DATATEC

Driving Technology

2020

CONDENSED UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST **2020**

Through three core divisions the Group offers:

Integration and Managed Services

LOGICALIS
Architects of Change

Logicalis delivers digital transformation through its IT infrastructure solutions, managed services and cloud integration skills.

Technology Distribution

Westcon Comstor
Delivering Results Together

Westcon International is a value-added technology distributor of industry-leading solutions in cyber security, network infrastructure, unified communications products, data centre solutions and channel support services.

Management Consulting and Financial Services

analysys mason

DATATEC
FINANCIAL SERVICES

Analysys Mason
Analysys Mason is a global consultancy and are research specialists in telecoms, media and technology ("TMT").

Datatec Financial Services
Datatec Financial Services support the Datatec Group of companies alongside any partnering organisations, by providing customers with a financed alternative method of acquiring technology hardware, software and services.

Datatec Limited: Incorporated in the Republic of South Africa
Registration number: 1994/005004/06
JSE share code: DTC
ISIN: ZAE000017745
("Datatec", the "Company" or the "Group")
Registered office: 3rd Floor, Sandown Chambers, Sandown Village Office Park, 81 Maude Street, Sandown

Operational **highlights**

for the six months ended 31 August 2020

- **Solid** operational execution maintained across all divisions in difficult environment
- **Strong demand** for the Group's technology solutions and services
- Significantly **improved** operating cash generation and proactive working capital management
- **Enhanced** liquidity following refinancing of key facilities

	Unaudited Six months to 31 August 2020	Unaudited Six months to 31 August 2019	% movement
Revenue (US$'million)	**2 031.2**	2 056.3	(1)
EBITDA (US$'million)	**60.7**	70.0	(13)
Adjusted EBITDA** (US$'million)	**66.7**	70.0	(5)
Underlying* earnings per share (US cents)	**3.9**	5.3	(26)

Commentary

JENS MONTANANA, CHIEF EXECUTIVE OF DATATEC, COMMENTED:

"Datatec showed great resilience during a period of unprecedented Covid-19-related disruptions. Our divisions provide many of the products and services required to support a remote IT networked based way of doing business, an increasing trend that we see continuing well beyond the current pandemic.

"EBITDA performance improved, when excluding the impact of a tax credit in the prior year's first half, supported by several multi-year investments in advanced technology systems that underpin our internal processes and operational initiatives.

"Working capital has been well managed and liquidity continued to improve considerably during the period. Our ability to refinance facilities on substantially improved terms in the current environment reflects the improvement in fundamentals across the business over the last few years.

"Whilst the path of Covid-19 remains uncertain, Datatec is well positioned to support its customers' requirements and we anticipate the positive momentum experienced during the first half to continue throughout 2020 and into 2021."

Group activities

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

Datatec operates two main divisions:

- **Logicalis:** ICT infrastructure solutions and services; and
- **Westcon International:** Technology distribution of security and networking products.

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

Strategic overview

Datatec's strategy is to improve shareholder returns over the medium term through a combination of corporate and business development actions aimed at enhancing the competitiveness and profitability of its subsidiaries and operating divisions.

The Group achieved a solid operational performance in the six months ended 31 August 2020 ("H1 FY21") with all divisions showing resilient trading with strong operating cash flows and significantly enhanced liquidity. This was achieved despite the challenging socio-economic

environment resulting from the declaration of Covid-19 as a pandemic by the World Health Organization on 11 March 2020, at the start of the Group's new financial year.

Following this declaration and subsequent lockdowns, the Group's immediate priority was to keep employees safe in accordance with government guidelines in all geographies of operation. This typically involved maximising working from home, social distancing and implementation of advised measures to limit the spread of Covid-19.

The multi-year investments in Westcon International's advanced systems and business automation enabled business continuity plans to be deployed effectively with almost the entire workforce switching to remote working. Most of Logicalis' global workforce was also able to work remotely, limiting operational disruptions during lockdown periods.

Although some delays and supply disruptions were experienced, especially in countries with highly restrictive lockdowns, the business operations coped very well and performed ahead of the expectations set at the start of the year.

Group revenues were US$2.03 billion in H1 FY21, down by 1.2% on the US$2.06 billion revenues recorded in the six-month financial period ended 31 August 2019 ("the Comparable Period" or "H1 FY20"). In constant currency*** terms, Group revenues increased by 2.8%.

The EBITDA in the Comparable Period included a tax credit in Logicalis Brazil of approximately US$14 million relating to certain overpaid indirect taxes and interest income included approximately US$7 million in regard to those overpaid taxes ("The Tax Credit").

EBITDA for H1 FY21 was US$60.7 million, representing a 13.3% decrease on H1 FY20 (US$70.0 million) or 8.4% increase when excluding The Tax Credit in H1 FY20. Adjusted EBITDA** excluding H1 FY21 restructuring costs was US$66.7 million (H1 FY20: US$70.0 million).

Underlying* earnings per share ("UEPS") were 3.9 US cents in H1 FY21 compared to underlying* earnings per share of 5.3 US cents for H1 FY20 which also reflected the impact of The Tax Credit.

The Group ended H1 FY21 with enhanced liquidity and the Group statement of financial position remains strong with net debt at 31 August 2020 of US$73.2 million compared to US$139.9 million at 29 February 2020 ("FY20"). Excluding lease liabilities, net cash was US$75.6 million (FY20: net debt US$10.4 million).

Logicalis

Logicalis is the largest contributor to the Group in terms of profitability. The division also has the widest geographical exposure and Datatec intends to continue to develop and grow Logicalis globally, both organically and through acquisitions.

Logicalis revenues reduced by 10% to US$700.2 million compared to US$779.9 million for H1 FY20. In constant currency*** Logicalis revenues reduced by 1.9%. Revenues increased in Europe but declined in other regions with Latin America particularly impacted by adverse currency translation. Operating costs were lower than in the Comparable Period. Adjusted** EBITDA was US$45.2 million compared to US$56.0 million in H1 FY20 which included the impact of The Tax Credit. Excluding The Tax Credit, adjusted** EBITDA increased by 7.6% despite currency headwinds and some Covid-19 impact.

Even though global trading uncertainties are expected to persist for the short to medium term, Logicalis is confident in its ability to continue to respond to market needs caused by Covid-19 disruptions. The technology segments that Logicalis specialises in are key parts of the remote access computing solutions necessary for enterprises to adjust.

Whilst the potential listing of Logicalis' Latin American business on the Brazilian stock exchange remains of high interest, current market conditions make the timing of any potential listing undeterminable.

Westcon International

Westcon International revenues increased by 4% to US$1.30 billion (H1 FY20: US$1.25 billion) on strong demand for networked cloud computing, remote access solutions for home working and virtual office environments, unified communications and enhanced network security. In constant currency***, revenues improved by 5.4%.

Commentary continued

Operating costs were lower than in H1 FY20, resulting in adjusted** EBITDA of US$23.0 million (H1 FY20: US$19.1 million).

Westcon International remains focused on continuing to improve profitability by driving business improvement through revenue growth and margin expansion supported by cost controls. Whilst a number of macro-economic risks exist, including those related to Covid-19 and Brexit, the H1 FY21 results highlight Westcon International's ability to respond effectively in challenging circumstances.

