

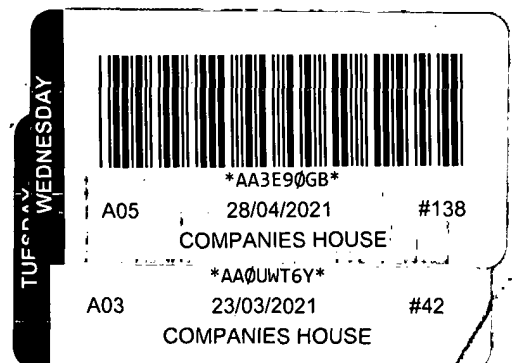
Company Registration No. 04012342

Amending

LOGICALIS GROUP LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 29 FEBRUARY 2020

Amended

A subsidiary of the Company entitled to exemption from audit under Section 479a was excluded from note 31 detailing Section 479a exemptions.



LOGICALIS GROUP LIMITED

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LOGICALIS GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

R B Bailkoski
S E Radcliffe
C A M Pingarilho
J P Montanana
I P Dittrich
M Rogers

Company Secretary

L Dal Bianco (appointed 16 April 2019)
M Grant (Resigned 16 April 2019)

Registered Office

110 Buckingham Avenue
Slough
Berkshire
SL1 4PF

Solicitor

Squire Patton Boggs (UK) LLP
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Banker

HSBC Bank plc
26 Broad Street
Reading
RG1 2BU

Independent Auditor

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

LOGICALIS GROUP LIMITED

STRATEGIC REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 29 February 2020.

Principal activities and business review

Logicalis Group Limited (“Logicalis”) is an international multi-skilled solution provider providing digital enablement services to help customers harness digital technology and innovative services to deliver powerful business outcomes.

Logicalis’ customers cross industries and geographical regions; and the company’s focus is to engage in the dynamics of its customers’ vertical markets; including financial services, TMT (telecommunications, media and technology), education, healthcare, retail, government, manufacturing and professional services and apply the skills of its 6,482 (2019: 6,000) employees (employee figures states as at year end) in modernising key digital pillars; data centre and cloud services, security and network infrastructure, workspace communications and collaboration, data and information strategies and IT operation modernisation.

Logicalis is the advocate for its customers for some of the world’s leading technology companies including Cisco, HPE, IBM, CA Technologies, NetApp, Microsoft, Oracle, VMware, ServiceNow and DellEMC.

Logicalis’ executive management team is focused on building a strong business through organic growth and acquisition and has delivered an acceptable financial performance in the year under review in difficult trading conditions and against the headwinds of a strong US Dollar.

Revenue was \$1,692.1 million (2019: \$1,737.5 million) for the year ended 29 February 2020, including \$18.7 million (2019: \$51.9 million) of revenue from acquisitions made during the year. Revenue performance has declined in Latin America, and Europe primarily as a result of product line shifts in Brazil with more focus on services and the rightsizing of the UK business during FY20. On a constant currency basis (Translating foreign currencies utilising exchange rates in existence during the prior year resulting in a conversion currency adjustment of \$113.5m to arrive at an adjusted revenue figure of \$1,805.6m), revenues increased by 4%, showing trading performance of subsidiaries in relevant local currency.

Logicalis achieved gross margins of 26% (2019: 24%). Gross margins improved in FY20 as Logicalis continued to grow the proportion of more profitable managed service lines resulting in gross profit improving by 7% to \$438.6 million (2019: \$408.5 million).

EBITDA (Or “Operating profit before separable items” please see Consolidated Income Statement for reconciliation) increased by 33% to \$124.4 million (2019: \$93.6 million), resulting in an EBITDA margin of 7.4% (2019: 5.4%). Of this improvement \$19.6 million was a result of the change in accounting caused by applying IFRS 16 during FY20, showing an underlying improvement of \$11.2 million (12% increase). After charges for depreciation and amortisation of intangible assets, impairment of goodwill and intangibles and management fees, operating profit increased by 108% to \$60.7 million (2019: \$29.1million). The improvement in operating profit (refer to Consolidated Income Statement for reconciliation) was as a result of an impairment of goodwill relating to UK operations of \$4.2 million compared to prior year’s impairment of \$29.2 million. On a normalised basis, before goodwill impairment of \$4.2m, operating profit increased by 11% to \$65.0 million from \$58.3 million in 2019, reflecting improved Gross profit cascading down to EBIT and benefits of various cost saving initiatives.

DSO (Days Sales Outstanding, calculated on a cumulative countback method by deducting gross revenue, inclusive of sales taxes from trade receivables) for accounts receivable of 49 days (2019: 58 days) at year-end was mainly driven by a large unwind in LATAM as upfront working capital invested in a number of large deals began to be realised due to large debt factoring arrangements undertaken. Changes in customer mix also influenced this metric. Logicalis’ DPO (Days Payables Outstanding, calculated on a cumulative countback method by deducting gross cost of sales, inclusive of sales taxes from trade payables and accrued product costs) for accounts payable is at 69 days (2019: 92 days) at the end of the financial year. Net cash (Being cash on hand and at bank, less bank overdrafts) was \$11.9 million, 24% less than the \$15.6 million reported at 28 February 2019. This has been largely driven by the use of cash to settle other project related borrowings, particularly in Latin America. The operating cash conversion ratio (being Net cash generated by/(utilised in) operating activities divided by EBITDA) for the year decreased to 31% from 62% in the previous year.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Developments during the year

In September 2019, Logicalis GmbH acquired the Orange Group (Orange Networks GmbH, Orange Networks 365 GmbH) a Microsoft services business focused on Microsoft cloud and managed services, with Germany wide presence including Hamburg, Munich, Offenbach and Dusseldorf. This acquisition advances Logicalis Germany to Microsoft Gold Certified Partner status and enhances its hybrid cloud offering.

In September 2019, Logicalis Group Limited acquired a 70% stake in Cilnet, a Cisco systems integrator and managed services business in Portugal which increases Logicalis' Cisco technical expertise in the Iberian region and complements the existing Spanish operation with data centre, collaboration, networking, infrastructure and managed services capabilities, expanding the offering to the region.

Future prospects

The declaration of COVID-19 as a pandemic by the World Health Organisation (“WHO”) on 11 March 2020, at the start of the Group’s new financial year, heralded an unprecedented global economic and humanitarian crisis.

The Group’s immediate response was to keep employees safe in accordance with government guidelines in all geographies of operation which typically involved maximising working from home, social distancing and all advised measures to limit the spread of COVID-19.

Trading has remained steady since the beginning of the FY21 financial year, although some delays and supply disruptions were experienced especially in countries with highly restrictive lockdowns. Order intake for Q1 FY21 was similar to the corresponding period last year, with revenues for Q1 FY21 slightly lower than Q1 FY20.

The foreign currency exchange effects have been exacerbated so far in Q1 FY21 with the Brazilian Real in particular depreciating dramatically against the US Dollar. Sustained emerging markets currency weakness is expected for the near term.

Collections from customers during the first few months of FY21 have remained in line with historical norms. Logicalis is working with vendors to provide support to customers experiencing adverse effects from the pandemic.

Increased demand for the Group’s technology solutions is being experienced to support remote working during the lockdowns enforced throughout the world. In particular, demand for cloud computing, remote access solutions, virtualisation, security and unified communications remains strong. The positioning of the Group’s divisions remains strategically sound with good demand for their solutions and services expected to continue as the world emerges from the current crisis and investments towards digital transformation accelerate.

The COVID-19 pandemic has created a lot of uncertainty over the macro-economic outlook, both in the short and medium term. As a result, the Group will not be issuing any forward-looking guidance. Our focus will remain on optimising our business for the current environment which will include cost and liquidity management.

Principal risks and uncertainties

The Logicalis Group Board of Directors is responsible for the total process of risk management throughout the Group as well as forming an opinion on the effectiveness of the process. The Board monitors risk management activities and actively participates in discussions around risk topics raised.

Each of the Group’s subsidiaries regularly reviews their strategic risks and follows a consistent approach by identifying and prioritising ‘high-risk’ areas. Mitigating actions and associated monitoring and assurance activities are identified for each ‘high-risk’ area. In addition, responsible executive level staff members have been identified to monitor and manage specific risk areas on behalf of the company on an on-going basis.

This allows the Group to:

- better understand the contexts within which risks occur; and
- identify probable areas for risk mitigation and organisational control.

The risk management process has identified certain key risks faced by the Group, which are summarised below. The risks identified below do not necessarily comprise all those affecting the Group and the risks listed are not set out in any particular order of priority. Additional risks and uncertainties not presently known to the Group or the Directors or that the Group or the Directors currently deem immaterial may also adversely affect the Group’s business or operations.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Currency exchange risk

Changes in currency rates may harm the financial condition of the Group and its subsidiaries through both translation risk and in the case of subsidiaries, transaction risk. US dollars are the functional currency of the Group and the currency in which the Group prepares its financial statements. Whilst the Group does implement hedging transactions where appropriate, the Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition. Information about the use of financial instruments by the Company and its subsidiaries to manage the currency exchange risk is given in note 17 & 18 to the financial statements.

Dependence on key vendors

The Group is dependent on certain vendors, particularly Cisco, HPE, Dell/EMC, Netapp, Oracle and IBM. If any one of the principal vendors to the Group terminates, fails to renew or materially and adversely changes its agreement or arrangements with the Group, it could materially reduce the Group's revenue and operating profit and thereby seriously harm the Group's financial condition and operating results. The Group's management recognises the importance of its vendor partners as one of its key stakeholder groups and assigns the highest priority to maintaining close, transparent relationships with them for the mutually beneficial development of the business.

Management of future growth and acquisition risk

The Group plans to continue to grow, which will place additional demands on the management, customer support, administrative and technological resources of the Group. If the Group is unable to manage its growth effectively, its business operations or financial condition may deteriorate. To date, the Group's business has grown through acquisitions and through organic growth.

The Group will continue to consider further acquisition opportunities. If the Group is unable to integrate an acquired company or business successfully, such acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business do not accord with the Group's expectations, the Group may have to decrease the value attributed to the acquired business or realign the Group's structure.

To mitigate this risk, the Group undertakes extensive due diligence of potential acquisitions, including detailed integration planning. These processes are managed and directed by Datalec Limited's central team.

Country and political risk

The Group operates in a number of geographies and is exposed to a range of external economic and political risks arising from political instability and unforeseen changes to the regulatory environment in certain countries. This has the potential to disrupt business in any countries affected. The Group's diverse portfolio of offerings, geographic spread, flexibility and experience help to mitigate the exposure and allows Logicalis to operate and develop the business successfully during periods of economic or political change. As a consequence of the leave vote in the United Kingdom's referendum on its status within the European Union, further uncertainty may be apparent in the Group's European markets.

Product and volume related rebates, discounts and allowances

The Group receives significant benefits from product and volume related rebates, discounts and allowances and other programmes from vendors based on various factors. A decrease in purchases and/or sales of a particular vendor's products could negatively affect the amount of volume rebates the Group receives from such vendor. In addition, vendors may change their programmes or exclude the Group from time to time from participation in some of their programmes. To mitigate the risk the Group maintains active communication channels with vendors with respect to their current and planned programmes and ensures sales personnel are appropriately updated in respect of current vendor plans.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Dependence on key personnel

The Group's future success depends largely upon the continued employment of its executive directors, senior management and key sales, technical and marketing personnel. Certain of these key employees have established business relationships with principal vendors and customers which are particularly important to the business of the Group. The executive directors, senior management team and key sales, technical and marketing personnel would be difficult to replace and the loss of any of these key employees could harm the business and prospects of the Group, although this risk is mitigated by succession planning.

Use of financial instruments

Information about the use of financial instruments by the Group is given in note 18 to the Consolidated Annual Financial Statements.

