,2**	20,7	40,8
Diluted headline	**18,0**	20,5	40,4
Underlying earnings	**37 584**	44 662	82 424
Underlying earnings per share (US cents)			
Underlying	**19,2**	23,5	43,1
Diluted underlying	**19,0**	23,3	42,6
Net asset value per share (US cents)	**436,2**	437,7	448,2
KEY RATIOS			
Gross margin (%)	**15,0**	14,4	14,9
EBITDA (%)	**3,2**	3,5	3,5
Effective tax rate (%)	**31,2**	31,6	33,1
Normalised effective tax rate (%)	**31,6**	31,6	34,9
Exchange rates			
Average Rand/US$ exchange rate	**9,7**	8,1	8,4
Closing Rand/US$ exchange rate	**10,3**	8,4	8,8

Condensed Group statement of financial position

as at 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
ASSETS			
Non-current assets	**674 477**	636 432	661 324
Property, plant and equipment	**63 804**	59 480	62 476
Capitalised development expenditure	**52 696**	44 248	49 599
Goodwill	**430 650**	413 515	426 622
Acquired intangible assets	**52 910**	58 521	50 684
Investments	**6 914**	6 125	6 613
Deferred tax assets	**53 365**	33 959	49 961
Other receivables and prepayments	**14 138**	20 584	15 369
Current assets	**2 155 576**	1 943 192	2 028 740
Inventories	**409 097**	371 463	362 172
Current tax asset	**11 367**	–	18 586
Trade and other receivables	**1 416 922**	1 301 282	1 334 136
Cash and cash equivalents	**318 190**	270 447	313 846
Total assets	**2 830 053**	2 579 624	2 690 064

EQUITY AND LIABILITIES

Ordinary shareholders' funds	**859 878**	844 174	865 433
Non-controlling interest	**50 925**	45 385	51 578
Total equity	**910 803**	889 559	917 011
Non-current liabilities	**95 590**	83 672	84 324
Long-term liabilities	**20 117**	16 735	10 419
Amounts owing to vendors	**1 567**	9 507	3 050
Liability for share-based payments	**9 687**	11 332	12 317
Deferred tax liabilities	**63 104**	46 098	57 147
Other liabilities	**1 115**	–	1 391
Current liabilities	**1 823 660**	1 606 393	1 688 729
Payables and provisions	**1 458 873**	1 224 468	1 417 181
Amounts owing to vendors	**9 468**	10 390	9 649
Current tax liabilities	**19 768**	1 122	21 369
Bank overdrafts	**335 551**	370 413	240 530
Total equity and liabilities	**2 830 053**	2 579 624	2 690 064
Capital expenditure incurred in the current period (including capitalised development expenditure)	**19 863**	21 655	45 523
Capital commitments at the end of the period	**25 163**	11 733	13 283
Lease commitments in the period	**115 858**	92 580	99 275
Payable within one year	**30 830**	30 890	31 095
Payable after one year	**85 028**	61 690	68 180

Condensed Group statement of cash flows

for the six months to 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
EBITDA	**89 249**	91 898	185 538
Profit on disposal of property, plant and equipment	**27**	**	(13)
Non-cash items	**(5 733)**	13 954	6 539
Cash generated before working capital changes	**83 543**	105 852	192 064
Working capital changes	**(102 593)**	(48 065)	124 702
(Increase)/decrease in inventories	**(55 995)**	40 176	45 321
Increase in receivables	**(79 019)**	(95 669)	(125 387)
Increase in payables	**32 421**	7 428	204 768
Cash (utilised in)/generated from operations	**(19 050)**	57 787	316 766
Net finance costs paid	**(10 399)**	(11 368)	(21 907)
Taxation paid	**(17 429)**	(25 100)	(53 195)
Net cash (outflows)/inflows from operating activities	**(46 878)**	21 319	241 664
Cash outflows for acquisitions	**(413)**	(73 505)	(74 509)
Net cash outflows from other investing activities	**(19 172)**	(21 428)	(44 896)
Net cash inflows from disposal of operations and investments	**18**	–	–
Net cash inflows/(outflows) from other financing activities	**199**	(8 013)	(13 664)
Capital distributions	**(16 214)**	(17 218)	(32 394)
Net (decrease)/increase in cash and cash equivalents	**(82 460)**	(98 845)	76 201
Cash and cash equivalents at the beginning of the year	**73 316**	1 813	1 813
Translation differences on opening cash position	**(8 217)**	(2 934)	(4 698)
Cash and cash equivalents at the end of the period (*)	**(17 361)**	(99 966)	73 316

(*) Comprises cash resources, net of bank overdrafts and trade finance advances.
(**) Less than $1 000.

