

# INTEGRATED REPORT

for the four-month period ended 30 June 2016

**datacentrix** 

# WHO WE ARE

**Our offering:** We provide comprehensive ICT systems and end-to-end solutions to enterprises. We have a complete range of support services that ensure seamless computing.

**Our difference:** We team up with our customers to help them achieve the inherent benefits that intelligent, well-managed technology systems can deliver, safeguarding their relevance for the future.

**Our innovation:** Our advanced, flexible solution design and implementation responds to our customers' unique business requirements, helping to drive their performance and growth in a measurable and sustainable way.

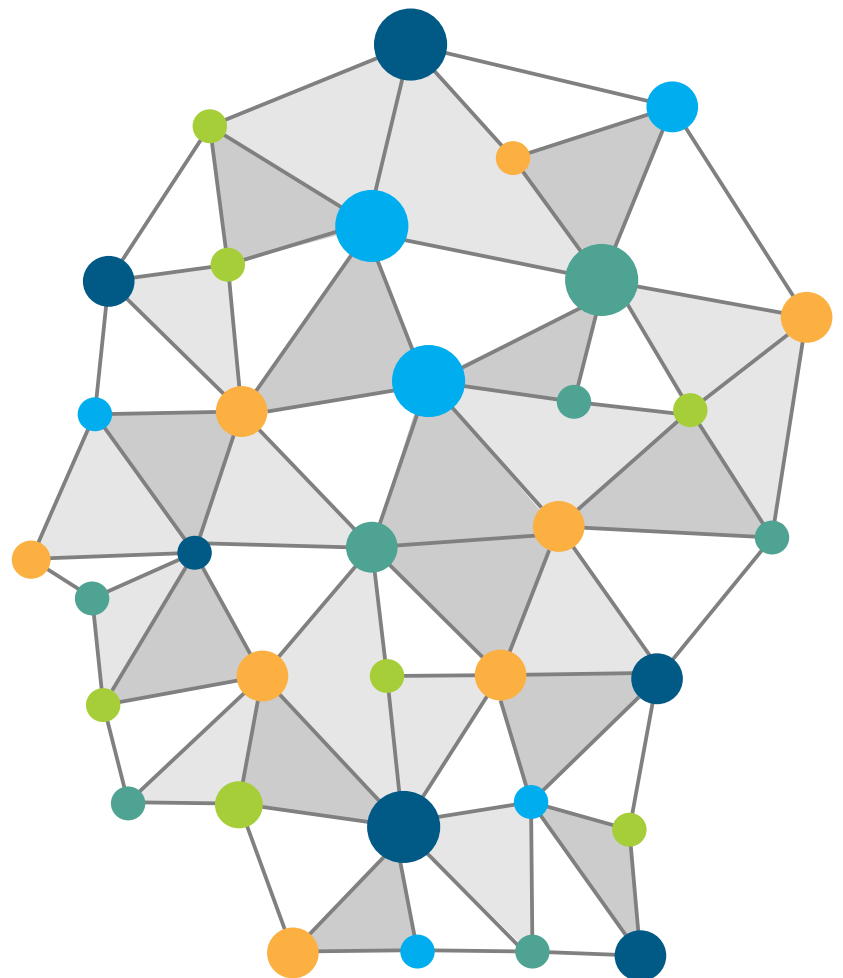
**Our passion:** We are passionate about the relationships that we share with our customers and about adding value to their businesses.

**Our skills:** We have some of the most specialised skills in the industry and are experts in our field.

**Our partnerships:** We partner with top international and local technology vendors to provide innovative solutions that meet our customers' unique computing needs, tailored for their business environment. Our top accreditations and technical certifications support the delivery of best-in-class technology solutions and services.

**Our duty:** We conduct our business in a way that helps to build communities, to protect the environment and to make for a better tomorrow.

**Our values:** Our vision, to be the preferred partner for complete ICT systems and services to corporate and public sector organisations, is underscored by our shared values of performance, professionalism, passion and pride.



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## Approach to reporting

This report has been compiled for Datacentrix Holdings Limited, its subsidiaries and equity-accounted investee ("the Group").

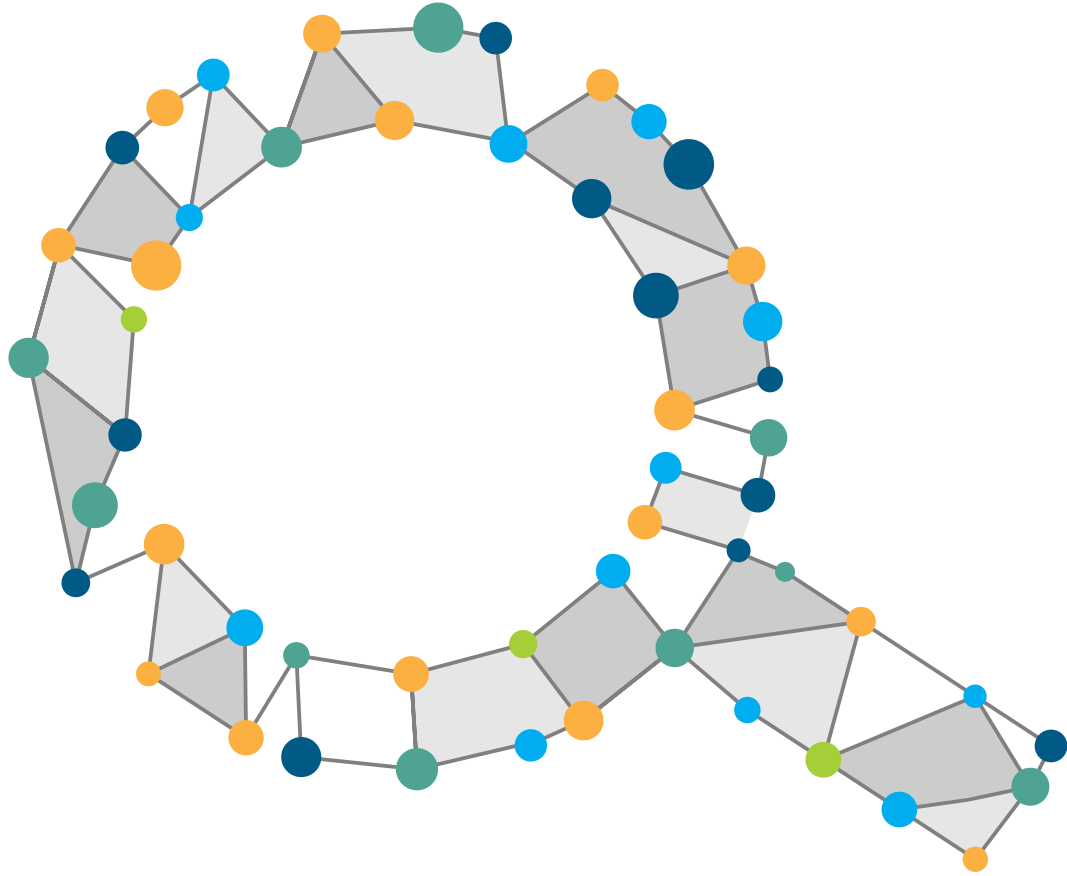
It provides information relating to the Group's strategy, governance and performance for the financial period ended 30 June 2016, as well as future prospects.

The objective of the integrated report is to provide an accessible, balanced and comparable account of the Group's performance against its objectives over the period, its business model, strategic approach and its opportunities and risks, which are of interest to the Group's key stakeholders.

The report has been produced in line with the principles of the King Report on Corporate Governance for South Africa, 2009 ("King III").



References are included within this report to find out more information on a certain topic or section, either within the report itself or on the Group's website: [www.datacentrix.co.za](http://www.datacentrix.co.za)



# BUSINESS OVERVIEW

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# FINANCIAL INDICATORS



**Revenue of**  
R961.7 million



**Earnings attributable**  
**to shareholders of**  
R41.1 million



**Earnings**  
**per share of**  
21.0 cents



**Headline earnings**  
**per share of**  
21.0 cents



**Cash on hand of**  
R122.5 million

“The Group's deliberate strategy to build a cohesive, efficient, agile and skilled organisation that is focused on service delivery has positioned it as a formidable competitor in the market. This bodes well for the organisation in a market that remains challenging, offering only single digit growth.”  
**Ahmed Mahomed, CEO**

# FINANCIAL REVIEW

	4 months Jun 2016	Feb 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue (R'000)	961 738	2 609 256	2 249 661	2 279 512	1 919 487	1 757 762	1 575 739	1 290 781	1 513 322	1 346 971	1 201 904
EBITDA (R'000)	65 694	196 237	170 438	152 398	126 341	145 226	150 091	126 619	165 534	157 096	124 564
Total assets (R'000)	1 120 376	1 185 035	980 918	962 299	898 031	757 333	662 441	590 254	610 333	548 529	457 345
Cash holdings (R'000)	122 502	120 477	291 492	202 537	273 761	313 377	321 170	284 836	232 841	221 896	173 841
HEPS (cents)	21.0	62.8	53.0	45.6	39.6	46.9	46.3	41.0	61.5	52.0	40.4
EPS (cents)	21.0	62.9	52.9	45.4	39.5	46.4	46.1	41.1	61.5	52.0	40.0
NAV per share (cents)	371.6	352.7	312.8	274.7	251.1	240.6	214.5	195.7	184.2	150.4	127.0
Tangible net asset value per share (cents)	292.5	274.6	262.4	223.1	216.8	229.0	205.4	186.9	175.4	141.3	118.6
Actual number of shares in issue ('000)	196 098	195 848	195 798	195 798	195 798	195 798	195 798	195 798	195 785	195 785	195 655
Number of employees	1 188	1 176	1 030	1 146	1 060	1 025	980	876	820	707	670
Group EE: % Black staff	60%	60%	59%	60%	59%	56%	54%	55%	53%	51%	51%
Group EE: % Designated staff	70%	70%	68%	70%	69%	67%	67%	68%	66%	66%	66%

EBITDA: Earnings before interest, taxation, depreciation and amortisation    HEPS: Headline earnings per share    NAV: Net asset value per share  
 EE: Employment equity    EPS: Earnings per share

## VALUE-ADDED STATEMENT

	4 months Jun 2016		Feb 2016		2015		2014		2013		2012	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Value generated	271 833		775 768		682 050		678 277		608 849		590 828	
Revenue	961 738		2 609 256		2 249 661		2 279 512		1 919 487		1 757 762	
Cost of operations	(693 353)		(1 844 184)		(1 572 868)		(1 606 419)		(1 320 880)		(1 181 043)	
Value generated from operations	268 385		765 072		676 793		673 093		598 607		576 719	
Investment income	3 448		10 696		5 257		5 184		10 242		14 109	
Utilisation of value generated	(271 833)	100	(775 768)	100	(682 050)	100	(678 277)	100	(608 849)	100	(590 828)	100
Returned to employees and directors	(202 691)	75	(568 835)	73	(507 322)	75	(520 472)	77	(472 652)	78	(431 567)	73
Returned to government in form of taxes	(16 871)	6	(50 309)	7	(42 980)	6	(37 539)	6	(35 199)	6	(44 567)	8
Returned to providers of capital (finance costs)	(195)	-	(1 516)	-	(2 602)	-	(4 010)	1	(3 886)	1	(2 145)	-
Utilised in business infrastructure (depreciation/amortisation)	(10 941)	4	(31 937)	4	(25 669)	4	(27 331)	4	(19 792)	3	(21 705)	4
Retained in the business	(41 135)	15	(123 171)	16	(103 477)	15	(88 925)	13	(77 320)	13	(90 844)	15
Returned to shareholders	-	-	(36 594)	30	(31 838)	31	(47 658)	54	(60 268)	78	(44 215)	49

All periods represent a 12-month period except where a shorter period is indicated.

# CHAIRMAN'S REPORT

**The board of directors of Datacentrix (the “Board”) has executed its responsibility of ensuring that the Group aligns its policies and operations with its strategy to create growing value for its shareholders and other stakeholders.**

It has done so by effectively monitoring the Group's performance, assessing and managing risk, complying with legislative and moral standards, and giving direction to and supporting management in achieving operational excellence and growth. These requirements have necessitated the correct leadership and skills, which have contributed to the success of the Group during the period under review.

## Governance

The Board's corporate governance framework supports the business of Datacentrix, the delivery of the Group's strategy and it safeguards the Group's resources. The oversight role of its directors ensures accountability and effective decision making, and that appropriate control mechanisms are in place to safely implement the Group's strategy and plans. The highest standards of governance are maintained by the Board, ensuring compliance with all applicable laws, regulations and codes.

## Execution capability

Datacentrix is recognised for its capabilities as a systems integrator and ICT solutions provider. Its pool of experts work together to deliver superior business value through technology to its customers. The Group's competency to engineer complex solutions and system integrations sets it apart as a strong contender in a competitive market.

Datacentrix is reaping returns from its investment in skills development in the shape of intellectual property that it is taking to customers. In addition to its in-house skills and solutions, Datacentrix has access to an extended solution set as

a Pinnacle Holdings Group company, positioning it as a more holistic technology partner amongst its peers.

## Operational excellence

The Managed Services and Business Applications divisions contributed in excess of 49% of group earnings. The Technology Solutions division delivered a strong performance, providing multi-vendor technologies, turnkey solutions, critical consulting capability and project management to customers, ensuring that customers make the right technology investments to support their businesses imperatives. The Group secured new-term business, both locally and in Africa, and was invited to tender for higher value deals, many of which were awarded to Datacentrix.

Datacentrix runs a profitable business with a strong balance sheet and positive cash flows and is a tough contestant for complex contracts in both public and private enterprise; it has been recognised by its technology partners through awards and certifications that reflect the organisation's foresight, industry expertise, value-driven offering and strong performance.

## Shareholding

Pinnacle Holdings Group acquired 19,791,464 Datacentrix shares in January 2016, resulting in Pinnacle's shareholding in Datacentrix increasing to 108,311,512 Datacentrix shares. The shareholding represents 55.2% of Datacentrix' total voting shares in issue at the end of June 2016.

## Board

The Board's efforts continue to focus on



**Arnold Fourie**  
Non-executive Chairman

ensuring that the profile, skill sets, diversity and individual qualities of our executives and non-executives can serve the current and future needs of the business in an ever-changing environment. Datacentrix has a diverse Board that supports the Group's efforts in building a stronger business and maintaining a keen eye on risk management while encouraging a high level of innovation to drive business growth.

We would like to thank the Board for their wise counsel and the management team for successfully steering the organisation into new areas of business.

A handwritten signature in black ink, appearing to be 'A Fourie', written over a faint horizontal line.

**Arnold Fourie**  
Non-executive Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT

**Datacentrix continues to perform as a trusted, responsive business partner to its customers' technology needs, enabling compute power, more prudent operations, knowledge creation, and business insight in an environment that demands flexibility and efficiencies.**

During the period under review, the business has affirmed the resilience of its operations, retained quality skills; maintained its leading vendor partnerships, applied sound financial management, demonstrated its strong technical and execution capabilities; and sustained its social and empowerment commitments.

The Group's revenue is derived from three operating divisions.

- ▶ The Managed Services division is a progressive centre of excellence that delivers end-to-end ICT services. It provides customers with a constantly measured environment that ensures that what is being done today is both pertinent to customer needs and supports their relevance into the future.
- ▶ The Technology Solutions division is a trusted technology solutions integrator, recognised by all top leading technology vendors globally. The division leads in visionary technology innovation that delivers real business value from traditional compute, storage and networking, to a software-defined, data-driven world where the infrastructure adapts to customer demands.
- ▶ The Business Applications division enables organisations to take advantage of the information that is created and stored in their ICT infrastructures by applying leading EIM, ERP solutions and professional services. The division enables informed

business management and growth through solutions that automate; integrate; and monitor and control business processes.

The breadth of the portfolio encompasses all the significant enterprise hardware and software vendors.

## Commentary

Shareholders were advised that the financial year-end of the Company was changed from February to June as per the announcement released on SENS on 18 April 2016. The comparative information in the financial statements represents the twelve-month reporting period ended 29 February 2016. The current period information in the financial statements represents the four-month reporting period ended 30 June 2016.

The Board is pleased to report that the Group achieved revenue for the four months ended 30 June 2016 of R961.7 million and earnings attributable to shareholders of R41.1 million. Group operating margin was 5.7% with earnings ("EPS") and headline earnings per share ("HEPS") of 21.0 cents respectively. The Group generated R25.4 million cash. The Group's closing cash balance was R122.5 million.

Datacentrix noted at the last financial year-end that it had secured new-term contracts. These contracts have contributed to the results in the reporting period and will continue to do so in the new financial year. It continued



**Ahmed Mahomed**  
Chief Executive Officer

to secure new contracts in the reporting period.

## Operational review

The Managed Services and Business Applications divisions contributed 39.5% and 9.9% respectively to the Group's profit after tax ("PAT"), with the Technology Solutions division contributing 47.1% for the current four-month reporting period ended 30 June 2016.

## Managed Services

The Managed Services division accounted for 39.5% of group PAT, at R16.3 million. The division achieved an operating margin of 10.2%.



# CHIEF EXECUTIVE OFFICER'S REPORT continued

The division delivered a strong performance, specifically in the outsourcing, ICT facility services, Internet Service Provider (“ISP”) and Network Service Provider (“NSP”) businesses. New outsource contracts transitioned in the previous financial year contributed positively to the period under review. Improved service delivery and efficiencies have enhanced the division's ability to address customer needs more cost effectively and efficiently.

The Datacentrix service desk offering remains a key differentiator in the market with its first call resolution rate and remote remediation, setting it apart from the traditional helpdesk model. The service desk efficiencies have increased the uptake of the service aggregation offering, placing Datacentrix in control of customer IT environments.

The Managed Services division focuses on enabling customers to grow their businesses by driving efficiency, augmenting their business processes and systems and enabling management to make meaningful business decisions.

**“Datacentrix differentiates its offering through its service-focused culture, and its service-offering flexibility, which enables customers to flex or shrink their service requirements and expenditure in line with the demands of their business.”**

The division's portfolio encompasses:

- Outsourcing services;
- Cloud services;
- Security services;
- ISP, NSP and communications;
- ICT facility services; and
- Human capital supplementation.

## Technology Solutions

The Technology Solutions division performed well over the four-month period with good growth in the storage, data centre and networking businesses. The division produced revenue of R680 million; PAT of R19.4 million and contributed 47.1% to group PAT for the period.

The division increased its revenue from longer-term service delivery projects; kick-started the period with the formalisation of a number of complex, longer-cycle deals; focused on managing costs; and ensured a high repeatability of service delivery in the face of a slower economy. Datacentrix upped its customer involvement, leveraging its relationships and understanding of its customers to deliver on their specific business needs.

The Group upgraded its security operations centre and enhanced its execution capability in the security business. Management is encouraged by the opportunities in this area of the market and the business is well positioned to capitalise on these.

Datacentrix continues to support government's service delivery mandate, using technology as an enabler to unlock value. Public sector customer demand for ICT is largely driven by its requirement for traditional services, the replacement of aging technology, server, storage and network capability, and integration. The maturity curve toward cloud computing, the Internet of Things and digitisation in the public sector continues at a slow pace.

The Technology Solutions division is supported by top-level vendor accreditations with best of breed vendors and skills in the market. The division's multi-faceted, multi-brand approach endorses that its strength lies in its diverse, customisable offerings.

The Technology Solutions division assists customers in driving their business strategies through the provision of integrated technology systems that simplify complex infrastructure solutions such as datacentre optimisation.

Offerings include:

- IT hardware;
- Infrastructure software solutions;
- End user computing;
- Enterprise systems, datacentre, storage, server platforms and networking; and
- Security solutions, supported by the necessary consulting and services capability.

## Business Applications

The Business Applications division achieved PAT of R4.1 million and contributed 9.9% to group earnings for the period. Operating margin was 10%.

Good growth was achieved in the EIM business. The business closed out one of its large projects in the education domain, signed up a substantial, enterprise licence agreement in the public sector, rolled out the initial project phase for a regional healthcare provider and acquired new business across various industries.

The Enterprise Resource Planning (“ERP”) business performance improved for the period. The Business Intelligence and Analytics capability has now been integrated into the broader EIM offering.

The Business Applications division enables organisations to take advantage of the information that is created and stored in their ICT infrastructures by

# CHIEF EXECUTIVE OFFICER'S REPORT continued

applying leading EIM, ERP solutions and professional services. The division enables informed business management and growth through solutions that automate; integrate; and monitor and control business processes.

## Looking forward

During the period under review the Group secured new business that will be executed in the new financial year. The Company will continue bidding for higher value business and exploring opportunities in Africa.

Datacentrix differentiates its offering through its service-focused culture, and its service-offering flexibility, which enables customers to flex or shrink their service requirements and expenditure in line with the demands of their business.

The Group's deliberate strategy to build a cohesive, efficient, agile and skilled organisation that is focused on service delivery has positioned it as a formidable competitor in the market. This bodes well for the organisation in a market that remains challenging, offering only single digit growth.

The Company will continue providing holistic, cost effective and repeatable technology solutions by driving efficiencies throughout the value chain, leveraging specialised team competencies, and increasing the quality of its people. Becoming an employer of choice, recruiting and retaining top skills, delivering consistently high levels of service and offering our customers an excellent experience – continue to be top business priorities. The Company's skills development initiatives, including the internship programme, are not only a social imperative, but also help to provide new talent into the business and add to the scarce IT skills pool.

Datacentrix aims to increase its range of solutions, create more points of delivery

and increase its competencies per customer and in general. Customers are demanding more strategic relationships from their ICT providers, expecting business support from their systems to operate faster and more effectively. Self-help environments, with the right software and support – as well as monitoring and automation that enable more efficient business processes – are providing customers with the opportunity of becoming more self-sufficient at a lower cost.

The increasing demand for software-defined infrastructure continues. More and more customer conversations are taking place concerning everything-as-a-service. Customers are defining their priorities and exploring options of placing non-core services in the cloud both on and off premises.

The on-going growth in unstructured data, as well as the rise in the adoption of cloud computing affords players both opportunities and a number of challenges as enterprises are redefining their data residency and information requirements.

Consolidation of the competition and technology providers continues to create opportunities.

The Group will continue with its strategy to expand organically and through acquisitions. Datacentrix will seek out suitable acquisitions to broaden its reach and to bring new solutions to market.

## Empowerment

Datacentrix has a Level 2 (AAA) B-BBEE Contributor status, with 125% procurement recognition.

## Dividend

The Group previously indicated that as it expands and secures the provisioning of complex turnkey solutions, working capital requirements will increase. As a result, investment is required not only to

support this organic growth strategy, but also potential acquisitions. Consequently, the Board has decided not to declare a dividend payment for the four-month period ended 30 June 2016.

## Notice of the annual general meeting

The integrated report for the period ended 30 June 2016 is expected to be dispatched to shareholders no later than 30 September 2016.

Notice is hereby given that the Annual General Meeting of shareholders of the Company will be held at the registered office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria Road, Midrand, 1685 at 09:00 on Friday, 25 November 2016.

The Board has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 18 November 2016. Accordingly, the last day to trade Datacentrix shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 15 November 2016.

I would like to acknowledge and thank the directors, executives, management, staff and Datacentrix' partners who contributed to delivering the results that have been achieved.



**Ahmed Mahomed**  
CEO

# BUSINESS PROFILE

Datacentrix is pleased to present its integrated report for the four-month period ended 30 June 2016. It provides the Group's stakeholders with better insight into the way that the business is managed and promotes transparency and accountability. The primary objective of the report is to demonstrate Datacentrix' ability to create and sustain value and to reinforce its role as a responsible corporate citizen. The Audit and Risk Committee plays a central role in reviewing the integrated report and the nature of any associated external assurance processes. Where assurance was obtained in relation to financial or non-financial data, it is clearly stated. The Board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm that they have reviewed the content of the integrated report and believe it addresses the material issues and is a fair presentation of the integrated performance of the Group.

Recognised for its agility, in-depth industry knowledge, proven capability and strong overall performance, Datacentrix provides the ICT integration services and solutions needed to take organisations into the digital age. The Group offers a deeply specialised skills component and is endorsed by the world's foremost technology partners.

Datacentrix' delivery and execution capability ensures an excellent total customer experience.

## Points of presence

Datacentrix' operations are managed from its registered head office in Midrand. The Company has regional offices in Cape Town, Durban, Port Elizabeth and East London, a Logistics Centre situated in Samrand, and service centres in George, Bloemfontein and Polokwane. National points of presence support the Group's service delivery model.

### African aggregation footprint

Datacentrix partners with leading ICT services providers in Central, East and West Africa ("CEWA"), extending its local operations to 28 countries across sub-Saharan Africa. The partner companies provide end-to-end IT solutions to business partners and customers in the region. These relationships offer multinational customers reduced complexity in securing integrated technology systems, providing seamless access to leading skills, technologies and global outsourcing services into Africa.