Section 172 statement

The Logicalis Board is required to understand the views of the Group's key stakeholders and describe in the annual report how their interests and the matters set out in s172 of the Companies Act 2006 have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

Section 172 Factor	Engagement activities	References
a) the likely consequences of any decision in the long term	<p>Logicalis aims to create value for all stakeholders in the short, medium and long term.</p> <p>Understanding the needs and expectations of our stakeholders is fundamental to achieving this.</p>	<p>Refer to the strategic report in particular:</p> <ul style="list-style-type: none"> • Principal activities and business review on page 2 • Corporate Social Responsibility on page 8 & 9 • Principal risks and uncertainties on page 3 <p>We have disclosed the key issues raised by each stakeholder and our response in addressing these issues.</p>
b) the interests of the Company's employees	<p>Logicalis believes that its employees are a key driver of its success and relies on their knowledge and skills.</p> <p>Employees are aligned with the Group's purpose and are expected to uphold its values. They are a key stakeholder group whose needs and expectations are recognised and focused on.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Employees on page 8

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Section 172 Factor	Engagement activities	References
<p>c) the need to foster the Company's business relationships with suppliers, customers and others</p>	<ul style="list-style-type: none"> • Differentiated global relationship management strengthens partnerships • Active participation at global vendor conferences • Partner enablement programmes to drive global expansion, channel development and scale • Global services capabilities • Vendor satisfaction surveys • Vendor audits and assessments • Implemented digital enablement technology tools to improve customer experience and speed to market • Customer engagement programmes to ensure customer needs and expectations are met • Strong partnership approach to deliver best results • Customer satisfaction surveys • Vendor incubation accelerates access to emerging technologies 	<p>Refer to</p> <ul style="list-style-type: none"> • Principal risks and uncertainties on page 3 • Covid-19 in note 29 • Going concern on page 9
<p>d) the impact of the Company's operations on the community and the environment</p>	<p>The Group proactively manages its environmental, social and governance impacts and performance. As a global organisation we are committed to supporting the communities in the areas we operate.</p> <p>Datatec is currently in the process of developing and submitting its fifth Carbon Disclosure Project ("CDP") climate response. The CDP is an internationally acclaimed initiative that is driving greater visibility into how companies are managing the risk and opportunities in response to climate change.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Corporate Social Responsibility on page 8 & 9
<p>e) the desirability of the Company maintaining a reputation for high standards of business conduct</p>	<p>Logicalis believes that good corporate governance contributes to enhanced accountability, fairness and transparency. Good governance exists in an environment where roles and responsibilities are clearly defined, forums are conducive to robust debate and performance is regularly reviewed. Logicalis is committed to maintaining the highest standards of ethics and business conduct. The Group has a Code of Conduct ("the Code") detailing the standards expected from all Logicalis employees, including addressing specific matters such as bribery and corruption.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Corporate Social Responsibility on page 8 & 9
<p>f) the need to act fairly as between members of the Company</p>	<p>The Company is a wholly owned subsidiary of Datatec Limited, a company registered in South Africa. Datatec Limited's shares are listed on the JSE Limited.</p> <p>The application by the Company of the principles of Section 172 of the Companies Act is entirely consistent with the approach of Datatec Limited as set out in its Integrated and Annual Report for FY20.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Stakeholder engagement as disclosed on page 26 of the Datatec Integrated Report which can be found on www.datatec.com

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Key performance indicators

The Directors use a number of financial and non-financial measures to monitor and analyse performance. The indicators below provide examples of the type of key performance indicators (KPIs) used by the Directors.

Organic revenue growth		
<i>Target:</i> To increase revenue year on year, excluding the effect of acquisitions.	2020: -5 % 2019: 5 %	Growth during the year was impacted by exchange rates in Latin America and Asia. On a constant currency basis organic growth was 3%.
Services mix %		
<i>Target:</i> To continue to increase the services mix year on year.	2020: 41% 2019: 38%	Improving the services mix % demonstrates the success of the Group's strategic goal to grow services.
Gross Margin %		
<i>Target:</i> To maintain or improve the gross margin %.	2020: 25.9% 2019: 23.5%	With product margins under pressure and the strategic goal of growing the better margin services business, maintaining or improving the gross margin % demonstrates the sustainability of the business.
Concentration of product revenue by vendor		
<i>Target:</i> To monitor the reliance on the major vendor partner (Cisco) and remain agile to a change in focus if needed.	2020: 53% 2019: 57%	The group reduced its reliance on Cisco after large Cisco dominated contracts in Latin America increased reliance on the group's major vendor during 2019.
Operating profit (before Datatec management fees)		
<i>Target:</i> To increase the operating profit of the Group.	2020: \$69.3M 2019: \$37.2M	Operating profit, in the FY19 was affected by \$29.2 million Goodwill write off compared to FY20 Goodwill write off of \$4.2 million accounting for a major part of the improvement above the normal trading increase during FY20.
Days sales outstanding		
<i>Target:</i> To maintain or improve the days sales outstanding for the Group, taking into account the cultural differences in payment terms across the Group.	2020: 49 2019: 58	Managing days sales outstanding effectively is a key driver of net cash flow. Performance improvement outside Latin America region lead to overall improvement in the days sales outstanding compared to prior year.
Cash generated by operations as a percentage of EBITDA		
<i>Target:</i> To convert 60-70% or more of EBITDA into cash.	2020: 31% 2019: 62%	Cash conversion is used as a metric to ensure that management remain focused on cash as well as operating profit. FY19 included a large unwind of working capital related to large Cisco contract in Latin America.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Key performance indicators (continued)

Not all KPIs that are used to monitor and analyse the performance of the individual entities are consolidated to provide a Group figure. The following are examples of relevant non-financial metrics used in the monthly reporting review process:

Number of credit notes as a percentage of number of invoices – used as an indicator of work flow efficiency in the order to cash process.

Voluntary staff turnover percentage - this is monitored to ensure that staff retention levels are satisfactory.

Corporate Social Responsibility

Employees

A great place to work

Logicalis recognises that its people are critical to the ongoing success of the business and, by striving to attract the best talent, develop and reward its people for great performance and engage effectively with them, Logicalis aims to optimise the performance of the division.

Logicalis aims to be an employer of choice and was recognised in FY20 as being a “Great Place to Work” in four countries within the technology industry and is targeting several more countries to take part in similar awards in 2020.

Developing talent

In Logicalis, the focus on advanced technologies requires a high level of technical expertise and management works closely with its vendors to ensure that employees are trained appropriately and have the necessary accreditations.

In the interests of its long-term sustainability and in order to develop and retain its top leadership talent, Logicalis has established a series of international development programmes. These programmes develop its senior leaders to be ready for some of the most challenging executive roles in the business in the future, develop the best senior technical talent to become more rounded business professionals and increase international collaboration across Logicalis.

In order to develop its future leaders internally, Logicalis run a high-potential development programme to fast track the development of some of its employees who show signs of having the capability and ambition to assume senior leadership roles in the future. In FY20 there were three high potential programmes run across Europe, Latin America and the US, with 55 high potentials benefitting from the investment. All of these programmes have high-retention and promotion rates for those who attended.

Rewarding performance

The majority of employees at Logicalis have performance objectives which are linked to the strategy of the local business. Talent and succession management reviews of the leadership team in each business are held annually, to focus on the retention of top leadership talent and effective succession management.

Continuous listening to employees

To enable Logicalis to understand what their employees think about working for Logicalis, a continuous listening “Pulse” platform was successfully trialled in FY20 and is now being launched across the whole group in FY21. This will replace the previous biennial employee engagement surveys, and give business leaders access to real time feedback and analytics from their teams, where improvement opportunities can be easily identified in each operation, followed up by action plans which managers and employees agree upon together.

Living its values

To further embed Logicalis’ group-wide values, in FY20 Logicalis launched a new competency framework to support various people practices such as recruitment, talent development discussions and a 360 framework. Employees can also nominate each other for value awards for living the values. Both the values and the competency framework helps the division develop a common identity across all of its international operations.

Fair and transparent policies

Human resource practices and policies ensure that all employees, wherever they work, whatever their role, are treated equally, fairly and respectfully at all times. Logicalis maintains consistent and transparent diversity policies across all its markets, and has very active diversity steering committees in its two largest operations in Brazil and the US.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Corporate Social Responsibility (continued)

Employees (continued)

Fair and transparent policies (continued)

The policy of the Group for the employment of disabled persons is to provide equal opportunities with other employees to train for and attain any position in the Group, having regard to the maintenance of a safe working environment and the constraints of their disabilities.

Environmental

As a responsible international provider of IT solutions, Logicalis seeks to measure and minimise the way in which its commercial activities may impact on the environment. Logicalis is also committed to providing practical advice and support to its customers and vendor partners to help them along the path to ever cleaner and greener IT solutions.

Logicalis recognises that a responsible attitude to Green IT can lead to significant reductions in energy consumption and carbon emissions. As well as reducing greenhouse gases and operational costs, the technologies it promotes, such as remote working and video and teleconferencing, enables flexible working environments, greater productivity and improved business continuity.

Logicalis promotes remote working and videoconferencing across regional and home offices to minimise car or air transportation and reduce its carbon footprint. This is also supported through Logicalis' schemes to encourage employees to use public transport.

Logicalis' local operations support initiatives for reducing power and water usage and monitoring waste reduction in its offices. These range from paper and plastic recycling to water filtration and office lighting efficiency systems.

Social and Community

Logicalis' operating companies are committed to improving the quality of life for their local communities and this year saw increased employee participation in activities that make a difference.

Many of the local operations have donated employees' time to volunteer in their local communities to support the elderly, the sick, or people in disadvantaged and under privileged situations. Donations have been made to different charities in the communities Logicalis serves across the globe, through various fundraising events.

In particular, Logicalis raised money to support victims of the natural disasters in Taiwan, following Typhoon Nepartak, in Argentina and Paraguay for the people affected by flooding, and in Perú, for the homeless children who were victims of terrorists in the VRAEM (Valley of the Apurimac, Ene and Mantaro rivers).

Health and safety

Logicalis recognises its obligation to reduce the risk of injury in the work environment and to provide a clean and safe place to work. Logicalis undertakes to comply with health and safety regulations as set out in the jurisdictions in which Logicalis operates around the world.

Each Logicalis operation has its own health and safety policy which is consistent with best practice in the applicable jurisdiction, and regularly undertakes programmes and procedures to mitigate health and safety risks, such as risk assessments and safety audits. Logicalis also ensures that the appropriate health and safety training is provided for its employees for the role that they perform, which includes, where appropriate, the training of first aiders and fire marshals.

All employees within Logicalis annually complete an online Code of Conduct training course which covers the responsibilities of Logicalis as an employer and all Logicalis employees with regard to health and safety in the workplace

Going concern

The Logicalis Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its subsidiaries to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of the Annual Report, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19.

LOGICALIS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Going concern (continued)

These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group's liquidity is to a large degree impacted by customers continuing to pay their invoices. Between the reporting date and effective date of the Annual Report, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

The Group has considerable financial resources together with funding from its ultimate parent company and long-term relationships with a number of suppliers and customers across different geographic areas and vertical markets.

Funding available to Logicalis includes a new three-year US\$155 million banking facility for its subsidiaries, completed during February 2020. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities.

Logicalis maintains good working relationships with a number of key financial institutions and undertakes active review of facilities available with these partners, extending or replacing available facilities in line with developing business needs. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. Having considered the principal risks and uncertainties the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Creditor payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with each supplier whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group seeks to treat all its suppliers fairly.

The number of credit days taken at the year-end for trade purchases for the Group is 69 days (2019: 92 days). The Company does not make trade purchases and hence no disclosure is made of the Company's credit days taken at the year end.

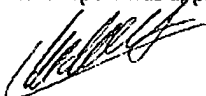
COVID 19

Since the start of the COVID-19 pandemic, Logicalis has prioritised employee safety and wellbeing during this challenging period. Since the start of March, COVID-19 impact spread rapidly from Asia to the rest of the globe resulting in offices globally being closed. Management is keeping a close watch on the situation with daily and weekly update sessions.

All subsidiaries released communication to employees emphasising employee health and safety measures to take during this time. Employees were encouraged to work from home with those returning to the office implementing health and safety guidelines.

Approval

This report was approved by the Board of Directors on 26 August 2020 and signed on its behalf by:



L Dal Bianco
Company Secretary

26 August 2020

LOGICALIS GROUP LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 29 February 2020, and should be read in conjunction with the strategic report.

Dividends

The Directors did not recommend an ordinary share dividend during the year (2019: \$nil).

Directors

The Directors who held office during the year and to the date of signing are shown on page 1.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

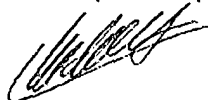
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte & Touche has been the external auditor for 25 years and has the policy of rotating the designated partner every five years. Following its 2019 AGM, Datatec undertook a process to identify a new external audit firm for the year ending 28 February 2021 ("FY21") and the Datatec Audit Risk & Compliance Committee ("ARCC") took a leading role in the selection process. After meeting in January 2020, the Datatec ARCC recommended to the Datatec Board that PricewaterhouseCoopers ("PwC") be appointed as the new external auditor for the Group, including Logicalis, subject to Datatec shareholder approval at the 2020 AGM on 29 July 2020. The appointment was subsequently ratified.