Condensed Group statement of changes in total equity

for the six months to 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
Balance at the beginning of the period	**917 011**	879 428	879 428
Total comprehensive (loss)/income	**(8 404)**	7 917	50 419
New share issues	**20 561**	26 429	29 508
Capital distributions	**(16 214)**	(17 218)	(32 394)
Equity-settled deferred purchase consideration	**–**	–	(3 333)
Share-based payments	**(1 217)**	(6 913)	(6 227)
Derecognition of put option liability	**84**	5 102	5 102
Recognition of put option liability	**(984)**	–	–
Acquisitions	**(720)**	1 035	853
Non-controlling interest	**686**	(6 221)	(6 345)
Balance at the end of the period	**910 803**	889 559	917 011

Determination of headline and underlying earnings

for the six months to 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
Profit attributable to the equity holders of the parent	**33 925**	39 292	78 077
Headline earnings adjustments	**–**		
Profit on disposal of property, plant and equipment and investments	**1 804**	**	(13)
Tax effect	**(9)**	(1)	8
Non-controlling interest	**–**	(1)	(1)
Headline earnings	**35 720**	39 290	78 071
DETERMINATION OF UNDERLYING EARNINGS			
Underlying earnings adjustments	**4 281**	7 709	10 710
Unrealised foreign exchange (gains)/losses	**(167)**	493	1 645
Acquisition-related fair value adjustments	**(2 469)**	–	(6 443)
Amortisation of acquired intangible assets	**6 917**	7 216	15 508
Tax effect	**(2 479)**	(2 355)	(6 460)
Non-controlling interest	**62**	18	103
Underlying earnings	**37 584**	44 662	82 424

Segmental analysis

for the six months to 31 August 2013	**Unaudited six months to August 2013 US$'000**	Unaudited six months to August 2012 US$'000	Audited year ended February 2013 US$'000
Revenue			
Westcon	**1 961 127**	1 900 629	3 822 193
Logicalis	**767 268**	682 338	1 350 442
Consulting Services	**37 113**	38 287	74 032
Revenue	**2 765 508**	2 621 254	5 246 667
EBITDA			
Westcon	**45 690**	62 165	117 320
Logicalis	**43 738**	34 203	78 593
Consulting Services	**2 230**	1 567	3 174
Corporate	**(2 409)**	(6 037)	(13 549)
EBITDA	**89 249**	91 898	185 538
Operating profit			
Westcon	**35 030**	53 461	98 200
Logicalis	**32 655**	22 622	54 697
Consulting Services	**1 743**	1 020	2 081
Corporate	**(2 426)**	(6 055)	(13 605)
Operating profit	**67 002**	71 048	141 373
Total assets			
Westcon	**1 867 726**	1 728 965	1 864 079
Logicalis	**885 770**	792 969	769 075
Consulting Services	**49 298**	50 614	48 813
Corporate	**27 259**	7 076	8 097
Total assets	**2 830 053**	2 579 624	2 690 064
Total liabilities			
Westcon	**(1 267 277)**	(1 121 590)	(1 240 133)
Logicalis	**(610 276)**	(530 868)	(497 151)
Consulting Services	**(19 983)**	(19 686)	(18 692)
Corporate	**(21 714)**	(17 921)	(17 077)
Total liabilities	**(1 919 250)**	(1 690 065)	(1 773 053)

Directors

SJ Davidson°• (Chairman), JP Montanana• (CEO), RP Evans• (CFO), O Ighodaro°‡, JF McCartney°†, LW Nkuhlu°, CS Seabrooke°, NJ Temple°•

°Non-executive •British †American ‡Nigerian