## Business drivers



The best teams with specialised expertise and experience



Collective innovation



All-inclusive, leading technology systems



Top certifications from international and local technology partners



Consistent, high-level service delivery that is predictable and repeatable



Insight into the complexities of an ever-changing business and technology domain

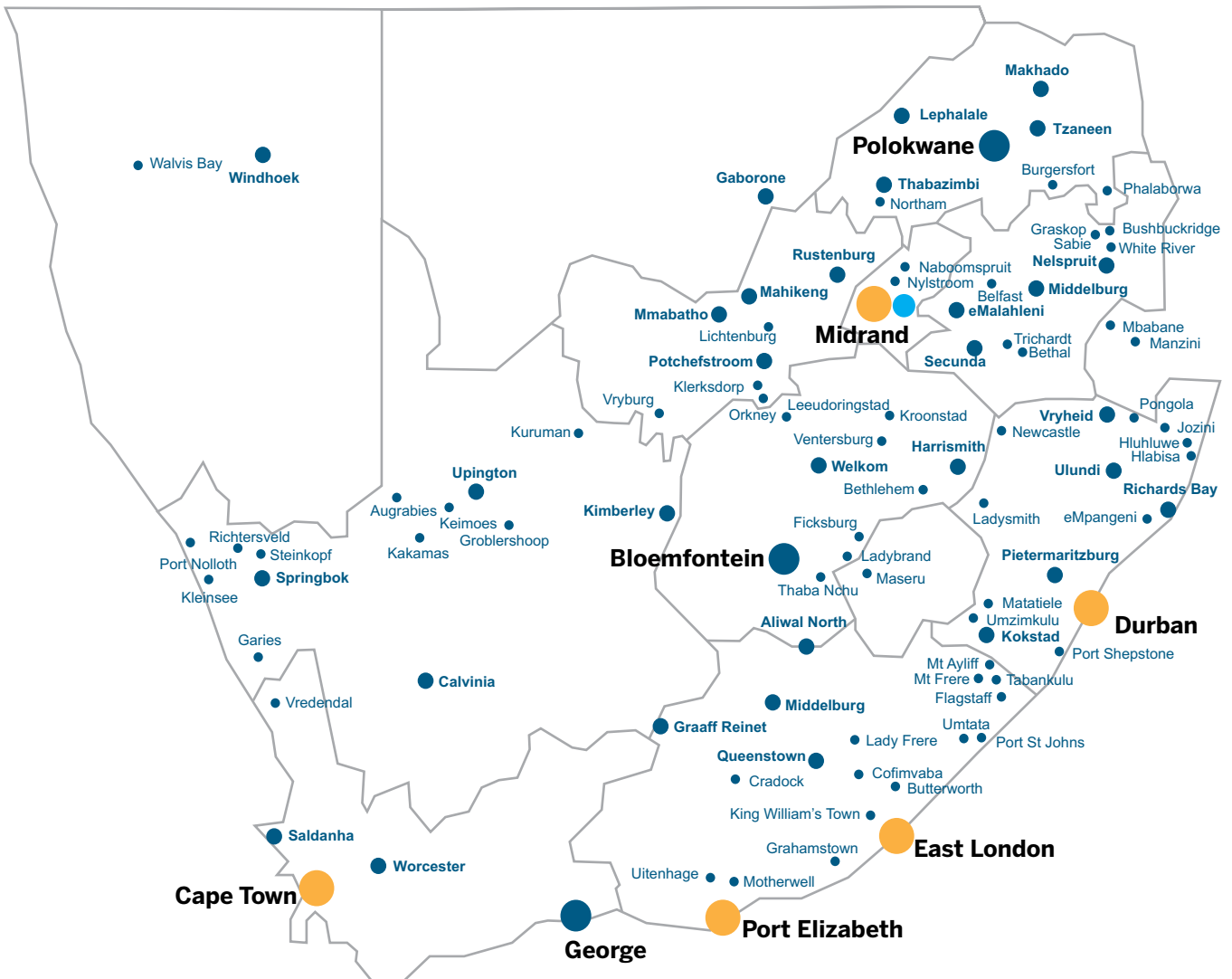
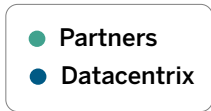
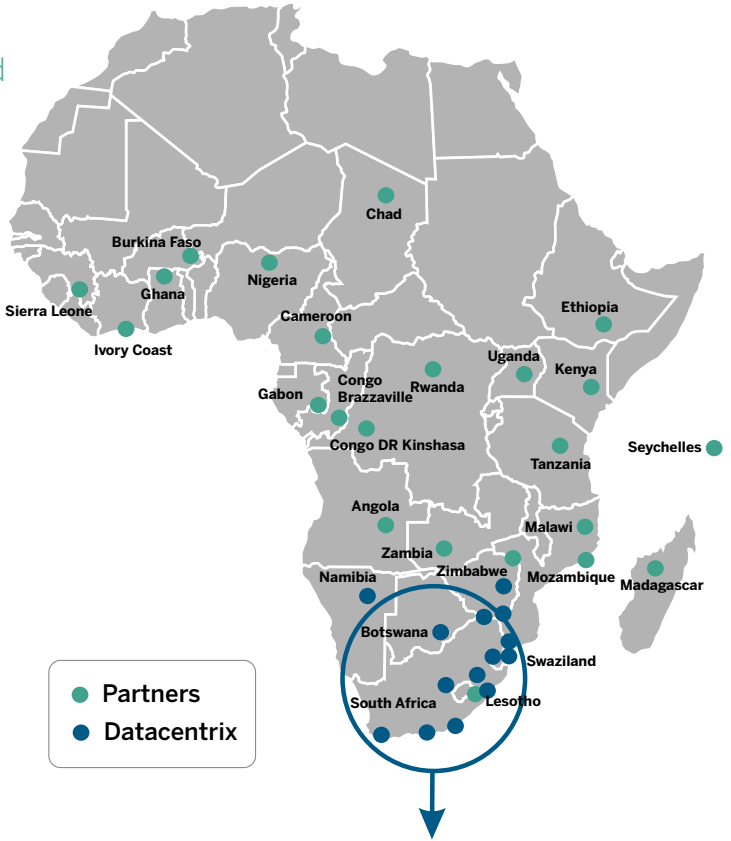
## Mission

Datacentrix strives to maximise stakeholder wealth by providing leading, integrated solutions across the full spectrum of ICT systems, managed services, cloud computing and business solutions to enterprises.

To achieve this, Datacentrix invests in its people through training and education, embracing black economic empowerment, while actively partnering with its customers and premier technology partners – representing them with distinction – to deliver maximum business value.

# BUSINESS PROFILE continued

## Points of presence (continued)



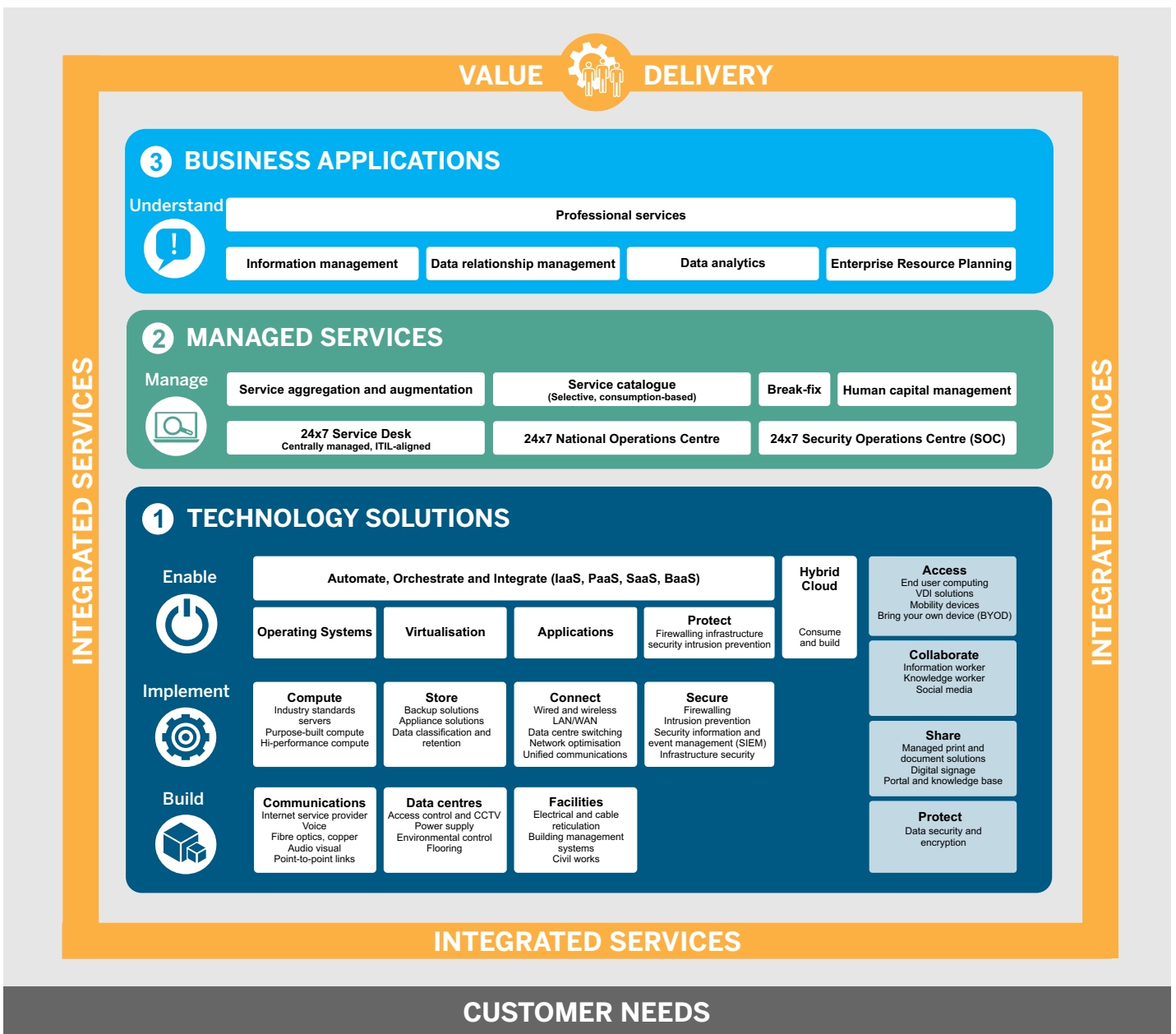
# BUSINESS PROFILE continued

## The Datacentrix Operating Model

Datacentrix is passionate about using innovation to bridge the gap between business and computing. The Company supports customer effectiveness by:

- providing innovative IT that delivers business efficiencies and value; and
- enabling the achievement of customer strategic business objectives.

Datacentrix no longer functions as just a technology provider, but as a business partner and enabler to its customers. By harnessing business data, the Company empowers customers to make astute decisions, act quickly and implement their business strategies successfully.



# BUSINESS PROFILE continued

## Operational divisions

Datacentrix' business value is delivered across three core functional areas, Technology Solutions, Managed Services and Business Applications.

### Technology Solutions

Datacentrix builds technology facilities, the engine that powers customer information technology. The Company implements high performance, purpose-built technology systems that are secure and that equip customers to compute, store and connect successfully. Datacentrix enables business through the automation, orchestration and integration of application-enabled infrastructure. That simply means that the Company's integrated data services connect all systems and databases to bring customers a single view of their business.

- IT hardware
- Infrastructure software solutions
- End user computing
- Enterprise systems, datacentre, storage, server platforms and networking
- Security solutions

"We will continue managing the cost of delivery by extracting efficiencies within the business and across the value chain, while increasing service predictability and repeatability to ensure an excellent customer experience."

**Johann Coetzee, Managing Director: Commercial and Technology Solutions**

### Managed Services

Datacentrix delivers 24/7 ICT services that equip customers to grow and manage their businesses more proficiently, and to provide a fast, effective IT experience to their staff and customers. Delivery and support flexibility mean that the services can flex or shrink as customer requirements change. The Company offers a compelling cloud offering that gives customers fit-for-purpose solutions. Service catalogues span all technical disciplines and functional areas of business and accelerate time-to-value by delivering precisely on customer needs.

- Outsourcing services
- Cloud services
- Internet service provider ("ISP"), network service provider ("NSP") and communications
- ICT facility services
- Human capital supplementation

"The Managed Services division is in a healthy state and is set firmly on a growth path. We have secured a number of significant business wins, solidified the business from an operational perspective and we have started the new financial year on a good footing."

**Michael McGee, Managing Director: Gauteng Managed Services**

### Business Applications

Datacentrix offers enterprise application services that deliver business insight and promote transparency, helping customers to understand their business performance better. Using real-time data, the Company helps customers to structure, manage, view and use their information to make informed, systematic decisions. By automating business processes and integrating applications and systems, Datacentrix improves customer productivity and enables quick and easy collaboration.

- Enterprise information management ("EIM")
- Enterprise resource planning ("ERP")
- Professional services

"Customers are looking for more value from their ICT partner relationships. They want IT to enable and support a better, more intelligent way of operating that lends itself to automation and a faster, slicker way of doing business at a lower cost."

**Juane Peacock, Managing Director: Coastal Region Technology Solutions and Enterprise Information Management**



# CORPORATE SOCIAL RESPONSIBILITY REPORT

Datacentrix has a committed focus on sustainable development; this sentiment underpins the organisation's objective of being a responsible corporate citizen. Corporate responsibility requires that the organisation operates in an informed, responsive and socially responsible manner.

## Broad-based black economic empowerment

Datacentrix maintained a Level 2 (AAA) Broad-based Black Economic Empowerment ("B-BBEE") contributor status, with 125% procurement recognition from EmpowerDex, having achieved the following scorecard values:

	Actual score
Ownership	14.21
Management	10.67
Employment equity	5.60
Skills development	10.21
Preferential procurement	21.45
Enterprise development	11.00
Socio-economic development	12.00
<b>TOTAL SCORE</b>	<b>85.14</b>



**Datacentrix continues to focus on education and organises additional initiatives that address health and the aged on an ad hoc basis.**

## Corporate social investment initiatives

Datacentrix is cognisant of the growing social needs in South Africa and is committed to making a difference by supporting projects that benefit previously disadvantaged sectors of society.

The Group continues to focus on education and organises additional initiatives that address health and the aged on an ad hoc basis.

Some of the social investment activities are highlighted below:

- ▶ Datacentrix participates in the enhancement of the teaching and learning process in schools across Southern Africa with eLearning. The Group offers customers, as well as local and international enterprises, the opportunity to be involved in the upskilling of South Africa's youth.
- ▶ Datacentrix has been a proud supporter of the Thandulwazi Maths & Science Academy since 2010. The Thandulwazi Maths & Science Academy, established by the St Stithians Foundation in October 2005, is a private public educational partnership between the independent and public school sectors, educators, learners and corporate partners.
- ▶ The Datacentrix employee scholarship support scheme funds school fees for qualifying staff.
- ▶ Datacentrix sponsors the Exxaro Mountain Bike Academy to help increase the number of previously disadvantaged riders.
- ▶ Datacentrix has been supporting Thandanani Children's Foundation since 2013. Founded in 1989, the foundation facilitates community-based care and supports orphans and other vulnerable children (particularly those affected and infected by HIV and Aids) in the KwaZulu-Natal Midlands area.
- ▶ Datacentrix participates in the 67 minutes for Mandela initiative, giving teams and individuals the opportunity to perform various community initiatives for 67 minutes on 18 July each year.
- ▶ Members from Datacentrix participate in the 14 hour CANSA Relay for Life to raise awareness and funds for the fight against cancer.
- ▶ Datacentrix' Western Cape EIM team supports an annual soup kitchen in Philippi alongside the Philippi Farm Community Organisation that supports nearly 400 adults and children.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

continued

## Skills development

Datacentrix is committed to improving its productivity and competitiveness through skills development. The Company provides various skills development initiatives that leverage the workplace as an active learning environment.

Opportunities are created where employees can acquire new skills, individuals can achieve recognised qualifications, new entrants to the labour market can gain work experience, and previously disadvantaged persons can improve their employment prospects.

Datacentrix is a member of the Media, Information and Communication Technologies Sector Education and Training Authority ("MICT SETA"). The organisation also collaborates with recognised training providers to assist in facilitating training programmes as prescribed by business requirements and the Sector Skills Plan from the MICT SETA.

The following skills development programmes are in place at Datacentrix.

### Internship programme

Datacentrix runs an internship programme. The programme is a vocational education and training platform that combines theory and practice, culminating in a qualification that is registered on the National Qualifications Framework ("NQF").

The interns received theoretical training through the Microsoft partnership as well as practical experience by shadowing consultants in the business.

Datacentrix annually selects learners from previously disadvantaged backgrounds who have completed Grade 12 with potential and interest in various aspects of IT. Selected individuals receive a sponsorship from Datacentrix to complete their qualification. Upon completion of their NQF, interns are appointed, either for a temporary period to acquire practical, on-the-job experience, or even permanently at Datacentrix.

The Company has hosted 175 learners since 2012.

### Bursaries and training for employees

Employees are the bedrock of Datacentrix. Datacentrix recognises that offering skills development and growth opportunities is a significant part of becoming an 'employer of choice'. During the period, Datacentrix invested in various training programmes, including bursaries, international examinations, accreditations and IT courses.



**"The Company's skills development initiatives, including the internship programme, are not only a social imperative, but also help to provide new talent into the business and add to the scarce IT skills pool."**  
**Ahmed Mahomed, Chief Executive**



# CORPORATE SOCIAL RESPONSIBILITY REPORT

continued

## Occupational Health and Safety

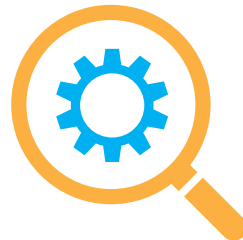
Datacentrix' Safety, Health, Environmental and Quality ("SHEQ") team oversees the organisation's efforts to comply with South Africa's health and safety regulations, in particular the Occupational Health and Safety Act (85 of 1993).

SHEQ is managed from a group perspective in accordance with manuals, policies and procedures that have been drafted to ensure the standardisation and application of best practices.

Regular reviews and inspections of safety systems and practices are conducted across the business units and improvement opportunities are optimised as part of the Group's commitment to being a responsible employer.

Four principal elements contribute to the Group's focus on SHEQ, involving:

- the development of key performance indicators;
- communication with staff members who are exposed to different working environments, informing them of safety regulations governing these environments;
- the continuous health and safety of staff, customers, suppliers, contractors and visitors; and
- an Occupational Health and Safety ("OHS") Committee meets quarterly to manage and review all necessary requirements, ensuring that all standards are maintained. Datacentrix is OHSAS 18000-2007 aligned in an effort to meet its OHS responsibilities at the highest possible level.



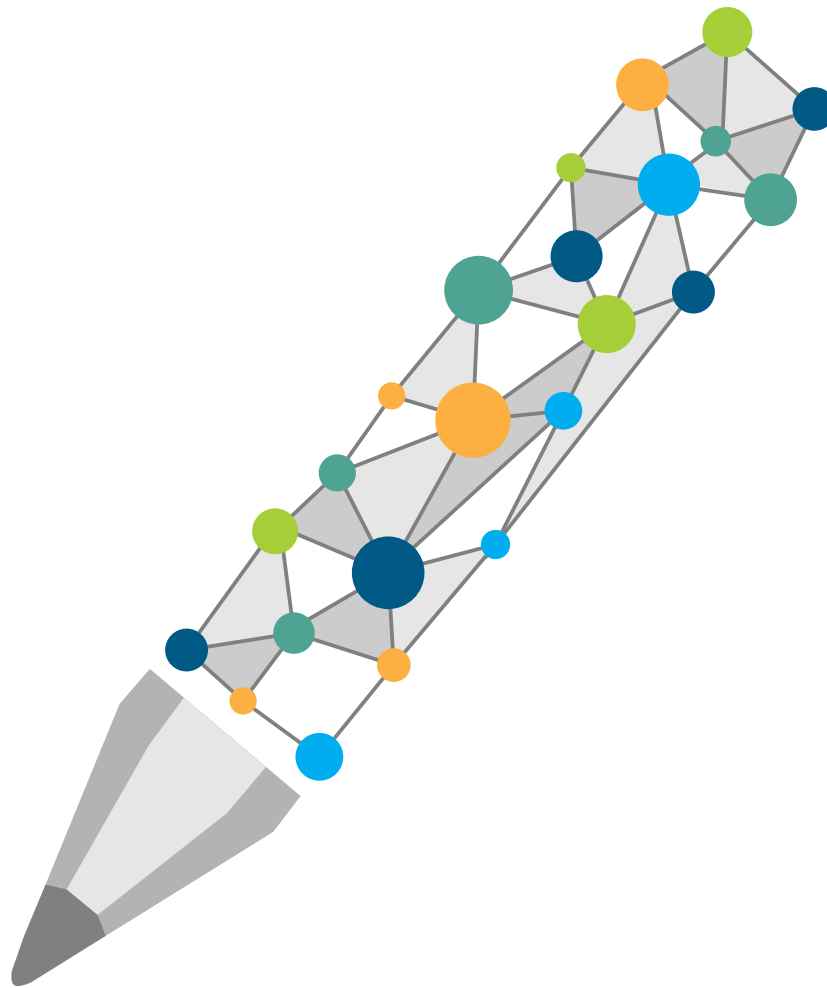
**Regular reviews and inspections of safety systems and practices are conducted across the business units and improvement opportunities are optimised as part of the Group's commitment to being a responsible employer.**

## Environment

Datacentrix' SHEQ function also oversees the Group's efforts to maintain an environmentally-friendly workplace, eliminating, reducing, reusing, recycling and disposing of waste in a responsible manner.

The Group aligns its activities with the ISO 14001-2004 standard, constantly working towards achieving a positive impact of its business activities on the environment in a sustainable way.

Datacentrix adheres and complies with the national and local municipal environmental acts and regulations.



# GOVERNANCE

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# BOARD OF DIRECTORS

## Non-executive and executive directors



**Arnold Fourie** (53)

Non-executive Chairman and Director  
MSc (Chem Eng)  
Date of appointment: November 2013  
Appointed Non-executive Chairman: March 2016  
Committee: Member of Social, Ethics and Remuneration Committee  
Other directorships: Pinnacle Holdings Limited



**Nolitha Fakude** (51)

Deputy Chairman, Lead Independent Director and Independent Non-executive Director  
BA (Hons)  
Date of appointment: March 2014  
Committees: Chairman of the Nominations Committee, member of the Audit and Risk Committee  
Other directorships: Sasol Limited and member of the Sasol Risk and Safety, Health and Environment Committee, Chairman of the Sasol Mining Board, trustee of the Inzalo Foundation Trust, Chairman of the Chemical Industries Education & Training Authority ("CHIETA"), member of Human Resources Developmental Council of South Africa ("HRDC")



**Alwyn Martin** (78)

Independent Non-executive Director  
BCom, CA (SA)  
Date of appointment: May 2005  
Committees: Chairman of the Audit and Risk Committee, member of the Social, Ethics and Remuneration Committee  
Other directorships: Trans Hex Group Limited and Northam Platinum Limited



**Dudu Nyamane** (58)

Independent Non-executive Director  
BA (Social Sciences), MBA, MAP  
Date of appointment: June 2009  
Committees: Chairman of the Social, Ethics and Remuneration Committee, member of the Audit and Risk Committee, member of the Nominations Committee  
Other directorships: Mitsubishi Hitachi Power Systems, Indigo Cube Proprietary Limited, Joy Global Foundation, Vaal University of Technology and Oakbay Resources and Energy Limited, Kagosano Trust

## BOARD OF DIRECTORS continued

### Non-executive and executive directors (continued)



**Henry Ferreira** (63)

Non-executive Director

Diplomas in Advanced Digital Techniques, Microprocessor Technology, Business Management (Wharton Business School USA), and Financial Management (Babson College USA)

Date of appointment: March 2016



**Richard Lyon** (58)

Alternate Director to Arnold Fourie

BA (Economics and Business Law), CA

Date of appointment: February 2015

Resigned: March 2016 as Non-executive Director

Other directorships: Pinnacle Holdings Limited



**Ahmed Mahomed** (55)

Chief Executive Officer/Group Managing Director

Date of appointment: March 2003

Appointed CEO: March 2008



**Elizabeth Naidoo** (42)

Chief Financial Officer/Group Financial Director

BCom, BAcc, CA (SA)

Date of appointment: October 2003

# EXECUTIVE MANAGEMENT



**Johann Coetzee** (53)  
Managing Director: Commercial and Technology Solutions  
(Technology Solutions division)  
BEng (Industrial Engineering), MBA



**Juane Peacock** (57)  
Managing Director: Coastal Region Technology Solutions  
(Technology Solutions division) and Enterprise Information  
Management (Business Applications division)



**Kenny Nkosi** (54)  
Managing Director: Government (Technology Solutions division)  
Diploma in Business Administration, Executive Development  
Programme



**Michael McGee** (42)  
Managing Director: Gauteng  
Managed Services



**Rainer Jeske** (62)  
Managing Director: Special Projects and  
Innovation (Technology Solutions division)

# MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

Detail	Arnold Fourie#	Nolitha Fakude*	Alwyn Martin*	Dudu Nyamane*	Henry Ferreira#	Richard Lyon#^	Ahmed Mahomed	Elizabeth Naidoo
<b>Meetings of the board of directors</b>								
29 August 2016	√	√	√	√	√	N/A	√	√
<b>Meetings of the Audit and Risk Committee</b>								
29 August 2016	N/A	√	√	√	N/A	•	√•	√•

\* Independent non-executive director

√ Attended

# Non-executive director

• By invitation

■ Chairman

X Apology

N/A Not a member of the committee

^ Alternate director



# CORPORATE GOVERNANCE REPORT

Corporate governance entails the framework of principles and practices by which the Board ensures accountability, fairness, and transparency in the Group's relationship with all its stakeholders. It extends beyond legislative and regulatory compliance and considers explicit and implicit relationships between the Company and the stakeholders. Datacentrix' Board regards corporate governance as important to the success of the Group and remains committed to sound corporate governance principles. The Board endorses the application of the principles recommended in the King III Report, and has been effectively implementing and reporting on a spectrum of governance principles, underpinned by the values of responsibility, accountability, fairness and transparency.

## Statement of compliance

The Board accepts the responsibility to ensure that the King III principles are considered and applied, and is satisfied that every effort has been made to comply in all material aspects with these principles. Where the Group does not comply, this is stated and explained. The Group has remained committed to applying these principles to all its subsidiaries and its equity-accounted investee as appropriate.

A number of these principles are reflected in the Group's internal controls and policy procedures. While the Board is satisfied with its level of compliance with applicable governance and regulatory requirements, it recognises that its practices can always be improved, and accordingly the Board

has and will continuously review the Group's governance framework against governance best practices. The Group continues to improve its well-established corporate governance processes and remains abreast of the latest industry developments.

The following matrix was compiled based on the review of the Group's corporate governance framework to indicate the level to which King III principles have been applied (based on the 27 main principles per chapter 2 of King III).