Information required to be disclosed by the companies act has been included within the strategic report (pg. 2) for the following items:

- Indication of future developments;
- Policy for disabled persons;
- Engagement with suppliers, customers and others;
- Actions on employee participation; and
- Use of financial instruments;

This report was approved by the Board of Directors on 26 August 2020 and signed on its behalf by:



L Dal Bianco
Company Secretary

26 August 2020

LOGICALIS GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGICALIS GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Logicalis Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 29 February 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the parent company income statement;
- the parent company statement of comprehensive income;
- the parent company balance sheet;
- the parent company statement of changes in equity;
- the parent company cash flow statement; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGICALIS GROUP LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LOGICALIS GROUP LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Wright

Andrew Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
Date: 26 August 2020

LOGICALIS GROUP LIMITED

CONSOLIDATED INCOME STATEMENT
Year ended 29 February 2020

	Notes	2020 \$'000	2019 \$'000
REVENUE			
Continuing operations before acquisitions		1,673,365	1,737,547
Acquisitions – Current Year		18,735	-
		<u>1,692,100</u>	<u>1,737,547</u>
Cost of sales	4	(1,253,446)	(1,329,030)
GROSS PROFIT		438,654	408,517
Administrative expenses before separable items		(314,228)	(314,861)
Operating profit before separable items		<u>124,427</u>	<u>93,656</u>
Amortisation of other intangible assets	5	(9,330)	(8,119)
Depreciation of property, plant and equipment	5	(41,556)	(19,108)
Impairment of goodwill	5	(4,267)	(29,219)
Datatec management fees	5	(8,520)	(8,064)
Total administrative expenses		(377,901)	(379,371)
OPERATING PROFIT			
Continuing operations before acquisitions		58,458	29,146
Acquisitions		2,297	-
		<u>60,753</u>	<u>29,146</u>
Other income	6	12,230	1,699
Finance costs	7	(26,328)	(19,191)
Share of profit/(loss) of associates		(181)	480
PROFIT BEFORE TAX	5	46,474	12,134
Tax	9	(22,305)	(12,493)
PROFIT / (LOSS) FOR THE YEAR		<u>24,169</u>	<u>(359)</u>
Attributable to:			
The owner of the Company		10,051	(10,853)
Non-controlling interests		14,118	10,494
		<u>24,169</u>	<u>(359)</u>

LOGICALIS GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 29 February 2020

	2020	2019
	\$'000	\$'000
Profit for the year	24,169	(359)
Items that may be reclassified subsequently to the Consolidated Income Statement:		
Gain on Foreign Exchange hedges recognised directly in OCI	55	-
Exchange differences on translation of foreign operations	(25,701)	(25,909)
	<u>(25,646)</u>	<u>(25,909)</u>
Total other comprehensive loss for the year	(25,646)	(25,909)
	<u>(1,477)</u>	<u>(26,268)</u>
Total comprehensive loss for the year	(1,477)	(26,268)
Attributable to:		
The owner of the Company	(11,641)	(30,085)
Non-controlling interests	10,164	3,817
	<u>(1,477)</u>	<u>(26,268)</u>

LOGICALIS GROUP LIMITED

CONSOLIDATED BALANCE SHEET

As at 29 February 2020

	Notes	2020 \$'000	2019 \$'000
NON-CURRENT ASSETS			
Goodwill	10	169,475	167,774
Other intangible assets	11	20,712	27,619
Property, plant and equipment	12	78,602	50,756
Investments	13	552	733
Long term lease receivables		27,111	13,363
Deferred tax assets	14	28,628	35,425
TOTAL NON-CURRENT ASSETS		<u>325,080</u>	<u>295,670</u>
CURRENT ASSETS			
Inventories	15	78,540	92,255
Trade and other receivables	16	686,704	752,026
Current tax recoverable		11,248	5,699
Cash and cash equivalents		143,487	120,550
TOTAL CURRENT ASSETS		<u>919,979</u>	<u>970,530</u>
TOTAL ASSETS		<u>1,245,059</u>	<u>1,266,200</u>
CURRENT LIABILITIES			
Trade and other payables	17	(516,787)	(614,444)
Other short-term borrowings	17	(151,262)	(153,156)
Bank overdrafts and loans	17	(91,415)	(104,905)
Current tax payable		(6,029)	(6,524)
Obligations under finance leases	19	(25,684)	(8,995)
Provisions	20	(5,628)	(45)
Liability for share-based payments	25	(1,110)	(4,391)
TOTAL CURRENT LIABILITIES		<u>(797,914)</u>	<u>(892,460)</u>
NET CURRENT ASSETS		<u>122,065</u>	<u>78,070</u>
NON-CURRENT LIABILITIES			
Amounts owed to holding company and fellow subsidiaries	17	(13,467)	(13,234)
Bank borrowings	17	(40,137)	-
Obligations under finance leases	19	(61,948)	(21,933)
Other payables	17	(1,976)	(1,393)
Other long-term borrowings	17	(5,407)	(13,940)
Long-term provisions	20	(7,624)	(3,536)
Deferred tax liabilities	14	(23,007)	(24,799)
Liability for share-based payments	25	(3,815)	(1,404)
TOTAL NON-CURRENT LIABILITIES		<u>(157,380)</u>	<u>(80,239)</u>
TOTAL LIABILITIES		<u>(955,294)</u>	<u>(972,699)</u>
NET ASSETS		<u>289,765</u>	<u>293,501</u>

LOGICALIS GROUP LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 29 February 2020

	Notes	2020 \$'000	2019 \$'000
EQUITY			
Share capital	21	117,623	117,623
Share premium		12,571	12,571
Capital contributions reserve		12,398	12,398
Merger reserve		(32,049)	(32,049)
Foreign currency exchange reserve		(106,088)	(87,673)
Non-distributable reserve		984	984
Retained earnings		219,126	212,352
EQUITY ATTRIBUTABLE TO THE OWNER OF THE COMPANY		224,565	236,206
NON-CONTROLLING INTERESTS	29	65,200	57,295
TOTAL EQUITY		289,765	293,501

These financial statements of Logicalis Group Limited, registered number 04012342, were approved by the Board of Directors and authorised for issue on 26 August 2020.

Signed on behalf of the Board of Directors by:



R Bailkoski
Director



S Radcliffe
Director

LOGICALIS GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 29 February 2020

	Share capital \$'000	Share premium \$'000	Capital contribu- tions reserve \$'000	Merger reserve \$'000	Foreign currency exchange reserve \$'000	Non- distributa ble reserve \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
At 1 March 2018	117,623	12,571	12,398	(32,049)	(68,672)	984	223,435	266,290	53,938	320,228
Profit/(loss) for the year	-	-	-	-	-	-	(10,853)	(10,853)	10,494	(359)
Other comprehensive profit/(loss) for the year	-	-	-	-	(19,001)	-	(230)	(19,231)	(6,678)	(25,909)
Total comprehensive (loss)/income for the year	-	-	-	-	(19,001)	-	(11,083)	(30,084)	3,816	(26,268)
NCI arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	(459)	(459)
At 28 February 2019	<u>117,623</u>	<u>12,571</u>	<u>12,398</u>	<u>(32,049)</u>	<u>(87,673)</u>	<u>984</u>	<u>212,352</u>	<u>236,206</u>	<u>57,295</u>	<u>293,501</u>

LOGICALIS GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 29 February 2020

	Share capital S'000	Share premium S'000	Capital contributions reserve S'000	Merger reserve S'000	Foreign currency exchange reserve S'000	Non- distributable reserve S'000	Retained earnings S'000	Total S'000	Non- controlling interest S'000	Total equity S'000
At 1 March 2019	117,623	12,571	12,398	(32,049)	(87,673)	984	212,352	236,206	57,295	293,501
Profit/(loss) for the year	-	-	-	-	-	-	10,051	10,051	14,118	24,169
Other comprehensive profit/(loss) for the year	-	-	-	-	(18,415)	-	(3,277)	(21,692)	(3,954)	(25,646)
Total comprehensive (loss)/income for the year	-	-	-	-	(18,415)	-	6,774	(11,641)	10,164	(1,477)
Dividend payments	-	-	-	-	-	-	-	-	(2,970)	(2,970)
NCI arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	710	710
At 29 February 2020	<u>117,623</u>	<u>12,571</u>	<u>12,398</u>	<u>(32,049)</u>	<u>(106,087)</u>	<u>984</u>	<u>219,125</u>	<u>224,565</u>	<u>65,200</u>	<u>289,765</u>

LOGICALIS GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 29 February 2020

	Note	2020 \$'000	2019 \$'000
Operating activities			
Cash generated by / (utilised in) operations		83,476	100,132
Other income received		4,916	1,696
Finance costs paid		(21,838)	(18,455)
Payments under Share Appreciation Rights Scheme		(252)	(149)
Tax paid		(27,140)	(25,035)
Net cash generated by/(utilised in) operating activities		<u>39,162</u>	<u>58,189</u>
Investing activities			
Purchases of property, plant and equipment		(13,298)	(20,264)
Capitalised development expenditure		(33)	(851)
Proceeds on disposal of property, plant and equipment		103	116
Initial payments to acquire subsidiaries (net of cash received)		(8,767)	(20,144)
Net cash (utilised in)/generated from investing activities		<u>(21,996)</u>	<u>(41,143)</u>
Financing activities			
Repayment of loan from holding company		(7,490)	(1,706)
Proceeds from borrowings		68,665	70,875
Repayment of borrowings		(75,564)	(84,261)
Dividend payment to Non-controlling interest parties		(2,970)	-
Advance of obligations under finance leases		-	7,703
Repayments of obligations under finance leases		(5,022)	(1,181)
Net cash (utilised in)/generated from financing activities		<u>(22,381)</u>	<u>(8,570)</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(5,215)	8,476
Cash, cash equivalents and bank overdrafts at beginning of year		15,645	6,583
Effect of foreign exchange rate changes		1,504	586
Cash, cash equivalents and bank overdrafts at end of year		<u><u>11,935</u></u>	<u><u>15,645</u></u>
Disclosed on the Balance Sheet as:			
Cash and cash equivalents		143,487	120,550
Bank overdrafts and loans		(131,553)	(104,905)
		<u><u>11,935</u></u>	<u><u>15,645</u></u>

LOGICALIS GROUP LIMITED**NOTE TO CONSOLIDATED CASH FLOW STATEMENT**
Year ended 29 February 2020

	2020	2019
	\$'000	\$'000
Reconciliation of operating profit to cash generated by operations		
Operating profit	60,753	29,146
Adjustments for:		
Depreciation of property, plant and equipment	22,515	19,108
Depreciation of right-of-use assets	19,041	
Amortisation of intangible assets	9,330	8,119
Impairment of goodwill	4,267	29,219
Loss on disposal of fixed assets	(32)	87
IFRS 2 share-based payments charge	811	2,611
Movement in provisions	(3,652)	6,569
Other non-cash	3,691	7,887
	<hr/>	<hr/>
Operating cash flows before movements in working capital	116,724	102,746
Decrease/(Increase) in trade and other receivables	21,156	(34,268)
Decrease/(Increase) in inventories	3,874	(29,958)
(Decrease)/Increase in trade and other payables	(58,278)	64,807
Increase in finance lease assets	-	(3,195)
	<hr/>	<hr/>
Cash generated by operations	83,476	100,132
	<hr/> <hr/>	<hr/> <hr/>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **Year ended 29 February 2020**

1. GENERAL INFORMATION

Logicalis Group Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is provided on page 1. The nature of the Group's operations, its principal activities and discussions relating to the financial resources and risks and uncertainties are set out in the Strategic Report.

The ultimate parent company and controlling party is Datatec Limited.

The Group uses the United States (US) Dollar as its presentation currency because this is the functional currency of the parent company.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

These consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value. A summary of the more important accounting policies, which have been applied consistently in both the current and preceding years, is set out below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

The Logicalis Board has undertaken a rigorous assessment of whether the Group is a going concern in light of the current economic conditions and available information about future risks and uncertainties.

The projections of the Group have been prepared on a sum-of-the-parts basis to determine the ability of each of its subsidiaries to continue as a going concern. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of the Annual Report, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19. These scenarios included contingency planning for restructuring actions to be taken in response to the more severe scenarios. It is, however, difficult to predict the overall outcome and impact of COVID-19.

The Group's liquidity is to a large degree impacted by customers continuing to pay their invoices. Between the reporting date and effective date of the Annual Report, customers have continued to pay largely in line with historic norms. Suppliers have also provided extended payment terms where required.

Funding available to Logicalis includes a new three-year US\$155 million banking facility for its subsidiaries, completed during February 2020. This new senior facility covers Logicalis' operations throughout the world, excluding Latin America, which has its own separate credit facilities.

Logicalis maintains good working relationships with a number of key financial institutions and undertakes active review of facilities available with these partners, extending or replacing available facilities in line with developing business needs. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group/Company has considerable financial resources together with funding from its ultimate parent company and long-term relationships with a number of suppliers and customers across different geographic areas and vertical markets. As a consequence, the Directors believe that the Group/Company is well placed to manage its business risks successfully.

Having considered the principal risks and uncertainties the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

Subsidiary undertakings

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 28/29 February each year. For local statutory purposes Logicalis Andina S.A.C., C2 Mining Solutions S.A.C., Logicalis Andina Bolivia LAB. LTDA., Logicalis Chile S.A., Coasin Chile S.A., Logicalis Colombia S.A.S., Logicalis Ecuador S.A., Logicalis Mexico S. de R.L. de C.V., Logicalis Paraguay S.A. and Logicalis South America, Inc. prepare company financial statements for the year ended 31 December.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Investment in subsidiaries

Investment in subsidiaries is stated at cost less, where appropriate, provisions for impairment.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration for each 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. For acquisitions after 28 February 2010 costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent purchase consideration payable is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

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. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

The interests of non-controlling interest shareholdings are stated at the non-controlling interest's proportion of the fair value of the assets, liabilities and contingent liabilities recognised.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the Consolidated Income Statement.