As indicated in June, Westcon International's strengthened standalone statement of financial position following Datatec's decision to convert US$80 million of intercompany loans to equity would enable the division to obtain a better credit rating and improved commercial terms. The Group completed significant refinancing arrangements after the period:

- A two-year US$80 million new receivables securitisation facility for its subsidiary, Westcon International Limited's Asia-Pacific subsidiaries ("Westcon APAC"). The new facility has been entered into with Westpac Banking Corporation, replacing Westcon APAC's financing facilities in Australia, New Zealand and Singapore.
- A EUR275 million new banking facility for its subsidiary, Westcon International Limited's European subsidiaries ("Westcon Europe"). The new facility was entered into with a European banking syndicate, led by Crédit Agricole Leasing & Factoring.

Westcon International was 90% owned by Datatec following the sale of Westcon Americas to SYNNEX Corporation ("SYNNEX") together with 10% of Westcon International in FY18. Effective 19 June 2020, Datatec Plc (an intermediate holding company), increased its shareholding in Westcon International to 92.1% as a result of a capitalisation transaction, resulting in a reduction of the minority interest of SYNNEX from 10% to 7.9%. The Group's strategy for Westcon International remains set on continuing to improve profitability.

Current trading and outlook

The positive momentum of the first half continued into the second half of the year with a strong performance recorded in September. The Group's backlog and order intake have remained solid. The Group provides many of the solutions and services required for an increased IT networked way of doing business, such as remote working, cloud access and fixed or mobile secured networking and the business is currently benefiting from this.

Operationally, the Group's focus remains on optimising business performance and internal processes for the current environment. Priorities in the second half will include digital transformation and restructuring initiatives to align the business model and drive the benefits of the investments in advanced technology systems rolled out over the past few years.

The refinancing of the major subsidiaries of Westcon International on more favourable terms will improve liquidity and reduce interest expense going forward.

The path of the Covid-19 pandemic remains uncertain and the unpredictable business and economic effects arising may materially affect the consolidated results of the Group for the rest of the FY21 financial year. Accordingly, Datatec will not be issuing any forward-looking guidance.

Group results

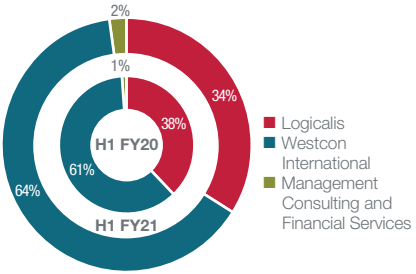
All divisions delivered solid performances as falling operating costs offset the effect of lower gross profits due to a change in revenue mix that saw an increased exposure to the lower margin distribution segment. Overall revenues were broadly flat with modest growth in Westcon International and a decline in Logicalis.

Emerging markets such as Brazil, Mexico and South Africa were impacted by local currency weakness in H1 FY21 which reduced their Dollar reported contribution to the results. Sustained emerging markets currency weakness is expected for the near term.

Revenue

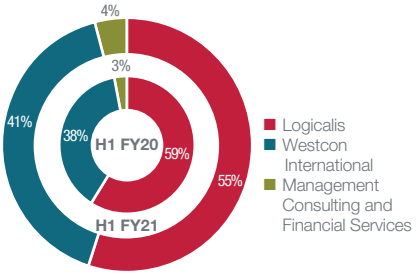
Group revenues for the period were US$2.03 billion (H1 FY20: US$2.06 billion) and are shown by division below.

Contribution to Group revenue



Group gross margins in H1 FY21 were 16.0% (H1 FY20: 17.5%) with the headline decrease being caused by The Tax Credit in H1 FY20. Gross profit was US$324.2 million (H1 FY20: US$359.8 million).

Contribution to Group gross profit



Overall operating costs were US$263.5 million (H1 FY20: US$289.8 million). Included in the H1 FY21 operating costs were total restructuring costs of US$6.0 million as the Group initiated its response to Covid-19 and transformation initiatives to bring the business model in line with the new structures and processes rolled out over the past few years.

EBITDA was US$60.7 million (H1 FY20: US$70.0 million including The Tax Credit of US$14 million) and included US$2.2 million of foreign exchange losses (H1 FY20: gains of US$0.6 million). EBITDA margin was 3.0% (H1 FY20: 3.4%). Excluding restructuring costs, adjusted** EBITDA was US$66.7 million (no restructuring costs in H1 FY20).

Foreign exchange losses consisted of unrealised foreign exchange gains of US$4.1 million (H1 FY20: unrealised foreign exchange losses of US$4.2 million) and realised foreign exchange losses of US$6.3 million (H1 FY20: realised foreign exchange gains of US$4.8 million). Unrealised foreign exchange differences are excluded from underlying* earnings per share.

Depreciation decreased by US$3.2 million to US$25.3 million (H1 FY20: US$28.5 million). Amortisation was US$7.5 million (H1 FY20: US$7.5 million).

Operating profit was US$28.0 million (H1 FY20: US$34.0 million).

The net interest charge increased to US$13.4 million (H1 FY20: US$8.0 million) and profit before tax was US$15.4 million (H1 FY20: US$26.2 million). The main reason for the higher net interest charge in H1 FY21 is approximately US$7 million interest income recognised by Logicalis Brazil in H1 FY20 pursuant to The Tax Credit.

A tax charge of US$10.0 million has arisen on half year profits of US$15.4 million. The effective tax rate of 64.8% continues to be adversely affected by losses arising in Westcon International's Asia operations for which no deferred tax assets have been recognised and its UK operation for which deferred tax assets are only partially recognised at a low rate of tax credit. As at 31 August 2020, there are estimated tax loss carry forwards of US$224.8 million with an estimated future tax benefit of US$49.6 million, of which only US$19.5 million has been recognised as a deferred tax asset.

Commentary continued

Underlying* earnings per share were 3.9 US cents (H1 FY20: 5.3 US cents). Headline earnings per share were 1.6 US cents (H1 FY20: 2.3 US cents). Earnings per share were 1.6 US cents (H1 FY20: 2.9 US cents from continuing and discontinued operations). The H1 FY20 earnings reflected the impact of The Tax Credit.

Cash

The Group generated US$134.2 million of cash from operations during H1 FY21 (H1 FY20: US$77.8 million) and ended the period with a net debt of US$73.2 million (FY20: US$139.9 million; H1 FY20: US$193.7 million). Excluding leases, net cash would have been US$75.6 million (FY20: net debt US$10.4 million; H1 FY20: net debt US$60.9 million). The net debt has been calculated as: cash of US$135.6 million (FY20: US$83.4 million; H1 FY20: US$37.5 million); short-term borrowings and current portion of long-term debt of US$71.8 million (FY20: US$109.5 million; H1 FY20: US$127.9 million); and long-term debt of US$137.0 million (FY20: US$113.8 million; H1 FY20: US$103.3 million).

Acquisitions

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad for EUR7 million cash (the equivalent of US$7.8 million). The consideration paid included EUR6 million to settle debt of Allolio&Konrad with the seller. Allolio&Konrad is 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. Due to the timing of this acquisition, the acquisition accounting has not been finalised. Acquisition-related costs of EUR0.2 million (the equivalent of US$0.3 million) have been incurred.