**Refer to our website for a detailed matrix that considers all 75 principles of King III.**

Description of principle	Compliant	Details
The board should act as the focal point for and custodian of corporate governance.	✓	Corporate governance report: Structure, governance and operation of the board
The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	Corporate governance report: Board charter
The board should provide effective leadership based on an ethical foundation.	✓	
The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	Business overview: Corporate social responsibility report
The board should ensure that the company's ethics are managed effectively.	✓	Corporate governance report: Board charter
The board should ensure that the company has an effective and independent audit committee.	✓	Corporate governance report: Board committees – Audit and Risk
The board should be responsible for the governance of risk.	✓	
The board should be responsible for information technology ("IT") governance.	✓	Corporate governance report: Information technology
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	Corporate governance report: Board committees – Audit and Risk
The board should ensure that there is an effective risk-based internal audit.	✓	
The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	

CORPORATE GOVERNANCE REPORT continued

Description of principle	Compliant	Details
The board should ensure the integrity of the company's integrated annual report.	✓	Corporate governance report: Board committees – Audit and Risk Committee
The board should report on the effectiveness of the company's system of internal controls.	✓	
The board and its directors should act in the best interests of the company.	✓	Corporate governance report: Board composition, performance and independence
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	N/A	
The board should elect a chairman of the board who is an independent, non-executive director. If the board chairperson is not independent, the company must appoint a lead independent non-executive director. The CEO of the company should not also fulfil the role of the chairman of the board.	✓	Corporate governance report: Board chairman; lead independent director ("LID"); chief executive officer
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	✓	Corporate governance report: Chief executive officer
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Corporate governance report: Board composition, performance and independence
Directors should be appointed through a formal process.	✓	
The induction and on-going training and development of directors should be conducted through formal processes.	✓	
The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	Corporate governance report: Company secretary
The evaluation of the board, its committees and the individual directors should be performed every year.	✓	Corporate governance report: Board composition, performance and independence
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	Corporate governance report: Board committees
A governance framework should be agreed upon between the group and its subsidiary boards.	✓	Corporate governance report: Structure, governance and operation of the board
Companies should remunerate directors and executives fairly and responsibly.	✓	Corporate governance report: Board committees – Social, Ethics and Remuneration Committee
Companies should disclose the remuneration of each individual director and certain senior executives.	✓	Financial statements
Shareholders should approve the company's remuneration policy.	✓	Corporate governance report: Board committees – Social, Ethics and Remuneration Committee



# CORPORATE GOVERNANCE REPORT continued

## Structure, governance and operation of the Board

The Board remains the focal point of the Group's corporate governance system and is ultimately accountable and responsible for the key governance processes and the sustainable growth, performance and affairs of the Group.

### Board charter

The board charter details and governs the manner in which the business is to be conducted by the Board in accordance with the principles of sound corporate governance. The charter is reviewed annually and amended when necessary by the Board, ensuring that the charter remains relevant, incorporates best practices and achieves high levels of good governance.

The charter regulates and deals with, *inter alia*:

- Board leadership and defines the separate responsibilities of the chairman and the chief executive;
- procedures, pre-requisites and competencies for membership, size and composition of the Board, period of office, reward, induction and succession planning;
- the role and responsibilities of the board, which include the adoption of strategic plans, the monitoring of management's implementation of Board plans and strategies, the delegation of powers and duties to management, the determination of policy and processes to ensure the integrity of management, internal controls and IT governance;
- Board governance processes, including board procedures and matters requiring annual and regular review;
- Board committees, including delegation of authority, but not responsibility, and the requirements for transparency and full disclosure by the committees;

- matters specifically reserved for the Board of a financial, administrative and manpower nature;
- risk management;
- procedures for board meetings, frequency, quorum, agendas, board papers, conflicts of interest and minutes;
- share dealings;
- Board, committee and individual evaluations and performance; and
- the role and responsibility of the company secretary.

The board charter stipulates that the operation of the Board and the executive responsibility for the running of the Group's business should be two key and separate tasks. The charter requires that there should be a clear division of responsibilities at the head of the Group to safeguard a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision making or can dominate the board's decision making.

### Board chairman

The chairman of the Board is responsible, *inter alia*, for ensuring the integrity and effectiveness of the Board's governance processes and, in terms of the Company's Memorandum of Incorporation, is subject to annual election. The chairman is also responsible for leadership, promoting the highest standards of governance and effectiveness of the Board. In alignment with best practices, a non-executive director fulfils the role of chairman for the Group. As the chairman is not independent, a lead independent director has been appointed.

### Lead Independent Director ("LID")

In response to the board charter requirements, Nolitha Fakude was appointed LID in March 2016 in the event that the board chairman does not meet the criteria for independence in terms of the relevant governance criteria. The LID

provides leadership assistance at any Board, committee or shareholder meeting or in consultations with other directors or executives in circumstances where the board chairman is conflicted. The LID also leads and introduces discussions at board and committee meetings regarding the performance and evaluation of the board chairman. The LID is subject to annual election by the Board.

### Board composition, performance and independence

The Company's Board consists of the non-executive chairman, four other non-executive directors, and two executive directors. One of the independent non-executive directors has been appointed as the deputy chairman and LID. Three of the five non-executive directors are considered independent. These directors bring a wealth of experience and complement the skills and the experience base of the Board. Directors' abridged curricula vitae are provided in the governance section of the integrated report under the board of directors.

The composition of the Board remains under constant review, not only to maintain the required balance in terms of independence of directors, but also to ensure the optimum mix of skills and experience as well as demographic profile. The non-executive directors have the necessary skills, qualifications and experience to provide judgement independent of management on material board issues. Furthermore, the independence of all non-executive directors, with a particular focus on non-executives who have served on the Board for longer than nine years, is assessed annually.

Directors are appointed through a formal process that includes background checks. The Board as a whole, only after obtaining recommendations from the Nominations Committee, considers all

# CORPORATE GOVERNANCE REPORT continued

appointments and re-elections. In terms of the Company's Memorandum of Incorporation, the Board is permitted to remove any director without shareholder approval. At every Annual General Meeting ("AGM"), at least one-third of the non-executive directors retire from the Board. Directors appointed after the previous AGM are also expected to stand down for election by shareholders at the first AGM following their appointment.

The Board supports the development of directors and, through assistance from the company secretary, arranges an appropriate induction for new directors and, where applicable, training depending on each director's requirements. The performance of the Board as a whole, and the board committees individually, is appraised on an annual basis. The outcome of the appraisal process for the period under review was tabled for discussion by the Board and no material areas of concern in respect of either the Board or any of the board committees were noted.

The Board appreciates the importance of acting in the best interest of the Company and considers the interest and expectations of its stakeholders. Directors are required to declare their interests in accordance with the provisions of the Companies Act, 2008 (Act 71 of 2008), as amended, ("Companies Act").

## **Roles and responsibilities of the board of directors**

The Board is responsible for determining strategy and the overall conduct of the business. The Board is responsible for the performance of the Group and is required to exercise objective judgement, independent from management on corporate matters.

A corporate governance framework defines the roles and responsibilities of the constituent elements of the Group's management structure. This enables the

Board to plan, execute, control and monitor the Group's activities in accordance with strategic objectives.

The matters that the Board has specifically reserved for its decision include:

- approval of the Group's strategy and annual budget;
- review of the Group's performance;
- monitoring of and reviewing the effectiveness of the Group's internal controls and risk management system;
- appointment, removal and remuneration of executive directors and the company secretary;
- determination of the terms of reference of board committees; and
- approval of major capital expenditure or disposals, material contracts, material acquisitions and developments.

The general powers of the directors are conferred in the Company's Memorandum of Incorporation. Subject to specific fundamental, strategic and formal matters reserved for its decision, the Board may delegate certain responsibilities to a number of standing committees, which operate within defined terms of reference laid down by the Board, as referred to in this report.

The Board has at least four scheduled meetings annually. A formal performance evaluation of the Board and committees is conducted annually by means of a series of self-evaluation questionnaires, with the aim of evaluating and improving the effectiveness of the Board, its members and committees.

## **Chief Executive Officer ("CEO")**

The CEO is responsible for the leadership and operational management of the Group within the strategy agreed upon with the Board. The Board's governance and management functions are linked through the CEO, who is tasked with

running the business and implementing the policies and strategies adopted by the Board. The CEO ensures that there are appropriate management structures to implement the Group's strategy and business plans effectively.

All board authority conferred on management is delegated through the CEO and the accountability of management is considered to be under the authority and the accountability of the CEO. Appropriate and uniform controls and processes are in place within the Group and are communicated to management. This ensures that levels of authority are applied and monitored effectively throughout the Group, particularly in the areas of capital expenditure, contracts, procurement and human resources. Board authority is delegated by way of an approval framework. Levels of authority and materiality have been established and are reviewed annually by the Board.

## **Company secretary**

The company secretary is appointed and removed by the Board. All directors have access to the advice and services of the company secretary. The certificate required to be signed in terms of section 88 of the Companies Act appears in the financial statements section of this report. Ms L Grobler is the appointed company secretary and in terms of the JSE Listings Requirements, the Board is satisfied that she is appropriately qualified, competent and experienced to fulfil this function, and that an arm's length relationship is maintained at all times.

## **Access to company information and confidentiality**

Procedures are in place, through the Board chairman and the company secretary, enabling the directors to have access, at reasonable times, to all relevant Company information and to senior management, to assist them in the

# CORPORATE GOVERNANCE REPORT continued

discharge of their duties and responsibilities and to enable them to take informed decisions. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

## Information technology (“IT”)

IT is integrated in the strategic planning process within the Group and is managed by an IT Steering Committee, ensuring that IT initiatives are aligned with business objectives. The risk of significant disruptions to business operations as a result of the reliance on technology used is also managed through the IT Steering Committee.

Relevant IT matters are presented at an Executive Committee level, which include the following:

- aligning IT with the governance, performance and sustainability objectives of the Group;
- developing a charter and policy outlining the decision making rights and accountability framework for IT governance;
- reviewing the effectiveness of the IT governance framework, in particular, structures processes and mechanisms to enable IT to deliver value to the business and mitigate IT risk;
- monitoring IT projects, being mindful of business value of such investment and the returns expected; and
- ensuring IT governance policies are in place and reviewed, with the suitable awareness created.

## Stakeholder communication

Stakeholder communication is a planned, proactive process where management engages formally and informally with individuals and collective audiences to share information and gain an appreciation for stakeholder perspectives. The Board is accessible to all stakeholders by appointment for

discussions pertaining to the business. Presentations are conducted in Johannesburg to shareholders, analysts and media representatives with the disclosure of the annual and interim financial results.

The presentation is available online in real-time via webcast and can be accessed post the presentation as an archived audio file from the Company’s website.

Financial and statutory information is published when appropriate on JSE Limited’s Stock Exchange News Service (“SENS”) and in print media.

Datacentrix’ website is an information portal for group news and announcements. Stakeholders can request information using the respective contact details on the website, or under the guidelines of the Promotion of Access to Information manual.

Additional communication channels include the Company’s intranet for its staff, print and online newsletters that are aimed at customers and technology partners, social media and events that enjoy participation by various stakeholders.

## Board committees

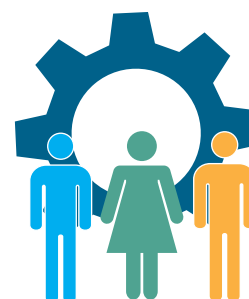
Subject to those matters reserved for its decision, the Board delegates certain responsibilities to the following committees:

- Audit and Risk Committee;
- Social, Ethics and Remuneration Committee; and
- Nominations Committee.

The terms of reference, and composition of the committees are determined and approved by the Board and have been adopted by all the committees. Terms of reference are reviewed by the Board on an annual basis. The most recent review was conducted in 2016 to incorporate

the relevant principles advocated by King III and the requirements of the Companies Act where applicable.

The chairman of the Board attends the Social, Ethics and Remuneration Committee meetings at his own discretion in a non-voting capacity.



**The composition of the Board remains under constant review, not only to maintain the required balance in terms of independence of directors, but also to ensure the optimum mix of skills and experience as well as demographic profile. The non-executive directors have the necessary skills, qualifications and experience to provide judgement independent of management on material board issues.**

# AUDIT AND RISK COMMITTEE

## Mandate and duties of the Audit and Risk Committee

The Audit and Risk Committee is mandated by the Board through approved terms of reference, which are reviewed annually by the Committee and the Board and incorporate the relevant principles of King III. The Committee is satisfied that it has met its responsibilities in terms of compliance therewith in all material respects during the financial period, including the requirements of the Companies Act. Its terms of reference were reviewed and amended by the Board during the period to ensure compliance with regulatory changes and best practice.

The Committee evaluates its performance and effectiveness as part of the formal annual board evaluation process. Self-evaluation questionnaires are used for this purpose. Based on the results, the Committee and Board believe that the Audit and Risk Committee functions effectively and complies with its terms of reference.

## Composition of the Audit and Risk Committee

Nominations of members for appointment to the Audit and Risk Committee by shareholders at the AGM are based on the ability of the members to collectively, based on their skill and experience, discharge the mandate of the Committee as defined in the terms of reference.

Committee meetings are attended by the external and internal auditors and, on invitation, the CEO and Group Financial Director, including individuals involved in risk management and finance. The internal and external auditors have unlimited access to the chairman of the Audit and Risk Committee.

The composition of the Committee meets the mandatory requirements set by the JSE and is compliant with the

Companies Act. The Committee comprises solely of independent, non-executive directors who are financially proficient with the necessary expertise to discharge their responsibilities.

The chairman of the Audit and Risk Committee is required to attend the AGM to deal with enquiries relative to the Committee's mandate.

The qualifications and abridged curricula vitae of the Committee members are available in the governance section of this report under the board.

## Meetings of the Audit and Risk Committee

There are three scheduled meetings per annum. The Committee focuses on the issues discussed below.

## Roles and responsibilities of the Audit and Risk Committee

### Audit

The Audit and Risk Committee is responsible for overseeing the Group's reporting process on behalf of the Board. It assists the Board in discharging its fiduciary duties relating to the safeguarding of assets, the operation of adequate systems, maintenance of control processes and the preparation of accurate financial reporting and annual financial statements in compliance with all applicable statutory requirements, accounting standards and the JSE Listings Requirements.

The Committee also performs all the statutory functions required to be performed by an Audit and Risk Committee as required by section 94 of the Companies Act.

The functions of the Committee include:

- overseeing the integrity of the financial statements;
- overseeing the appointment, fees, qualifications, independence and

performance of the external auditor and the integrity of the audit process as a whole;

- approving the audit fees for internal and external audit;
- specifying the nature and extent of non-audit services;
- pre-approving contracts for non-audit services;
- reviewing the internal audit function;
- dealing with concerns relating to the accounting policies, the internal audit, the audit and content of the annual financial statements and the internal financial controls;
- verifying the effectiveness of financial risk management, controls and governance processes as well as the competence of the group financial director and capabilities of the finance function;
- reviewing the integrated annual report;
- ensuring compliance with applicable legal and regulatory requirements; and
- ensuring compliance by management with constraints imposed by the Board.

### Risk

The Board is responsible for the governance of risk and has established an on-going process for identifying, assessing and managing the significant risks faced by the Group.

The Committee is responsible for monitoring and reviewing the effectiveness of the Group's risk management, while the executives and management are responsible, through delegated authority, to manage risk on a day-to-day basis.

A comprehensive risk management policy is in effect, with a risk plan that enhances the Group's ability to achieve its strategic objectives, allowing the disclosure on risk management to be comprehensive, timely and relevant.

# AUDIT AND RISK COMMITTEE continued

The Audit and Risk Committee's responsibilities include:

- ▶ reviewing the policy and plan for risk management annually;
- ▶ monitoring the implementation of the policy and plan by management;
- ▶ recommending to the Board levels of tolerance, appetite and the monitoring of risks that are managed within these levels;
- ▶ overseeing the dissemination of the risk management plan;
- ▶ ensuring that risk management assessments are performed annually;
- ▶ implementing frameworks and methodologies to increase the possibility of anticipating unpredictable risks;
- ▶ ensuring that continuous risk monitoring by management takes place and that appropriate risk responses are considered and implemented;
- ▶ monitoring the compliance function;
- ▶ liaising closely with the other committees to exchange relevant risk information;
- ▶ expressing a formal opinion to the Board on the effectiveness of risk management;
- ▶ reviewing risk management reporting that is included in the integrated annual report to ensure it is timely, comprehensive and relevant; and
- ▶ reporting to the Board on risk management.

## External audit

Subsequent to a review of the performance and independence of the external auditor, the Audit and Risk Committee recommended the re-appointment of SizweNtsalubaGobodo Inc. to perform an independent audit of the Group's financial statements.

These financial statements are prepared in terms of International Financial

Reporting Standards ("IFRS") and the Companies Act. Interim financial reports to shareholders are unaudited.

The external auditor provides the Board and the Audit and Risk Committee with their independent observations and suggestions on the Group's internal controls that come to their attention during their independent audit, as well as suggestions for improving the financial reporting on operations of the business.

As part of a combined assurance approach, there is close co-operation between internal and external audit and reliance is placed, where possible, on the work by both parties, therefore minimising the duplication of effort.

The annual external audit plan is placed before the Audit and Risk Committee for review and approval.

## Internal audit

The Board is responsible for overseeing the establishment of effective systems of internal control in order to provide reasonable assurance that the company's financial and non-financial objectives are achieved. Internal audit, amongst others, provides independent assurance on the adequacy of risk mitigating controls.

The Audit and Risk Committee monitors the performance and independence of the internal audit function while considering its capacity and resources available. They also oversee the combined assurance model as well as the co-operation between internal audit and other assurance providers, particularly the external auditors.

The internal audit function was previously outsourced to KPMG and is now resourced internally. Group Internal Audit's ("GIA") mandate is governed by the Internal Audit Activity Charter. GIA's

purpose is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

GIA's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight through continued compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

GIA employs highly qualified, committed people who, by utilising technology and recognised best practice audit methodologies, effectively support the achievement of the organisation's short, medium and long-term goals.

The GIA permits objectivity to assure the accomplishment of its audit responsibilities. The function is managed by the Chief Audit Executive ("CAE"). The CAE reports functionally to the chairman of the Audit and Risk Committee and reports administratively to the majority shareholder's CEO. The CAE has unlimited access to all officers of the Company including the Chairman of the Board, the Audit and Risk Committee and the CEO. The CAE has a standing invitation to attend Audit and Risk Committee meetings and meetings of the Executive Committee or other committees made up of a majority of senior executives. GIA is not a member of these committees in order to protect independence. Management has no control over the audit process, audit opinions or the reporting of results of any audit work.



## AUDIT AND RISK COMMITTEE continued

GIA performs audits in accordance with the Code of Ethics of the Institute of Internal Auditors. Consequently, GIA staff are expected to apply and uphold the principles of integrity, objectivity, confidentiality and competency. GIA has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of GIA's work, at the discretion of the CAE. GIA staff generally may not assume a role other than in an advisory capacity in the design, installation or operation of control procedures.

The GIA's scope includes:

- Monitoring and reviewing the adequacy of risk management infrastructure and practices;
- Reviewing the reliability, integrity and timeliness of significant financial and operational information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports, and determining whether the company is in compliance;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- Appraising the economy and efficiency with which resources are employed;
- Ensuring that the programmes, plans and objectives are achieved;
- Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- Evaluating and assessing significant merging or consolidation of functions and new or changing services,

processes, operations, and control processes that are coincidental with their development, implementation and/or expansion;

- Providing a written assessment regarding the effectiveness of the system of internal controls and risk management to the Board;
- Conducting a documented review of the key financial reporting controls in identified financial systems and processes every year; and
- Ensuring that quality and continuous improvement are fostered in the control environment and processes.

### Combined assurance

GIA makes an assessment of the adequacy of the combined assurance approach adopted by the Company. This assessment includes the adequacy, reliability and independence of assurance providers. The Audit and Risk Committee oversees the implementation of a combined assurance model.

The combined assurance plan is in the process of being refined. The model consists of "three layers of defence" wherein the assurance on risk management and related controls for the Group are reported. The level of assurance required by the Board, and who should provide this assurance, varies depending on the risk and required independence of the assurance being provided.

The overall assurance plan is developed and co-ordinated based on an assessment of the results of the risk management process that operates within the Group as well as specific areas raised by management, and through interactions between the different assurance providers and the Audit and Risk Committee. This ensures that the plan is focused on risk areas that are relevant to the Group and also to avoid duplication of effort.

The results of the reviews by the different assurance providers are presented to the Audit and Risk Committee on a quarterly basis and assessed in accordance to the combined assurance principles. This on-going feedback allows for control deficiencies to be proactively identified, ensuring that suitable controls are implemented.

### Ethics and whistleblowing

All employees at Datacentrix are expected to be professional and ethical in all business dealings and practices. On appointment, staff members pledge to comply with the Group's Code of Conduct and Zero Tolerance policies. Staff workshops are held as part of employee induction and frequent staff communication reinforces the importance of integrity in business relations as well as the ramifications of non-compliance. Datacentrix embarked on an ethics training programme for all staff in FY2016 with the programme continuing in subsequent years.

Datacentrix' independent and anonymous whistleblowing programme, which has been in place for a number of years, was re-launched in FY2016. The "Ethics Line" is designed to enable employees, customers, suppliers, managers and other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to laws, organisational values, the Code of Conduct and standard policies.

The Audit and Risk Committee monitors the effectiveness of the programme. Although anonymity is maintained throughout, all "Ethics Line" reports are tabled for review by the Committee. The Audit and Risk Committee analyses trends and assures themselves that appropriate corrective management is taken, where required.

# AUDIT AND RISK COMMITTEE continued

## Quality management system

The Datacentrix Telkom Process Control Release ("PCR") and Quality Management System ("QMS") is aligned to the ISO9001: 2008 standard. Datacentrix successively renewed its certification in July 2016 after an assessment process was conducted by Telkom.

The maturity of the QMS has developed significantly with every renewed certification. It is essential for Datacentrix as a modern business to have a certified QMS to compete in the marketplace and exceed customer expectations. The certification is valid until January 2018.

## Public reporting

The Audit and Risk Committee is responsible for considering and making recommendations to the Board relating to the Group's integrated annual report, the financial statements and any other reports (with reference to the financial affairs of the Group) for external publication or distribution.

The Committee has overseen the integrated reporting for 2016, and has recommended the approval of the integrated report for the financial period ended 30 June 2016 by the Board.

## Risk management

It is the view of the Audit and Risk Committee that in the period under review:

- ▶ there were no undue, unexpected or unusual risks taken, nor were there any material losses suffered;
- ▶ there were no imminent or envisaged risks that may threaten the long-term sustainability of the Group; and
- ▶ the risks associated with the strategic direction of the Group have been managed effectively.

Through the Audit and Risk Committee, the Board determines and approves the

Group's risk tolerance and appetite and also ensures that risk management is a continuous process by formally reviewing the group risk register on a quarterly basis. The directors of Datacentrix have committed the Group to a process of risk management that is aligned to the principles of King III.

Sound management of risk enables management to anticipate and respond to changes in the business environment, as well as make informed decisions under conditions of uncertainty. Risk management processes are embedded in the business systems and processes, so that responses to risk remain current and dynamic.

All key risks, whether reputational, financial or non-financial, associated with major change and significant actions by the Group, also fall within the processes of risk management. The nature of Datacentrix' risk attitude demands a prudent approach to corporate risk, and its assessment of the approved risk tolerance and risk mitigation actions reflect this.

Controls and risk interventions are chosen on the basis that they increase the likelihood that management will fulfil its intentions to stakeholders. The Group's risk register, comprising the key strategic, operational, financial, and reputational and compliance risks, was continuously updated during the period.

The risk process requires that risks are assessed by separately considering the inherent risk and the impact of mitigating controls in place.

In assessing the inherent risk rating, the severity of impact and the likelihood of occurrence of each risk is assessed after taking the root cause and consequences of the risks materialising into account.

The result of these assessments allow for the residual risk rating of each risk to be determined, which facilitates the formalisation of action points to mitigate the risks where possible and assessing progress made in addressing the risks identified.

The risk management plan entails managing directors, with the assistance of business unit managers, performing a review of risks faced in their respective businesses on a monthly basis. These risks are reviewed at an executive management level and are filtered up through the relevant reporting lines to allow for significant risks faced by the Group to be identified, assessed and monitored at a group level.

The Group's risk register is reviewed at the Audit and Risk Committee meetings to assess the status of identified risks, but also to allow for the completeness of the risk register to be deliberated. This process results in risks being assessed both from the bottom-up, and also explores the possibility and probability of new risks having entered the risk environment.

Ownership of each risk remains the responsibility of assigned senior executives, who report on the status of agreed-upon action plans.

The Board is satisfied with the process of identifying, monitoring, managing and reporting of significant risks and that appropriate systems, processes and internal controls are in place to manage the identified risks, measure the impact thereof and is also satisfied that these are proactively managed so that the Group's assets and reputation are suitably protected.

# SOCIAL, ETHICS AND REMUNERATION COMMITTEE

## Mandate and duties of the Social, Ethics and Remuneration Committee

The Committee is governed by a formal charter, which is aligned to the King III principles and the Companies Act. The Committee's terms of reference are reviewed and amended by the Board on an annual basis to ensure compliance with regulatory changes and best practice and to incorporate the relevant provisions of King III as approved by the Board. Responsibilities of this Committee are in line with the legislated requirements as per Regulation 43 of the Companies Act.

The key areas of responsibility are listed below.

Key area	Reference to further information on the topic
Social and economic development	Social responsibility report in this integrated report
Corporate citizenship	Social responsibility report in this integrated report
Environment, health and public safety	Social responsibility report in this integrated report
Empowerment and transformation	Page 14 of the integrated report
Stakeholder relations	Page 26 of the integrated report
Ethics and code of conduct compliance	Page 29 of the integrated report
Regulatory, statutory and legislative compliance	Pages 29 and 30 of the integrated report
Labour and employment	Page 32 of the integrated report

Furthermore, the Committee strives to apply relevant codes of best practice, including, but not limited to, the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development ("OECD") guidelines regarding corruption, International Labour Organisation's Decent Work Agenda, and the principles of good corporate citizenship as espoused in the King III Report on Corporate Governance in South Africa.

The Committee evaluates its performance and effectiveness as part of the formal annual board evaluation process. Self-evaluation questionnaires are used for this purpose. Based on the results, the Committee and Board believe that the Social, Ethics and Remuneration Committee functions effectively and complies with its terms of reference.

## Composition of the Social, Ethics and Remuneration Committee

Appointments to the Social, Ethics and Remuneration Committee are based on the independence, business acumen and industry experience of the non-executive director to assist the Committee in fulfilling its mandate as set out in the terms of reference.

Meetings are attended on invitation by the CEO, group financial director and the Head of Human Resources. The chairman of the Board attends the meetings by invitation.

The majority of the members of the Social, Ethics and Remuneration Committee are considered by the Company to be independent, non-executive directors. The qualifications and abridged curricula vitae of the

committee members are available in the Governance section of this report under the board of directors.

## Roles and responsibilities of the Social, Ethics and Remuneration Committee

In addition to fulfilling its statutory duties, the Committee is responsible for the remuneration strategy of the Group, the approval of mandates for incentive schemes within the Group and the determination of the remuneration of the executive directors, relative to local and international industry benchmarks, including:

- ▶ the remuneration policy and its specific application to the CEO, the executive and non-executive directors and the CEO's direct reports, and its general application to all employees;



# SOCIAL, ETHICS AND REMUNERATION COMMITTEE continued

- ▶ the adoption of annual and longer term incentive plans;
- ▶ the determination of levels of reward for the CEO and approval of reward to the CEO's senior direct reports;
- ▶ the annual evaluation of the performance of the CEO, by giving guidance to the chairman;
- ▶ the communication to shareholders on the remuneration policy and the Committee's work on behalf of the Board; and
- ▶ compliance with applicable legal and regulatory requirements associated with human resource matters such as skills development and employment equity.