The results and cash flow relating to a business combination are included in the Consolidated Income Statement and the Consolidated Cash Flow Statement from the date of acquisition up to the date of disposal.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer.

Revenue represents amounts derived from the provision of goods and services which fall within the Group's ordinary activities after deduction of trade discounts and applicable sales taxes.

Revenue from product sales is recognised when the goods are delivered. Revenue from consulting and other professional services is recognised at the time the service is performed, while revenue from Logicalis provided maintenance and support contracts is recognised over the term of the contract on a straight-line basis. Where the Group acts as agent and is remunerated on a commission basis, the commission is included in revenue. Where the Group acts as principal, the total value of business handled is included in revenue.

Revenue from fixed price contracts is recognised on a percentage completed basis when agreed milestones are reached and the work is signed off by the customer.

The Group has standard terms and conditions for customer sales that are tailored to suit individual contracts. A contract is therefore deemed to be in place upon submission of a purchase order (or evidence of buying request) from the customer. The contract in place with the customer per the above will include a sales price that is fixed or determinable.

Payment terms are on a customer by customer basis and there are no typical financing components. Where there are, these are accounted for separately based on the financing component, which can be separately established. Discounts are also considered to be unique to a contract and are apportioned evenly between each performance obligation. In certain cases, where discounts are agreed with a supplier and passed on to a client, this is treated as a reduction in both the cost of the item and consequently to the standalone selling price of that item. The contract value is pro-rated over the performance obligations of the contract after the discount has been applied.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

The tax expense in the Income Statement represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is the Company's functional and Group's presentation currency. Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the Income Statement.

Group companies

The results and financial position of overseas Group entities are translated into US Dollars as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at the average exchange rate for the period; and
- the resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the Consolidated Income Statement as part of the gain or loss on sale.

Employee benefits

Pension obligations

The Group operates defined contribution pension schemes in certain of its territories. The cost of providing this benefit is charged to the Income Statement in the period to which the contributions relate.

Share-based payments

The Group operates a number of cash-settled share-based compensation plans. The fair value of the employee services received under such schemes is recognised as an expense in the Income Statement. Fair value is determined by use of the Black Scholes Option Pricing Model or the Actuarial Binomial Model as detailed in the notes to the consolidated financial statements. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives. At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the Income Statement, with a corresponding adjustment to equity (for equity-settled share option plans) or creditors (for cash-settled share-based compensation plans), over the remaining vesting period.

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Group's share of identifiable net assets of a business acquired at the date of acquisition. Fair values are attributed to the separately identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisitions of businesses is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment charge would be recognised for any amount by which the carrying value of goodwill exceeds its fair value.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Intangible assets

Intangible assets acquired in business combinations are accounted for in accordance with IFRS 3 'Business Combinations'. Such intangible assets are recognised separately if they meet the criteria for recognition. Intangible assets acquired separately from the acquisition of a business are capitalised at cost. Intangible assets are amortised over their expected useful economic lives unless these are indefinite in which case they are reviewed regularly for impairment in accordance with IAS 38 'Intangible Assets'.

Capitalised software

Capitalised software represents investment in large customer relations software implementation projects. Amortisation is charged on a straight-line basis over the life of the software licences.

Backlog acquired

Backlog acquired represents the fair value of uncompleted sales orders of the target business on acquisition by the Group and are amortised over their estimated useful lives, which range from three to twenty four months.

Customer relationships

Customer relationships represent discounted cash flows from estimated recurring revenue streams from the customers of the target business on acquisition by the Group and are amortised over the estimated useful economic lives. The useful life is assessed on an individual basis (which is on average five years). Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Technology-based application

Technology-based application represents the bespoke Wi-Fi application acquired on 1 September 2014 which offers online commerce and mobile experience solutions. Amortisation is charged on a straight-line basis over the estimated five year useful life of the asset.

Research and development costs

Research costs are expensed as incurred. Expenditure arising from development (or from the development phase of an internal project) is capitalised if it satisfies the specified criteria within IAS 38. These assets are amortised on a straight-line basis over their useful lives which is a maximum of three years commencing when the development project is brought to market.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and adjusted for any impairment. Land is not depreciated. Costs include expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on assets so as to write off the cost of tangible fixed assets less their residual value over their estimated useful economic lives on a straight-line basis. Estimation of the useful economic life includes an assessment of the expected rate of technological developments and the intensity at which the assets are expected to be used. Tangible fixed assets are depreciated over the following useful lives:

Leasehold improvements	Period of the lease
Buildings	20 years
Plant and machinery	5 years
Computer equipment and software	2-6 years
Motor vehicles	3-4 years
Fixtures and fittings	3-10 years
Office furniture and fittings	2-5 years

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and the value-in-use. The estimated future cash flows are discounted to their present value using an after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, but only to a carrying amount at which the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments

Short-term debtors and creditors are treated as financial assets or liabilities. The Group does not trade in financial instruments. The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward exchange contracts, interest rate swap agreements and foreign currency options. Further details of derivative financial instruments are disclosed in note 18 to the financial statements.

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 balance sheet date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method where credit exceeds normal terms. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term bank deposits and other short-term highly liquid investments with an original maturity of three months or less. For the purposes of the Cash Flow Statement bank overdrafts are included within cash and cash equivalents.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Leasing

Change in accounting policy

The new IFRS 16 Leases standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice; i.e. lessors continue to classify leases as finance or operating leases. Up to and including the FY19 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases as a lessee

Right of use assets

The Group leases various property, plant and equipment. Rental contracts are typically entered for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Items of low value have been determined based on the nature of the assets. Similar items are categorised and assessed to determine whether items are considered to be low value. Low value items include assets such as laptops and phones.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leasing (continued)

Leases as a lessee (continued)

Right of use assets (continued)

The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses. Impairment losses are determined in accordance with IAS 36 (refer to Impairment policy below). Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Lease liabilities

The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted at the Group's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The lease liability is subsequently increased by lease finance charges and decreased by lease payments made. Lease finance charges are amortised over the duration of the underlying leases, using the effective interest method. Incremental borrowing rates have been determined based on country-specific factors and vary across the Group.

Finance lease as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the lease, which is determined by discounting the gross investment in the lease at the interest rate implicit in the lease or the entities cost of borrowing. The gross investment in the lease is the aggregate of the minimum lease payments accruing to the lessor. Finance lease income is allocated to accounting periods using the effective interest rate method.

Practical expedients

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments in determining whether leases are onerous;
- not reassessing whether a contract is, or contains, a lease at the date of initial application;
- the use of hindsight in determining the lease term where contracts contain options to extend or terminate the lease;
- accounting for leases that, at 1 January 2019, had a remaining lease term of 12 months or less on a straightline basis over the remaining lease term;
- accounting for leases for which the underlying asset is of low value continue on a straight-line basis over the lease term; and
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

The Group has also made the election to recognise the right of use asset on adoption of IFRS16, at an amount equal to the lease liability, adjusted by the amount of any accrued or prepaid lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted by the Group in the year ending 29 February 2020.

Standards implemented during the year

IFRS 16 'Leases'

The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The principal impact of IFRS 16 has been a change to the accounting treatment by lessees of leases previously classified as operating leases.

Lease agreements give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs are recognised in profit and loss in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.

Impact of amendment

In the current year, the Group has applied IFRS 16 Leases using the modified retrospective approach under which cumulative effect of the initial application is recognized in retained earnings as at 01 March 2019. Accordingly, comparative information presented for FY19 has not been restated.

The most significant impact on the Group of applying IFRS 16, based on contractual arrangements in place at 28 February 2019, has been the recognition of lease liabilities of US\$53.8 million, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments due adjusted for the effects of discounting. Lease liabilities principally relate to property where the Group is a lessee under an operating lease arrangement. The impact of the standard on underlying earnings and profit before tax following the adoption is not considered to be material although the statement of comprehensive income presentation of the previous operating lease expense is now allocated between the depreciation of the right-of-use assets, and a finance charge representing the unwinding of the discount on the leases. In applying IFRS 16 for the first time, the Group has used certain practical expedients permitted by the standard in the application of the initial accounting.

Refer to Note 24 for further detail on the application of IFRS 16.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Amendments implemented during the year

- *Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations effective 1 January 2019, IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture effective 1 January 2019;*
- *IFRIC 23 Uncertainty over Income Tax Treatments effective 1 January 2019;*
- *Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement effective 1 January 2019;*
- *Amendments to IAS 28 Long-term interests in Associates and Joint Ventures effective 1 January 2019; and*
- *Amendments to IFRS 9 Prepayment Features with Negative Compensation effective 1 January 2019.*

The application of the amendments to the existing standards and the interpretation had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the European Union):

- IFRS 10 and IAS 28 Sale or contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3 Definition of a business;
- Amendments to IAS 1 and IAS 8 Definition of material; and
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The Group does not currently believe that the adoption of these amendments will have a material impact on the consolidated results or financial position of the Group.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION OF UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made no critical judgements that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation 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.

The Group prepares a valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Other key assumptions are the discount rate, where the Group uses its corporate weighted average cost of capital and the conversion to cash ratio of future profits. The valuation models all assume steady growth in perpetuity. If any of these assumptions were to change materially, the resulting valuation is likely to be different (see note 10).

(b) Valuation of intangibles

When valuing customer relationships and backlog on acquisition the Group uses various assumptions including estimated discount rates, expected useful life, expected levels of customer retention and profit margins relevant to the market in which the acquired business operates. If any of these assumptions were to change materially, the resulting valuation is likely to be different (see note 11).

(c) Provisions and other creditors

Management applies judgement when estimating the amounts to be recorded for provisions, and certain accruals and other creditors. Management uses historical transactions and other relevant information to estimate the value of the balances as reliably as possible, but it is acknowledged that final settlement of the amounts may differ from those initially recognised.

4. REVENUE

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

	2020 \$'000	2019 \$'000
Sale of goods	1,001,262	1,085,186
Professional services	690,839	652,361
	<u>1,692,100</u>	<u>1,737,547</u>

As at 29th February 2020 the Group had \$791.3m (2019: \$843.9m) of transaction price allocated to the remaining performance obligations under contract and the entity will recognise this revenue as the performance obligations to are met. This is expected to be recognised as \$511.0m over the next 12 months (2019: \$561.0m) and \$280.3 m over the next 13 to 60 months (2019: \$282.9m).

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

5. PROFIT BEFORE TAX

The following items have been (credited)/charged in arriving at profit on ordinary activities before taxation:

	2020	2019
	\$'000	\$'000
Net foreign exchange gains	2,274	(5,830)
Loss on disposal of fixed assets	(32)	87
Depreciation of property, plant and equipment:		
- Land and building	154	96
- Short-term leasehold improvements	6,598	3,778
- Plant and machinery	116	78
- Computer equipment and software	11,793	13,347
- Motor vehicles	57	64
- Fixed and fittings	3,797	1,746
Depreciation of Right of use assets		
- Land and building	15,213	-
- Computer equipment and software	104	-
- Motor vehicles	1,007	-
- Fixed and fittings	2,717	-
Amortisation of other intangible assets:		
- Business-to-business process	161	355
- Backlog acquired	920	273
- Customer relationships	7,548	6,919
- Capitalised software	702	592
Lease payments:		
- Short-term lease payments	3,082	-
- Low value assets payments	912	-
- Variable lease payments	190	-
- Operating lease rentals	-	22,346
Impairment of goodwill	4,267	29,219
Inventory recognised as an expense	771,762	875,146
Staff costs (see note 8)	390,422	370,875
Datatec management fees	7,999	8,009
Datatec internal audit fees	521	55
Auditor's remuneration:		
- For the audit of the Company's annual financial statements	261	212
- Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries pursuant to legislation	1,861	1,552
- Consulting and advisory	1,352	-
- Tax services	542	8
- Advisory	6	-
- Acquisition related services	28	-
- Other services	84	-
- Expenses	7	-
- Less: amounts capitalised	(1,149)	-

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 29 February 2020

6. OTHER INCOME

	2020	2019
	\$'000	\$'000
Bank interest receivable and similar income	11,534	1,695
Interest from Datatec entities	-	4
Gain arising on release of deferred consideration	696	-
	<u>12,230</u>	<u>1,699</u>

7. FINANCE COSTS

	2020	2019
	\$'000	\$'000
Interest on bank overdrafts, loans and other borrowings	21,838	17,121
Interest on amounts owed to holding company and fellow subsidiaries	874	700
Interest on obligations under finance leases	3,616	1,335
Loss/(gain) arising on the revaluation of deferred consideration	-	35
	<u>26,328</u>	<u>19,191</u>

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2020	2019
	No.	No.
Average number of people employed including directors		
Professional services and service delivery	4,098	3,254
Sales and business support	2,190	2,053
	<u>6,288</u>	<u>5,307</u>

Their aggregate remuneration comprised:

	2020	2019
	\$'000	\$'000
Wages and salaries	337,100	318,547
Termination benefits	3,965	4,143
Social security costs	37,271	34,742
Other pension costs	11,276	11,576
Share-based payments charge	811	2,611
	<u>390,422</u>	<u>371,619</u>

Directors' remuneration

Emoluments	1,901	1,559
Pension contributions	126	106
Share-based payments	22	-
	<u>2,049</u>	<u>1,665</u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Highest paid director's remuneration

Emoluments	858	927
Pension contributions	73	73
Share-based payments	22	-
	<u>953</u>	<u>1,000</u>

One of the Directors was a member of the Logicalis defined contribution pension scheme in the year and contributions made by the Company to the scheme on his behalf are included in pension contributions above (2019: one Director). Also included in pension contributions above are contributions towards three of the Directors' personal pension schemes (2019: two Directors).