As a result of this acquisition, goodwill and other intangible assets combined increased provisionally by US$6.7 million. The fair value assessment of assets and liabilities acquired and the amounts recognised as goodwill and intangible assets have not been finalised. None of the goodwill recognised is expected to be deductible for income tax purposes. The revenue and EBITDA included from this acquisition in H1 FY21 were US$5.1 million and US$2.5 million respectively; profit after tax included from this acquisition was US$1.4 million. Had the acquisition date been 1 March 2020, the revenue and EBITDA would have been approximately US$6.2 million and US$3.0 million respectively. It is not practical to establish profit after tax that would have been contributed to the Group if it had been included for the entire period.

Effective 31 July 2020, PromonLogicalis Latin America Limited ("PLLAL"), a 65% owned subsidiary of the Group, acquired 30% of the shares in Cirrus Participações S.A. ("Kumulus") for BRL6 million cash (the equivalent of US$1.2 million). Kumulus is based in Brazil with 80 employees specialising in Microsoft cloud and data managed services. There is a put and call option for PLLAL to acquire an additional interest of 20.1% in Kumulus for BRL6 million.

Liquidity and borrowing facilities

In light of the Covid-19 crisis, particular attention has been given to assessing the outlook for liquidity across the Group and ensuring that sufficient cash will continue to be generated to settle liabilities as they fall due.

In January 2020, Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This senior facility covers Logicalis'

operations throughout the world, excluding Latin America, which has its own separate credit facilities. The facility is used to fund working capital requirements and also includes a new acquisition credit line. Subsequent to H1 FY21, Logicalis successfully renegotiated the covenants under this facility, to ensure greater covenant headroom. In addition, the Latin American credit facilities are considered adequate in the current environment.

In August 2020, Westcon Europe entered into a EUR275 million new banking facility with a European banking syndicate, led by Crédit Agricole Leasing & Factoring. This invoice assignment facility replaced Westcon Europe's previous invoice financing facility of US$224 million with effect from 1 October 2020. The new committed facility will be for an initial period of three years. It will be used to fund Westcon Europe's working capital requirements and will bear interest at a reduced rate compared to the previous facility.

Westcon APAC also entered into a two-year US$80 million new receivables securitisation facility with Westpac Banking Corporation, replacing Westcon APAC's previous financing facilities in Australia, New Zealand and Singapore. This will provide an incremental US$25 million working capital facility for Westcon APAC, compared to its previous uncommitted facilities and will be at improved interest rates. This became effective on 25 September 2020.

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

The new financing facilities, as well as the very strong operating cash flow generated during H1 FY21, significantly improved the Group's liquidity position.

Dividend policy

The Group's policy is to maintain a fixed three times cover relative to underlying* earnings when declaring ordinary dividends. Given the small H1 FY21 earnings, no interim dividend is proposed. A final full year dividend for FY21 will be considered at year end based on the full year results and the economic outlook at that time.

Foreign exchange translation

Losses of US$11.9 million (H1 FY20: US$24.0 million) arising on translation to presentation currency are included in total comprehensive loss of US$6.2 million (H1 FY20: US$8.9 million). The majority of these losses arise from weakening in the Rand/US$ exchange rate from 15.61 at 29 February 2020 to 16.59 at 31 August 2020 and weakening in the Brazilian Real/US$ exchange rate from 4.47 at 29 February 2020 to 5.39 at 31 August 2020.

Divisional reviews

Divisional reviews

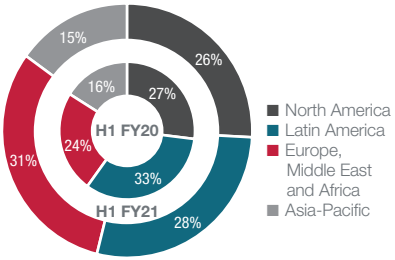
Logicalis

Logicalis accounted for 34% of the Group's revenues (H1 FY20: 38%).

Logicalis is an international multi-skilled solution provider of digital enablement services helping customers harness digital technology and innovative services to deliver powerful business outcomes.

Revenue from operations decreased by 10.2% to US$700.2 million (H1 FY20: US$779.9 million). However, expressed in constant currency*** terms, Logicalis' revenue decreased by only 1.9% in H1 FY21 compared to H1 FY20. Services revenues were down 3%, with steady annuity revenue but lower professional services revenues due to local restrictions around Covid-19. Revenue contribution by geography is shown below:

Logicalis revenue % contribution by geography

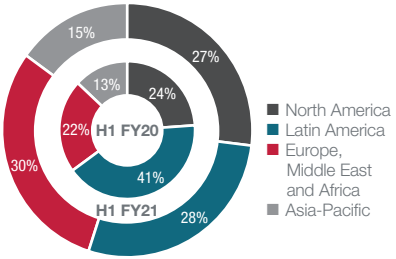


Revenue increased in Europe in absolute terms due to large contracts secured in the Spanish and German operations and contributions from the Cilnet and Orange Networks acquisitions completed at the end of H1 FY20. The decrease around the rest of the globe was attributable to the difficult trading conditions caused by the Covid-19 pandemic as well as worsening exchange rates in many regions which exacerbated the decline in revenue in US$ terms.

Logicalis' gross margin was 25.3% (H1 FY20: 27.0%). Underlying gross margin percentage remained solid with the headline decrease being caused by The Tax Credit in H1 FY20. Gross profit was down 16.1% to US$176.9 million (H1 FY20: US$210.8 million).

Logicalis' gross profit contribution by geography is shown below:

Logicalis gross profit % contribution by geography



Operating costs decreased to US$133.9 million (H1 FY20: US$154.8 million). The H1 FY21 results include US$2.2 million of Covid-19-related restructuring costs necessary to adjust the business for the environment.

EBITDA was US$43.0 million (H1 FY20: US$56.0 million including The Tax Credit), with a corresponding EBITDA margin of 6.1% (H1 FY20: 7.2%). Adjusted** EBITDA, excluding the restructuring costs, was US$45.2 million. Operating profit was US$23.1 million (H1 FY20: US$31.8 million).

Argentina continued as a hyperinflation economy during H1 FY21, although the impact on the Group results was not material.

The net interest charge increased by US$6.7 million, reflecting the effect of interest receivable on The Tax Credit in Brazil in H1 FY20.

Net debt of US$89.7 million (FY20: US$156.7 million; H1 FY20: US$182.7 million) consisted of: net cash of US$54.1 million (FY20: net cash US$12.6 million; H1 FY20: net overdrafts US$5.7 million); short-term borrowings and current portion of long-term debt of US$60.8 million (FY20: US$100.8 million; H1 FY20: US$106.1 million); and long-term debt of US$83.0 million (FY20: US$68.5 million; H1 FY20: US$70.9 million). The decrease in net debt compared to FY20 was driven primarily by working capital improvements.

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

On 31 July 2020, Logicalis acquired a minority stake in Brazil-based Cirrus Participações S.A., which trades under the Kumulus brand. Kumulus is focused on delivering high value, impactful services and solutions to its customers' businesses, through cloud and data solutions.

Logicalis continues to develop its capabilities within cloud, IoT, software, security, data management and intelligent networks in support of its strategy to provide full lifecycle services around IT infrastructure solutions to its customers.

Whilst it is certain that technology will be even more firmly embedded in customers' operations following the pandemic, the exact impact of Covid-19 on Logicalis' short to medium-term trading is difficult to establish at this stage.