### Meetings of the Social, Ethics and Remuneration Committee

There are two scheduled meetings per annum. During the period under review, the Committee focused on the issues discussed below.

### Employment equity

Datacentrix has set internal workforce targets per division to ensure that future growth is in line with the business strategy.

The Group is committed to addressing areas of under-representation across occupational levels by:

- ▶ identifying and fast tracking the development of identified employees;
- ▶ providing continuous support to line management with regards to disability management in the workplace;
- ▶ continuing to meet the targets for improving its BEE scorecard;
- ▶ fine-tuning its focus on the gender issue, particularly for black women; and
- ▶ addressing the retention of key talent.

Datacentrix, by the nature of its business, attracts employees through business

acquisitions, acquisitions of targeted skills as well as employment. While the race and gender of the latter remain in the control of the Group, employment equity targets and demographic planning become more complicated to manage when part of an acquisition.

### Skills development

Skills development is an integral part of human capital management that ensures efficiency and effectiveness and the deployment of the best skills to customers and projects. A workplace skills plan was prepared and submitted to the Services Seta during the period.

Management has recommitted itself to achieving set targets in this regard and ensuring that Datacentrix:

- ▶ continues to invest in internal training to develop existing staff and any new recruits; and
- ▶ uses an internship programme to attract and train individuals in the information technology environment.

Datacentrix is committed to building the capabilities of its employees and addressing current and future skills challenges. The focus on learnership development will contribute to alleviating skills shortage and reducing unemployment in South Africa.

The Group supports the principle of lifelong learning and acknowledges the importance of a competent and motivated workforce for its continued growth. This is vital for survival and success in a competitive global economy.

### Remuneration philosophy

The remuneration philosophy reflects Datacentrix' commitment to align with best practice in the areas of

remuneration, retention and reward in an effort to attract and retain exceptional talent.

The remuneration packages and incentives are regularly evaluated against market-related surveys. Packages are structured on a total-cost-to-company ("TCTC") basis and include contributions to healthcare, disability, life insurance and retirement benefits.

Datacentrix' remuneration philosophy views employee rewards in a holistic manner and includes monetary and non-monetary elements such as standard compensation, performance incentives; reward and recognition; work stability and security; continuous development, career path building and succession planning; respect; quality coaching and a work environment aligned to the Datacentrix values.

Datacentrix' philosophy, which remains fundamentally unchanged from prior years, is to employ individuals of the highest calibre, who are characterised by integrity, great competence and leadership abilities and who adhere and subscribe to the Group's culture, values and philosophies.

Datacentrix strives to inspire success by providing a working environment that stimulates extraordinary performance. The way in which Datacentrix rewards its staff, in particular executive directors and management, is in line with the Group's dedication to achieving its strategic objectives.

The table below indicates the Group's three strategic focus areas, illustrating the link to the Group's remuneration policy and practices.

# SOCIAL, ETHICS AND REMUNERATION COMMITTEE continued

## Remuneration philosophy (continued)

Strategic objective	Link to remuneration philosophy
<p><b>Value delivery:</b> To build an organisation of performance-driven, empowered, passionate and professional employees, who align their success to that of the Group and who are driven to create and share innovation and continuous improvement.</p>	<ul style="list-style-type: none"> <li>▶ Datacentrix aims to provide a level of remuneration that attracts, retains and motivates staff of the highest calibre.</li> <li>▶ Datacentrix' overall remuneration philosophy is to ensure that executive directors and management are fairly rewarded for their individual contribution to the operating and financial performance with respect to its corporate objectives and strategy. In line with this, the Group is committed to paying remuneration that is competitive relative to the market based on industry and market benchmarks reviewed on an annual basis.</li> </ul>
<p><b>Growth:</b> To achieve targeted growth in total shareholder returns.</p>	<ul style="list-style-type: none"> <li>▶ Remuneration is heavily weighted towards variable remuneration to ensure the alignment of executive directors and management interests with those of the shareholders.</li> <li>▶ Attract and retain specialist skills in niche and more complex segments of the market.</li> </ul>
<p><b>Leadership:</b> To drive market leadership through competitive differentiation by accelerating the evolution of Datacentrix' business model from a product-driven organisation to an all-inclusive, services-orientated, integrated ICT solutions provider.</p>	<ul style="list-style-type: none"> <li>▶ The short-term incentive ("STI") rewards motivate the achievement of agreed group, divisional and individual performance objectives.</li> <li>▶ In respect of personal scorecard objectives for the STI, key performance indicators ("KPIs"), such as the following, would be included to:                             <ul style="list-style-type: none"> <li>– divisional and group profit targets;</li> <li>– B-BBEE targets; and</li> <li>– working capital targets.</li> </ul> </li> </ul>

The Social, Ethics and Remuneration Committee is tasked with the overall accountability for remuneration. This includes ensuring that the Group's remuneration policy remains effective in supporting the Group's objectives as well as complying with relevant legislation and good corporate governance. The Committee furthermore:

- ▶ determines the remuneration of the executive directors and management;
- ▶ recommends the allocation of long-term incentives to management and executive directors;

- ▶ recommends the approval of performance bonuses to individuals under the Group's short-term incentive scheme; and
- ▶ makes recommendations on fees for non-executive directors and board committee members for approval by the Board and shareholders.

Salary adjustments for other employees are filtered through the Group from the executive management down to employees, through the business unit manager structure in place. Approvals go through the divisional executive

committees, within the overall annual salary increase approval guidelines set by the Social, Ethics and Remuneration Committee.

Decisions by the Social, Ethics and Remuneration Committee during the financial period included:

- ▶ approval of the performance bonuses for the qualifying employees; and
- ▶ total-cost-to-company ("TCTC") increase for the forthcoming year.

# SOCIAL, ETHICS AND REMUNERATION COMMITTEE continued

- The Committee is satisfied that:
  - performance-related elements of remuneration constitute a large proportion of total remuneration packages;
  - remuneration levels determined by the Committee are adequately benchmarked to attract, motivate, reward and retain senior executives, directors and employee categories of the Group; and
  - it has established a formal and transparent set of policies and procedures.

## Remuneration components

The various components of Datacentrix' remuneration approach are summarised in the table below:

Component	Datacentrix' approach to remuneration
<b>Employees</b>	<p>Group employees receive a total guaranteed package that is based on the role of the employee, market value, individual performance and level of competence. Packages are structured on a total-cost-to-company ("TCTC") basis and include contributions to healthcare, disability, life insurance and retirement benefits. Employer contributions towards retirement, life and medical benefits are included in the total guaranteed package. This means that employees are able to participate in the structure and composition of their individual packages to suit their needs and the requirements of their positions. This also enables comparison across the various employee classes. The TCTC concept offers transparency as each employee is able to understand the elements of their total remuneration package.</p> <p>Base salaries are reviewed in terms of job profiles and experience, and adjustments are made to base salaries to bring them in line where applicable.</p>
<b>Middle management and key employees</b>	<p>The remuneration structure for middle management and key employees includes fixed, short-term and medium to long-term components that reflect individual performance aligned with the relevant business' performance. The Group's primary management remuneration objective is to reward members of the management team to ensure that their interest areas, as far as possible, correspond with the interests of shareholders, the financial and commercial well-being of the Group and recommendations from industry surveys. This is achieved through:</p> <p><b>Fixed remuneration:</b> Base salary and benefits – this is reviewed annually to ensure that the efforts of management who contribute to the success of the Group and have the potential to sustain performance are remunerated competitively.</p> <p><b>Short-term incentives:</b> A short-term performance-related incentive scheme intended to provide superior total pay opportunities, should business performance merit it, and to reward individual performance.</p> <p><b>Long-term incentives:</b> A long-term deferred bonus performance-related incentive scheme intended to attract, engage and retain critical talent and drive the overall performance of the Group.</p>
<b>Executive directors and management</b>	<p>The remuneration of executive directors and management is structured with the purpose to align the interests of the executives with operational performance and the long-term sustainability of the Group. They are rewarded through the payment of base remuneration, benefits and short-term incentives. New long-term incentives are being investigated. Remuneration is generally split between variable and fixed compensation. Details of the remuneration of the executive directors and executive management and information on share options are set out in note 2 of the financial statements.</p>

# SOCIAL, ETHICS AND REMUNERATION COMMITTEE continued

## Remuneration components (continued)

Component	Datacentrix' approach to remuneration
<p><b>Executive directors and management (continued)</b></p>	<p>The financial metrics for short and long-term incentives are set by the Social, Ethics and Remuneration Committee on an annual basis, and are carefully selected based on key business drivers over the short and long term. The metrics that have been used in the past, and are envisaged to be used in future, are as follows:</p> <p><b>Short-term incentive:</b> Group targets apply in the case of the CEO and Financial Director. Group targets are considered appropriate for these individuals due to the strategic nature of these roles, and their responsibilities for the performance of the Group as a whole. Divisional and group targets apply for the rest of the executive management, in recognition of the responsibilities they bear to individual divisions of the business as well as their contributions to the performance of the Group as a whole. The targets set take into account the current trading conditions and challenges being faced by the Group or relevant division and incorporate a meaningful level of stretch to motivate and retain senior employees.</p>
<p><b>Non-executive directors</b></p>	<p>Non-executive directors are paid fees for their services as directors and board-appointed committee members. Fees for non-executive directors are recommended to the Board by the Social, Ethics and Remuneration Committee and are reviewed annually taking into account external benchmarks.</p> <p>The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new acts, regulations and corporate governance guidelines. As required in terms of the Companies Act, fees for non-executive directors are submitted to shareholders for approval by way of special resolution at the AGM.</p> <p>To avoid the potential for conflicts of interest, which could impair independence, Datacentrix does not award bonuses or share options to non-executive directors.</p> <p>Information on fees paid to the non-executive directors for the financial period for directorship and membership of the Board and various committees is set out in note 2 of the financial statements.</p>

# SOCIAL, ETHICS AND REMUNERATION

## COMMITTEE continued

### Remuneration breakdown

The breakdown of the elements forming part of Datacentrix' remuneration approach are summarised in the table below:

<p><b>Base salary</b></p>	<p>Fixed</p>	<ul style="list-style-type: none"> <li>▶ Reflects the nature and scope of the specific role, including the performance and experience of the employee.</li> <li>▶ Fixed remuneration is based on a TCTC approach. Benefits included as part of TCTC packages include a healthcare, disability, life insurance and retirement benefits.</li> <li>▶ There is no standard across-the-board increase to all employees within the Group. Consideration for increases takes into account, among others, the following factors, namely market related increases, changes in individual responsibility, individual performance, the performance of the Group as a whole and other relevant economic indicators such as, <i>inter alia</i>, affordability and inflation. Overall increases will typically reflect the market benchmark increases, with individual increases varying according to an assessment of individual performance/worth.</li> <li>▶ As a general rule, above average remuneration (75th percentile) is awarded to key staff who demonstrate that they have above average competency, and who are able to deliver results in keeping with this – as reflected in their annual performance ratings.</li> </ul>
<p><b>Benefits (included in base remuneration)</b></p>	<p>Fixed</p>	<ul style="list-style-type: none"> <li>▶ Provides employees with contractually agreed benefits such as healthcare, disability, life insurance and retirement benefits. Members have the option to structure their pensionable income, monthly contributions to the Provident Fund and the nature of the fund invested in, however membership is compulsory for all new members.</li> <li>▶ A minimum of 10% of pensionable remuneration is invested in the Provident Fund for all new employees.</li> <li>▶ Contributions to the Provident Fund include benefits relating to insurance for employee and their dependants in the event of disability, death, critical illness, etc.</li> <li>▶ All employees are required to belong to an approved medical aid scheme.</li> <li>▶ Benefits are funded from the TCTC package for each employee.</li> </ul>
<p><b>Short-term incentives schemes</b></p>	<p>Variable</p>	<ul style="list-style-type: none"> <li>▶ Rewards motivate employees to achieve agreed objectives.</li> <li>▶ Datacentrix has short-term incentive schemes, which are tailored to the diverse businesses within the Group and designed to incentivise various categories of employees.</li> <li>▶ All full-time salaried employees are appraised annually by the manager to whom they report in terms of the Group's various performance management systems.</li> <li>▶ Performance ratings at year-end are taken into account in relation to merit increments or promotions in the following year.</li> <li>▶ Selected key staff are eligible to receive a short-term incentive bonus at the end of the financial year based on a performance rating.</li> <li>▶ For these purposes, their performance scorecards are structured with a weighting of between 30% and 75% being given to financial targets and of between 30% and 75% to their individual KPIs as agreed with the manager to whom they report at the beginning of the year.</li> </ul>

# SOCIAL, ETHICS AND REMUNERATION

## COMMITTEE continued

### Remuneration breakdown (continued)

<p><b>Short-term incentives schemes (continued)</b></p>	<p>Variable</p>	<ul style="list-style-type: none"> <li>▶ Short-term incentives are not guaranteed, are paid in cash and are based on both individual and business unit achievement against pre-set targets. The conditions for earning a short-term incentive generally consist of two elements, namely personal objectives (incorporating non-financial measures) and, financial performance targets. Performance targets are designed to be relevant, and challenging. Budgets are approved by the Board at the start of the period and the Committee approves bonuses for executives before they are paid.</li> <li>▶ A group bonus scheme is also in place for employees who are not entitled to any other form of incentive. The group bonus scheme is solely based on group financial performance against targets set by the Committee and Board.</li> </ul> <p>Operational management performance targets focus on operating profits and working capital. The bonuses also include a discretionary element covering specific key performance areas and targets for each manager. These key performance indicators include responsibility for matters such as:</p> <ul style="list-style-type: none"> <li>▶ Service level achievements;</li> <li>▶ Performance management;</li> <li>▶ Growth of the Company;</li> <li>▶ Succession planning and talent management; and</li> <li>▶ Achievement of predetermined broad-based black economic empowerment targets for each manager's area of responsibility.</li> </ul>
<p><b>Medium/long-term incentive plans</b></p>	<p>Variable</p>	<p>Medium to long-term incentives create loyalty and commitment among employees and act as a retention mechanism. It is essential for the Group to retain skills over the longer term and to motivate and incentivise senior management and other key employees to drive sustainable value creation over multiple reporting periods. This is achieved through long-term incentive plans and annual awards using the deferred bonus scheme. Financial performance targets for selected employees are set annually. On partial achievement of certain of these targets, a pro-rata bonus value is accrued. The value is deferred over a three-year period, with one third being available for a cash pay-out on an annual basis. The employee has to remain in the employment of the Company to retain the right to be paid the bonus.</p>
<p><b>Datacentrix Share Option Scheme</b></p>	<p>Variable</p>	<p>Long-term incentives were offered through participation in the Datacentrix Holdings Share Trust. No share options have been allocated to directors or prescribed officers during the reporting period.</p> <p>The trustees and management are in the process of reviewing alternative strategies in respect of long-term incentives.</p>

# SOCIAL, ETHICS AND REMUNERATION COMMITTEE continued

## Equity-settled share option plan

The Group plan provides for a grant price equal to the five day weighted average quoted market price of the group shares on the date of grant. The vesting period is 12 to 54 months for employees and 12 to 36 months for directors. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the option vests. Datacentrix Holdings Limited funds the cash flow of the trust and has the obligation to fund the deficit of the trust on termination.

## Executive directors' remuneration

Remuneration and benefits for executive directors are set out in note 2 of the financial statements. No current or retired director receives a pension funded by the Group.

## Contractual provisions of executive directors and management

No special contractual arrangements apply to the appointments and termination of employment of the senior executives and no fixed term contracts of employment remain to be fulfilled. For executive directors and management notice of termination is one month.

Severance packages are not less than the minimum prescribed by law at the relevant time. Currently, none of the senior executives have special termination benefits or balloon payment provisions in their employment contracts, and group policy prevents any senior executive from being compensated for loss of office.

	Group	
	Jun 2016 Options	Feb 2016 Options
Outstanding at the beginning of the period	9 906 752	21 784 798
Granted during the period	-	-
Exercised during the period	(50 000)	(11 705 446)
Forfeited during the period	(38 752)	(172 600)
Outstanding at the end of the period	9 818 000	9 906 752

Senior executives are subject to a restraint of trade condition prohibiting such individuals from taking employment with competing organisations for a period of 18 months after termination of employment. No consideration is paid to these employees in terms of this restraint.

## Executive Committee remuneration

The total remuneration of members of the Executive Committee is set out in note 2 of the financial statements.

## Share options

Share option allocations are considered and recommended by the Board and approved by the Social, Ethics and Remuneration Committee. Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

No share options have been allocated to directors or prescribed officers during the current period.

## Non-executive directors

The appointment of non-executive directors ("NEDs") is governed by a

letter of appointment that sets out, among other things, the term of appointment, duties and responsibilities, fees and other payments, and termination of services. NEDs receive a standard fee for their services on the Board and board committees. The Social, Ethics and Remuneration Committee reviews the level of fees and makes recommendations to the Board for consideration. In terms of Datacentrix' Memorandum of Incorporation, fees payable to NEDs must be approved by shareholders at a general meeting. The current level of fees payable to non-executive directors was approved by shareholders at the previous AGM. The proposed fees will be tabled for approval at the next AGM.

## Succession planning

The Social, Ethics and Remuneration Committee reviews the Group's succession plan and communicates any areas of concern to the Board. The Group is presently not at risk in any senior executive position. The development of the plan is ongoing and is formally reviewed on an annual basis.

# NOMINATIONS COMMITTEE

## Mandate and duties of the Nominations Committee

Appointments to the Board are made in a formal and transparent manner and are considered by the Board as a whole.

The Nominations Committee provides independent and objective recommendations to the Board to ensure that the Board has the appropriate composition to discharge its duties effectively.

It reviews the balance of experience, knowledge and skills of the Board to ensure that it delivers strategic direction and leadership required for success.

Committee meetings are held on an ad hoc basis when necessary.

## Composition of the Nominations Committee

The members of the Nominations Committee are non-executive directors. The Committee is chaired by the Lead Independent Director ("LID").

## Meetings of the Nominations Committee

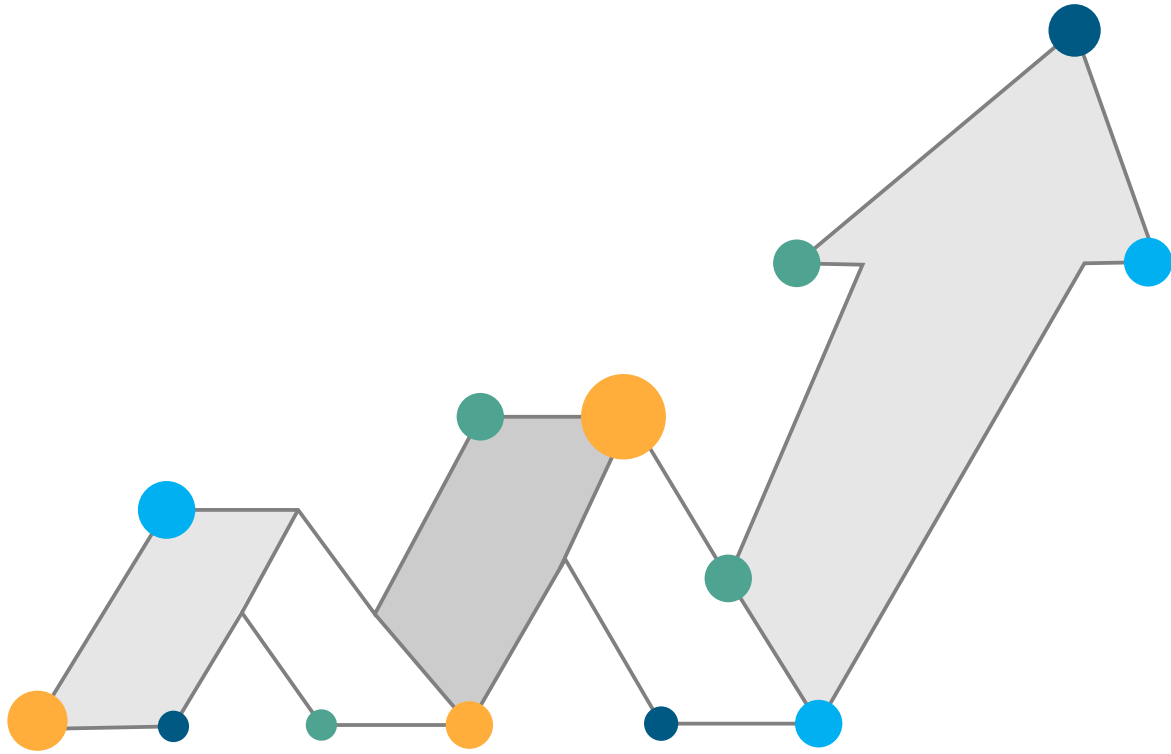
The Committee meets as and when required, and at least once a year.

## Roles and responsibilities of the Nominations Committee

The functions of the Committee include:

- Making recommendations to the Board on the appointment of new members;
- Making recommendations on the composition of the Board;
- Making recommendations to the Board on the appointment of a LID when applicable;
- Regularly reviewing the board structure, size and composition;
- Identifying and nominating candidates for the approval by the Board to fill board vacancies;
- Ensuring succession plans are in place;
- Recommending directors that are retiring by rotation, for re-election;
- Initiating an annual, formal evaluation process of the Board, sub-committees and individual directors;
- Consulting other directors in its evaluation of the chairman of the Board, the chief executive and individual directors;
- Liaising with the Board in relation to the preparation of the Committee's report to shareholders; and
- Giving due consideration to the JSE Listings Requirements and the principles of governance and the Code of Governance Principles.





# FINANCIAL STATEMENTS

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The financial statements for the four-month period ended 30 June 2016 have been prepared under the supervision of the Group Financial Director, Elizabeth Naidoo (CA)SA. These separate and consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act, 2008 (Act 70 of 2008), as amended.

# DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the Group and Company for the four-month period ended 30 June 2016.

## General review

The period under review is fully covered in this integrated report in the Chairman's and Chief Executive Officer's reports.

## Share capital

There were no movements in the share capital of the Company in the current or prior financial period. Details of the authorised and issued share capital appear in note 22 to the financial statements.

## Dividends

Details of the dividends and distributions declared and paid are shown in note 9 to the financial statements.

## Datacentrix Holdings Share Trust

The two trustees, Nolitha Fakude and Dudu Nyamane, both independent, non-executive directors, manage the Datacentrix Holdings Share Trust. The trustees are responsible for the financial management of the trust and ensure adherence to the rules of the share trust deed. Details of the share trust are included in note 28 to the financial statements.

## Subsidiaries and equity-accounted investee

Details of principal subsidiary companies appear in note 14 and details of the equity-accounted investee appear in note 13 to the financial statements.

## Major shareholders

Shareholders holding beneficially, directly or indirectly in excess of 5% of the issued share capital of the Company are detailed in note 38 to the financial statements.

## Events after reporting date

The events after reporting date are detailed in note 30 to the financial statements. The directors are not aware of any other matters or circumstances arising since the end of the financial period until the date of this report.

## Capital expenditure

The Group spent R2.7 million (Feb 2016: R7.8 million) on property and equipment. R0.8 million (Feb 2016: R1.6 million) was spent on spares stock, also classified as equipment.

## Auditor

SizweNtsalubaGobodo Inc. continued in office as auditor for the Company, its subsidiaries and equity-accounted investee for the reporting period ended June 2016. At the forthcoming Annual General Meeting ("AGM"), SizweNtsalubaGobodo Inc. will be proposed for re-appointment as the independent external auditor of the Company, its subsidiaries and equity-accounted investee for the 2017 financial year.

## Dealing in securities

At the last AGM held on 1 July 2016, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 46 and 48 of the Companies Act, by way of special resolution, for acquisition of its own shares.

Trading in the Company's shares and options is conducted on completion of an application form. Authorisation is given in writing by the chairman of the Board or the CEO as appropriate. The written authority is kept by the company secretary with the record of the particular transaction.

# DIRECTORS' REPORT continued

The Group operates in a closed period prior to the publication of its financial results at the end of each reporting date and interim results. During this time, the Group's directors, prescribed officers and employees, and their families and associates, are restricted from dealing, whether directly or indirectly, in the Company's shares based on privileged, price-sensitive information before it has been publicly announced to the market. Additional closed periods are enforced as required in terms of any corporate activity.

## **Borrowing powers**

The borrowing powers of the Company and subsidiaries are detailed in note 32 to the financial statements.

## **Directorate**

Biographical notes of the current directors are shown within this integrated report. According to the Company's Memorandum of Incorporation, one third of the non-executive directors should retire by rotation at the forthcoming AGM. Directors appointed after the previous AGM shall also stand down for election by shareholders as required in the Memorandum of Incorporation.

The following changes to the Board have been made, effective 3 March 2016, as a result of the change in control and in compliance with the Listings Requirements of JSE Limited, following the finalisation of the mandatory offer to shareholders by Pinnacle Holdings Limited:

- ▶ Arnold Fourie, CEO of Pinnacle Holdings Group, has assumed the role of non-executive Chairman;
- ▶ Nolitha Fakude has stepped down from her role as Chairman to assume the role of Deputy Chairman and Lead Independent Director;
- ▶ Henry Ferreira has been appointed as a non-executive director; and
- ▶ Richard Lyon has stepped down from his role as a non-executive director to assume the role of alternate director to Arnold Fourie.

## **Directors' and prescribed officers' remuneration**

The directors' and prescribed officers' remuneration and share options are reported in note 2 to the financial statements.

## **Company secretary**

The company secretary is Ms Liezel Grobler who was appointed on 4 July 2016, replacing Mr JV Parkin. The company secretary provides a central source of advice to the Board on the requirements of the JSE Listings Requirements, King III and corporate governance in general. In addition to the company secretary's statutory and other duties, the secretary also provides the Board as a whole, directors individually, and the committees, with guidance as to the manner in which their responsibilities should be discharged in the best interests of the Company. The appointment and removal of the company secretary is a matter to be determined by the Board. Additional information on the competence, qualifications and experience of the company secretary is provided in the corporate governance report.

## **Directors' responsibilities**

The financial statements are the responsibility of the directors of the Company. The directors fulfil this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the Group's assets are safeguarded, that transactions are executed in accordance with management's authorisation and that financial records are reliable.