In addition to the remuneration shown above, certain directors and other senior management are beneficiaries of the share schemes operated by the Group. During the year no directors (2019: no directors) exercised under the Logicalis Group Limited Cash-Settled Share Appreciation Rights Scheme. For further details refer to note 25.

Defined contribution scheme

The Group operates defined contribution pension schemes in certain of its territories. The cost of providing this benefit is charged to the Income Statement in the period to which the contributions relate. The Group has no legal or constructive obligations to make further pension payments.

The total cost charged to the Income Statement of \$11.3 million (2019: \$11.6 million) represents contributions payable to these schemes by the Group at rates specified in the rules of these schemes.

9. TAX

	2020	2019
	\$'000	\$'000
Current taxation		
<i>United Kingdom corporation tax:</i>		
(Credit)/charge for the current year	(2,275)	(1,425)
Adjustment in respect of prior periods	552	(702)
<i>Foreign tax:</i>		
Charge for the current year	20,451	27,337
Adjustment in respect of prior periods	830	81
Total current taxation	<u>19,558</u>	<u>25,291</u>
Deferred taxation		
Credit for the year	3,764	(13,389)
Effect of change of taxation rate	397	311
Adjustment in respect of prior periods	(1,414)	280
Total deferred taxation (see note 14)	<u>2,747</u>	<u>(12,798)</u>
Tax charge on profit on ordinary activities	<u><u>22,305</u></u>	<u><u>12,493</u></u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

9. TAX (CONTINUED)

The charge for the year can be reconciled to the profit before tax per the Consolidated Income Statement as follows:

	2020	2019
	\$'000	\$'000
Profit before tax	46,474	12,136
Tax at the UK Corporation tax rate of 19.0% (2019: 19.0 %)	8,831	2,305
<i>Factors affecting charge for the year:</i>		
Tax effect of expenses not deductible in determining taxable profit	1,233	6,413
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	9,206	5,171
Change in deferred tax rate	-	311
Goodwill impairments	815	-
Other non-deductible expenses and non-deductible income	208	-
Adjustments to tax charge in respect of prior periods	(32)	(341)
Deferred tax assets not recognised	3,613	1,620
Tax losses utilised	(700)	(2,141)
Tax arising on dividend flows	(869)	(845)
Tax charge on profit on ordinary activities	22,305	12,493

Reductions in the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was subsequently enacted on 6 September 2016. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

10. GOODWILL

	2020	2019
	\$'000	\$'000
Cost		
At 1 March	214,506	211,598
Exchange movements	(7,894)	(6,267)
Acquisition of subsidiaries (see note 23)	10,958	9,175
At 29/28 February	217,571	214,506
Accumulated impairment losses		
At 1 March	46,733	19,185
Exchange movements	(2,904)	(1,672)
Impairment	4,267	29,219
At 29/28 February	48,096	46,733
Carrying amount		
At 29/28 February	169,475	167,774

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

10. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2020	2019
	\$'000	\$'000
North America	102,720	102,720
Europe	33,391	28,523
Latin America	14,264	19,664
Asia Pacific	19,100	16,867
	<u>169,475</u>	<u>167,774</u>

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable amount of goodwill is determined from value-in-use. The key assumptions for the value-in-use calculations are those regarding discount rates and growth rates. Management estimates discount rates using after tax rate of returns that reflect current market assessments of the time value of money and the risks specific to the various cash generating units to which goodwill is attributable. The growth rates are based on industry growth forecasts.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and the plans for the following two years and extrapolates cash flows for the following four years based on an estimated growth rate of 2.0% (2019: 3.0%) for its North American, European and Asia Pacific operations and on an estimated growth rate of 4% (2019: 4.5%) for its Latin American operations. The rates do not exceed the average long-term growth rate for the relevant markets.

The post tax rate used to discount the forecast cash flows is between 13.0% and 16.4% for the Group's North American, European and Asia Pacific operations (2019: 13.0% and 16.4%) and between 17.0% and 21.3% for its Latin American operations (2019: between 14.5% and 21.62%).

When preparing cash flow forecasts management further assess recoverability by performing sensitivity analyses whereby budgeted revenue growth is reduced by 50% and GM percentages are held constant.

As at 29 February 2020, Logicalis UK showed an impairment of its base case and goodwill amounting to \$4.3 million (2019: \$29.2 million) was Impaired.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

11. OTHER INTANGIBLE ASSETS

The Group	Technology -based application \$'000	Capitalised Software \$'000	Backlog acquired \$'000	Customer relation- ships \$'000	Total \$'000
Cost					
At 01 March 2019	1,639	2,632	1,840	50,195	56,306
Exchange movements	3	(181)	(494)	(1,519)	(2,191)
Arising on acquisition of subsidiaries	-	33	438	2,222	2,693
At 29 February 2020	<u>1,642</u>	<u>2,484</u>	<u>1,784</u>	<u>50,898</u>	<u>56,808</u>
Accumulated amortisation					
At 1 March 2019	1,473	882	1,089	25,243	28,687
Exchange movements	8	(50)	(406)	(1,474)	(1,922)
Charge for the year	161	702	920	7,548	9,331
At 29 February 2020	<u>1,642</u>	<u>1,534</u>	<u>1,603</u>	<u>31,317</u>	<u>36,096</u>
Carrying amount					
At 29 February 2020	<u>-</u>	<u>950</u>	<u>181</u>	<u>19,581</u>	<u>20,712</u>
At 28 February 2019	<u>165</u>	<u>1,751</u>	<u>751</u>	<u>24,952</u>	<u>27,619</u>

The anticipated life of intangible assets is regularly reviewed in accordance with IAS 38 'Intangible Assets'.

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

11. OTHER INTANGIBLE ASSETS (CONTINUED)

The Group	Technology -based application \$'000	Capitalised Software \$'000	Backlog acquired \$'000	Customer relation- ships \$'000	Total \$'000
Cost					
At 1 March 2018	1,761	1,744	882	45,194	49,581
Exchange movements	(122)	37	(10)	(682)	(777)
Arising on acquisition of subsidiaries	-	851	968	5,683	7,502
At 28 February 2019	1,639	2,632	1,840	50,195	56,306
Accumulated amortisation					
At 1 March 2018	1,229	286	855	17,818	20,188
Exchange movements	(91)	4	(39)	506	380
Charge for the year	335	592	273	6,919	8,119
At 28 February 2019	1,473	882	1,089	25,243	28,687
Carrying amount					
At 28 February 2019	165	1,751	751	24,952	27,619
At 28 February 2018	532	1,458	27	27,376	29,393

Backlog acquired represents the fair value of uncompleted sales orders of the target business on acquisition by the Group and is amortised over its estimated life, which is on average two years.

Customer relationships represent discounted cash flows from estimated recurring revenue streams from customers of the target business on acquisition by the Group and are amortised over their estimated useful economic lives, which is on average five years.

Technology-based application represents the bespoke Wi-Fi application acquired which offers online commerce and mobile experience solutions. Amortisation is charged on a straight-line basis over the estimated five-year useful life of the asset.

Capitalised software represents investment in the implementation of large customer relationship software. Amortisation is charged on a straight-line over the life of the software licences.

The amortisation charge relating to acquisitions amounted to \$0.9 million (2019: \$0.7 million).

The anticipated life of intangible assets is regularly reviewed in accordance with IAS 38 "Intangible Assets".

LOGICALIS GROUP LIMITED

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12. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and building \$'000	Short-term leasehold improvements \$'000	Plant and machinery \$'000	Computer equipment \$'000	Motor vehicles \$'000	Fixtures and fittings \$'000	Total \$'000
Cost							
At 1 March 2019	2,181	31,299	4,773	107,015	572	15,213	161,053
Exchange movements	(1,719)	(1,895)	(181)	(6,287)	(28)	(1,132)	(11,242)
Additions	12,484	2,837	54	9,983	1,683	3,465	30,506
IFRS16 Recognized assets	44,944	-	-	263	1,565	3,496	50,268
Acquisition of subsidiaries	640	26	-	953	691	103	2,413
Transfers between asset classes	(888)	-	-	1,642	(754)	-	-
Disposals	(9,339)	(450)	(15)	(6,633)	(153)	(676)	(17,266)
At 29 February 2020	<u>48,303</u>	<u>31,817</u>	<u>4,631</u>	<u>106,936</u>	<u>3,576</u>	<u>20,469</u>	<u>215,732</u>
Accumulated depreciation							
At 1 March 2019	96	17,356	4,510	80,142	432	7,761	110,297
Exchange movements	(361)	(810)	(149)	(3,877)	(12)	(664)	(5,873)
Charge for the year	15,367	6,598	116	11,897	1,063	6,515	41,556
Acquisition of subsidiaries	-	-	-	-	-	-	-
Transfers between asset classes	-	-	-	-	-	-	-
Disposals	(1,563)	(450)	(7)	(6,111)	(94)	(625)	(8,850)
At 29 February 2020	<u>13,539</u>	<u>22,694</u>	<u>4,470</u>	<u>82,051</u>	<u>1,389</u>	<u>12,987</u>	<u>137,130</u>
Carrying amount							
At 28 February 2019	<u>2,085</u>	<u>13,942</u>	<u>263</u>	<u>26,873</u>	<u>141</u>	<u>7,452</u>	<u>50,756</u>
At 29 February 2020	<u><u>34,764</u></u>	<u><u>9,123</u></u>	<u><u>161</u></u>	<u><u>24,885</u></u>	<u><u>2,187</u></u>	<u><u>7,482</u></u>	<u><u>78,602</u></u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Short-term		Plant and machinery	Computer equipment	Motor vehicles	Fixtures and fittings	Total
	Land and building	leasehold improvements					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 March 2018	1,752	28,828	7,957	98,609	559	11,323	149,028
Exchange movements	-	(1,001)	(151)	(1,792)	(2)	(287)	(3,233)
Additions	334	1,891	67	16,505	60	1,439	20,296
Acquisition of subsidiaries	-	2,683	100	1,479	-	44	4,305
Transfers between asset classes	95	(148)	(3,144)	(67)	-	3,264	-
Disposals	-	(954)	(56)	(7,717)	(45)	(570)	(9,343)
At 28 February 2019	2,181	31,299	4,773	107,015	572	15,213	161,053
Accumulated depreciation							
At 1 March 2018	-	15,198	4,557	75,119	409	6,487	101,770
Exchange movements	-	(728)	(92)	(639)	9	10	(1,440)
Charge for the year	96	3,778	78	13,347	63	1,746	19,108
Acquisition of subsidiaries	-	-	-	-	-	-	-
Transfers between asset classes	-	(5)	12	(33)	(4)	30	-
Disposals	-	(886)	(45)	(7,652)	(46)	(512)	(9,141)
At 28 February 2019	96	17,356	4,510	80,142	432	7,761	110,297
Carrying amount							
At 28 February 2019	2,085	13,942	263	26,873	141	7,452	50,756
At 28 February 2018	1,752	13,630	3,400	23,490	150	4,836	47,258

The net book value of assets in the above categories held under leases is:

	Short-term		Plant and machinery	Computer equipment	Motor vehicles	Fixtures and fittings	Total
	Land and building	leasehold improvements					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 29 February 2020	46,112	-	-	8,289	3,027	5,673	63,102
At 28 February 2019	-	-	-	8,442	-	-	8,442

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. INVESTMENTS

The investments comprise an interest in associates that are equity-accounted.

	Country	Nature of business	Ownership %		Carrying Value \$'000	
			2020	2019	2020	2019
Equity- accounted						
Esources Resources, LLC	USA	ICT Solutions	45.0	45.0	552	733

14. DEFERRED TAXATION

The following are the significant deferred tax assets and liabilities recognised by the Group and movements thereon. Deferred tax assets and liabilities are considered to be non-current in nature.