Regional leadership teams have prepared action plans to respond to a range of scenarios. At the same time, each region has put together compelling offers to customers and markets, including rapid remote deployment of essential solutions and services. These are designed to support customers in the areas that are most relevant to them right now, including secure remote working solutions, collaboration packages and improvements to IT resilience.

Logicalis remains confident about the long-term prospects for the industry and its positioning within it. Emerging markets currencies are expected to remain volatile over the short term.

Westcon International

Westcon International accounted for 64% of the Group's revenues (H1 FY20: 61%).

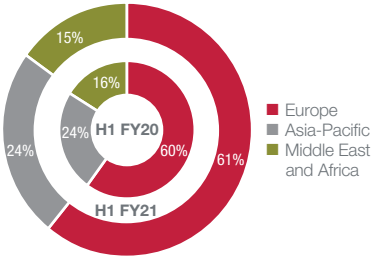
Westcon International is a value-added speciality distributor of industry-leading cyber security and network infrastructure, unified communications products, data centre solutions and channel services with a global network of service providers, systems integrators and speciality resellers. Westcon International has operations in 50-plus countries and goes to market under the Westcon and Comstor brands. Westcon International's portfolio of market-leading vendors includes: Cisco, Palo Alto Networks, Check Point, F5, Extreme Networks, Avaya, Broadcom and Juniper.

Divisional reviews continued

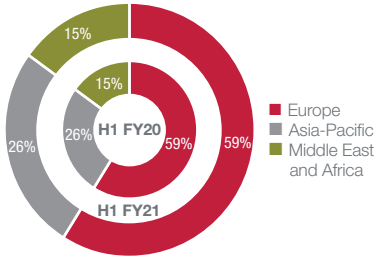
Westcon International's revenues increased by 4.0% to US$1 298.9 million (H1 FY20: US$1 248.4 million) with higher revenue across all regions. The revenue growth was largely driven by increased revenue in the Security segment. In constant currency*** revenues grew by 5.4%.

Westcon International's gross margins decreased to 10.3% (H1 FY20: 11.0%) as Covid-19-related pricing pressure drove lower margins across all regions. As a result, Westcon International's gross profit decreased by 2.3% to US$133.9 million (H1 FY20: US$137.0 million) with the lower margins seen across all regions.

Westcon International revenue % contribution by geography



Westcon International gross profit % contribution by geography



Operating costs decreased to US$114.7 million (H1 FY20: US$117.9 million). The H1 FY21 results include US$3.8 million of restructuring costs primarily related to initiatives in Europe (H1 FY20: US$nil), as well as US$5.0 million of foreign exchange losses (H1 FY20: US$2.5 million). Excluding those costs, operating expenses decreased 8.2%. Central costs of US$13.0 million were incurred in H1 FY21 which is 5% lower than H1 FY20 (US$13.7 million) and management expects that the full year costs for FY21 will be below the previous year's total of US$29 million.

EBITDA was US$19.2 million (H1 FY20: US$19.1 million). Excluding restructuring costs, adjusted** EBITDA of US$23.0 million reflected an improvement across all regions.

Net working capital days decreased to 17 days (FY20: 22 days; H1 FY20: 23 days) as a result of strong working capital management reducing days sales outstanding ("DSO") and increasing inventory turns. Net debt was US$33.5 million (FY20: US$48.7 million; H1 FY20: US$91.9 million).

The net debt consisted of: net cash of US$22.2 million (FY20: net overdrafts US$4.5 million; H1 FY20: net overdrafts US$47.3 million); short-term borrowings and current portion of long-term debt of US$9.5 million (FY20: US$6.6 million; H1 FY20: US$19.8 million); and long-term debt of US$46.2 million (FY20: US$37.6 million; H1 FY20: US$24.8 million).

Westcon International continues to monitor and respond to the Covid-19 pandemic with its priority on maintaining the health and welfare of its staff in compliance with relevant government directives while limiting business impacts for channel and vendor partners.

Westcon International's key logistics centres in the UK, Netherlands, Middle East, South Africa and Asia-Pacific remain open and are being managed under strict measures to assure the wellbeing of logistics and warehousing teams while maintaining

service levels. This has enabled the division to take an active role in servicing the needs of critical business sectors alongside partners during the pandemic.

The multi-year investments in Westcon International's advanced systems and business automation enabled business continuity plans to be deployed seamlessly with almost the entire workforce continuing to work remotely.

Westcon International's strategy is to bring to market industry-leading fixed or wireless-based networking solutions, including: unified communications, security, virtualisation, remote access and cloud computing products. While the near term remains uncertain, current conditions are driving demand for technologies that Westcon International sells.

Corporate, Management Consulting and Financial Services

This segment accounted for 2% of the Group's revenues (H1 FY20: 1%).

The Management Consulting unit comprises Analysys Mason, a provider of strategic, trusted advisory, modelling and market intelligence services to the telecoms, media and technology industries.

The Management Consulting unit delivered an excellent performance in H1 FY21. Management Consulting revenues were US$31.8 million (H1 FY20: US$27.4 million). Gross profit increased to US$13.1 million from US$11.5 million in H1 FY20. EBITDA increased to US$5.7 million (H1 FY20: US$4.8 million) and EBITDA margins improved to 17.9% compared to 17.5% in H1 FY20.

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad, 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.

Analysys Mason has a strategy focused on specialisation in the TMT sector where increasingly the industries of telecommunications and information technology are converging and driving rapid digitisation across many industries often brought about by the move to cloud computing.

Datatec Financial Services provides financing/leasing solutions for ICT customers. The business recorded revenues of US$0.3 million in H1 FY21 (H1 FY20: US$0.6 million) and an EBITDA loss of US$0.4 million (H1 FY20: US$0.6 million loss).

Corporate includes the net operating costs of the Datatec head office entities which were US$7.4 million (H1 FY20: US$11.0 million). These costs include the remuneration of the Board and head office staff, consulting and audit fees. In H1 FY21, foreign exchange gains were US$0.6 million (H1 FY20: US$1.7 million).

As at 31 August 2020, Datatec head office entities held cash of US$55.1 million of which US$10.3 million (including R87.5 million held in ZAR) is held in South Africa and subject to the SA Reserve Bank regulations. These cash balances decreased by US$12.4 million from the year ended 29 February 2020 mainly as a result of an inter-group loan to fund the purchase of Allolio&Konrad and US$2.8 million for treasury shares purchased for share-based payments settlements.

Commentary continued

Subsequent events

On 30 September 2020, Logicalis acquired the minority stake in NubeliU Limited which then became a 100% subsidiary of PLLAL.

Changes to the Board committees

As previously announced: Stephen Davidson, the Group Chairman, and John McCartney stepped down from their committee roles on the Audit Risk and Compliance Committee and Remuneration Committee on 31 May 2020; and Ekta Singh-Bushell was appointed to the Remuneration Committee effective 31 May 2020.

Appointment of auditor

At the Annual General Meeting of the shareholders of Datatec held on 29 July 2020, PricewaterhouseCoopers ("PwC") were appointed as the new independent external auditor of the Group.

Basis of preparation

This interim financial report was prepared in accordance with and containing the information required by IAS 34: *Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This interim report complies with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008, of South Africa. This report was compiled under the supervision of Ivan Dittrich CA (SA) (Chief Financial Officer).