## **Audit and Risk Committee**

Details of the Audit and Risk Committee are reported on in the corporate governance report.

## **Going concern**

Following due consideration of the operating budgets, an assessment of group debt covenants and funding requirements, solvency and liquidity, the major risks, outstanding legal, insurance and taxation issues, and other pertinent matters presented by management, the directors have recorded that they have reasonable expectation that the Company and the Group have adequate resources and the ability to continue in operation for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

# DIRECTORS' REPORT continued

## Financial results

The financial results for the reporting period ended 30 June 2016 are set out in detail within these financial statements. We draw attention to the fact that the financial results represent a four-month period ended 30 June 2016 due to the change in financial reporting period. The users of the financial statements are cautioned to be attentive when comparing the current financial results, which represent the four-month period ended 30 June 2016, to the comparative results, representing the full twelve-month period ended 29 February 2016, and to note that all the information is not necessarily comparable.

## Interests of directors

During the financial period, other than transactions with companies related to the major shareholders of the Group, which are disclosed in the financial statements, no material contracts were entered into which directors of the Company had an interest in and which significantly affected the business of the Group.

The interests of directors in terms of direct and indirect beneficial interest are disclosed under note 2 of the financial statements.

## Related party transactions

The related party transactions entered into in the ordinary course of business are disclosed in note 34 of the financial statements. A business combination from a related party, that took place during the prior reporting period, is disclosed in note 14 of the financial statements.

## Financial assistance to all related and inter-related companies

At the last AGM held on 1 July 2016, shareholders gave the Company approval in terms of section 45 of the Companies Act, by way of special resolution, to provide direct or indirect financial assistance to a related or inter-related company or corporation, at any time and from time to time during the two years period commencing on that date.

## Holding company

The Group's holding company is Pinnacle Holdings Limited, which holds 55.23% (Feb 2016: 55.30%) of the Company's total voting shares in issue through a wholly-owned subsidiary, DCT Holdings Proprietary Limited. Both entities are incorporated in South Africa.

## Sponsor

Merchantec Capital, a leading independent JSE registered sponsor and corporate finance company in South Africa, is the Group's sponsor. Their sponsor division comprises dedicated people who, through their thorough understanding of the various regulatory frameworks and extensive corporate finance experience, ensure the highest quality of service. The team represents over 20 listed clients, a number of which have been clients for almost fifteen years.

## Insurance

The Group has placed cover in the South African traditional insurance markets to ensure that all categories of risk are covered adequately. Additional cover on a per risk basis has been purchased where appropriate.

## AUDIT AND RISK COMMITTEE'S REPORT

In compliance with the requirements of section 94 of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act"), an Audit and Risk Committee is appointed annually by shareholders at the Annual General Meeting ("AGM"). During the period under review, this Committee comprised Alwyn Martin (Chairman); Nolitha Fakude; and Dudu Nyamane.

During the financial period ended 30 June 2016, in addition to the duties set out in the Audit and Risk Committee's terms of reference, the Committee carried out its functions as follows:

- ▶ nominated the appointment of SizweNtsalubaGobodo Inc. as the registered independent auditor after satisfying itself through enquiry that SizweNtsalubaGobodo Inc. is independent as defined in terms of the Companies Act;
- ▶ determined the fees to be paid to SizweNtsalubaGobodo Inc. and their terms of engagement;
- ▶ ensured that the appointment of SizweNtsalubaGobodo Inc. complied with the Companies Act and any other legislation relating to the appointment of auditors;
- ▶ approved a non-audit services policy that determines the nature and extent of any non-audit services, which SizweNtsalubaGobodo Inc. may provide to the Company; and
- ▶ pre-approved any proposed contract with SizweNtsalubaGobodo Inc. for the provision of non-audit services to the Company.

The Audit and Risk Committee has satisfied itself through enquiry that SizweNtsalubaGobodo Inc. and Alex Philippou, the designated auditor, are independent of the Company. The Audit and Risk Committee recommended the financial statements for the period ended 30 June 2016 for approval to the Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

The Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the Group Financial Director, Elizabeth Naidoo, and the finance function. An abridged curriculum vitae of the Group Financial Director appears in the Governance section of this integrated report under the board of directors.



Alwyn Martin  
Chairman, Audit and Risk Committee  
Midrand  
6 September 2016

## CERTIFICATE OF THE COMPANY SECRETARY

I certify, in my capacity as company secretary and in accordance with section 88 of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended, that for the period ended 30 June 2016 the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required from a public company in terms of the Act and that these returns are true, correct and up to date.



Liezel Grobler  
Company Secretary  
Midrand  
6 September 2016

# DIRECTORS' STATEMENT OF RESPONSIBILITY

The financial statements are prepared in accordance with the appropriate accounting policies based on International Financial Reporting Standards ("IFRS"), the Companies Act, 2008 (Act 71 of 2008), as amended and incorporate appropriate and responsible disclosure, supported by reasonable and prudent judgements and estimates, which have been used consistently. The responsibility of the external auditor is to independently audit and report on the fair presentation of the financial statements in all material respects and their report is presented on page 46.

The directors accept responsibility for the integrity, objectivity and reliability of the financial statements of the Company and Group. Complete accounting records have been kept to support this. The directors support the principle of transparent reporting and delegated the responsibility for the preparation and presentation of the financial statements to management.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurances as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitable, trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The directors believe that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the financial statements fairly present the financial situation and results of operations and cash flows of the Company and the Group for the period ended 30 June 2016.

The directors of the Group, whose names are given in the Governance section under the board of directors of this integrated report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted, which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this report contains all the information required by the Listings Requirements of JSE Limited.

The financial statements appearing on pages 47 to 92 were approved by the board of directors on 6 September 2016, and are signed on its behalf by:



Arnold Fourie  
Non-executive Chairman



Ahmed Mahomed  
Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of Datacentrix Holdings Limited

We have audited the consolidated and separate financial statements of Datacentrix Holdings Limited, set out on pages 47 to 91, which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2008 (Act 71 of 2008), as amended, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Datacentrix Holdings Limited as at 30 June 2016, and its consolidated and separate financial performances and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the period ended 30 June 2016, we have read the Directors' Report, the Audit and Risk Committee's Report and the Certificate of the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## Report on other legal and regulatory requirements

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



Alex Philippou: Registered Auditor, Engagement Director  
SizweNtsalubaGobodo Inc.  
6 September 2016

Head office: 20 Morris Street East, Woodmead, 2191; PO Box 2939, Saxonworld, 2132; Tel: +27 (0) 11 231 0600; Fax: +27 (0) 11 234 0933

Victor Sekese (Chief Executive). A comprehensive list of all directors is available at the company offices or registered office. SizweNtsalubaGobodo Incorporated. Registration number: M2005/034639/21



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the four-month period ended 30 June 2016

	Notes	Group		Company	
		4 months ended Jun 2016 R'000	12 months ended Feb 2016 R'000	4 months ended Jun 2016 R'000	12 months ended Feb 2016 R'000
<b>Revenue</b>	3	961 738	2 609 256	-	-
Changes in inventories of finished goods and work in progress		43 859	(123 644)	-	-
Finished goods		(716 958)	(1 658 017)	-	-
Other income		3 913	6 391	-	-
Employee benefits expense		(202 691)	(568 835)	-	-
Depreciation and amortisation expenses		(10 941)	(31 937)	-	-
Other expenses		(24 167)	(68 914)	(401)	(972)
Investment income	4	3 448	10 696	1	30 009
Finance costs	5	(195)	(1 516)	-	-
<b>Profit/(loss) before tax</b>	6	58 006	173 480	(400)	29 037
Income tax expense	7	(16 871)	(50 309)	-	-
<b>Profit/(loss) after tax</b>		41 135	123 171	(400)	29 037
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(loss) for the year attributable to shareholders</b>		41 135	123 171	(400)	29 037
Basic earnings per ordinary share (cents)	8	21.0	62.9		
Diluted basic earnings per ordinary share (cents)	8	20.9	62.7		

# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

	Notes	Group		Company	
		Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
		242 021	251 260	110 243	113 506
Property and equipment	10	58 798	61 778	-	-
Intangible assets – business combinations	11	144 974	146 467	-	-
Intangible assets – software	12	9 957	6 458	-	-
Investment in equity-accounted investee	13	-	-	-	-
Investment in subsidiaries	14	-	-	110 243	113 506
Long-term receivable	15	3 574	4 173	-	-
Deferred tax assets	17	24 718	32 384	-	-
<b>Current assets</b>					
		878 355	933 775	6 826	6 826
Loan to share trust	18	-	-	6 627	6 627
Current tax assets		3 855	1 146	2	-
Finance lease receivable	16	763	489	-	-
Inventories	19	110 907	154 766	-	-
Trade and other receivables	20	640 328	656 897	194	199
Cash and cash equivalents	21	122 502	120 477	3	-
<b>TOTAL ASSETS</b>					
		1 120 376	1 185 035	117 069	120 332
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
		728 596	690 734	116 500	120 000
Share capital	22	21	21	21	21
Share premium	22	58 295	58 365	69 784	69 784
Treasury shares	22	(45 542)	(45 439)	-	-
Equity-settled share scheme reserve	22	15 023	18 123	15 660	18 760
Retained earnings		700 799	659 664	31 035	31 435
<b>Non-current liabilities</b>					
		29 230	29 382	-	-
Deferred revenue	23	29 213	29 097	-	-
Loan payable	14	-	-	-	-
Deferred tax liabilities	17	17	285	-	-
<b>Current liabilities</b>					
		362 550	464 919	569	332
Deferred revenue	23	85 902	96 677	-	-
Finance lease liabilities	24	763	489	-	-
Trade and other payables	25	267 368	351 334	569	332
Current tax liabilities		6 201	602	-	-
Loan payable	14	-	13 658	-	-
Operating lease liability		2 316	2 159	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>					
		1 120 376	1 185 035	117 069	120 332

# STATEMENTS OF CHANGES IN EQUITY

for the four-month period ended 30 June 2016

	Share capital R'000	Share premium R'000	Treasury shares R'000	Equity- settled share reserve R'000	Retained earnings R'000	Total R'000
<b>GROUP</b>						
<b>Balance at 28 February 2015</b>	21	36 092	(35 983)	39 208	573 087	612 425
Total comprehensive income for the year#	-	-	-	-	123 171	123 171
Treasury shares – movement during the year*	-	(8 231)	(3 240)	-	-	(11 471)
Share-based payments	-	-	-	3 203	-	3 203
Transfer between reserves@	-	30 504	(6 216)	(24 288)	-	-
Dividend paid	-	-	-	-	(36 594)	(36 594)
<b>Balance at 29 February 2016</b>	<b>21</b>	<b>58 365</b>	<b>(45 439)</b>	<b>18 123</b>	<b>659 664</b>	<b>690 734</b>
Total comprehensive income for the period#	-	-	-	-	41 135	41 135
Treasury shares – movement during the period*	-	(70)	(103)	-	-	(173)
Share-based payments	-	-	-	(3 100)	-	(3 100)
<b>Balance at 30 June 2016</b>	<b>21</b>	<b>58 295</b>	<b>(45 542)</b>	<b>15 023</b>	<b>700 799</b>	<b>728 596</b>
<b>COMPANY</b>						
<b>Balance at 28 February 2015</b>	21	39 280	-	46 061	40 763	126 125
Total comprehensive income for the year#	-	-	-	-	29 037	29 037
Share-based payments	-	-	-	3 203	-	3 203
Transfer between reserves@	-	30 504	-	(30 504)	-	-
Dividend paid	-	-	-	-	(38 365)	(38 365)
<b>Balance at 29 February 2016</b>	<b>21</b>	<b>69 784</b>	<b>-</b>	<b>18 760</b>	<b>31 435</b>	<b>120 000</b>
Total comprehensive loss for the period#	-	-	-	-	(400)	(400)
Share-based payments	-	-	-	(3 100)	-	(3 100)
<b>Balance at 30 June 2016</b>	<b>21</b>	<b>69 784</b>	<b>-</b>	<b>15 660</b>	<b>31 035</b>	<b>116 500</b>

\* Treasury share movements relating to the share incentive scheme of the Group have been accounted for in the equity-settled share scheme reserve as this reflects the nature of the transaction.

# The total comprehensive income for the period/year represents profit or loss for the reporting period as no element of other comprehensive income exists.

@ The transfer between reserves relates to treasury shares and the equity-settled share-based payment reflecting the correct value.

# STATEMENTS OF CASH FLOWS

for the four-month period ended 30 June 2016

	Notes	Group		Company	
		4 months ended Jun 2016 R'000	12 months ended Feb 2016 R'000	4 months ended Jun 2016 R'000	12 months ended Feb 2016 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		978 307	2 417 782	-	2 234
Cash paid to suppliers and employees		(949 548)	(2 394 180)	(3 259)	-
<b>Cash generated from operations</b>	35	<b>28 759</b>	<b>23 602</b>	<b>(3 259)</b>	<b>2 234</b>
Interest received	37	3 463	10 761	1	9
Finance costs		(195)	(1 516)	-	-
Dividend received		-	-	-	30 000
Dividend paid	9	-	(36 594)	-	(38 365)
Income tax paid	36	(6 583)	(47 921)	(2)	(3)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>25 444</b>	<b>(51 668)</b>	<b>(3 260)</b>	<b>(6 125)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	10	(3 454)	(9 476)	-	-
Additions to intangible assets – software	12	(6 633)	(6 143)	-	-
Proceeds from sale of property and equipment		155	1 159	-	-
Decrease in investment		-	-	3 263	5 822
Acquisition of subsidiary	14	-	(80 010)	-	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(9 932)</b>	<b>(94 470)</b>	<b>3 263</b>	<b>5 822</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Increase in treasury shares		(103)	(3 240)	-	-
Increase/(decrease) in amounts due under finance leases		274	(6 668)	-	-
Decrease in loans payable		(13 658)	(14 969)	-	-
<b>Net cash outflow from financing activities</b>		<b>(13 487)</b>	<b>(24 877)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2 025</b>	<b>(171 015)</b>	<b>3</b>	<b>(303)</b>
Cash and cash equivalents at the beginning of the period	21	120 477	291 492	-	303
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	21	<b>122 502</b>	<b>120 477</b>	<b>3</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the four-month period ended 30 June 2016

## REPORTING ENTITY

Datacentrix Holdings Limited is a company domiciled in South Africa. The address of the Company is 238 Roan Crescent, Old Pretoria Road, Midrand, 1685. The consolidated financial statements of the Company as at and for the period ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in its equity-accounted investee. The Group is primarily involved in the provision of solutions and infrastructure within the ICT industry.

## BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of JSE Limited, and the Companies Act of South Africa (Act 71 of 2008), as amended.

The financial statements were authorised for issue by the board of directors on 6 September 2016 and are subject to the approval of the shareholders at the AGM.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for financial instruments carried at fair value, as applicable.

The Board has approved a change in the Company's financial reporting date from 28 February to 30 June, with effect from 30 June 2016. The comparative information in the consolidated and separate financial statements represent the twelve-month reporting period ended 29 February 2016. The current period information in the consolidated and separate financial statements represent the four-month reporting period ended 30 June 2016.

The consolidated and separate financial statements are presented in South African Rands which is the functional currency of the entity. Amounts are rounded to the nearest thousand with the exception of earnings per share, headline earnings per share and the related number of shares, the net tangible asset value, the number of ordinary shares as set out in note 8, dividend information as set out in note 9 and share-based payment information set out in note 28.

The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are included in note 1, "Summary of significant accounting policies".

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted are set out below. The principal accounting policies, which comply with IFRS, have been consistently applied in all material respects in the current and comparative periods.

All subsidiaries and other entities, controlled by the Company, complied with these accounting policies.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary companies and the Datacentrix Holdings Share Trust, all of which are controlled by the Company as well as the investment in its equity-accounted investee. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The operating results of subsidiary companies are included from the effective dates of acquisition, up to the effective dates of disposal. All inter-company transactions and balances have been eliminated on consolidation. Premiums that arise on the acquisition of subsidiary companies and any excess of the net assets of a subsidiary company over the cost of acquisition are treated in terms of the Group's accounting policy for goodwill.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsidiaries

#### **Business combinations**

The acquisition of subsidiaries is accounted for using the acquisition method when control is transferred to the Group. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Transaction costs are expensed as incurred, except if they relate to the issue of debt or equity instruments.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3: Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, the subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

#### **Interest in equity-accounted investee**

The Group's interest in its equity-accounted investee comprises an interest in a joint venture.

A joint venture is a joint arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, and the Group has rights to the net assets of the arrangement, rather than the right to its assets and obligations for its liabilities. The investment in the joint venture is accounted for using the equity method and is recognised initially at cost. The cost of the initial investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of its equity-accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of future losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### **Operating segments**

An operating segment is a component of an entity:

- ▶ that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- ▶ whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- ▶ for which discrete financial information is available.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- ▶ its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- ▶ the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- ▶ its assets are 10% or more of the combined assets of all operating segments.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating segments (continued)

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments.

### Property and equipment

All items of property and equipment, except for land, which is stated at cost, are stated at original cost less accumulated depreciation and any impairment losses. Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to or replace part of it. Costs relating to the day-to-day servicing of items classified as property and equipment are recognised in profit or loss. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised. Depreciation is charged so as to write-off the cost of assets over their estimated useful lives to their residual values, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Computer equipment utilised in large enterprise outsourcing contracts are depreciated over the term of the contract, which is considered to be the useful life, to their residual values.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

A gain or loss arising on the disposal or derecognition of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Spare parts are included in property and equipment if it meets the definition of property plant and equipment in terms of IAS 16, otherwise it is classified as inventory.

### Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. Goodwill is reviewed for impairment on an annual basis or at the end of each reporting period, whichever is shorter, regardless of whether there are any indicators of impairment or more frequently when there is an indication that the cash-generating unit to which it belongs may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss for the period. It is first allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit on a pro-rata basis. The recoverable amount is determined in terms of the value in use.

Other than for goodwill, where an impairment loss subsequently reverses the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit and loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

A cash-generating unit within the Group is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

#### **Goodwill**

Goodwill represents the excess of the cost of acquisition of the Group's interest over the fair value of the identifiable assets and liabilities of a division or subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

A recognised impairment loss is never reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Software**

All items of software are stated at original cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write-off the cost of assets over their estimated useful lives to residual values, using the straight-line method.

#### **Intangible assets – business combinations**

Other intangible assets are stated at fair value (as determined as part of business combinations) less accumulated amortisation. Other intangible assets are amortised over the estimated useful lives of the relevant assets.

### Leases

At inception of an arrangement, the Group determines the classification of the arrangement as a finance lease or an operating lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessee**

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges related to leases are recognised in profit or loss as they accrue.

Assets held under operating leases are not recognised in the Group's statement of financial position. Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **The Group as lessor**

Assets utilised in finance lease arrangements with the Group as lessor are not recorded as assets of the Group. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases and is recognised in profit or loss.

Rental income from operating leases (excluding costs for other services) is recognised on a straight-line basis over the term of the relevant lease and recognised in profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from the lessee are recognised as receivables.

### Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The charge for current tax is based on the results for the period as adjusted for items, which are non-taxable or disallowed. It is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Tax (continued)

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability is settled. Deferred tax is recognised in profit or loss for the period, except when it relates to items recognised directly to other comprehensive income or equity, in which case the deferred tax is also dealt with accordingly.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when the different taxable entities intends to settle current tax assets and liabilities on a net basis.

### Inventories

All inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Redundant and slow-moving inventories are identified and written-down with regard to their estimated economic or realisable values. The net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.

### Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is party to a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' financial assets, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

### Loans and receivables

Trade receivables, loans, and other short term receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities and equity instruments issued by the Group

#### **Classification as debt or equity**

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at 'FVTP' or 'financial liabilities at amortised cost'.

#### **Financial liabilities at amortised cost**

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities and equity instruments issued by the Group (continued)

#### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### ***Derivative financial instruments***

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 31. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value-added taxation.

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group, the amount of revenue can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Contracts containing multi-elements are split upfront into the various elements i.e. the sale of goods and service and maintenance components are separately measured and recognised.

Revenue earned from the sale of goods is recognised when goods are delivered and the risks and rewards of ownership have passed.

Revenue derived from services rendered relating to service and maintenance contracts are recognised by reference of the stage of completion. The stage of completion of the contract is directly linked to the period of the contract, which varies between 12 to 36 months. The revenue received in relation to these contracts is deferred and recognised over the remainder of the contract life.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease and classified as revenue.

The interest income earned on finance leases are recognised as revenue.

#### **Interest and dividends received**

Interest income on investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **Foreign currencies**

Transactions in currencies other than South African Rands are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling at reporting date. Profits and losses arising on exchange are accounted for in profit or loss.

#### **Finance costs**

All finance costs are recognised in profit or loss in the period in which they are incurred as the Group has no qualifying assets as defined in *IAS 23: Borrowing Costs*.

#### **Employee benefits**

##### ***Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amounts expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

#### **Share-based payment transactions**

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value, determined with the binomial model at the grant date of the equity-settled share-based transactions, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market vesting conditions. At each reporting date the Group reconsiders the estimates made.

The expected life used in the binomial model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Options are granted to employees and directors in terms of equity compensation plans at fair value of the Company's shares at the date of granting the options. When exercised at a later date, shares are issued at the option value.

Any losses or profits incurred by the Group or the Datacentrix Holdings Share Trust on the exercise of options by employees are accounted for in share premium. Shares held by the trust are treated as treasury shares. Any potential losses that could be incurred by the trust where vested options are immediately exercisable are recognised in share premium. Potential losses or profits on vested options exercisable at future dates or profits on options exercisable immediately are disclosed by way of a note.

#### **Retirement benefits**

Payments to defined contribution retirement plans are recognised as an expense as they fall due. Unpaid amounts are reflected as a liability at reporting date and prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

#### **Other employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value. Benefits are classified as short-term in nature if these are expected to be paid within 12 months after the end of the reporting period.

#### **Leave pay accrual**

The leave pay accrual, included under the employee related liabilities in note 25, relates to possible vesting leave pay to which employees may become entitled upon leaving the employment of the Group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave pay or utilise compensated leave due to them.

### Capital and reserves

#### **Treasury shares**

When shares recognised as equity are repurchased and held within the Group, the amount of consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. These repurchased shares held within the Group are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction presented within share premium.

#### **Share premium**

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium, net of any tax effect.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical accounting judgements and key sources of estimation uncertainty

#### **Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described earlier in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

#### *Revenue recognition*

Note 3 sets out the different types of revenue recognised for the businesses of Technology Solutions, Managed Services and Business Applications. In making its judgement of how to treat the revenue of the various transactions, management considered the detailed criteria for the recognition of revenue from the sale of goods and services, set out in *IAS 18: Revenue*, and in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

Where a single contract price is negotiated with a customer for both goods and services, the split is determined with reference to the usual sales prices for these specific goods and services.

#### *Consolidation of the Datacentrix Holdings Share Trust – share incentive trust of the Group*

Management considered the various elements on determining whether it controls and should consolidate the Datacentrix Holdings Share Trust as set out in *IFRS 10: Consolidated Financial Statements* and the definition of a structured entity as set out in *IFRS 12: Disclosure of Interests in Other Entities*.

Management has made considerations from strategic points of view, which include Datacentrix Holdings being closely involved in the design and purpose of the trust as a vehicle to operate the share incentive scheme of the Group and the authority to appoint the trustees of the trust. From an operational perspective the trust receives financial support from Datacentrix Holdings Limited which also includes the absorption of any potential deficit of the trust on termination, should this occur and the fact that the operations of the trust is considered to be contingent to the purpose of the trust. Based on these indicators the trust is a structured entity and is controlled by Datacentrix Holdings Limited and therefore consolidated in the Group.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which goodwill has been allocated. The value in use requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. A five-year model is applied. Refer to note 11 for details.

#### *Useful lives and residual values of assets*

Useful lives and residual values of assets are reviewed at least once a reporting period, at the end of the reporting period. Management is of the opinion that the useful lives and residual values of the assets currently carried are in line with industry norms. Refer to note 10, 11 and 12 for details.

#### *Inventory carried at net realisable value*

The net realisable value of inventory represents the estimated selling price in the current market at the reporting period date. The Group provides for the amount, which the cost of inventory is higher than the net realisable value multiplied by the units of stock on hand at the end of the reporting period. No such provision was required in the current or prior period.

#### *Allowance for credit losses*

The allowance for credit losses relates to possible recoverability and ageing issues regarding specific debtors. These are analysed on a one-on-one basis first, and then on a portfolio basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty (continued)

##### Fair value of financial instruments

As described in note 31, the directors used their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

##### Fair value of share-based payments reserve

The fair value is determined using the binomial model. Refer note 28 for inputs and assumptions made in the binomial model.

### Adoption of new and revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations.

### Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following Standards and Interpretations applicable to the Group were in issue, but not yet effective:

Standards/ interpretations	Details of amendment	Effective for reporting periods beginning on or after
IFRS 9: Financial Instruments	This is a new standard that will replace <i>IAS 39: Financial Instruments: Recognition and Measurement</i> , when it becomes effective.	
IFRS 15: Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: <ul style="list-style-type: none"> <li>▶ identify the contract with the customer;</li> <li>▶ identify the performance obligations in the contract;</li> <li>▶ determine the transaction price;</li> <li>▶ allocate the transaction price to the performance obligations in the contracts; and</li> <li>▶ recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	Applicable to an entity's first IFRS financial statements for a period beginning on or after 1 January 2018
IFRS 16: Leases	This is a new standard that will replace <i>IAS 17: Leases</i> , when it becomes effective.	Applicable to an entity's first IFRS financial statements for a period beginning on or after 1 January 2019

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity). The specific impact of IFRS 15 and IFRS 16 are currently under review by management as these specific Standards have potential direct impact on the operations of the Group. Management assessed all the other Standards and Interpretations and does not believe that any of these will have a material impact on the results of the Group and Company in future periods.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 2. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

### Executive directors

Remuneration and benefits for executive directors were as follows:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000
<b>Jun 2016</b>					
Ahmed Mahomed	1 240	1 550	11	158	2 959
Elizabeth Naidoo	744	818	42	99	1 703
	<b>1 984</b>	<b>2 368</b>	<b>53</b>	<b>257</b>	<b>4 662</b>
<b>Feb 2016</b>					
Ahmed Mahomed	3 488	4 454	33	443	8 418
Elizabeth Naidoo	2 156	2 233	117	286	4 792
	<b>5 644</b>	<b>6 687</b>	<b>150</b>	<b>729</b>	<b>13 210</b>

No current or retired director receives a pension funded by the Group.