Deferred tax assets

	2020 \$'000	2019 \$'000
Opening balance at 1 March	35,425	28,101
Arising on acquisition of subsidiaries	-	2,234
Credit to the Income Statement	(4,154)	8,715
Other movements	(2,642)	(3,625)
Closing balance at 28 February	28,628	35,425

Analysis of deferred tax assets

	2020 \$'000	2019 \$'000
Accelerated capital allowances	3,311	2,387
Accruals and similar items	17,353	21,702
Tax losses	7,652	8,704
Goodwill and intangibles	51	18
Other temporary differences	261	2,614
	28,628	35,425

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

14. DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities

	2020	2019
	\$'000	\$'000
Opening balance at 1 March	24,799	26,757
Arising on acquisition of subsidiaries	599	3,482
Charge to the Income Statement	(1,406)	(4,083)
Other movements	(985)	(1,357)
	<u>23,007</u>	<u>24,799</u>

Analysis of deferred tax liabilities

	2020	2019
	\$'000	\$'000
Accelerated capital allowances	1,825	2,481
Goodwill and intangibles	20,748	21,669
Other temporary differences	434	649
	<u>23,007</u>	<u>24,799</u>

Credits/(charges) have been recognised in the income statement by deferred tax asset and liability category as follows:

Deferred tax assets

	2020	2019
	\$'000	\$'000
Accelerated capital allowances	1,036	1,047
Accruals and similar items	(1,415)	7,392
Tax losses	(1,594)	(744)
Goodwill and intangibles	(2,323)	(53)
Share based payments	-	-
Other temporary differences	142	1,073
	<u>(4,154)</u>	<u>8,715</u>

Deferred tax liabilities

	2020	2019
	\$'000	\$'000
Accelerated capital allowances	655	(1,164)
Goodwill and intangibles	567	3,920
Other temporary differences	184	1,327
	<u>1,406</u>	<u>4,083</u>

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

14. DEFERRED TAXATION (CONTINUED)

Deferred tax assets of \$4.8 million (2019: \$3.3 million) have been recognised in respect of entities that were loss making in both the current year and the prior year on the basis of strong expectation that future taxable profits will arise against which these losses can be offset.

At the balance sheet date the Group had unused tax losses of \$33.4 million (2019: \$33.3 million) available for offset against future profits. A deferred tax asset has been recognised in respect of losses totalling \$7.7 million (2019: \$8.7 million) leaving amounts not recognised totalling \$0.9 million (2019: \$0.2 million).

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances on a net basis.

15. INVENTORIES

	2020	2019
	\$'000	\$'000
Work in progress	23,547	16,793
Finished goods and goods for resale	54,993	75,462
	<u>78,540</u>	<u>92,255</u>

16. FINANCIAL ASSETS

Trade and other receivables

	2020	2019
	\$'000	\$'000
Trade receivables	409,265	483,289
Allowance for doubtful debts	(7,017)	(5,674)
	<u>402,248</u>	<u>477,615</u>
Prepayments and accrued income	297,729	285,396
Amounts owed by holding company and fellow subsidiaries	131	60
Derivative financial instruments (see note 18)	4,595	2,318
	<u>686,704</u>	<u>765,389</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The number of days sales outstanding (DSO) at the year-end was 49 days (2019: 58 days) and the average number of days sales outstanding during the year was 60 days (2019: 69 days). No interest is charged on the receivables.

The Group has provided for trade receivables based on estimated irrecoverable amounts, determined by reference to past default experience and where possible by assessing any change in the risk profile associated with the receivables.

Before accepting any new customer, the Group generally uses an external credit scoring system to assess the potential customer's credit quality and sets credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Of the trade debtors at the end of the year, there were two (2019: one) individual debtors balances of over 5% of the amount receivable. These two debtors balance represented 18% (\$72.5 million) and 6% (\$25.6 million) of the amount receivable due from two Brazilian customers. The Directors have reviewed these balances because of their significant size and have assessed the debt as recoverable.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

16. FINANCIAL ASSETS (CONTINUED)

Included in the Group's trade receivables balance are debtors with a carrying amount of \$78.1 million (2019: \$66.1 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group holds \$nil (2018: \$nil) collateral over these balances.

Ageing of past due but not impaired receivables:

	2020 \$'000	2019 \$'000
0-30 days past due	41,854	33,714
30-60 days past due	13,793	16,346
60-90 days past due	6,451	5,392
90 days and greater past due	15,977	10,626
	<u>78,075</u>	<u>66,078</u>

Movement in the allowance for doubtful debts:

	2020 \$'000	2019 \$'000
Balance at the beginning of the year	5,673	5,210
Impairment losses recognised	5,267	3,565
Reversal of impairment losses recognised	(3,341)	(2,715)
Amounts written off as uncollectible	(281)	(189)
Exchange movements	(301)	(198)
	<u>7,017</u>	<u>5,673</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Other than the trade receivable for the customer referred to above, which have been assessed in detail by the Directors for recoverability, the concentration of credit risk is limited due to the customer base being large and mostly unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a gross balance of \$78.1 million (2019: \$162.2 million). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected settlement proceeds. The Group does not hold any collateral against these balances.

The Directors consider that the carrying value of trade and other receivables approximates to their fair value and other than those amounts already provided for no amounts are considered to have poor credit quality.

Derivative financial instruments

	2020 \$'000	2019 \$'000
Derivative financial instruments fair value asset (see note 18)	<u>4,595</u>	<u>2,318</u>

At the balance sheet date the Group had open forward foreign exchange contracts and interest rate swap agreements.

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

16. FINANCIAL ASSETS (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term bank deposits and other short-term highly liquid investments with a maturity of three months or less. The carrying amount of these assets approximates to their fair value.

17. FINANCIAL LIABILITIES

Current liabilities

Trade and other payables

	2020	2019
	\$'000	\$'000
Trade payables	255,450	336,101
Accruals and other creditors	240,778	250,416
Derivative financial instruments (see note 18)	381	817
Amounts owed to holding company and fellow subsidiaries	17,936	17,634
Contingent consideration on acquisition of subsidiaries	2,208	732
	<u>516,787</u>	<u>605,702</u>

The number of days credit taken (DPO) at year end for trade purchases for the Group was 69 days (2019: 92 days).

The Directors consider that the carrying amount of trade payables approximates to fair value.

Amounts due to holding company and fellow subsidiaries are unsecured and bear interest at either US\$ One Month LIBOR plus 1.5% or US\$ One Month LIBOR plus 2.0% depending on the loan.

Non-current liabilities

	2020	2019
	\$'000	\$'000
Amounts owed to holding company and fellow subsidiaries	13,467	13,234
Contingent consideration on acquisition of subsidiaries	1,976	1,393
	<u>15,443</u>	<u>14,627</u>

Amounts due to holding company and fellow subsidiaries are unsecured and bear interest at either US\$ One Month LIBOR plus 1.5% or US\$ One Month LIBOR plus 2.0% depending on the loan. The contingent considerations above represent the maximum payable under acquisition agreements.

Borrowings

Current Liabilities

	2020	2019
	\$'000	\$'000
Other short-term borrowings	<u>151,262</u>	<u>153,156</u>

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

17. FINANCIAL LIABILITIES (CONTINUED)

Borrowings (continued)

Non-Current Liabilities

	2020	2019
	\$'000	\$'000
Other long-term borrowings	5,407	13,940
Long-term bank borrowings	40,137	-
	<u>45,544</u>	<u>13,940</u>

One of Logicalis' subsidiaries has entered into various loans with Cisco Systems Capital Corporation, between \$0.06 million and \$3.5 million each, bearing interest at between 0.00% and 3.00%. These loans are repayable at various dates between February 2020 and September 2020. At 29 February 2020, \$19.8 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfeiting arrangements with Banco Santander, between \$0.007 million and \$0.6 million each, bearing interest at between 3.25% and 3.95%. These liabilities are repayable in April 2020. At 29 February 2020, \$6.8 million was outstanding.

One of Logicalis' subsidiaries has factoring arrangements with Banco Santander, payable in September 2020 and bearing interest at 3.97%. At 29 February 2020, \$10.8 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Bradesco, between \$0.003 million and \$0.4 million each, bearing interest at between 3.20% and 3.30%. These liabilities are repayable at various dates between April 2020 and June 2020. At 29 February 2020, \$7.4 million was outstanding.

One of Logicalis' subsidiaries has entered into various forfaiting arrangements with Banco Votorantim, between \$0.4 million and \$0.6 million each, bearing interest at 4.55%. These liabilities are repayable in April 2020. At 29 February 2020, \$2.8 million was outstanding.

One of Logicalis' subsidiaries has entered into factoring arrangements with Banco AV Villas of \$0.4 million each, payable in April 2020, bearing interest at between 8.24% and 8.27%. These liabilities are repayable in April 2020. At 29 February 2020, \$1.1 million was outstanding.

One of Logicalis' subsidiaries entered into a short-term loan with Matthias Seitle, payable in April 2020 and bearing interest at 0.00%. At 29 February 2020, \$0.1 million was outstanding.

One of Logicalis' subsidiaries entered into a factoring arrangement with Billie GmbH, payable in March 2020 and bearing interest at 0.00%. At 29 February 2020, \$0.02 million was outstanding.

Bank overdrafts and loans due within one year or on demand

	2020	2019
	\$'000	\$'000
Secured	91,415	104,905
	<u>91,415</u>	<u>104,905</u>

LOGICALIS GROUP LIMITED

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17. FINANCIAL LIABILITIES (CONTINUED)

Borrowings (continued)

Bank overdrafts and loans due within one year or on demand (continued)

One of Logicalis' subsidiaries entered into various funding arrangements with Tanner Servicios Financieros, S.A., between \$0.06 million and \$0.8 million each, bearing interest at between 5.80% and 7.56%. These loans are repayable between March 2020 and May 2020. At 29 February 2020, \$1.9 million was outstanding. The liability is secured by invoices to the value of \$1.9 million.

One of Logicalis' subsidiaries entered into various funding arrangements with Factoring Security, S.A., between \$0.005 million and \$0.1 million each, bearing interest at 5.80%. These loans are repayable at various dates between March 2020 and April 2020. At 29 February 2022, \$0.2 million was outstanding. The liability is secured by invoices to the value of \$0.2 million.

The other principal features of the Group's borrowings are as follows:

Logicalis Group has a UK multicurrency overdraft facility repayable on demand of \$40.1 million with Barclays Syndicate. The facilities bear interest based on LIBOR (dependant on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 2.00% to 3.00% (4.26% as at 29 February 2020).

Further UK has a Multicurrency overdraft facility repayable on demand of \$50 million with Barclays Syndicate. This facility bear interest based on LIBOR (dependant on the length of the interest period) plus a margin rate which is determined from a margin ratchet on quarterly leverage. The margin ranges between 1.75% to 2.75%. (3.65% as at 29 February 2020).

Both the above 2 Barclays facilities matures in January 2023 after a 3-year term with a option of extending for a year. The facility includes covenants of EBITDA leverage less than 2.75x and interest cover of greater than 4x which are tested quarterly.

Chile have a USD financing arrangement with Banco Itaú Unibanco for \$11million. This facility has a fixed interest rate. (7.70% as at 29 February 2020). Further Chile has a CLP facility arrangement with Banco Santander for \$3.7 million and has a fixed interest rate. (43.00% as at 29 February 2020).

Logicalis' Brazilian subsidiaries have financing arrangements with a number of financial institutions which provide facilities for working capital loans and trade imports. Brazil has secured \$7.9m USD facility with Banco Votorantim. This facility has a per annum pre-fixed interest rate in USD. (4.80% as at 29 February 2020). There are four different overdrafts under this facility, maturing between March and July 2020. This facility contains covenants that require the bank's claims to rank pari passu with other unsecured payables and that restrict Logicalis' ability to create, incur, assume or permit any encumbrances on the cross guarantees in place.

Banco ABC do Brasil is another USD facility provider for Brazil. Under this facility \$6.2 million facility there are two different overdrafts under this facility, maturing in June 2020. - This facility contains covenants that restrict Logicalis' ability to create or incur liens, dispose of or transfer any substantial part of its assets, merge, consolidate or transfer all or substantially all of its assets and make material changes to accounting policies or reporting practices without the bank's prior consent. This facility has a per annum pre-fixed interest rate in USD. (4.50% as at 29 February 2020).

As at 29 February 2020, Brazil had \$5.7 million BRL facility with Banco Itaú Unibanco. This facility matures in August 2020. The interest rate is based on CDI + 1.50% (CDI: 4.15% at 29 February 2020).

Banco Votorantim & De Lage Landen both provide BRL facilities to Brazil subsidiaries \$3.6 million and \$2.7 million respectively. Banco Votorantim facility matures in August 2020, and has a interest rate of CDI + 1.79%. (CDI: 4.15% at 29 February 2020). De Lage Landen facility have three different overdrafts under this facility, maturing between June and October 2020. This facility has a per annum pre-fixed interest rate in BRL. (13.35% as at 29 February 2020).