Accounting policies

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

New standards effective for annual periods beginning on or after 1 January 2020
No new standards, amendments to published standards and interpretations which became effective for the year commencing on 1 January 2020 had an impact on the Group's accounting policies.

New standards, amendments to existing standards and interpretations that are not yet effective and have not yet been early adopted
The Group did not early adopt any new, revised or amended accounting standards or interpretations.

The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the Group but not yet effective at 31 August 2020, are being evaluated for the impact of these pronouncements, and are not expected to have a material impact.

Critical accounting judgements and key sources of estimation uncertainty

The results of the Group have many areas where key assumptions concerning the future, and other key areas of estimation could have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the financial year.

The results contain sources of estimation and uncertainty in the following areas:

- estimates made in determining the recoverable amount of goodwill included in the statement of financial position;
- estimates made in determining the probability of future taxable income justifying the recognition of deferred tax assets;
- estimates made in determining the level of provision required for obsolete inventory and the accounting for rebates from suppliers;
- estimates made in determining the amount or timing relating to restructuring, legal claims, taxes, pension and dilapidation obligations; and
- estimates made when measuring the expected credit losses.

Going concern

The directors have reviewed the future profit and cash flow projections in conjunction with the current economic climate as well as banking facilities in place to support all the operations, in order to express an opinion on the adequacy of working capital and the ability to continue as a going concern for the foreseeable future. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of the release of these results.

The directors have concluded that the Group will continue to be a going concern for the foreseeable future and therefore the interim results have been prepared on a going concern basis.

Disclaimer

This announcement may contain statements regarding the future financial performance of the Group which may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty, and although the Group has taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct.

The Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. It is important to note, that:

(i) unless otherwise indicated, forward-looking statements indicate the Group's expectations and have not been reviewed or reported on by the Group's external auditor;
(ii) actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate;
(iii) the Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements; and
(iv) the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

On behalf of the Board

SJ Davidson
Chairman

JP Montanana
Chief Executive Officer

IP Dittrich
Chief Financial Officer

22 October 2020

Directors

SJ Davidson# (Chairman), JP Montanana# (CEO), IP Dittrich (CFO), M Makanjee, JF McCartney°, CRK Medlock#, MJN Njeke, E Singh-Bushell°
°American #British

* *Excluding 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.*

** *Adjusted EBITDA excludes restructuring costs which have arisen as a result of Covid-19. In H1 FY20 there was no difference between EBITDA and adjusted EBITDA because there were no restructuring costs.*

*** *The pro forma constant currency information, which is the responsibility of the Datatec directors, presents the Group's revenue for the current reporting period had it been translated at the average foreign currency exchange rates of the prior reporting period. This information is for illustrative purposes only and because of its nature, may not fairly present the Group's revenues. This information has not been reviewed and reported on by the Group's external auditor.*

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	H1 FY21	H1 FY20
British Pound/US Dollar	**1.26**	1.26
Euro/US Dollar	**1.13**	1.12
US Dollar/Brazilian Real	**5.31**	3.94
Australian Dollar/US Dollar	**0.68**	0.69
Singapore Dollar/US Dollar	**0.72**	0.73
US Dollar/South African Rand	**17.38**	14.50

Condensed **consolidated statement of comprehensive income**

for the six months to 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
CONTINUING OPERATIONS			
Revenue	**2 031 205**	2 056 307	4 304 845
Continuing operations	**2 026 055**	2 054 669	4 281 591
Revenue from acquisitions	**5 150**	1 638	23 254
Cost of sales	**(1 706 963)**	(1 696 525)	(3 563 267)
Gross profit	**324 242**	359 782	741 578
Operating costs	**(251 569)**	(278 323)	(571 598)
Net impairment of financial assets	**(1 969)**	(6 952)	(3 700)
Restructuring costs	**(5 948)**	–	–
Share-based payments	**(4 036)**	(4 483)	(7 623)
Operating profit before interest, tax, depreciation and amortisation ("EBITDA")	**60 720**	70 024	158 657
Depreciation of property, plant and equipment	**(9 361)**	(12 708)	(27 011)
Depreciation of right-of-use assets	**(15 899)**	(15 788)	(32 991)
Amortisation of capitalised development expenditure	**(2 331)**	(1 455)	(3 217)
Amortisation of acquired intangible assets and software	**(5 134)**	(6 092)	(12 901)
Operating profit	**27 995**	33 981	82 537
Interest income	**1 177**	10 939	14 911
Finance costs	**(14 602)**	(18 898)	(40 785)
Share of equity-accounted investment earnings/(losses)	**461**	(356)	(204)
Acquisition-related fair value adjustments	**69**	571	696
Other income	**284**	–	918
Gain on disposal of investment	**–**	–	415
Profit before taxation	**15 384**	26 237	58 488
Taxation	**(9 969)**	(14 168)	(31 809)
Profit for the period from continuing operations	**5 415**	12 069	26 679
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	**–**	1 466	1 332
Profit for the period	**5 415**	13 535	28 011

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency	**(11 902)**	(23 957)	(38 184)
Translation of equity loans net of tax effect	**665**	425	1 104
Transfers and other items	**(378)**	1 119	978
Total comprehensive loss for the period	**(6 200)**	(8 878)	(8 091)
Profit attributable to:			
Owners of the parent	**3 147**	6 296	14 239
Non-controlling interests	**2 268**	7 239	13 772
	5 415	13 535	28 011
Total comprehensive loss attributable to:			
Owners of the parent	**3 297**	(10 052)	(17 826)
Non-controlling interests	**(9 497)**	1 174	9 735
	(6 200)	(8 878)	(8 091)
EARNINGS PER SHARE ("EPS") (US CENTS)			
Basic	**1.6**	2.9	6.8
Continuing operations	**1.6**	2.2	6.2
Discontinued operations	**–**	0.7	0.6
Diluted basic	**1.6**	2.9	6.7
Continuing operations	**1.6**	2.2	6.1
Discontinued operations	**–**	0.7	0.6

Salient **financial features**

for the six months to 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
HEADLINE AND UNDERLYING* EARNINGS			
Headline earnings	**3 168**	4 931	12 491
Headline earnings per share (US cents)			
Headline	**1.6**	2.3	5.9
Diluted headline	**1.6**	2.2	5.8
Underlying* earnings	**7 713**	11 396	20 843
Underlying* earnings per share (US cents)			
Underlying*	**3.9**	5.3	9.9
Diluted underlying*	**3.9**	5.2	9.7
Net asset value			
Net asset value per share (US cents)	**287.9**	288.7	288.3
Key ratios			
Gross margin (%)	**16.0**	17.5	17.2
EBITDA margin (%)	**3.0**	3.4	3.7
Effective tax rate (%)	**64.8**	54.0	54.4
Exchange rates			
Average Rand/US$ exchange rate	**17.4**	14.5	14.7
Closing Rand/US$ exchange rate	**16.6**	15.2	15.6
Number of shares issued (millions)			
Issued	**201**	212	201
Issued (excluding treasury shares and shares held by participants under deferred bonus plan)	**199**	209	198
Weighted average	**199**	217	210
Diluted weighted average	**199**	219	214

Headline and underlying* earnings from discontinued operations in FY20 were US$nil.