### Executive management

The total remuneration of the executive management, which does not form part of the directorate is set out below:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000	Feb 2016 Total R'000
<b>Jun 2016</b>						
Officer 1	744	750	23	-	1 517	4 120
Officer 2	637	799	16	81	1 533	4 226
Officer 3 (appointed January 2016)	819	335	45	69	1 268	436
Officer 4	490	396	62	70	1 018	3 375
Officer 5	432	377	39	38	886	2 271
Officer 6 (resigned February 2016)	-	-	-	-	-	2 148
Officer 7 (resigned July 2016)	296	118	13	38	465	914
	<b>3 418</b>	<b>2 775</b>	<b>198</b>	<b>296</b>	<b>6 687</b>	<b>17 490</b>

### Non-executive directors – fees for services as directors

	Total	
	Jun 2016 R'000	Feb 2016 R'000
Arnold Fourie#@	159	143
Nolitha Fakude@	95	600
Alwyn Martin	113	371
Dudu Nyamane	108	321
Henry Ferreira#^	30	-
Richard Lyon ~*#	-	86
	<b>505</b>	<b>1 521</b>

^ Appointed during the current period.

~ Appointed during the prior period.

\* Resigned during the current period and assumed role as alternate director to Arnold Fourie.

# Arnold Fourie, and his alternate Richard Lyon, and Henry Ferreira represent the interest held by the holding company, Pinnacle Holdings Limited, and accordingly, the fees were paid to this company.

@ The approved annual fees were calculated on a pro-rata basis for this reporting period.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 2. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (continued)

### Directors' shareholding

#### Executive directors

No executive directors have any direct or indirect shareholding in the Company.

#### Non-executive directors

	Non-beneficial	Jun 2016 Beneficial		Non-beneficial	Feb 2016 Beneficial	
		Direct	Indirect		Direct	Indirect
Directors of Pinnacle Holdings Limited@	108 311 512	-	-	108 311 512	-	-
	108 311 512	-	-	108 311 512	-	-

@Arnold Fourie is a shareholder in and director of the holding company, Pinnacle Holdings Limited.

@Richard Lyon, as alternate director, is a shareholder in and director of the holding company, Pinnacle Holdings Limited.

There have been no changes to the directors' interests between the reporting date and the date of this report.

#### Share options

Share option allocations are considered and recommended by the Board and approved by the Social, Ethics and Remuneration Committee. Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

	Number of options 29 Feb 2016	New options allocated during the year	Expired, sold or lapsed during the year	Number of options 30 Jun 2016	Option price R	Grant date	Value of all options in total R
Ahmed Mahomed	2 166 667	-	-	2 166 667	4.31	25/11/2009	9 338 335
	1 333 333	-	-	1 333 333	4.90	22/06/2012	6 533 332
Elizabeth Naidoo	333 334	-	-	333 334	4.22	05/10/2011	1 406 669
	666 666	-	-	666 666	4.90	22/06/2012	3 266 664
	4 500 000	-	-	4 500 000			20 545 000

No share options have been allocated to directors or prescribed officers during the current period. At reporting date, share options allocated to prescribed officers amounted to 4,962,500 (at an average option price of R4.46) to the value of R22.1 million.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 3. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Sale of goods	577 524	1 611 228
Services rendered	384 199	997 963
Interest on finance lease receivables	15	65
	<b>961 738</b>	<b>2 609 256</b>

## 4. INVESTMENT INCOME

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
Interest earned on bank deposits	3 023	9 946	1	9
Interest earned on trade receivables	57	326	-	-
Interest earned from revenue authorities	368	424	-	-
Dividends received from subsidiaries	-	-	-	30 000
	<b>3 448</b>	<b>10 696</b>	<b>1</b>	<b>30 009</b>

## 5. FINANCE COSTS

Interest paid to financial institutions	28	110	-	-
Interest paid on loans	151	1 341	-	-
Interest paid on finance lease payables	16	65	-	-
	<b>195</b>	<b>1 516</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 6. PROFIT BEFORE TAXATION

Profit before taxation for the period has been arrived at after the following:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
<b>Auditors' remuneration</b>		
- external audit fees	705	1 478
- fees for other services (taxation and advisory services)	27	277
<b>Net foreign exchange gain</b>	(3 913)	(6 056)
<b>Depreciation of property and equipment</b>	6 314	18 713
<b>Amortisation of software and intangibles</b>	4 627	13 224
<b>Adjustment in allowance for credit losses</b>	(167)	7 776
<b>Total employee benefits expense</b>	202 691	568 835
<b>Retirement fund contributions (included in employee benefits expense)</b>	11 274	30 606
<b>Operating lease payments – equipment</b>	3 680	9 493
<b>Operating lease payments – properties</b>	7 705	21 305
<b>Adjustment in allowance for obsolete inventories</b>	453	5 556
<b>Profit on disposal of property, equipment and intangible assets</b>	(35)	(335)

## 7. INCOME TAX EXPENSE

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
<b>Tax charge</b>				
SA normal tax – current period	9 473	58 492	-	-
Deferred tax – current period	7 398	(8 183)	-	-
	16 871	50 309	-	-

SA normal income tax is calculated at 28% (Feb 2016: 28%) of the estimated taxable profit for the tax period of assessment. Deferred tax is calculated at 28% (Feb 2016: 28%).

	%	%	%	%
<b>Reconciliation of rate of tax</b>				
Tax at statutory rate	28.0	28.0	28.0	28.0
Share-based payment expense not tax deductible	(1.5)	1.8	-	-
Finance costs not tax deductible	0.1	0.2	-	-
Other expenses/(income) not tax deductible/(taxable)	2.5	(1.0)	(28.0)	(28.0)
<b>Effective tax rate for the period</b>	29.1	29.0	-	-

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 8. EARNINGS PER SHARE AND OTHER PER SHARE INFORMATION

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	Jun 2016	Feb 2016
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of earnings per share (net of shares held by the Datacentrix Holdings Share Trust)	196 097 991	195 847 991
Effect of dilutive potential ordinary shares: Share options	614 557	471 677
Weighted average number of ordinary shares for the purposes of diluted earnings and headline earnings per share	196 712 548	196 319 668
<b>Earnings for the purpose of earnings per share (R'000)</b>	41 135	123 171
<b>Earnings per share (cents)</b>		
Basic	21.0	62.9
Diluted	20.9	62.7
<b>Headline earnings for the purposes of headline earnings per share*</b>		
Profit attributable to ordinary shareholders (R'000)	41 135	123 171
Profit on disposal of assets, net of tax effect (R'000)	(26)	(241)
Headline earnings for the purposes of basic and diluted headline earnings per share (R'000)	41 109	122 930
<b>Headline earnings per share (cents)</b>		
Basic	21.0	62.8
Diluted	20.9	62.6
<b>Net asset value per share</b>		
Net asset value per share is calculated by dividing the ordinary shareholders' equity by the issued share capital at reporting date		
<b>Number of shares</b>		
Closing number of shares (net of shares held by the Datacentrix Holdings Share Trust)	196 097 991	195 847 991
<b>Net asset value</b>		
Ordinary shareholders' equity (R'000)	728 596	690 734
Net asset value (adjusted for treasury shares) per share (cents)	371.6	352.7
<b>Tangible net asset value per share</b>		
Tangible net asset value per share is calculated by dividing the ordinary shareholders' equity, less intangibles, by the issued share capital at reporting date		
Ordinary shareholders' equity (R'000)	728 596	690 734
Adjustment: Less intangible assets (R'000)	(154 931)	(152 925)
Tangible net asset value (R'000)	573 665	537 809
Tangible net asset value (adjusted for treasury shares) per share (cents)	292.5	274.6

\* The headline earnings per share is calculated in terms of the requirements of Circular 2/2015 as issued by the South African Institute of Chartered Accountants ("SAICA").

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 9. DIVIDEND

The total dividend paid by the Group during the financial period amounted to Rnil (Feb 2016: R36,594,645).

The Group previously indicated that as it expands and secures the provisioning of complex turnkey solutions, working capital requirements will increase. As a result, investment is required not only to support this organic growth strategy, but also potential acquisitions. Consequently the Board has decided not to declare a dividend payment for the reporting period ended 30 June 2016. Datacentrix intends to remain a dividend paying company and the Board will review this at each reporting date.

## 10. PROPERTY AND EQUIPMENT – GROUP ONLY

Jun 2016	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Cost</b>				
Land	1 915	-	-	1 915
Buildings	13 635	-	-	13 635
Motor vehicles	4 322	198	(148)	4 372
Furniture and fittings	10 570	61	(808)	9 823
Computer equipment	89 424	2 258	(396)	91 286
Office equipment	9 569	108	(70)	9 607
Spare parts	18 239	796	(5 576)	13 459
Leasehold improvements	7 114	33	-	7 147
	<b>154 788</b>	<b>3 454</b>	<b>(6 998)</b>	<b>151 244</b>

Jun 2016	Opening balance R'000	Depreciation R'000	Disposals R'000	Closing balance R'000
<b>Accumulated depreciation</b>				
Land	-	-	-	-
Buildings	255	-	-	255
Motor vehicles	2 067	259	(148)	2 178
Furniture and fittings	7 267	206	(733)	6 740
Computer equipment	56 560	4 750	(360)	60 950
Office equipment	3 584	320	(69)	3 835
Spare parts	16 723	644	(5 568)	11 799
Leasehold improvements	6 554	135	-	6 689
	<b>93 010</b>	<b>6 314</b>	<b>(6 878)</b>	<b>92 446</b>

Feb 2016	Opening balance R'000	Acquisitions R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Cost</b>					
Land	1 915	-	-	-	1 915
Buildings	13 635	-	-	-	13 635
Motor vehicles	2 832	1 446	598	(554)	4 322
Furniture and fittings	10 084	416	99	(29)	10 570
Computer equipment	84 470	236	6 890	(2 172)	89 424
Office equipment	8 471	882	222	(6)	9 569
Spare parts	21 757	-	1 629	(5 147)	18 239
Leasehold improvements	6 986	90	38	-	7 114
	<b>150 150</b>	<b>3 070</b>	<b>9 476</b>	<b>(7 908)</b>	<b>154 788</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**10. PROPERTY AND EQUIPMENT – GROUP ONLY (continued)**

Feb 2016	Opening balance R'000	Depreciation R'000	Disposals R'000	Closing balance R'000
<b>Accumulated depreciation</b>				
Land	-	-	-	-
Buildings	255	-	-	255
Motor vehicles	1 616	972	(521)	2 067
Furniture and fittings	6 682	611	(26)	7 267
Computer equipment	44 351	14 135	(1 926)	56 560
Office equipment	2 797	793	(6)	3 584
Spare parts	20 689	987	(4 953)	16 723
Leasehold improvements	5 339	1 215	-	6 554
	81 729	18 713	(7 432)	93 010

	Group	
	Jun 2016 R'000	Feb 2016 R'000
<b>Carrying amount and depreciation rates applied</b>		
Land	1 915	1 915
Buildings (4%) (Feb 2016: 4%)	13 380	13 380
Motor vehicles (16.7%) (Feb 2016: 16.7%)	2 194	2 255
Furniture and fittings (10%) (Feb 2016: 10%)	3 083	3 303
Computer equipment (20%) (Feb 2016: 20%)	30 336	32 864
Office equipment (16.7% to 33.3%) (Feb 2016: 16.7% to 33.3%)	5 772	5 985
Spare parts (33.3%) (Feb 2016: 33.3%)	1 660	1 516
Leasehold improvements (period of lease)	458	560
	58 798	61 778

Land comprises stand number 865 Kosmosdal, Extension 11, Gauteng, with buildings and additions thereon at additional costs. The register of land and buildings is open for inspection at the registered offices of the Company.

The acquisition of property and equipment in the prior reporting period relates to the acquisition of Infrasol Proprietary Limited as disclosed in note 14.

**Useful lives**

The Group reviews the estimated useful lives and residual values of property and equipment in terms of *IAS 16: Property, plant and equipment*, at the end of each reporting period. No changes to the useful lives or residual values of property and equipment were made based on the current period review.

The Group reviews the carrying amount of property and equipment at the end of each reporting period to determine whether any indication of impairment is present. No indicators of impairment were present based on the current period review and therefore no impairment loss was recognised in the profit or loss for the Group.

No current contractual commitments exist to purchase items of property and equipment.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**11. INTANGIBLE ASSETS – BUSINESS COMBINATIONS – GROUP ONLY**

<b>Jun 2016</b>	<b>Goodwill R'000</b>	<b>Customer relationships R'000</b>	<b>Other R'000</b>	<b>Total R'000</b>
Carrying amount at the beginning of the period	131 596	14 059	812	146 467
Cost	140 114	23 066	1 000	164 180
Accumulated amortisation/impairments	(8 518)	(9 007)	(188)	(17 713)
Acquisitions during the period	-	-	-	-
Amortisation recognised during the period	-	(1 471)	(22)	(1 493)
Carrying amount at the end of the period	131 596	12 588	790	144 974
Cost	140 114	23 066	1 000	164 180
Accumulated amortisation/impairments	(8 518)	(10 478)	(210)	(19 206)
<b>Feb 2016</b>				
Carrying amount at the beginning of the year	79 843	8 133	878	88 854
Cost	88 361	13 122	1 000	102 483
Accumulated amortisation/impairments	(8 518)	(4 989)	(122)	(13 629)
Additions during the year	51 753	9 944	-	61 697
Amortisation recognised during the year	-	(4 018)	(66)	(4 084)
Carrying amount at the end of the year	131 596	14 059	812	146 467
Cost	140 114	23 066	1 000	164 180
Accumulated amortisation/impairments	(8 518)	(9 007)	(188)	(17 713)

The intangible assets included above have the following finite useful lives:

- ▶ Customer relationships: Five years (Feb 2016: Five years)
- ▶ Other intangible assets - Licences: Fifteen years (Feb 2016: Fifteen years)

Additions to intangible assets relate to the acquisition of Infrasel Proprietary Limited as disclosed in note 14.

Customer relationships have been valued in accordance with an excess earnings (Multi-period Excess Earnings Method "MEEM") valuation method, which considers the projected earnings attributable to existing customer relationships at the time of the acquisition. The Group reviews the useful lives of the intangible assets at the end of each reporting period, no changes have been deemed necessary in the current period or prior year.

The Group tests goodwill at the end of each a reporting date but at least annually, for impairment, or more frequently if there are indications that goodwill might be impaired. The calculations were done with reference to the smallest cash generating units being the:

- ▶ Gauteng Commercial business within the Technology Solutions division;
- ▶ Enterprise Resource Planning business within the Business Applications division;
- ▶ Gauteng Enterprise Information Management business within the Business Applications division;
- ▶ Infrasel Proprietary Limited; and
- ▶ eNetworks Proprietary Limited respectively.

The recoverable amounts of the cash generating units are determined based on value in use. This value in use is determined by means of a discounted cash flow model. Five year cash flow forecasts were used to assess this. The key assumptions in the calculations included an average discount rate of 19% (Feb 2016: 17%), 4% terminal growth rate and expected volume growth of 7%. The risk profiles of the cash generating units are considered to be similar and hence a similar discount rate has been used. Management considers these rates to be highly conservative.

No indicators of impairment were present based on the current period review and therefore no impairment loss was recognised in the profit or loss for the Group.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 12. INTANGIBLES – SOFTWARE – GROUP ONLY

	Jun 2016 R'000	Feb 2016 R'000
Carrying amount at the beginning of the period	6 458	9 803
Cost	44 129	38 799
Accumulated amortisation	(37 671)	(28 996)
Additions during the period	6 633	6 143
Disposals during the period	(112)	(813)
Amortisation on disposals during the period	112	465
Amortisation recognised during the period	(3 134)	(9 140)
Carrying amount at the end of the period	9 957	6 458
Cost at acquisition	50 650	44 129
Accumulated amortisation	(40 693)	(37 671)

The intangible assets included above have the following finite useful lives:

- ▶ Software: Three years (Feb 2016: Three years).

The Group reviews the useful lives of the intangible assets at the end of each reporting period, no changes have been made in the current or prior reporting periods.

The Group reviews the carrying amount of intangible assets at the end of each reporting period to determine any indication of impairment present. No indicators of impairment were present based on the current period review and therefore no impairment loss was recognised in the profit or loss of the Group.

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Equity-accounted investment		
Reconciliation between proportionate investment and current investment value:		
Investment at cost	1 204	1 204
Share in losses – opening balance	(1 204)	(1 204)
Investment in equity-accounted investee	-	-
Unrecognised share of losses – opening balance	(2 052)	(1 259)
Unrecognised share of losses for the period	(91)	(793)
Unrecognised share of losses carried forward	(2 143)	(2 052)

The Group has a 50% interest in Electronic-DNA Proprietary Limited, a company incorporated in South Africa. The company supplies licences for security software developed. The equity-accounted investee is not a publicly listed entity and consequentially does not have a published price quotation.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (continued)

The financial information of the equity-accounted investee is as follows:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Non-current assets	1 467	1 551
Current assets	2 813	2 915
<b>Total assets</b>	<b>4 280</b>	<b>4 466</b>
Long-term liabilities	(234)	(263)
Current liabilities	(8 328)	(8 303)
<b>Total liabilities</b>	<b>(8 562)</b>	<b>(8 566)</b>
<b>Net asset value</b>	<b>(4 282)</b>	<b>(4 100)</b>
Revenue	1 729	4 869
Cost of sales	-	(99)
Gross profit	1 729	4 770
Other expenses	(1 973)	(6 529)
Other income	33	41
Operating loss	(211)	(1 718)
Income tax expense	29	132
<b>Loss for the period</b>	<b>(182)</b>	<b>(1 586)</b>

NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 14. INVESTMENT IN SUBSIDIARIES

							Company	
							Jun 2016 R'000	Feb 2016 R'000
Shares at cost							12 514	12 514
Additional net capital contribution							97 729	100 992
							110 243	113 506

Name of subsidiary <i>Principal activity</i>	Issued share capital		Effective percentage held		Shares at cost		Net capital contribution	
	Jun 2016	Feb 2016	Jun 2016 %	Feb 2016 %	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
<b>Datacentrix Proprietary Limited</b> <i>ICT technology and managed services</i>	2	2	100	100	10 857	10 857	97 729	100 992
<b>Datacentrix Solutions Proprietary Limited</b> <i>Dormant</i>	200	200	100	100	#	#	-	-
<b>Datacentrix Infrastructure Optimisation Proprietary Limited</b> <i>Dormant</i>	22 220	22 220	100	100	1 657	1 657	-	-
<b>Dezzo Trading 386 Proprietary Limited</b> <i>Dormant</i>	100	100	100	100	#	#	-	-
<b>Datacentrix Properties Proprietary Limited*</b> <i>Property</i>	100	100	100	100	-	-	-	-
<b>Styleprops Services 18 Proprietary Limited*</b> <i>Dormant</i>	100	100	100	100	-	-	-	-
<b>Datacentrix Outsourcing Proprietary Limited</b> <i>Dormant</i>	100	100	100	100	#	#	-	-
<b>Dirigible IT Proprietary Limited*</b> <i>Dormant</i>	100	100	100	100	-	-	-	-
<b>Nokusa Engineering Informatics Proprietary Limited*</b> <i>Dormant</i>	210	210	100	100	-	-	-	-
<b>eNetworks Proprietary Limited*</b> <i>Internet service provider</i>	100	100	100	100	-	-	-	-
<b>Infrasol Proprietary Limited*</b> <i>Managed services</i>	1	1	100	100	-	-	-	-
<b>Merqu Communications Proprietary Limited*</b> <i>Managed services</i>	1	1	100	100	-	-	-	-
					12 514	12 514	97 729	100 992

\* Indirect holding, i.e. through a subsidiary. # Amount less than R1,000.

Due to the specific terms of the loan account, the loan is considered to be an increase in the capital contribution to the subsidiaries as management has no expectation nor intention to call for any payment.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**14. INVESTMENT IN SUBSIDIARIES (continued)**The interest of the Group in the net profit before tax of its subsidiary companies and controlled Trust<sup>#</sup> is:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Datacentrix Proprietary Limited	45 695	152 383
Nokusa Engineering Informatics Proprietary Limited	-	(1)
Datacentrix Holdings Share Trust	(76)	(8 221)
eNetworks Proprietary Limited	3 683	10 766
Datacentrix Properties Proprietary Limited	80	(422)
Infrasol Proprietary Limited	10 165	14 628
Merqu Communications Proprietary Limited	(5)	36
	<b>59 542</b>	<b>169 169</b>

<sup>#</sup> The equity-settled scheme of the Group is operated by the Datacentrix Holdings Share Trust, which has been consolidated into the Group. The Group has control of the trust as the cash flow of the trust is funded by Datacentrix Holdings Limited. The deficit of the trust on termination, should this occur, will be settled by Datacentrix Holdings Limited. The trustees of the trust are appointed by the directors of the Group.

**Acquisition of subsidiaries – Infrasol Proprietary Limited and Merqu Communications Proprietary Limited (Feb 2016 reporting period)**

On 1 July 2015, control of Infrasol Proprietary Limited and Merqu Communications Proprietary Limited was obtained (companies specialising in ICT related services) by acquiring 100% of the shares and voting interests in the companies. These companies design, deploy, manage and support ICT infrastructure for organisations across South Africa and have strengthened the Group's positioning in the managed services space. The effective date of the transaction was 1 July 2015. Had Infrasol been acquired at 1 March 2015, the income after tax for the 12 full months of the prior reporting period would have been R10 million. The carrying amounts, included in the consolidated financial statements of Datacentrix Holdings Limited immediately before the acquisition, were as follows:

	Fair values recognised on acquisition R'000	Previous carrying values R'000
Customer relationships	9 944	-
Property and equipment	3 070	3 070
Inventories	3 104	3 104
Trade and other receivables	48 179	48 179
Bank and cash balances	4 990	4 990
Deferred tax	554	554
Tax payable	2 579	2 579
<b>Total assets</b>	<b>72 420</b>	<b>62 476</b>
Trade and other payables	(27 505)	(27 505)
Deferred tax on intangible assets	(2 784)	-
Loan payable	(8 884)	(8 884)
<b>Total liabilities</b>	<b>(39 173)</b>	<b>(36 389)</b>
<b>Net assets</b>	<b>33 247</b>	<b>26 087</b>
Goodwill	51 753	-
Consideration, to be satisfied by cash	85 000	-
Net cash outflow	80 010	-

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 14. INVESTMENT IN SUBSIDIARIES (continued)

### Acquisition of subsidiaries – eNetworks Proprietary Limited (2014 reporting period)

The total consideration is payable over a three-year period from the date of the transaction and has been recorded as a loan payable in the statement of financial position. In the current reporting period an amount of R13.7 million (Feb 2016: R6.4 million) was settled in cash as full and final settlement of the outstanding loan amount. The loan payable bears interest equal to interest received by the Group on cash balances held with its commercial bankers.

## 15. LONG-TERM RECEIVABLE

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Within 1 year (included in trade and other receivables)	3 045	2 946
Within 2-3 years	3 574	4 173
	<b>6 619</b>	<b>7 119</b>

The long-term receivable relates to extended payment terms granted to a trade debtor. The outstanding amount is payable in quarterly payments and market-related interest is charged on the outstanding amount.

## 16. FINANCE LEASE RECEIVABLES

Total finance lease receivables at the beginning of the period	489	7 191
New lease contracts during the period	635	-
Total capital payments received	(361)	(6 702)
Total finance lease receivables at the end of the period	<b>763</b>	<b>489</b>

	Jun 2016			Feb 2016		
	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000
The finance lease receivables are payable as follows:						
Short-term (within 1 year)	800	(37)	763	526	(37)	489
	<b>800</b>	<b>(37)</b>	<b>763</b>	<b>526</b>	<b>(37)</b>	<b>489</b>

### Terms of finance lease receivables

	Currency	Nominal interest rate	Jun 2016		Feb 2016	
			Fair value	Carrying value	Fair value	Carrying value
Finance leases	ZAR	8% - 13%	<b>763</b>	<b>763</b>	489	489

The Group enters into finance leases in respect of customer transactions in the Managed Print and Document Solutions business unit. These leases are covered in back-to-back transactions with vendors. The leases have a maturity timeline of between 24 and 36 months.

The fair values of the receivables under finance leases approximates their carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Accruals, allowances for credit losses and obsolete stock, leases and foreign exchange contracts	21 135	24 362
Intangible assets - business combinations	(4 454)	(4 165)
Property and equipment	4 130	4 435
Calculated assessed loss	669	636
Prepayments	(6 351)	(1 445)
Deferred revenue on long-term contracts and finance lease receivables	9 572	8 276
	<b>24 701</b>	<b>32 099</b>
Split between net deferred tax assets and liabilities:		
Deferred tax assets	24 718	32 384
Deferred tax liabilities	(17)	(285)
	<b>24 701</b>	<b>32 099</b>
<b>Movement in deferred tax:</b>		
Carrying amount at the beginning of the period	32 099	32 988
Movement in:		
Accruals, allowances for credit losses and obsolete stock, leases and foreign exchange contracts	(3 227)	(7 975)
Intangible assets – business combinations	(290)	(1 659)
Property and equipment	(304)	167
Calculated assessed loss	33	118
Prepayments	(4 906)	395
Deferred revenue on long-term contracts and finance lease receivables	1 296	8 065
Carrying amount at the end of the period	<b>24 701</b>	<b>32 099</b>

The tax effects of temporary timing differences of the Company and subsidiary companies resulted in deferred tax assets. It is probable that future taxable income will be sufficient to allow the tax benefit to be realised.

## 18. LOAN TO SHARE TRUST

	Company	
	Jun 2016 R'000	Feb 2016 R'000
Loan to Datacentrix Holdings Share Trust	6 627	6 627

The loan is unsecured, interest-free and there are no fixed terms of repayment. Refer to note 28 for details in respect of the Share Trust. The fair value equates the carrying value of the loan due to the short-term nature of the loan.

## 19. INVENTORIES

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Finished goods	93 709	101 029
Work in progress	14 913	51 623
Consumables	2 285	2 114
	<b>110 907</b>	<b>154 766</b>

Consumables stock relates to cartridges, which are supplied by our Managed Print and Document Solutions business unit to customers.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
Trade receivables	580 462	644 267	-	-
Allowance for credit losses	(11 821)	(11 988)	-	-
Current portion of long-term receivable	3 045	2 946	-	-
Prepayments	67 167	20 398	-	-
Other receivables	1 475	1 274	194	199
	<b>640 328</b>	<b>656 897</b>	<b>194</b>	<b>199</b>

The carrying amount of the trade and other receivables approximates fair value because of the short period to maturity.