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17. FINANCIAL LIABILITIES (CONTINUED)

Borrowings (continued)

Bank overdrafts and loans due within one year or on demand (continued)

Brazil's Banco Bradesco USD \$1.1 million facility has a per annum pre-fixed interest rate in USD. (5.50% as at 29 February 2020). This facility matures in June 2020.

Logicalis Mexico has secured a \$2 million USD facility with HSBC. The interest rate varies depending on the withdrawing currency. For MXN drawings, 3.5% + TIIE (Interbank equilibrium rate). For USD drawings, 4.5% + LIBOR (MXN: 9.84% and USD: 5.20% at 29 February 2020).

As at 29 February 2020, Logicalis Colombia has a COP facility with Banco Itaú Corbanca for \$ 2 million. The interest rate is based on IBR M.V. + 5.119% (8.42% at 29 February 2020).

Other various entities under Logicalis Group has individually immaterial overdraft facilities with HSBC totalling to \$ 1.5 million with a interest rate ranging from 1.83% and 8.75%.

Only facilities that have been drawn at 29 February 2020 have been disclosed above. There are further facilities available, which together with the drawn facilities above, amounts to total facilities of \$203.1 million (\$131.6 million of overdrafts at year-end). No restrictions apply to the facilities. The net availability of all facilities, excluding unlinked overdrafts is \$86.3 million. The net availability does not include any cash sources in Logicalis.

Derivative financial instruments

	2020 \$'000	2019 \$'000
Derivative financial instruments fair value liability (see note 18)	381	817

At the balance sheet date the Group had open forward foreign exchange contracts and interest rate swap agreements. Details of these derivative financial instruments have been disclosed in note 18.

Analysis of interest bearing borrowings by currency:

	Chilean Peso \$'000	Brazilian Real \$'000	Euros \$'000	Colombian Peso \$'000	US Dollars \$'000	Other \$'000	Total \$'000
29 February 2020							
Bank overdrafts and loans	3,113	12,003	129	1,201	112,083	3,574	132,103
Amounts owed to holding company and fellow subsidiaries	-	-	-		13,298	-	13,298
Obligations under finance leases (see note 19)	5,360	4,037	38,123	625	20,961	18,527	87,633
	<u>8,473</u>	<u>16,040</u>	<u>38,252</u>	<u>1,826</u>	<u>146,342</u>	<u>22,101</u>	<u>233,034</u>

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17. FINANCIAL LIABILITIES (CONTINUED)

	Australian Dollars \$'000	Brazilian Real \$'000	Euros \$'000	Singapore Dollars \$'000	US Dollars \$'000	Other \$'000	Total \$'000
28 February 2019							
Bank overdrafts and loans	1,930	7,998	67	7,788	65,608	9,005	92,396
Amounts owed to holding company and fellow subsidiaries	-	-	-	-	15,098	-	15,098
Obligations under finance leases (see note 19)	3,473	271	15,454	-	7,350	4,381	30,929
	<u>5,403</u>	<u>8,269</u>	<u>15,521</u>	<u>7,788</u>	<u>88,056</u>	<u>13,386</u>	<u>138,423</u>

18. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's senior management is responsible for monitoring and managing the financial risks relating to the operations of the Group. This is achieved through the use of internal risk analysis which analyse exposures by likelihood and magnitude of risks. These risks include market risk (including currency and interest risk), credit risk and liquidity risk.

When appropriate, 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 internal policies. Compliance with policies and exposure limits are reviewed by internal auditors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Management reports regularly to the Group's Audit, Risk and Compliance Committee.

The Group's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivative 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 stakeholders. The Group's overall strategy with respect to the debt and equity balance remains unchanged. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to the owner of the Company, comprising issued capital as disclosed in note 21, reserves and retained earnings.

Gearing ratio

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is in a net funds position for the years ended 29 February 2020 and 28 February 2019 and is therefore ungeared.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	2020 \$'000	2019 \$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	625,674	654,798
Derivative financial instruments at fair value – FEC contracts	2,854	18
Derivative financial instruments at fair value – Interest rate swap	1,741	2,300
	<u>630,269</u>	<u>657,116</u>
Financial liabilities		
Liabilities at amortised cost	(730,501)	(722,765)
Derivative financial instruments at fair value – FEC contracts	(381)	(817)
	<u>730,882</u>	<u>(723,582)</u>

Changes of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cashflows were or future cashflows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Liabilities	Opening balance Mar 2019 \$'000	Financing cash inflows \$'000	Financing cash outflows \$'000	Acquisitio n of subsidiary \$'000	Foreign exchange movement \$'000	Other changes \$'000	Closing balance Feb 2020 \$'000
Unsecured loans	30,732	15,554	(13,984)	-	(2,795)	-	29,507
Finance leases	30,928	65,320	(5,022)	1,092	(8,302)	3,616	87,632
Short-term borrowings	64,028	53,110	(61,580)	-	(4,808)	-	50,750
Amount due to vendors	2,125	-	-	2,880	(126)	(696)	4,183
	<u>127,813</u>	<u>133,984</u>	<u>(80,586)</u>	<u>3,972</u>	<u>(16,031)</u>	<u>2,920</u>	<u>172,072</u>

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.

Trade receivables consist of a large number of customers, spread across diverse vertical markets and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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. Further information on the concentration of credit risk is detailed in note 16.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management (continued)

	North America \$'000	Europe \$'000	Latin America \$'000	Asia Pacific \$'000	Total \$'000
29 February 2020					
Trade receivables	79,825	97,672	182,002	49,765	409,265
Allowance for doubtful debts	(59)	(4,272)	(833)	(1,853)	(7,017)
Other receivables	10,007	5,486	27,144	1,322	43,959
Amounts owed by holding company and fellow subsidiaries	51	166	71	-	288
Finance Lease Receivable	0	33,601	1,681	410	35,692
Cash and cash equivalents	28,803	50,300	43,819	20,564	143,487
Derivative financial instruments at fair value	-	88	4,507	-	4,595
	<u>118,627</u>	<u>183,042</u>	<u>258,391</u>	<u>70,209</u>	<u>630,269</u>
Maximum on balance sheet exposure	<u>118,627</u>	<u>183,042</u>	<u>258,391</u>	<u>70,209</u>	<u>630,269</u>

	North America \$'000	Europe \$'000	Latin America \$'000	Asia Pacific \$'000	Total \$'000
28 February 2019					
Trade receivables	83,571	96,896	253,212	49,610	483,289
Allowance for doubtful debts	(533)	(2,220)	(927)	(1,994)	(5,674)
Other receivables	12,447	3,787	17,374	3,786	37,394
Amounts owed by holding company and fellow subsidiaries	220	95	-	1	316
Finance Lease Receivable	-	15,454	3,469	-	18,923
Cash and cash equivalents	4,855	34,515	62,678	18,502	120,550
Derivative financial instruments at fair value	-	-	2,318	-	2,318
	<u>100,560</u>	<u>148,527</u>	<u>338,124</u>	<u>69,905</u>	<u>657,116</u>
Maximum on balance sheet exposure	<u>100,560</u>	<u>148,527</u>	<u>338,124</u>	<u>69,905</u>	<u>657,116</u>

In relation to these financial assets, there are no financial guarantees and therefore maximum off-balance-sheet exposure is nil (2019: nil).

The Group does not consider there to be any significant credit risk, which has not been adequately provided for at the balance sheet date. Furthermore, there has been no material change to the Group's exposure to credit risks or the manner in which it manages and measures the risk.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities and by continuously monitoring forecast and actual cash flows.

The Group is dependent on its bank overdrafts and trade finance facilities to operate. These facilities generally consist of either a fixed term or fixed period but repayable on demand, are secured against the assets of the company to which the facility is made available and contain certain covenants which include financial covenants such as debt to EBITDA coverage, fixed charge coverage and accounts receivable coverage. In certain circumstances if these covenants are violated and a waiver is not obtained for such violation, this may, amongst other things, mean that the facility may be repayable on demand. There have been no violations of covenants during the current year or at year end. Included in note 17 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes only repayments of principal.

29 February 2020	Maturity period				Total \$'000
	0-1 year \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	
Trade payables	255,450	-	-	-	255,450
Other payables	139,999	-	-	-	139,999
Amounts owed to holding company and fellow subsidiaries	17,959	-	13,467	-	31,426
Contingent consideration on acquisition of subsidiaries	2,208	1,976	-	-	4,184
Obligations under finance leases	25,684	22,473	32,684	6,792	87,633
Bank loans and overdraft	131,553	-	-	-	131,553
Other borrowings	74,851	2,194	3,123	90	80,258
Derivative financial instruments at fair value	381	-	-	-	381
	<u>648,085</u>	<u>26,643</u>	<u>49,274</u>	<u>6,882</u>	<u>730,884</u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (Continued)

28 February 2019	Maturity period				Total \$'000
	0-1 year \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	
Trade payables	336,101	-	-	-	336,101
Other payables	123,077	-	-	-	123,077
Amounts owed to holding company and fellow subsidiaries	17,634	-	13,234	-	30,868
Contingent consideration on acquisition of subsidiaries	733	1,393	-	-	2,126
Obligations under finance leases	8,995	8,278	13,655	-	30,928
Bank loans and overdraft	104,905	-	-	-	104,905
Other borrowings	85,401	8,518	841	-	94,760
Derivative financial instruments at fair value	759	58	-	-	817
	<u>677,605</u>	<u>18,247</u>	<u>27,730</u>	<u>-</u>	<u>723,582</u>

There has been no material change to the Group's exposure to liquidity risks or the manner in which it manages and measures the risk.

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, including forward exchange contracts and options to hedge the exchange rate risk arising on transactions denominated in foreign currency. Interest rate risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk management

The Group operates in the global business environment and undertakes many transactions denominated in foreign currencies. The Group is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise forward exchange contracts.

Forward exchange contracts require a future purchase or sale of foreign currency at a specified price. The Group does not trade with forward exchange contracts for speculative purposes.

Fluctuations in exchange rates also affect the translation of the profits of subsidiaries whose reporting currency is not the US Dollar. The most significant currencies in which the Group trades, other than the US Dollar, are the Pound Sterling, Euro and Brazilian Real. The Group also trades in the Argentinean Peso, Australian Dollar, Bolivian Boliviano, Chilean Peso, Chinese Yuan Renminbi, Colombian Peso, Hong Kong Dollar, Indonesian Rupiah, Mexican Peso, Malaysian Ringgit, Paraguayan Guarani, Peruvian Nuevo Sol, Singapore Dollar, Taiwanese Dollar and the Uruguayan Peso.

Foreign exchange risk management

The carrying amount of the Group's foreign currency denominated financial assets and liabilities at the reporting date are as follows:

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk management (continued)

29 February 2020	Financial assets \$'000	Financial liabilities \$'000
Argentinean Peso	2,641	920
Australian Dollar	18,960	29,384
Brazilian Real	134,537	90,869
Chilean Pesos	11,046	16,002
Indonesian Rupiah	28,942	16,540
Euro	152,567	109,746
Pound Sterling	32,144	28,033
Mexican Peso	2,403	3,652
Taiwanese Dollar	5,852	6,150
Singapore Dollar	23,146	
Chinese Yuan	5,655	4,680
Other	9,414	16,513
	<u>427,307</u>	<u>322,489</u>

28 February 2019	Financial assets \$'000	Financial liabilities \$'000
Argentinean Peso	6,221	232
Australian Dollar	13,627	11,716
Brazilian Real	213,754	50,333
Chilean Pesos	34,875	9,101
Indonesian Rupiah	33,909	15,311
Euro	121,245	87,399
Pound Sterling	25,254	43,927
Mexican Peso	11,985	9,591
Taiwanese Dollar	7,152	5,554
Singapore Dollar	16,784	0
Colombian Peso	4,617	605
Other	10,572	173
	<u>499,995</u>	<u>233,943</u>

Foreign currency sensitivity analysis

The table below indicates the Group's sensitivity to a 10% change in the closing exchange rate on the translation of foreign currency-denominated financial instruments held by the Group's subsidiaries against their respective functional currency.

The sensitivity rate is 10% and represents management's assessment of the possible change in foreign exchange rates for the functional currencies where there is significant currency exposure.

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. Where there are financial instruments hedging the foreign currency denominated monetary items, these are also taken into account.

Foreign currency sensitivity analysis

A positive number below indicates an increase in profit before tax and other equity and a negative number indicates a decrease in profit before tax and other equity where the US Dollar strengthens 10% against the relevant currency. For a 10% weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the profit before tax and other equity.

	Brazilian Real		Colombian Peso		Argentinean Peso	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before tax	(1,734)	(7,354)	(1,363)	(2,433)	1,262	590
Other equity	-	-	-	-	-	-

Currency derivatives

The Group utilises currency derivatives to hedge significant transactions and cash flows. The Group is party to a variety of forward exchange contracts, interest rate swap agreements and options in the management of its US dollar exchange rate exposures in Brazil. The instruments purchased are denominated in US Dollar (\$) – Brazilian Real (BRL) currency pairs.