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

* *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.*

Determination **of headline and underlying* earnings**

for the six months to 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
DETERMINATION OF HEADLINE EARNINGS			
Reconciliation of attributable profit to headline earnings			
Profit attributable to the equity holders of the parent	**3 147**	6 296	14 239
Headline earnings adjustments	**21**	(1 365)	(1 789)
Profit on disposal of investment and discontinued operations	**–**	(1 466)	(1 747)
Loss/(profit) on disposal of property, plant and equipment	**46**	190	(65)
Tax effect	**(25)**	(89)	23
Non-controlling interests	**–**	–	41
Headline earnings	**3 168**	4 931	12 491
DETERMINATION OF UNDERLYING* EARNINGS			
Reconciliation of headline earnings to underlying* earnings			
Headline earnings	**3 168**	4 931	12 491
Underlying* earnings adjustments	**4 593**	7 120	8 416
Unrealised foreign exchange (gains)/losses	**(4 110)**	4 212	1 247
Acquisition-related fair value adjustments	**(69)**	(571)	(696)
Restructuring costs	**5 948**	–	–
Amortisation of acquired intangible assets	**4 291**	5 324	11 297
Tax effect	**(1 467)**	(1 845)	(3 432)
Non-controlling interests	**(48)**	(655)	(64)
Underlying* earnings	**7 713**	11 396	20 843

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

* *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.*

Condensed **consolidated statement of financial position**

as at 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
ASSETS			
Non-current assets	**531 879**	504 284	512 598
Goodwill	**243 866**	230 652	241 369
Property, plant and equipment	**43 213**	46 868	43 300
Right-of-use assets	**98 810**	91 783	83 953
Capitalised development expenditure	**20 582**	15 479	19 908
Acquired intangible assets and software	**32 708**	33 342	30 002
Investments	**12 642**	17 772	10 908
Deferred tax assets	**45 411**	42 000	46 544
Finance lease receivables	**26 143**	22 692	27 111
Sundry receivables and contract costs	**8 504**	3 696	9 503
Current assets	**2 175 585**	2 124 458	2 083 928
Investments	**882**	–	5 842
Inventories	**269 079**	297 931	253 271
Trade receivables	**1 076 082**	1 136 024	1 110 510
Prepaid expenses and other receivables	**258 093**	265 485	237 311
Contract assets and contract costs	**136 962**	103 681	105 133
Current tax assets	**17 171**	18 833	16 091
Finance lease receivables	**10 631**	7 364	8 581
Cash and cash equivalents	**406 685**	295 140	347 189
Total assets	**2 707 464**	2 628 742	2 596 526

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	**572 646**	604 384	572 315
Stated capital	**104 671**	144 754	113 123
Non-distributable reserves	**108 443**	98 720	101 861
Foreign currency translation reserve	**(134 274)**	(119 500)	(134 802)
Share-based payments reserve	**6 765**	4 469	9 041
Distributable reserves	**487 041**	475 941	483 092
Non-controlling interests	**60 060**	63 545	70 778
Total equity	**632 706**	667 929	643 093
Non-current liabilities	**204 427**	175 223	187 610
Long-term interest-bearing liabilities	**29 861**	3 302	18 638
Lease liabilities	**107 135**	100 021	95 148
Liability for share-based payments	**1 984**	1 419	5 595
Amounts owing to vendors	**890**	839	2 052
Deferred tax liabilities	**23 724**	28 295	26 127
Deferred revenue	**31 324**	29 945	28 980
Provisions	**9 509**	11 402	11 070
Current liabilities	**1 870 331**	1 785 590	1 765 823
Trade and other payables	**1 396 255**	1 290 854	1 259 013
Short-term interest-bearing liabilities	**30 207**	95 080	75 145
Lease liabilities	**41 595**	32 828	34 325
Contract liabilities	**4 292**	3 417	4 197
Deferred revenue	**96 953**	82 452	100 893
Provisions	**10 587**	7 565	8 335
Amounts owing to vendors	**1 547**	2 082	3 438
Current tax liabilities	**17 849**	13 665	16 677
Bank overdrafts	**271 046**	257 647	263 800
Total equity and liabilities	**2 707 464**	2 628 742	2 596 526

Condensed **consolidated statement of cash flows**

for the six months to 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
Profit before taxation	**15 384**	26 237	59 820+
Non-cash items	**43 315**	45 473	98 518
Operating profit before working capital changes	**58 699**	71 710	158 338
Working capital changes	**79 126**	5 635	56 984
(Increase)/decrease in inventories	**(21 641)**	27 881	70 992
(Increase)/decrease in receivables	**(8 805)**	34 619	78 496
Increase/(decrease) in payables	**140 841**	(38 922)	(69 698)
Increase in revenue-related assets	**(32 399)**	(5 248)	(23 252)
Increase/(decrease) in revenue-related liabilities	**1 130**	(12 695)	446
Other working capital changes	**(3 623)**	469	247
Cash generated from operations	**134 202**	77 814	215 569
Net finance costs paid#	**(12 602)**	(13 637)	(30 972)
Taxation paid	**(12 941)**	(16 593)	(36 941)
Net cash inflow from operating activities	**108 659**	47 584	147 656
Cash outflow for acquisitions	**(6 896)**	(1 081)	(9 300)
Disposals of investments	**4 961**	5 859	7 841
Additions to investments	**(1 202)**	(1 576)	(1 592)
Additions to property, plant and equipment	**(8 894)**	(6 737)	(15 536)
Additions to capitalised development expenditure	**(3 103)**	(3 919)	(10 517)
Additions to software	**(1 334)**	(812)	(1 983)
Proceeds on disposal of property, plant and equipment	**82**	67	121
Net cash outflow from investing activities	**(16 386)**	(8 199)	(30 966)
Dividend paid to shareholders	**–**	(12 167)	(12 167)
Treasury shares purchased	**–**	(4 611)	(2 230)
Shares purchased for equity-settled share-based payments	**(2 810)**	–	(5 108)
Share repurchases	**–**	(19 459)	(44 345)
Dividends paid to non-controlling interests	**–**	(932)	(2 970)
Earn-out received net of costs	**–**	13 466	13 966
Amounts paid to vendors	**(2 805)**	–	(196)
Repayment of lease liabilities – principal	**(15 231)**	(11 345)	(16 260)
Proceeds from short-term liabilities	**5 257**	17 893	53 110
Repayment of short-term liabilities	**(50 026)**	(6 383)	(61 620)
Proceeds from long-term liabilities	**21 761**	2 064	16 002
Repayment of long-term liabilities	**(49)**	(20 072)	(14 963)
Net cash outflow from financing activities	**(43 903)**	(41 546)	(76 781)
Net increase/(decrease) in cash and cash equivalents	**48 370**	(2 161)	39 909
Cash and cash equivalents at the beginning of the period	**83 389**	40 381	40 381
Translation differences on cash and cash equivalents	**3 880**	(727)	3 099
Cash and cash equivalents at the end of the period**	**135 639**	37 493	83 389
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Net cash outflow from operating activities	**–**	–	(144)
Net cash inflow from financing activities	**–**	13 466	13 966
Net increase in cash and cash equivalents	**–**	13 466	13 822

*** Comprises cash resources, net of bank overdrafts.*
 # Includes interest on lease liabilities and non-cash accruals.
+ Includes both continuing and discontinued operations.