The average credit period on sales of goods is 45 days (Feb 2016: 45 days). No interest is charged on the trade receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Before accepting any new customers, the Group checks bank and trade references to assess the potential customer's credit quality and defines credit limits by assessing the results of the checks. Included in the Group's trade receivable balance is debtors with a carrying amount of R145 million (Feb 2016: R124 million), which are past due at the reporting date. Based on an assessment of the credit quality an allowance for impairment against trade receivables has been recognised as detailed below. The remaining receivable balances are considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 64 days (Feb 2016: 64 days).

Trade receivables have been pledged to the Group's bankers in terms of the unutilised bank facilities as disclosed in note 21.

### Reconciliation of the allowance for credit losses

Opening balance	(11 988)	(4 212)	-	-
Allowance for credit losses adjustment	167	(7 776)	-	-
	<b>(11 821)</b>	<b>(11 988)</b>	<b>-</b>	<b>-</b>

## 21. CASH AND CASH EQUIVALENTS

Bank balances and cash	120 431	118 406	3	-
Bank guarantees/deposits (restricted)	2 071	2 071	-	-
	<b>122 502</b>	<b>120 477</b>	<b>3</b>	<b>-</b>

The Group and Company had no overdrawn bank accounts at the reporting date and therefore no off-setting of bank accounts occurred on the statement of financial position. All cash resources are placed with reputable bankers.

The Company has secured various borrowing and banking facilities of Datacentrix Proprietary Limited from ABSA Bank Limited comprising unutilised primary lending facilities of R10 million (Feb 2016: R100 million) and other facilities of R31 million (Feb 2016: R31 million).

The Group holds cash and cash equivalents with reputable financial institutions. These institutions have a National Short Term and National Long Term credit rating of Prime-1.za or above and Aa1.za or above respectively. (Source: Moody's rating agency)

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 22. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND EQUITY-SETTLED SHARE SCHEME RESERVE

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
<b>Share capital</b>				
<b>Authorised</b> 400,000,000 (Feb 2016: 400,000,000) ordinary shares of R0,0001 each	40	40	40	40
<b>Issued</b> 205,265,683 (Feb 2016: 205,265,683) ordinary shares of R0,0001 each	21	21	21	21
Unissued shares are under the control of the directors in terms of the Group's Memorandum of Incorporation.				
<b>Share premium</b>				
Carrying amount at the beginning of the period	58 365	36 092	69 784	39 280
Transfer between reserves	-	30 504	-	30 504
Movement relating to treasury shares – deficit on sale	(70)	(8 231)	-	-
Carrying amount at the end of the period	58 295	58 365	69 784	69 784
<b>Treasury shares</b>	(45 542)	(45 439)	-	-
<b>Equity-settled share scheme reserve</b>				
Carrying amount at the beginning of the period	18 123	39 208	18 760	46 061
Transfer between reserves	-	(24 288)	-	(30 504)
Expensed during the period	(3 100)	3 203	(3 100)	3 203
Carrying amount at the end of the period	15 023	18 123	15 660	18 760

The share-based payments expense in terms of *IFRS 2: Share-based Payments*, has been recognised as an expense as part of the employee benefits and credited to this equity reserve.

## 23. DEFERRED REVENUE

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Carrying amount at the beginning of the period	125 774	74 018
Non-current portion	29 097	6 438
Current portion	96 677	67 580
Deferred revenue recognised during the period	371 918	538 726
Realisation of revenue in profit or loss during the period	(382 577)	(486 970)
Carrying amount at the end of the period	115 115	125 774
Non-current portion	29 213	29 097
Current portion	85 902	96 677

Deferred revenue relates to service and maintenance contracts contracted for a 12 to 36 month period. The related revenue, which has been deferred, is recognised on a systematic basis over the remainder of the contract in terms of actual services rendered.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**24. FINANCE LEASE LIABILITIES**

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Total finance lease liabilities at the beginning of the period	489	7 157
New lease contracts	635	-
Total capital repayments	(361)	(6 668)
Total finance lease liabilities at the end of the period	763	489

	Jun 2016			Feb 2016		
	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000
The finance lease liabilities are payable as follows:						
Short-term (within 1 year)	800	(37)	763	526	(37)	489
	800	(37)	763	526	(37)	489

Terms of finance lease liabilities	Currency	Nominal interest rate	Jun 2016		Feb 2016	
			Fair value	Carrying value	Fair value	Carrying value
Finance leases	ZAR	8% - 13%	763	763	489	489

The Group enters into finance leases in respect of customer transactions in the Managed Print and Document Solutions business unit. These leases are covered in back-to-back transactions with vendors. The leases have a maturity timeline of between 24 and 36 months.

The fair values of the liabilities under finance leases approximate their carrying amounts.

**25. TRADE AND OTHER PAYABLES**

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
Trade payables	186 027	252 132	248	248
Other accruals and payables	19 419	26 661	321	84
VAT payable	6 063	9 276	-	-
Employee related liabilities	55 348	62 148	-	-
Audit fee accrual	511	1 117	-	-
	267 368	351 334	569	332

Trade and other payables approximates fair value because of the short period to maturity, except for derivatives held for risk management, refer to note 31. The fair value of derivatives is based on market valuations.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 26. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND LITIGATION STATEMENT

Datacentrix Proprietary Limited (a wholly-owned subsidiary) has been cited in an application in the High Court of South Africa seeking to review and to set aside a bid awarded to the Company in January 2015, as communicated in the SENS announcement issued by the Board on 14 April 2016, 15 April 2016 and 6 September 2016. Datacentrix and the Department of Justice and Constitutional Development ("DOJ") are opposing the matter.

A hearing was held on 15 September 2016 to decide on a further application for an urgent interim interdict, preventing the DOJ from further executing the contract relating to the awarded bid, pending the outcome of the first application. Shareholders are advised that on 20 September 2016, the court ordered that the further application for an urgent interim interdict was not urgent and struck it from the roll with costs. These costs include the costs of two counsel in respect of both the DOJ and Datacentrix Proprietary Limited. The first application is still an on-going matter and any material developments will be communicated to shareholders.

The directors of the Company are not aware of any other legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, from 1 March 2016 up to the date of this notice, a material effect on the Group's financial position.

The following bank guarantees were in place for subsidiary companies:

- R697,010 (Feb 2016: R697,010) for rental payments for Datacentrix Proprietary Limited with the beneficiary being IFOUR Properties Three Proprietary Limited;
- R533,376 (Feb 2016: R533,376) for rental payments for Datacentrix Proprietary Limited with the beneficiary being Parch Properties 74 Proprietary Limited;
- R315,700 (Feb 2016: R315,700) for rental payments for Datacentrix Proprietary Limited with the beneficiary being United African Marine Insurance Proprietary Limited.
- R331,988 (Feb 2016: R331,988) performance guarantee for Infrasol Proprietary Limited with the beneficiary being Stefanutti Stocks Building Gauteng Proprietary Limited.
- R193,410 (Feb 2016: R193,410) performance guarantee for Merqu Communications Proprietary Limited with the beneficiary being Anglo Operations Proprietary Limited.

A subsidiary of the Group, Infrasol Proprietary Limited, has cross-suretyship and a short-term contingent sharing facility in place in favour of some subsidiaries of Pinnacle Holdings Limited to the value of R24.9 million and R1.9 million respectively.

There are unlimited cross-suretyships, excluding the cession of loan accounts, between all the subsidiaries and the Company for bank facilities. There were no contingent liabilities or capital commitments at the reporting date.

## 27. OPERATING LEASE ARRANGEMENTS

Operating leases relate to office facilities with lease terms of between one to five years as well as leases relating to the rental of equipment used in delivering services to customers. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases relating to office facilities, which fall due as follows:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Within one year	14 642	16 843
Within 2-5 years	35 378	39 351
	<b>50 020</b>	<b>56 194</b>

At the end of the reporting date, the Group had outstanding commitments under non-cancellable operating leases relating to equipment, which fall due as follows:

Within one year	6 367	7 077
Within 2-5 years	4 511	4 652
	<b>10 878</b>	<b>11 729</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 28. SHARE-BASED PAYMENT

### Equity-settled share option scheme

The group scheme provides for a grant price equal to the average quoted market price of the group shares on the date of grant. The vesting period is 12 to 54 months for employees and 12 to 36 months for directors. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the option vests. Share options exercised are equity-settled through the Share Trust. Datacentrix Holdings Limited funds the cash flow of the trust and has the obligation to fund the deficit of the trust on termination. The reporting period in which an employee may exercise his/her options are indicated below.

The inputs into the binomial model are as follows:

Exercise price	June 2016	June 2017	June 2018	June 2019	Total
270 cents	32 500	-	-	-	32 500
310 cents	15 000	-	-	-	15 000
360 cents	6 250	2 500	1 250	-	10 000
370 cents	3 750	2 500	2 500	1 250	10 000
385 cents	1 875	1 250	1 250	625	5 000
387 cents	937	625	625	313	2 500
390 cents	937	625	625	313	2 500
397 cents	1 333 334	-	-	-	1 333 334
400 cents	61 875	1 250	1 250	625	65 000
422 cents	1 729 165	-	-	-	1 729 165
431 cents	2 166 667	-	-	-	2 166 667
436 cents	1 875	1 250	1 250	625	5 000
437 cents	40 000	-	-	-	40 000
463 cents	7 000	1 000	-	-	8 000
475 cents	4 375	625	-	-	5 000
485 cents	25 000	-	-	-	25 000
487 cents	10 000	-	-	-	10 000
490 cents	3 954 167	279 167	-	-	4 233 334
499 cents	75 000	-	-	-	75 000
500 cents	20 000	-	-	-	20 000
520 cents	7 500	2 500	-	-	10 000
539 cents	15 000	-	-	-	15 000
<b>Total</b>	<b>9 512 207</b>	<b>293 292</b>	<b>8 750</b>	<b>3 751</b>	<b>9 818 000</b>

**Expected volatility:** The historical volatility percentages used were calculated over the entire period of each grant from listing date of the share.

**Expected life:** 12 to 54 months for employees, with 12 to 36 months for executive directors.

**Risk free rate:** The zero-coupon bond curve interest rate was used for each grant date in determining this rate.

**Expected dividends:** A dividend yield of 7.5% (Feb 2016: 7.5%), continuously compounded, was used based on industry averages.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 28. SHARE-BASED PAYMENT (continued)

### Equity-settled share option scheme (continued)

	Group	
	Jun 2016 Number of Share Options	Feb 2016 Number of Share Options
Outstanding at the beginning of the period	9 906 752	21 784 798
Granted during the period	-	-
Exercised during the period	(50 000)	(11 705 446)
Forfeited during the period	(38 752)	(172 600)
Outstanding at the end of the period	9 818 000	9 906 752

The weighted average share price at the date of exercise for share options exercised during the year was R4.33 (Feb 2016: R4.37).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous years since listing. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The estimated fair value of the options at the reporting date amounts to R13,427,100 (Feb 2016: R13,548,471). The trust deed makes provision for additional shares to be issued to the trust in the event of the options exercised exceeding the shares held by the trust.

## 29. RETIREMENT BENEFIT PLANS

The Alexander Forbes Provident Fund with 1,047 members (Feb 2016: 1,090 members) and the Momentum Wealth Provident Fund with 20 members (Feb 2016: 27) (all ex-Nokusa Engineering Informatics Proprietary Limited employees) are defined contribution funds of which the majority of the Group's permanent employees are members. These funds have been registered by the Registrar of Pension Funds and are governed by the Pension Funds Act 24 of 1956. The Group does not provide any post-retirement medical benefits to its employees.

## 30. EVENTS AFTER REPORTING DATE

The following non-adjusting event took place after the reporting date:

### Share buyback

After 11 July 2016, the Board has exercised its authority, obtained in June from its regulator and at the last two AGMs from its shareholders by way of special resolution in terms of Sections 46 and 48 of the Companies Act of South Africa (Act 71 of 2008), as amended, and mandated a buy-back of issued ordinary shares of the Company, to a maximum of 5% of the issued ordinary shares. Since the mandate, 5,091,472 ordinary shares have been bought back totalling 2.48% of the total issued share capital (excluding treasury shares).

### Change in company secretary

Ms L Grobler was appointed as the company secretary on 4 July 2016, replacing Mr JV Parkin.

### Inventory

On 8 August 2016, inventory items were stolen from the Samrand warehouse. As per the group policy, all items are adequately insured and covered against theft. No potential operating losses are expected to be incurred in terms of the theft of these items.

### Legal proceedings

Refer to note 26 for the detailed disclosure in terms of the legal proceedings.

Other than mentioned in this report, there were no other material events after the reporting date that require disclosure.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure of the Group, the board of directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. This strategy remains unchanged from February 2016.

There are no externally imposed capital requirements.

The debt to equity ratio of the Group is 0.37 (2016: 0.53). The total debt of the Group excludes deferred revenue, deferred tax liabilities and operating lease liabilities. The main contributing factors to the improvement of this ratio are related to the decrease in trade and other payables as well as the settlement of the loans payable relating to the acquisition of eNetworks Proprietary Limited. Refer to note 14.

### Estimation of fair values

The following summarises the valuation methods and assumptions used in estimating the fair values of financial instruments reflected in the tables below.

### Loans and receivables

The carrying value of loans and receivables, which include cash and cash equivalents, with a remaining life of less than one year approximates fair value due to the short-term period to maturity. The fair value of long-term receivables is calculated based on the present value of future principal and interest cash flows.

### Other financial liabilities

The carrying value of other financial liabilities with a maturity of less than one year approximates fair value due to their short-term nature. For longer maturities fair value is calculated based on the present value of future principal and interest cash flow.

### Forward exchange contracts

The fair value of forward exchange contracts is based on observable inputs, quoted in the market, within the valuation model, which compares the contracted forward rate to the present value of the current forward rate on an equivalent contract with the same maturity date.

### Investments

The fair value of held-to-maturity investments is calculated based on the present value of future principal and dividend cash flows.

### Fair value hierarchy

The tables below analyse financial instruments carried at cost, which approximated fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS (continued)

## Categories of financial instruments

GROUP	Loans and receivables	Total	Fair value
Jun 2016	R'000	R'000	R'000
<b>Financial assets</b>			
Long-term receivable	3 574	3 574	3 574
Finance lease receivables	763	763	763
Trade and other receivables excluding prepayment	573 161	573 161	573 161
Cash and cash equivalents	122 502	122 502	122 502
	700 000	700 000	700 000
<b>Feb 2016</b>			
<b>Financial assets</b>			
Long-term receivable	4 173	4 173	4 173
Finance lease receivables	489	489	489
Trade and other receivables excluding prepayment	636 499	636 499	636 499
Cash and cash equivalents	120 477	120 477	120 477
	761 638	761 638	761 638

GROUP	Fair value hierarchy	Liabilities at amortised cost	Fair value through profit or loss	Total	Fair value
Jun 2016		R'000	R'000	R'000	R'000
<b>Financial liabilities</b>					
Finance lease liabilities	-	763	-	763	763
Loan payable	-	-	-	-	-
Derivatives held for risk management*	2	-	1 915	1 915	1 915
Trade and other payables, excluding VAT payable and derivatives	-	259 390	-	259 390	259 390
		260 153	1 915	262 068	262 068
<b>Feb 2016</b>					
<b>Financial liabilities</b>					
Finance lease liabilities	-	489	-	489	489
Loan payable	-	13 658	-	13 658	13 658
Derivatives held for risk management*	2	-	2 698	2 698	2 698
Trade and other payables, excluding VAT payable and derivatives	-	339 360	-	339 360	339 360
		353 507	2 698	356 205	356 205

\* This liability is disclosed as part of the trade and other payables line item in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**31. FINANCIAL INSTRUMENTS (continued)****Categories of financial instruments (continued)**

<b>COMPANY</b>	<b>Loans and receivables</b>	<b>Total</b>	<b>Fair value</b>
<b>Jun 2016</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Financial assets</b>			
Loan to share trust	6 627	6 627	6 627
Trade and other receivables	194	194	194
Cash and cash equivalents	3	3	3
	<b>6 824</b>	<b>6 824</b>	<b>6 824</b>

<b>Feb 2016</b>			
<b>Financial assets</b>			
Loan to share trust	6 627	6 627	6 627
Trade and other receivables	199	199	199
Cash and cash equivalents	-	-	-
	<b>6 826</b>	<b>6 826</b>	<b>6 826</b>

<b>COMPANY</b>	<b>Liabilities at amortised cost</b>	<b>Total</b>	<b>Fair value</b>
<b>Jun 2016</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Financial liabilities</b>			
Trade and other payables	569	569	569
	<b>569</b>	<b>569</b>	<b>569</b>

<b>Feb 2016</b>			
<b>Financial liabilities</b>			
Trade and other payables	332	332	332
	<b>332</b>	<b>332</b>	<b>332</b>

**Financial risk management objectives**

The Group's financial function provides services to the business and co-ordinates access to domestic and international financial markets. The Executive Committee monitors and manages the financial risks relating to the operations of the Group through monthly analysis reports, which analyse risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk, and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group only enters into derivative financial instruments to manage its exposure to foreign currency risk; being forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS (continued)

## Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

## Forward foreign exchange contracts

It is the policy of the Group to enter into forward exchange contracts to cover all foreign currency payments and receipts within 100% of the exposure generated. Forward exchange contracts are entered into for most transactions as frequent purchases are made from foreign entities. On short-term contracts, currency fluctuations are passed onto customers. Limited currency risks related to long-term contracts exist.

Jun 2016	Contract foreign currency value FC'000	Spot rate	Contract spot rate value R'000	Contract nominal value R'000	Contract revalued value R'000	Fair value FEC liability* R'000
US Dollar	4 094	14.72	60 264	62 463	60 556	1 907
Euro	24	16.36	393	409	395	14
GBP	-	19.78	-	-	-	-
			60 657	62 872	60 951	1 921
<b>Feb 2016</b>						
US Dollar	6 644	15.90	105 618	113 609	110 676	2 933
Euro	3	17.31	52	54	53	1
GBP	-	22.05	-	-	-	-
			105 670	113 663	110 729	2 934

\* This liability is disclosed as part of the trade and other payables line item in the statement of financial position.

## Foreign currency sensitivity

The following table indicates the Group's sensitivity at reporting date to the indicated movements in foreign exchange on financial instruments including forward foreign exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the Group and represents management's assessment of the possible change in reporting foreign currency exchange rates. The Group is exposed to movements in the exchange rates related to the British Pound Sterling, the Euro and the US Dollar. The US Dollar is the primary currency to which the Group is exposed.

<b>Jun 2016</b>	<b>USD 1:</b>	<b>R13.54</b>	<b>R14.72</b>	<b>R15.89</b>	<b>R17.17</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	(3 584)	(3 896)	(4 206)	(4 544)
<b>Feb 2016</b>	<b>USD 1:</b>	<b>R14.63</b>	<b>R15.90</b>	<b>R17.17</b>	<b>R18.55</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	(5 305)	(5 766)	(6 227)	(6 727)
<b>Jun 2016</b>	<b>Euro 1:</b>	<b>R15.05</b>	<b>R16.36</b>	<b>R17.67</b>	<b>R19.08</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	(16)	(17)	(18)	(20)
<b>Feb 2016</b>	<b>Euro 1:</b>	<b>R15.93</b>	<b>R17.31</b>	<b>R18.69</b>	<b>R20.19</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	(270)	(294)	(316)	(342)
<b>Jun 2016</b>	<b>GBP 1:</b>	<b>R18.20</b>	<b>R19.78</b>	<b>R21.36</b>	<b>R23.07</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	-	-	-	-
<b>Feb 2016</b>	<b>GBP 1:</b>	<b>R20.29</b>	<b>R22.05</b>	<b>R23.81</b>	<b>R25.72</b>
Effect on profit or loss i.e. gain on foreign exchange*	R'000	4	4	4	5

\* Effect on equity is equal to the effect on profit or loss (excluding tax effects thereon).

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS (continued)

### Interest rate risk management

The Group's exposure to interest rate risk is on a floating rate basis. At the reporting date the interest rate profile of the Group's interest-bearing financial instrument was:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
Interest-bearing financial assets	763	489
Interest-bearing financial liabilities	(763)	(14 147)
Cash and cash equivalents	122 502	120 477
	122 502	106 819

### Cash flow sensitivity analysis

A change of 150 basis points (Feb 2016: 150 points) in interest rates at the reporting date would have increased profit or loss by the amounts shown below. This analysis assumes that the other variables remain constant and is based on closing balances compounded annually.

	Profit	
	150 basis point increase R'000	150 basis point increase R'000
Variable interest rate instruments	1 838	1 602

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Financial assets are considered or assessed to be neither past due nor impaired except certain trade receivables as set out below.

Trade receivables consist of a large number of customers, spread across diverse industries. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS (continued)

### Credit risk management (continued)

The Group has the following amounts due from major customers:

<b>Jun 2016</b>	<b>Number of customers</b>	<b>Value R'000</b>	<b>%</b>
Greater than R5 million	26	302 765	53
Greater than R2 million but less than R5 million	40	125 476	22
Less than R2 million	860	140 400	25
	<b>926</b>	<b>568 641</b>	<b>100</b>
<b>Feb 2016</b>			
Greater than R5 million	27	396 221	62
Greater than R2 million but less than R5 million	33	99 412	16
Less than R2 million	910	136 646	22
	<b>970</b>	<b>632 279</b>	<b>100</b>

The Group has the following amounts included in trade debtors, which are past due but not impaired:

<b>Jun 2016</b>	<b>Carrying amount R'000</b>
60 days	34 506
90 days and longer	110 387
	<b>144 893</b>
<b>Feb 2016</b>	
60 days	29 879
90 days	94 119
	<b>123 998</b>

The entity is exposed to credit risk management in terms of finance lease receivables as disclosed in note 16 and cash and cash equivalents as disclosed in note 21.

The Group has the following geographical split in terms of trade debtors:

<b>Jun 2016</b>	<b>Carrying amount R'000</b>
South Africa	486 867
Outside of South Africa	81 774
	<b>568 641</b>
<b>Feb 2016</b>	
South Africa	603 686
Outside of South Africa	28 593
	<b>632 279</b>

All transactions with foreign trade debtors are denominated in South African Rands (ZAR) and thus no foreign currency risk related to the trade debtors exist.

Due to the nature of the various regulations and legislation of each specific country, the total trade debtors exposed to the repatriation risk is set out above. The transfer or conversion risk associated with the foreign clients is mitigated by the fact that most of the foreign clients have the ability to transact in US Dollars. The entity has foreign bank facilities to cater for these fund receipts.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 31. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk

Liquidity risk is mainly attributable to the trade and other payables, but current cash and cash equivalents are sufficient to ensure payment of these balances.

The liquidity risk extends to the finance lease liabilities as set out in note 24, the loan payable set out in note 14 and the trade and other payables as set out in note 25.

Note 21 provides details of facilities available to the Group in the management of liquidity risk. The Group has unutilised primary lending facilities of R10 million (Feb 2016: R100 million).

Derivative and non-derivative maturity analysis – financial liabilities:

<b>GROUP</b>	<b>Carrying value</b>	<b>Up to</b>	<b>3-12</b>	<b>1-2 years</b>	<b>2-5 years</b>
<b>Jun 2016</b>	<b>R'000</b>	<b>3 months</b>	<b>months</b>	<b>R'000</b>	<b>R'000</b>
		<b>R'000</b>	<b>R'000</b>		<b>R'000</b>
<b>Financial liabilities</b>					
Finance lease liabilities	763	-	763	-	-
Loan payable	-	-	-	-	-
Derivatives held for risk management	1 915	1 915	-	-	-
Trade and other payables, excluding VAT payable and derivatives	259 390	259 390	-	-	-
	<b>262 068</b>	<b>261 305</b>	<b>763</b>	<b>-</b>	<b>-</b>
<b>Feb 2016</b>					
<b>Financial liabilities</b>					
Finance lease liabilities	489	-	489	-	-
Loan payable	13 658	13 658	-	-	-
Derivatives held for risk management	2 698	2 698	-	-	-
Trade and other payables, excluding VAT payable and derivatives	339 360	339 360	-	-	-
	<b>356 205</b>	<b>355 716</b>	<b>489</b>	<b>-</b>	<b>-</b>

## 32. BORROWING POWERS OF THE COMPANY AND ITS SUBSIDIARIES

The borrowing powers of Datacentrix Holdings Limited's directors are unlimited. The directors of the subsidiaries are governed by an approval framework, which is renewed by the board of directors on an annual basis.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 33. OPERATING SEGMENT INFORMATION

All the Group's principle operational activities are conducted within South Africa although cross-border revenue transactions are conducted in the rest of Africa.

For reporting purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

- ▶ Technology Solutions – supply of ICT infrastructure and integrated solutions;
- ▶ Managed Services – supply of IT services;
- ▶ Business Applications – supply of business solutions; and
- ▶ Corporate – subsidiaries, special purpose entities of the Group.

Segment assets and liabilities and segment cash flows are not separately reported to the chief operating decision maker (CEO).

	Managed Services R'000	Technology Solutions R'000	Business Applications R'000	Corporate R'000	Group R'000
<b>Jun 2016</b>					
<b>Revenue</b>	224 367	680 004	57 367	-	961 738
<b>EBITDA</b>	27 710	31 834	6 150	-	65 694
<b>Operating profit</b>	22 927	27 306	5 726	(1 206)	54 753
Net interest	-	-	-	3 253	3 253
<b>Profit before tax</b>	22 927	27 306	5 726	2 047	58 006
Income tax expense	(6 668)	(7 942)	(1 666)	(595)	(16 871)
<b>Total comprehensive income for the period#</b>	<b>16 259</b>	<b>19 364</b>	<b>4 060</b>	<b>1 452</b>	<b>41 135</b>
<b>Feb 2016</b>					
<b>Revenue</b>	622 840	1 823 717	162 699	-	2 609 256
<b>EBITDA</b>	96 956	81 979	17 302	-	196 237
<b>Operating profit</b>	78 477	73 005	15 840	(3 022)	164 300
Net interest	28	-	-	9 152	9 180
<b>Profit before tax</b>	78 505	73 005	15 840	6 130	173 480
Income tax expense	(22 834)	(21 171)	(4 594)	(1 710)	(50 309)
<b>Total comprehensive income for the period#</b>	<b>55 671</b>	<b>51 834</b>	<b>11 246</b>	<b>4 420</b>	<b>123 171</b>

# The total comprehensive income for the period/year represents profit for the reporting period as no element of other comprehensive income exists.