Condensed **consolidated statement of changes in total equity**

for the six months to 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
Balance at the beginning of the period	**643 093**	712 230	712 230
TRANSACTIONS WITH EQUITY HOLDERS OF THE PARENT			
Comprehensive income/(loss)	**3 297**	(10 052)	(17 826)
Dividend – out of distributable reserves^	**–**	(15 371)	(15 371)
Dividend – scrip^	**–**	3 204	3 204
Share repurchases	**–**	(19 459)	(44 345)
Share-based payments	**(3 055)**	(2 865)	(44)
Treasury shares	**–**	–	(2 230)
Disposals	**89**	–	–
TRANSACTIONS WITH NON-CONTROLLING INTERESTS			
Comprehensive (loss)/income	**(9 497)**	1 174	9 735
Acquisitions of subsidiaries	**(51)**	–	710
Disposals	**(1 170)**	–	–
Dividend to non-controlling interests	**–**	(932)	(2 970)
Balance at the end of the period	**632 706**	667 929	643 093

^ *Cash dividend of US$12.2 million paid in FY20.*

Condensed **segmental analysis**

for the six months to 31 August 2020

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 – Technology distribution of security and networking products;
– 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.

	Westcon International		
US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
REVENUE	**1 298 931**	1 248 410	2 544 623
Revenue from product sales	**1 205 915**	1 171 594	2 402 372
Revenue from sales of hardware	**746 912**	832 374	1 655 212
Revenue from sales of software	**446 020**	335 274	725 421
Revenue from vendor-resold services and product maintenance sales	**31 618**	28 526	60 780
Inter-segmental revenue	**(18 635)**	(24 580)	(39 041)
Revenue from services	**31 662**	32 995	67 898
Revenue from professional services	**31 662**	32 995	67 898
Revenue from annuity services	**61 354**	43 821	74 353
Revenue from cloud and other annuity services	**61 354**	43 821	74 353
Restructuring costs	**3 777**	–	–
EBITDA	**19 225**	19 130	40 038
RECONCILIATION OF OPERATING PROFIT/(LOSS) TO PROFIT/(LOSS) FOR THE PERIOD			
Operating profit/(loss)	**8 577**	8 940	18 972
Interest income	**473**	570	1 084
Finance costs	**(5 339)**	(7 761)	(14 733)
Share of equity-accounted investment (losses)/earnings	**–**	(398)	(398)
Acquisition-related fair value adjustments	**–**	–	–
Other income	**284**	–	918
Gain on disposal of investment	**–**	–	415
Profit/(loss) before taxation	**3 995**	1 351	6 258
Taxation	**(2 250)**	(2 016)	(5 962)
Profit/(loss) for the period from continuing operations	**1 745**	(665)	296
Profit for the period from discontinued operations	**–**	–	–
Profit/(loss) for the period	**1 745**	(665)	296
ASSETS AND LIABILITIES			
Total assets	**1 210 744**	1 210 163	1 155 583
Total liabilities	**(1 047 302)**	(1 047 018)	(985 859)

Sales and purchases between Group companies are concluded on normal commercial terms in the ordinary course of business. The inter-group sales of goods and provision of services for the period ended 31 August 2020 amounted to US$19.0 million (H1 FY20: US$24.8 million; FY20: US$40.0 million). 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.

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.

Logicalis			Corporate, Management Consulting and Financial Services			Datatec Group Total		
Unaudited Six months to 31 August 2020	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
700 228	779 934	1 700 445	**32 046**	27 963	59 777	**2 031 205**	2 056 307	4 304 845
382 694	453 707	1 004 809	**–**	–	1 041	**1 588 609**	1 625 301	3 408 222
336 431	404 873	896 877	**(14 095)**	(18 374)	(29 067)	**1 069 248**	1 218 873	2 523 022
46 154	48 514	108 013	**(4 846)**	(6 391)	(9 821)	**487 328**	377 397	823 613
415	505	807	**–**	–	–	**32 033**	29 031	61 587
(306)	(185)	(888)	**18 941**	24 765	39 929	**–**	–	–
118 578	127 904	283 400	**28 635**	27 963	51 865	**178 875**	188 862	403 163
118 578	127 904	283 400	**28 635**	27 963	51 865	**178 875**	188 862	403 163
198 956	198 323	412 236	**3 411**	–	6 871	**263 721**	242 144	493 460
198 956	198 323	412 236	**3 411**	–	6 871	**263 721**	242 144	493 460
2 171	–	–	**–**	–	–	**5 948**	–	–
43 037	55 988	123 854	**(1 542)**	(5 094)	(5 235)	**60 720**	70 024	158 657
23 151	31 831	72 287	**(3 733)**	(6 790)	(8 722)	**27 995**	33 981	82 537
432	8 999	11 538	**272**	1 370	2 289	**1 177**	10 939	14 911
(9 114)	(10 989)	(25 608)	**(149)**	(148)	(444)	**(14 602)**	(18 898)	(40 785)
211	(105)	(181)	**250**	147	375	**461**	(356)	(204)
69	571	696	**–**	–	–	**69**	571	696
–	–	–	**–**	–	–	**284**	–	918
–	–	–	**–**	–	–	**–**	–	415
14 749	30 307	58 732	**(3 360)**	(5 421)	(6 502)	**15 384**	26 237	58 488
(6 539)	(11 729)	(21 949)	**(1 180)**	(423)	(3 898)	**(9 969)**	(14 168)	(31 809)
8 210	18 578	36 783	**(4 540)**	(5 844)	(10 400)	**5 415**	12 069	26 679
–	–	–	**–**	1 466	1 332	**–**	1 466	1 332
8 210	18 578	36 783	**(4 540)**	(4 378)	(9 068)	**5 415**	13 535	28 011
1 360 073	1 270 315	1 303 083	**136 647**	148 264	137 860	**2 707 464**	2 628 742	2 596 526
(985 973)	(891 863)	(926 877)	**(41 483)**	(21 932)	(40 697)	**(2 074 758)**	(1 960 813)	(1 953 433)

The Group also transacts with its associate Esource Resources, LLC. During the period, the Group made sales totalling US$37.4 million (H1 FY20: US$32.1 million; FY20: US$51.1 million) and received management fees of US$0.2 million (H1 FY20: US$0.2 million; FY20: US$0.3 million) from Esource Resources, LLC. As at 31 August 2020, US$5.3 million (H1 FY20: US$5.1 million; FY20: US$2.2 million) was due from Esource Resources, LLC. US$0.1 million (H1 FY20: US$0.2 million; FY20: US$0.1 million) was due to Esource Resources, LLC.

Financial **instruments**

as at 31 August 2020

The table below sets out the Group's classification of each class of financial instrument at their fair values. The carrying amount of these financial instruments approximates their fair values, therefore no fair value disclosures are provided. The different fair value levels are described below.

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 – inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages qualified third-party valuers to perform the valuation.

US$'000	Level	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
FINANCIAL ASSETS				
Financial assets at amortised cost				
Gross trade accounts receivable		**1 105 720**	1 170 853	1 140 012
Less: Expected credit loss allowances		**(29 638)**	(34 829)	(29 502)
Bonds		**8 157**	13 158	13 118
Loans granted to third parties and other long-term assets due		**8 468**	3 656	9 460
Finance lease receivables		**36 774**	30 056	35 692
Sundry receivables		**43 926**	53 933	56 688
Cash and cash equivalents at financial institutions		**406 685**	295 140	347 189
Financial assets at fair value through profit or loss				
Derivative financial assets	2	**584**	–	–
		1 580 676	1 531 967	1 572 657

US$'000	Level	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Trade payables		**(1 018 623)**	(1 000 270)	(928 201)
Other payables and financial liabilities		**(208 585)**	(166 164)	(198 236)
Long-term interest-bearing liabilities*		**(55 132)**	(54 279)	(43 032)
Lease liabilities*		**(148 730)**	(132 849)	(129 473)
Short-term interest-bearing liabilities		**(4 936)**	(44 103)	(50 751)
Bank overdrafts		**(271 046)**	(257 647)	(263 800)
Financial liabilities at fair value through profit or loss				
Amounts owing to vendors	3	**(2 437)**	(2 921)	(5 490)
Derivative financial liabilities	2	**(7 514)**	(307)	(724)
		(1 717 003)	(1 658 540)	(1 619 707)

* *Includes current portion of long-term liabilities.*

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

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 liabilities. Movements are presented in the statement of comprehensive income as acquisition-related fair value adjustments.

Additional **risk disclosures**

as at 31 August 2020

There have been no material changes to the Group's concentration of credit risk or the maturity analysis of its financial liabilities since the year end.

As at 31 August 2020, there are no customers which represent more than 5% of the total balance of trade receivables (FY20: one customer with gross value of US$72.6 million).

Collections from customers during the first six months of FY21 have remained in line with historic norms. As intermediaries in the supply chain, both Logicalis and Westcon International are working with vendors to provide support to their supply chains during the pandemic. Management has concluded that the likelihood of material expected credit losses is low.

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

Days past due

US$'000	North America	Latin America	Europe	Asia-Pacific	MEA	Total
UNAUDITED						
Six months to 31 August 2020						
Current	**64 619**	**87 884**	**545 807**	**115 933**	**54 630**	**868 873**
1 – 30 days past due	**19 739**	**3 549**	**41 615**	**37 360**	**14 165**	**116 428**
31 – 60 days past due	**2 991**	**959**	**14 507**	**12 744**	**9 706**	**40 907**
61 – 90 days past due	**1 302**	**2 165**	**4 271**	**3 766**	**2 170**	**13 674**
91 – 120 days past due	**686**	**769**	**2 938**	**1 351**	**3 307**	**9 051**
Over 120 days past due	**936**	**2 368**	**13 471**	**10 666**	**29 346**	**56 787**
Gross trade accounts receivable	**90 273**	**97 694**	**622 609**	**181 820**	**113 324**	**1 105 720**
Expected credit loss allowance	**(182)**	**(974)**	**(9 721)**	**(4 997)**	**(13 764)**	**(29 638)**
Net trade receivables	**90 091**	**96 720**	**612 888**	**176 823**	**99 560**	**1 076 082**
AUDITED						
Year ended 29 February 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 past due	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
Expected 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

In light of the Covid-19 crisis, particular attention has been given to assessing the outlook for liquidity across the Group and ensuring that sufficient cash will continue to be generated to settle liabilities as they fall due.

In January 2020, Logicalis completed a new three-year US$155 million banking facility for its subsidiaries. This senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities. The facility is used to fund working capital requirements and also includes a new acquisition credit line. Subsequent to H1 FY21, Logicalis successfully renegotiated the covenants under this facility, to ensure greater covenant headroom. In addition, the Latin American credit facilities are considered adequate in the current environment.

In August 2020, Westcon International Limited's European subsidiaries ("Westcon Europe") entered into a EUR275 million new banking facility with a European banking syndicate, led by Crédit Agricole Leasing & Factoring. This invoice assignment facility replaced Westcon Europe's previous invoice financing facility of US$224 million with effect from 1 October 2020. The new committed facility will be for an initial period of three years. It will be used to fund Westcon Europe's working capital requirements and will bear interest at a reduced rate compared to the previous facility.

Westcon International Limited's Asia-Pacific subsidiaries also entered into a two-year US$80 million new receivables securitisation facility, with Westpac Banking Corporation, replacing Westcon Asia-Pacific's previous financing facilities in Australia, New Zealand and Singapore. This will provide an incremental US$25 million working capital facility for Westcon Asia-Pacific, compared to its previous uncommitted facilities and will be at improved interest rates. This became effective on 25 September 2020.

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

The new financing facilities, as well as the very strong operating cash flow generated during H1 FY21, significantly improved the Group's liquidity position.

Capital **expenditure and commitments**

as at 31 August 2020

US$'000	**Unaudited Six months to 31 August 2020**	Unaudited Six months to 31 August 2019	Audited Year ended 29 February 2020
Capital expenditure incurred in the current period (including capitalised development expenditure)	**13 332**	11 468	28 036
Capital commitments at the end of the period	**23 147**	23 194	48 751

Acquisitions **made during the period**

as at 31 August 2020

The following table sets out the assessment of the fair value of assets and liabilities acquired in the acquisition made by the Group during the period.

The fair value assessments of assets and liabilities acquired and the amounts recognised as goodwill and intangible assets have only been determined provisionally due to the timing of the acquisition and future amendments may impact classification in these categories.

US$'000	Unaudited Six months to 31 August 2020
ACQUISITIONS MADE DURING THE PERIOD	
Assets acquired	
Non-current assets	481
Current assets	3 052
Current liabilities	(9 152)
Net assets acquired	(5 619)
Intangible assets	5 869
Goodwill	802
Fair value of acquisitions	1 052
Purchase consideration	
Cash	7 796
Total consideration	7 796
Cash outflow for acquisitions	
Cash and cash equivalents acquired	(900)
Cash consideration paid	7 796
Fair value of acquisition	1 052
Allolio&Konrad debt paid to seller (included in current liabilities above)	6 744
Net cash outflow for acquisitions	6 896
RECONCILIATION OF GOODWILL	
Opening balance*	241 369
Acquisitions	802
Disposals	(1 335)
Translation	3 030
Closing balance*	243 866

** The opening and closing balance of goodwill reflects the gross carrying amount of goodwill. There were no accumulated impairments carried forward.*

Effective 1 April 2020, Analysys Mason acquired 100% of the shares in Allolio&Konrad for EUR7 million cash (the equivalent of US$7.8 million). The consideration paid included EUR6 million to settle debt of Allolio&Konrad with the seller. Allolio&Konrad is 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. Due to the timing of this acquisition, the acquisition accounting has not been finalised. Acquisition-related costs of EUR0.2 million (the equivalent of US$0.3 million) have been incurred on this acquisition.

As a result of this acquisition, goodwill and other intangible assets combined increased provisionally by US$6.7 million. None of the goodwill recognised is expected to be deductible for income tax purposes. The revenue and EBITDA included from these acquisitions in H1 FY21 were US$5.1 million and US$2.5 million respectively; profit after tax included from these acquisitions was US$1.4 million. Had the acquisition date been 1 March 2020, the revenue and EBITDA would have been approximately US$6.2 million and US$3.0 million respectively. It is not practical to establish profit after tax that would have been contributed to the Group if they had been included for the entire period.

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