The total revenue includes sales to customers outside of South Africa amounting to R98.6 million (Feb 2016: R167.6 million).



# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 34. RELATED PARTY TRANSACTIONS

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. These transactions with related parties occurred under terms that are not less favourable than those arranged with third parties.

### Subsidiaries and equity-accounted investee

Details of investments in subsidiaries and the equity-accounted investee are disclosed in note 13 and 14. No goods and services were sold by the Company to its subsidiaries. Transactions between subsidiaries are eliminated on consolidation for group results.

### Shareholders

The principal shareholders of the Company are detailed in the shareholders' analysis in note 38. Details on dividends declared/paid to shareholders are disclosed in the statement of changes in equity and note 9.

### Share trust

The detail of the loan between the Company and the Datacentrix Holdings Share Trust is set out in note 18.

### Other transactions and balances

The Group had the following transactions and balances with related parties:

	Group	
	Jun 2016 R'000	Feb 2016 R'000
<b>Sales to related parties included in revenue</b>		
Axis Proprietary Limited	1 852	9 541
Infrasol Proprietary Limited	-	-
Pinnacle Micro Proprietary Limited	365	522
Pinnacle Technology Shared Management Services Proprietary Limited	3 034	29
Electronic-DNA Proprietary Limited	632	2 408
Solareff Proprietary Limited	33	-
<b>Purchases from related parties included in cost of sales</b>		
Axis Proprietary Limited	108 419	251 573
Centrafin Proprietary Limited	1 576	5 518
Infrasol Proprietary Limited	-	-
Electronic-DNA Proprietary Limited	2 050	6 038
Modrac Proprietary Limited	-	65
Pinnacle Business Solutions Proprietary Limited	149	228
Pinnacle Micro Proprietary Limited	25 038	95 350
Pinnacle Technology Shared Management Services Proprietary Limited	5 967	3 070
Pinnacle Africa Proprietary Limited	122	-
Pinnacle Bloemfontein Proprietary Limited	127	-
Pinnacle Durban Proprietary Limited	86	-
<b>Dividends paid</b>		
Pinnacle Holdings Limited (through a subsidiary company)	-	14 652
<b>Balances owing by related parties included in trade and other receivables</b>		
Electronic-DNA Proprietary Limited	2 942	2 564
Axiz Proprietary Limited	406	-
Pinnacle Micro Proprietary Limited	347	-
Solareff Proprietary Limited	38	57
Pinnacle Technology Shared Management Services Proprietary Limited	3 456	-

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

## 34. RELATED PARTY TRANSACTIONS (continued)

### Other transactions and balances (continued)

	Group	
	Jun 2016 R'000	Feb 2016 R'000
<b>Balances owing to related parties included in trade and other payables</b>		
Axis Proprietary Limited	13 082	31 293
Centrafin Proprietary Limited	-	491
Pinnacle Business Solutions Proprietary Limited	25	15
Pinnacle Micro Proprietary Limited	2 473	20 051
Pinnacle Technology Shared Management Services Proprietary Limited	2	130
Electronic-DNA Proprietary Limited	1 704	1 566
<b>Acquisition of Infracol Proprietary Limited and Merqu Communications Proprietary Limited</b> (refer note 14)	-	85 000

### Key management personnel

The details of the remuneration paid to key management personnel are set out in note 2.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**35. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM/(UTILISED IN) OPERATIONS**

	Group		Company	
	Jun 2016 R'000	Feb 2016 R'000	Jun 2016 R'000	Feb 2016 R'000
<b>Profit before taxation</b>	58 006	173 480	(400)	29 037
Adjusted for:	4 625	17 426	(3 101)	(26 806)
Profit on sale of property, equipment and intangibles	(35)	(335)	-	-
Depreciation of property and equipment	6 314	18 713	-	-
Amortisation of intangibles	4 627	13 224	-	-
Interest received	(3 463)	(10 761)	(1)	(9)
Dividend received	-	-	-	(30 000)
Smoothing of operating leases	157	97	-	-
Share-based payments	(3 100)	3 203	(3 100)	3 203
Deficit on sale of treasury shares directly accounted in equity	(70)	(8 231)	-	-
Finance costs	195	1 516	-	-
<b>Operating profit before working capital changes</b>	62 631	190 906	(3 501)	2 231
Working capital changes	(33 872)	(167 304)	242	3
Inventories	43 859	(120 540)	-	-
Trade and other receivable	17 168	(163 955)	4	(4)
Finance lease receivables	(274)	6 702	-	-
Trade and other short-term payables	(94 625)	110 489	238	7
Cash generated from (utilised in) operations	28 759	23 602	(3 259)	2 234

**36. INCOME TAX PAID**

Opening balance	544	1 694	-	(3)
Profit or loss expense	(16 871)	(50 309)	-	-
Current expense acquired in business combination	-	2 579	-	-
Movement in deferred tax balance	7 398	889	-	-
Deferred tax acquired in business combination	-	(2 230)	-	-
Closing balance	2 346	(544)	(2)	-
	(6 583)	(47 921)	(2)	(3)

**37. INTEREST RECEIVED**

Interest included in investment income	3 448	10 696	1	9
Interest in finance lease receivables included in revenue	15	65	-	-
	3 463	10 761	1	9

# NOTES TO THE FINANCIAL STATEMENTS continued

for the four-month period ended 30 June 2016

**38. SHAREHOLDER ANALYSIS**

Major shareholders	Jun 2016		Feb 2016	
	Number of shares	%	Number of shares	%
DCT Holdings Proprietary Limited	108 311 512	53	108 311 512	53
Directors, management and staff	880 109	2	630 109	1
Datacentrix Holdings Share Trust	9 167 692	4	9 417 692	4
General public and corporate investors				
- PIC	22 963 100	11	22 963 100	11
- 36One Asset Management	17 379 017	8	15 453 709	7
- Sanlam	4 292 690	2	4 291 790	2
- Old Mutual Funds	-	-	412 253	1
- Investec	3 022 234	1	3 231 575	1
- Other	39 249 329	19	40 553 943	20
	205 265 683	100	205 265 683	100

Jun 2016	Number of shareholders	%	Number of shares	%
1 to 10 000 shares	1 392	88	2 980 191	1
10 001 to 50 000 shares	110	7	2 826 672	1
50 001 to 100 000 shares	20	1	1 450 299	1
100 001 to 500 000 shares	30	2	7 390 752	4
500 001 to 1 000 000 shares	12	1	9 175 840	5
1 000 001 shares and over	19	1	181 441 929	88
	1 583	100	205 265 683	100

Feb 2016	Number of shareholders	%	Number of shares	%
1 to 10 000 shares	1 043	82	2 232 270	1
10 001 to 50 000 shares	145	11	3 169 649	2
50 001 to 100 000 shares	21	2	1 457 774	1
100 001 to 500 000 shares	39	3	9 246 237	4
500 001 to 1 000 000 shares	15	1	10 756 906	5
1 000 001 shares and over	19	1	178 402 847	87
	1 282	100	205 265 683	100

**Public and non-public shareholders**

Jun 2016	Number of shareholders	%	Number of shares	%
Non-public shareholders	3	0.3	10 047 801	4.9
- Directors, management and staff	2	0.2	880 109	0.4
- Datacentrix Holdings Share Trust	1	0.1	9 167 692	4.5
Public shareholders	1 580	99.7	195 217 882	95.1
	1 583	100	205 265 683	100

Feb 2016	Number of shareholders	%	Number of shares	%
Non-public shareholders	3	0.2	10 047 801	4.9
- Directors, management and staff	2	0.2	630 109	0.3
- Datacentrix Holdings Share Trust	1	0.1	9 417 692	4.6
Public shareholders	1 279	99.8	195 217 882	95.1
	1 282	100	205 265 683	100

# NOTICE OF ANNUAL GENERAL MEETING

## Datacentrix Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1998/006413/06)

Share code: DCT; ISIN: ZAE000016051

("Datacentrix" or "the Company")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given of the nineteenth annual general meeting ("AGM") of shareholders of the Company, which will be held at the registered office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria Road, Midrand, 1685 on Friday, 25 November 2016 at 09:00 to deal with the business as set out below and to consider and if deemed fit, to pass, with or without modification, the ordinary and special resolutions as set out in this notice.

## Record date

The board of directors of the Company (the "Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act"), the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday 18 November 2016. Accordingly, the last day to trade Datacentrix shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 15 November 2016.

## Presentation of financial statements

The audited financial statements of the Company for the period ended 30 June 2016, including the directors' report, the independent auditor's report and the report of the Audit and Risk Committee, to be presented as required in terms of section 30(3)(d) of the Companies Act.

## Report from the Social, Ethics and Remuneration Committee

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act, the chairman of the Social, Ethics and Remuneration Committee, or in the absence of the chairman any member of the Committee, will present the Committee's report to shareholders at the AGM.

## Ordinary resolutions 1.1 to 1.2: Re-election of directors

In accordance with the provisions of the Company's Memorandum of Incorporation the appointment of any directors appointed by the Board shall be approved by shareholders at the first AGM following such appointment. One third of the non-executive directors, excluding the newly appointed director, must retire from office at the AGM and may, if eligible and willing, offer themselves for re-election. In terms hereof, Mr A Fourie and Ms N Fakude will be retiring from office at the AGM. Mr A Fourie and Ms N Fakude have confirmed their willingness to continue to serve as members of the Board. Brief biographical details of each of the aforementioned directors, and the balance of the Board are contained in the Governance section under the board of directors of the integrated report of which this notice forms part.

Ordinary resolution 1.1

**"RESOLVED THAT** Mr A Fourie be and is hereby elected as a director of the Company."

Ordinary resolution 1.2

**"RESOLVED THAT** Ms N Fakude be and is hereby re-elected as a director of the Company."

# NOTICE OF ANNUAL GENERAL MEETING continued

## **Ordinary resolutions 2.1 to 2.3: Appointment to Audit and Risk Committee**

In terms of section 94(2) of the Companies Act, a public company must at each AGM elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation. In order to fill the vacancies on the Audit and Risk Committee, the Board resolved to appoint Ms D Nyamane and Mr A Martin, as a member and Chairman of the Committee respectively, having considered the recommendations of King III as well as the current composition of the Board. The other member of the Committee is an independent non-executive director.

The Board is satisfied that the proposed members of the Audit and Risk Committee meet all relevant statutory requirements, including being independent non-executive directors as defined by King III. The appointments of Ms D Nyamane and Mr A Martin, as a member and Chairman of the Committee respectively, will be subject to their re-election as directors of the Company.

Ordinary resolution 2.1

**"RESOLVED THAT** Mr A Martin be and is hereby elected as a member and Chairman of the Audit and Risk Committee."

Ordinary resolution 2.2

**"RESOLVED THAT** Ms D Nyamane be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution 2.3

**"RESOLVED THAT** Ms N Fakude be and is hereby elected as a member of the Audit and Risk Committee."

## **Ordinary resolution 3: Appointment of external auditors**

SizweNtsalubaGobodo Inc., has indicated its willingness to continue in office and ordinary resolution 3 proposes the re-appointment of SizweNtsalubaGobodo Inc. as the Company's independent auditors by shareholders. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in section 90(2) thereof. The Board is satisfied that both SizweNtsalubaGobodo Inc. and the designated auditor, Alex Philippou, meet all relevant requirements.

**"RESOLVED THAT** SizweNtsalubaGobodo Inc. be and is hereby re-appointed as the Company's independent external auditors, with Alex Phillipou being the individual registered auditor, until the next AGM."

## **Ordinary resolution 4: Authority to issue authorised but unissued ordinary shares**

In terms of the Companies Act, directors are authorised to allot and issue the authorised but unissued ordinary shares of the Company, unless otherwise provided in the Company's Memorandum of Incorporation or in instances as set out in section 41 of the Companies Act, 2008. In accordance with the provisions of the Company's Memorandum of Incorporation, shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion, provided that such corporate action(s) has/have been approved by JSE Limited and are subject to the Listing Requirements of JSE Limited ("JSE Listings Requirements"). The directors confirm that, as at the date of this notice, there is no specific intention to issue any shares, other than as part of and in terms of the rules of the Company's share incentive schemes. This authority is furthermore, as per the ordinary resolution 4, set out below, limited to a maximum of 5% of the total issued ordinary shares of the Company as at the date of this notice.

**"RESOLVED THAT** the board of directors be and are hereby authorised by way of a general authority to allot and issue at their discretion up to 5% (five percent) of the total issued ordinary shares of the Company as at the date of this notice and/or to grant options to subscribe for such authorised but unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such corporate action(s) has/have been approved by JSE Limited and are subject to the JSE Listings Requirements and the requirements of the Companies Act, 2008 (Act 71 of 2008), as amended."

# NOTICE OF ANNUAL GENERAL MEETING continued

## **Ordinary resolution 5: Authority to issue shares, and to sell treasury shares, for cash**

**"RESOLVED THAT** the directors of Datacentrix Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to –

- ▶ allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- ▶ sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company;

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements from time to time, subject to the following conditions as required by the JSE Listings Requirements:

- ▶ this general authority will be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- ▶ the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- ▶ any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- ▶ the securities which are the subject of a general issue for cash may not exceed 5% (five percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 9,792,399 securities. Any securities issued under this authorisation will be deducted from the aforementioned 9,792,399 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio;
- ▶ in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- ▶ an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the Company and the parties subscribing for the securities and an explanation including supporting information (if any), of the use of the funds, will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- ▶ whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, ordinary resolution number 5 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all shareholders present or represented by proxy at the AGM.

## **Ordinary resolution 6: Group remuneration policy**

The King Report on Corporate Governance for South Africa, 2009 ("King III") recommends that the remuneration policy of the Company be submitted to shareholders for consideration and approval by way of an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company. Shareholders are referred to the remuneration policy as contained on pages 32 to 37 of the integrated report of which this notice forms part.

**"RESOLVED**, by way of a non-binding, advisory vote, that the remuneration policy of the Company be and is hereby approved."



# NOTICE OF ANNUAL GENERAL MEETING continued

## Special resolution 1: Non-executive directors' fees

In terms of sections 66(8) and 66(9) of the Companies Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company. In terms of the provisions of the Companies Act, special resolution number 1 requires the approval from at least 75% (seventy five percent) of the votes exercised by shareholders present or represented by proxy at the annual general meeting for this resolution to become effective.

**"RESOLVED** by special resolution that the Company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, and that the remuneration structure and amounts as set out below, be and is hereby approved with effect from the current financial year for a period of two years until such time as rescinded or amended by shareholders by way of a special resolution:

	<b>Proposed</b>	<b>Present</b>
Chairman of the Board – annually	R636 000	R636 000
Deputy Chairman - Lead independent director – annually	R250 000	R250 000
Chairman of the Social, Ethics and Remuneration Committee – per meeting	R44 945	R44 945
Chairman of the Audit and Risk Committee – per meeting	R52 810	R52 810
Members of the Board and Social, Ethics and Remuneration Committee – per meeting	R30 340	R30 340
Members of the Audit and Risk Committee – per meeting	R32 360	R32 360

## Special resolution 2: Financial assistance to all related and inter-related companies

**"RESOLVED THAT**, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), the shareholders of Datacentrix Holdings Limited ("the Company") hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 2, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that –

(a) the Board, from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and

(b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

## Explanatory note

The purpose of this special resolution number 2 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation.

Special resolution number 2 to be adopted at this AGM requires the approval from at least 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING continued

**Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act** of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 2:

- (a) By the time that notice of this AGM is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or inter-related company or corporation;
- (b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- (c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

### **Special resolution 3: General approval to acquire shares**

**"RESOLVED**, by way of a general approval that Datacentrix Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE"), as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- ▶ the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- ▶ this general authority shall only be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- ▶ in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- ▶ at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- ▶ the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- ▶ the Company may only effect the repurchase once a resolution has been passed by the board of directors of the Company ("the Board") confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- ▶ the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- ▶ an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

# NOTICE OF ANNUAL GENERAL MEETING continued

## **Explanatory note**

The purpose of this special resolution number 3 is to obtain an authority for, and to authorise, the Company and the its subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Special resolution number 3 to be adopted at this AGM requires the approval from at least 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting.

## **Other disclosure in terms of paragraph 11.26 of the JSE Listings Requirements**

The JSE Listings Requirements require the following disclosure, which is contained in the integrated report of which this notice forms part:

- major shareholders of the Company – page 92; and
- share capital of the Company – page 76.

## **Material change**

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of this notice.

## **Directors' responsibility statement**

The directors, whose names are given in the Governance section under the board of directors of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 3 that have been omitted, which would make any statement in relation to special resolution number 3 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 3 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 3.

## **Adequacy of working capital**

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

## **Ordinary resolution 7: Signing authority**

"RESOLVED THAT each director of Datacentrix Holdings Limited ("the Company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed and duly passed at this AGM."

# NOTICE OF ANNUAL GENERAL MEETING continued

## Electronic participation

Should any shareholder of the Company wish to participate in the AGM by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the company secretary at the applicable address set out below at least 5 (five) business days prior to the AGM in order for the company secretary to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the company secretary to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

## Voting and proxies

On a show of hands, each shareholder who, being a natural person, is present in person or by proxy or, being a body corporate, is present by representative or proxy, shall have one vote. On a poll, if requested, each shareholder, whether present in person or by proxy or by representation, is entitled to one vote for each ordinary share held.

Special resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting, with the exception of ordinary resolution number 5 which requires approval from 75% (seventy five percent) of the votes exercised on such resolution by shareholders present or represented by proxy at the meeting, as required by JSE Limited.

A form of proxy is included for completion by registered certificated shareholders and dematerialised shareholders with own name registration that are unable to attend the AGM and wish to be represented thereat. Forms of proxy must be completed and received by the company secretary no later than 10:00 on Wednesday, 23 November 2016. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the AGM to the exclusion of their appointed proxy(ies) should such member wish to do so.

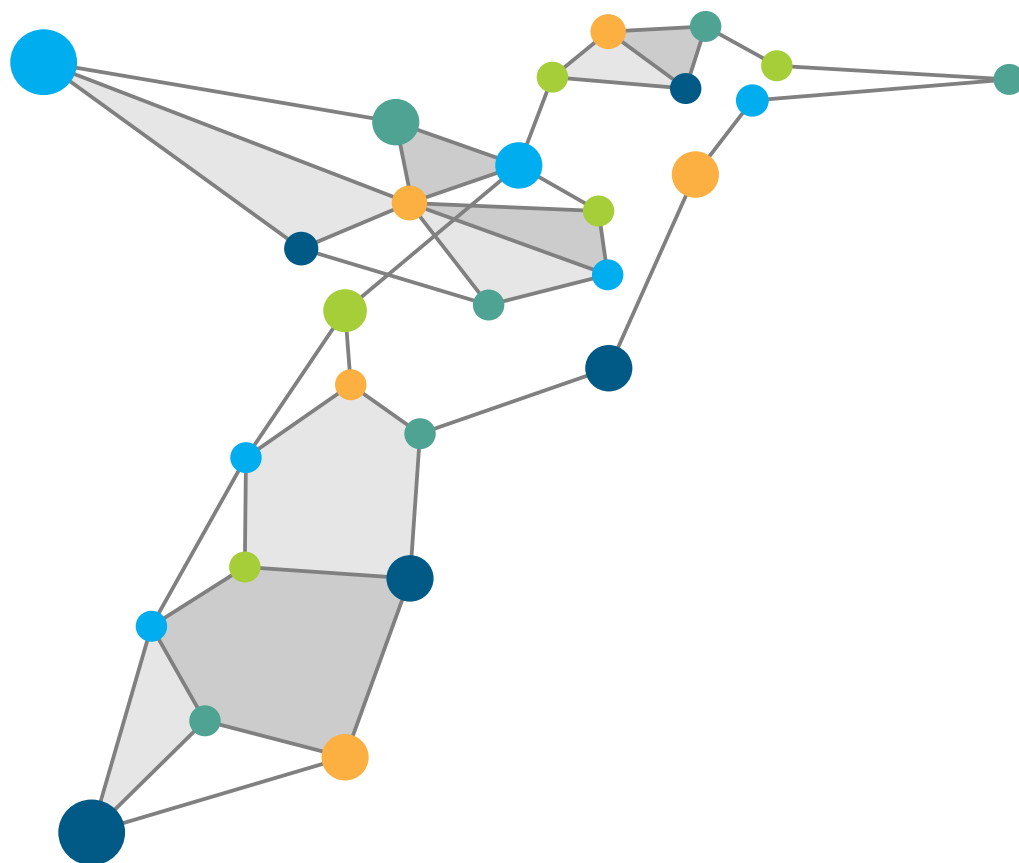
Dematerialised shareholders, other than with own name registration, must inform their CSDP or broker of their intention to attend the AGM and obtain the necessary Letter of Representation from their CSDP or broker to attend the AGM or provide their CSDP or broker with their voting instructions should they not be able to attend the AGM. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and to vote in his/her stead. **Shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Companies Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.**

By order of the Board



Liezel Grobler  
Company Secretary  
Midrand  
6 September 2016



# SHAREHOLDER INFORMATION

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Shareholder information

# SHAREHOLDERS' DIARY

Reporting period end date	30 June
Annual general meeting for the period ended 30 June 2016	25 November 2016

**Results announcements**

Financial statements for the four month period ended 30 June 2016*	30 September 2016
Announcement of annual results to 30 June 2017	September 2017
Annual financial statements for the year ended 30 June 2017	30 September 2017

\* The year end of the Company has been changed from the last day in February to the last day in June.

# PROXY FORM

## Datacentrix Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1998/006413/06)

Share code: DCT; ISIN: ZAE000016051

**(“Datacentrix” or “the Company” or “the Group”)**

For use only by ordinary shareholders who:

- ▶ hold ordinary shares in certificated form (“certificated ordinary shareholders”); or
- ▶ have dematerialised their ordinary shares (“dematerialised ordinary shareholders”) and are registered with “own-name” registration, at the nineteenth annual general meeting (“AGM”) of shareholders of the Company to be held at the office of the Company, Corporate Park North, 238 Roan Crescent, Old Pretoria Main Road, Midrand, 1685 at 09:00 on Friday, 25 November 2016 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with “own-name” registration who wish to attend the AGM must inform their Central Securities Depository Participant (“CSDP”) or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These ordinary shareholders must not use this form of proxy.

I/We (name in block letters) \_\_\_\_\_

of (address) \_\_\_\_\_

Telephone (work) \_\_\_\_\_ Telephone (home) \_\_\_\_\_ Cellphone \_\_\_\_\_

Being the holder(s) of  ordinary shares in the Company, hereby appoint:

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_

2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_

3. the chairman of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat (“resolutions”) and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

PROXY FORM continued

Agenda item	Number of ordinary shares		
	For	Against	Abstain
Ordinary resolution number 1.1 – The election of Mr A Fourie as a director			
Ordinary resolution number 1.2 – The re-election of Ms N Fakude as a director			
Ordinary resolution number 2.1 – The appointment of Mr A Martin as member and Chairman of the Audit and Risk Committee			
Ordinary resolution number 2.2 – The appointment of Ms D Nyamane as member of the Audit and Risk Committee			
Ordinary resolution number 2.3 – The appointment of Ms N Fakude as member of the Audit and Risk Committee			
Ordinary resolution number 3 – The appointment of SizweNtsalubaGobodo Inc. as external auditors of the Company, together with Alex Phillipou, for the ensuing financial year			
Ordinary resolution number 4 – Authority to issue authorised but unissued ordinary shares			
Ordinary resolution number 5 – Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution number 6 – Approval of the group remuneration philosophy			
Special resolution number 1 – Approval of the non-executive directors' fees			
Special resolution number 2 – Financial assistance to related and inter-related companies			
Special resolution number 3 – General approval to acquire shares			
Ordinary resolution number 7 – Signing authority			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable. A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a member of the Company.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2016

Signature \_\_\_\_\_ Assisted by (if applicable) \_\_\_\_\_



# NOTES TO THE PROXY FORM

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name appears first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty-eight hours before the commencement of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairman of the AGM may reject or accept any form of proxy, which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the chairman of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the chairman of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
  - 12.1. any one holder may sign the form of proxy;
  - 12.2. the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to: Computershare Investor Services Proprietary Limited 70 Marshall Street Johannesburg, 2001	Postal deliveries to: Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107
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to be received by no later than 10:00 on Wednesday, 23 November 2016.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

# NOTES TO THE PROXY FORM continued

## **Summary of the rights of a shareholder to be represented by proxy as set out in section 58 of the Companies Act:**

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid until the end of the relevant shareholders' meeting.

A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the "Notes to the proxy".

The completion of a form of proxy does not preclude any shareholder from attending the AGM.

# CONTACT INFORMATION

## **Datacentrix Holdings Limited**

(Incorporated in the Republic of South Africa)  
Registration number: 1998/006413/06  
JSE code: DCT  
ISIN: ZAE000016051

## **Business address and registered office**

Corporate Park North  
238 Roan Crescent, Old Pretoria Road  
Midrand, 1685  
Tel: +27 87 741 5000  
Fax: +27 87 741 5100  
Email: [info@datacentrix.co.za](mailto:info@datacentrix.co.za)  
Website: [www.datacentrix.co.za](http://www.datacentrix.co.za)

## **Company secretary**

Liezel Grobler  
PO Box 483  
Halfway House, 1685  
Email: [LIGrobler@datacentrix.co.za](mailto:LIGrobler@datacentrix.co.za)

## **Share transfer secretaries**

Computershare Investor Services Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107  
Tel: +27 11 370 5000

## **Auditors and reporting accountants**

SizweNtsalubaGobodo Inc. Registered Auditor  
Building 4, Summit Place Office Park  
221 Garsfontein Road, Waterkloof, 0181  
Private Bag X2008, Menlyn, 0063  
Tel: +27 86 117 6782

## **Commercial bankers**

Absa Bank Limited  
2nd Floor, Loerie Place, Hillcrest Office Park  
177 Dyer Road, Hillcrest, Pretoria, 0083  
PO Box 4210, Pretoria, 0001  
Tel: +27 12 366 6000

## **Sponsor**

Merchantec Capital  
2nd Floor, North Block, Hyde Park Office Tower  
Corner 6th Road and Jan Smuts Avenue  
PO Box 41480, Craighall, 2024  
Tel: +27 11 325 6363



[www.datacentrix.co.za](http://www.datacentrix.co.za)