The Group had open forward foreign exchange contracts outstanding for the purchase of \$43,386,559 (2019: \$34,605,664) against the sale of BRL 183,519,466 (2019: BRL 131,004,229). At the balance sheet date the net fair value of these contracts was an asset of \$2,561,528 (2019: \$657,649 liability). Gains of \$1,368,416 (2019: \$493,826 losses) have been transferred to the Consolidated Income Statement in respect of contracts that matured during the period.

At the year end Group had an open forward exchange contract outstanding for the purchase of GBP 1,364,310 (2019: GBP 1,457,728) against the sale of ZAR 25,921,691 (2019: ZAR 25,510,235). At the balance sheet date the net fair value of these contracts was a liability of \$86,653 (2019: \$141,236). Losses of \$35,363 (2019: \$7,048) have been transferred to the Consolidated Income Statement in respect of contracts that matured during the period.

At the balance sheet date the Brazilian operations had open agreements outstanding to hedge against foreign exchange exposures between the US Dollar and Brazilian Real, where the foreign exchange exposure on translation is inherently linked to the CDI interest rate. At the balance sheet date the fair value of these agreements was an asset of \$1,741,095 (2019: \$1,841,084 asset). Gains of \$1,787,945 (2019: Gain of \$1,841,551) have been transferred to the Consolidated Income Statement in respect of agreements that matured during the period.

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purposes of hedging the translation of its foreign operations.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates and defined risk appetite.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity analysis

Sensitivity analysis has been determined based on the exposure to interest rates for financial instruments at the balance sheet date. For floating rate financial instruments, the analysis is prepared assuming the amount held at the balance sheet date was held for the whole year. The applicable increase or decrease that represents management's assessment of the reasonably possible change in interest rates, is dependent on the location of the financial instruments. Globally, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit for the year ended 29 February 2020 would have decreased by a net amount of \$308,926 (2019: \$542,519 decrease); and other equity would not have been materially affected.

Fair value of financial assets and liabilities

A comparison of current and book values of all the Group's financial instruments as at 28 February 2019 is provided below. Where market prices are not available for a particular instrument, fair values have been calculated by discounting cash flows at prevailing interest rates and by applying year end exchange rates.

	Notes	Carrying amount 2020 \$'000	Estimated fair value 2020 \$'000	Carrying amount 2019 \$'000	Estimated fair value 2019 \$'000
Financial assets					
Loans and receivables:					
Trade receivables	16	402,248	402,248	477,615	477,615
Other receivables		79,651	79,651	56,316	56,316
Amounts owed by holding company and fellow subsidiaries	16	288	288	317	317
Cash and cash equivalents	16	143,487	143,487	120,550	120,550
Fair value through profit and loss (FVTPL):					
Derivative financial instruments	16	4,595	4,595	2,318	2,318
		<u>630,269</u>	<u>630,269</u>	<u>657,116</u>	<u>657,116</u>
Financial liabilities					
Amortised cost:					
Trade payables	17	255,450	255,450	336,101	336,101
Other payables	18	139,999	139,999	123,077	123,077
Amounts owed to holding company and fellow subsidiaries	18	31,426	31,426	30,868	30,868
Obligations under finance leases	18	87,632	87,632	30,928	30,928
Contingent consideration on acquisition of subsidiaries	18	4,184	4,184	2,126	2,126
Bank overdrafts and loans	17	131,553	131,553	104,905	104,905
Other borrowings		80,257	80,257	94,760	94,760
Fair value through profit and loss (FVTPL):					
Derivative financial instruments	17	381	381	817	817
		<u>730,842</u>	<u>730,842</u>	<u>723,582</u>	<u>723,582</u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Cash equivalents are held in a variety of short dated instruments and deposits actively managed by independent managers to maximise the return consistent with the Group's stringent risk criteria. Regular reports are produced and the returns and investments are compared with benchmark targets.

Cash equivalents are classified as 'floating rate' in accordance with IAS 32 as the interest rate fluctuates on a daily basis. Interest on floating rate assets is based on the relevant national inter-bank rates.

The Directors consider that the carrying amount of short-term payables and receivables approximates to their fair value.

Fair value measurements recognised in the balance sheet

Financial instruments held at FVTPL that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

The derivative financial instruments disclosed above are grouped into level 2. Level 2 fair value measurements are those derived from 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).

All financial instruments held at FVTPL are Level 2 (2019: all Level 2). There were no transfers between any levels during the year.

19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Amounts payable under finance leases:				
Within one year	30,364	10,650	25,684	8,995
In the second to fifth years inclusive	61,260	23,795	55,156	21,517
After five years	6,352	441	6,792	416
	<u>97,976</u>	<u>34,886</u>	<u>87,632</u>	<u>30,928</u>
Less: future finance charges	(10,344)	(3,958)	-	-
Present value of lease obligations	<u>87,632</u>	<u>30,928</u>	<u>87,632</u>	<u>30,928</u>
Less: amount due for settlement within 12 months (shown under current liabilities)			(25,684)	(8,995)
Amount due for settlement after 12 months			<u>61,948</u>	<u>21,933</u>

The Group leases certain of its computer equipment, plant and machinery and land and buildings under leases. The Group's lease obligations under leases are secured by the lessors' rights over the leased assets. Generally, these lease contracts are entered into for fixed periods but may have extension options.

The Group's finance lease arrangements include immaterial variable lease payments.

Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease

The fair value of the Group's lease obligations approximates to their carrying amount.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

20. PROVISIONS

2020 \$'000	Property Provision	Restructuring	Legal Claims	Pension Obligations	Onerous Contracts	Other	Total
Opening balance	3,581	2,864	1,192	5,451	202	3,613	16,904
Utilisation of provision	(34)	(3,216)	(588)	(32)	(194)	(1,054)	(5,118)
(Credited)/charged to Income Statement	(2,170)	(9)	(559)	(169)	-	(2,989)	(5,896)
Additions during the year	241	1,273	1,096	545	2,729	2,879	8,763
Exchange movements	(136)	(160)	(239)	(78)	(26)	(761)	(1,401)
	<u>1,482</u>	<u>752</u>	<u>902</u>	<u>5,717</u>	<u>2,711</u>	<u>1,688</u>	<u>13,252</u>
Current	127	752	124	834	2,532	1,259	5,628
Non-current	1,355	-	778	4,883	179	429	7,624
	<u>1,482</u>	<u>752</u>	<u>902</u>	<u>5,717</u>	<u>2,711</u>	<u>1,688</u>	<u>13,252</u>

Restructuring provisions include expected costs for certain restructuring activities of the Group where the details have already been announced to affected parties.

Legal claims and costs are provisions for anticipated settlements including costs, for various legal matters that the Group is defending. VAT/Sales tax provisions relate to provisions for potential taxes in foreign jurisdictions.

Pension obligations relate to a pension scheme operated by Logicalis Group, for which a full defined benefit pension disclosure has not been disclosed due to its immaterial value.

Dilapidations and asset retirement obligations relate to provisions where the Group is expected to restore certain leased property and assets to its original condition.

Onerous contracts consist of projects in progress in which the costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

Other provisions include asset vendor credits, employee settlement claims and other provisions which are individually insignificant.

21. SHARE CAPITAL

Authorised

120,000,000 (2019: 120,000,000) ordinary shares of £1 each.

	2020 No.	2020 \$'000	2019 No.	2019 \$'000
Allotted, called up and fully paid ordinary shares of £1 each				
At 1 March and 28 February	79,085,888	117,623	79,085,888	117,623

22. DIVIDENDS

Dividends payment of \$2.9 million was paid to the non-controlling interest parties during the current year (2019: \$0.5m)

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

23. ACQUISITION OF SUBSIDIARIES AND TRADE AND ASSETS

The Group made two acquisitions during the year for a total consideration of \$11.7 million. The acquisitions were undertaken primarily to expand service offerings in each location. The carrying values pre-acquisition and the fair value of each class of assets and liabilities on acquisition have been set out below. Goodwill recognised represents expected synergies from combination with existing Logicalis entities and other factors that do not qualify for separate recognition.

(a) Acquisition of Cilnet Group

On 2 September 2019 the Group acquired 70% of the ordinary share capital and voting rights of Cilnet Group which made up of 3 subsidiaries, Comunicações e Projectos Especiais S.A. (Cilnet) and Virtualization LDA (VxNET) and DxNET specialising in Cisco systems integrator and managed services business in Portugal.

The consideration payable comprised total consideration of \$8.8 million.

	Carrying value pre- acquisition \$'000	Fair value adjust- ments \$'000	Final fair value \$'000
Property, plant and equipment	2,031	-	2,031
Identifiable other intangible assets	80	2,190	2,270
Trade and other receivables	9,749	-	9,749
Investments	-	-	-
Inventories	958	-	958
Deferred taxation asset	-	-	-
Cash and cash equivalents	769	-	769
Bank overdraft	-	-	-
Trade and other payables	(4,858)	-	(4,858)
Deferred taxation liability	-	(460)	(460)
Accrued expenses and other liabilities	(8,040)	-	(8,040)
Net assets	<u>690</u>	<u>1,730</u>	2,420
Goodwill generated	8,253	(1,211)	7,042
Minority interest	(191)	(519)	(710)
Cost of investment			<u>8,752</u>
Satisfied by:			
Cash consideration			6,426
Deferred consideration			<u>2,326</u>
Total consideration			<u>8,752</u>
Net cash outflow arising on acquisition:			
Cash consideration			6,426
Less: Cash acquired			<u>(769)</u>
			<u>5,656</u>

Deferred consideration payable of US\$2.3 million due within two years, provided certain conditions are met. The Directors are of the opinion that the deferred consideration conditions will be met in full.

Acquisition-related costs (included in net administrative expenses) amounted to \$86,927. The acquisition of Cilnet Group contributed \$15.5 million to revenue and \$1.7m contribution to operating profit before finance expenses for the period between the acquisition and the balance sheet date.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

23. ACQUISITION OF SUBSIDIARIES AND TRADE AND ASSETS (CONTINUED)

(b) Orange Group

On 2 September 2019 the Group acquired 100% of the ordinary share capital and voting rights of Orange Netwroks GmbH and Orange Networks 365 GmbH through Logicalis GmbH, a German consulting company for \$2.9million.

The consideration payable comprised total consideration of \$2.9 million .

	Carrying value pre- acquisition \$'000	Fair value adjust- ments \$'000	Final fair value \$'000
Property, plant and equipment	340	-	340
Identifiable other intangible assets	-	462	462
Trade and other receivables	461	-	461
Bank overdraft	(613)	-	(613)
Cash and cash equivalents	6	-	6
Trade and other payables	-	-	-
Deferred taxation liability	-	(139)	(139)
Accrued expenses and other liabilities	(1,301)	-	(1,301)
Long term liabilities	(214)	-	(214)
Net assets	<u>(1,321)</u>	<u>323</u>	<u>(997)</u>
Goodwill generated	4,238	(323)	3,915
Minority interest	-	-	-
Cost of investment			<u>2,918</u>
Satisfied by:			
Cash consideration			2,364
Deferred consideration			<u>554</u>
Total consideration			<u>2,918</u>
Net cash outflow arising on acquisition:			
Cash consideration			2,364
Add: Cash overdraft acquired			<u>607</u>
			<u>2,971</u>

Deferred consideration payable of US\$0.6 million (the equivalent of EUR0.5 million) due within three years, provided certain conditions are met. The Directors are of the opinion that the deferred consideration conditions will be met in full.

Acquisition-related costs (included in net administrative expenses) amounted to \$85,372.

The acquisition of Orange contributed \$3.2 million to revenue and an operating profit before finance expenses of \$0.12 million for the period between the acquisition and the balance sheet date.

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Year ended 29 February 2020

24. ADOPTION OF IFRS 16

The impact of the adoption of IFRS 16 in the FY20 year is disclosed below.

Reconciliation between operating lease commitments and lease liabilities recognised at the date of initial application;

	Land and buildings	Computer equipment & Software	Office furniture & equipment	Motor vehicle	Total
Operating lease commitments disclosed as at 28 February 2019	60,138	1,815	460	2,092	64,505
Discounted using the lessees' incremental borrowing rates at the date of initial application	(4,095)	(50)	(19)	(12)	(4,176)
Less: low-value leases recognised on a straight-line basis as expense	-	(123)	(148)	(19)	(290)
Less: short-term leases recognised on a straight-line basis as expense	(244)	(325)	-	(76)	(645)
Less: adjustments as a result of a different treatment of extension and termination options	(58)	-	-	(3)	(61)
Less: translation and other	(4,583)	(535)	(98)	(367)	(5,583)
Lease liabilities recognised as at 1 March 2019	<u>51,158</u>	<u>782</u>	<u>195</u>	<u>1,615</u>	<u>53,750</u>

Lease liabilities as at 28 February 2019 amounted to \$30.9 million. Total lease liabilities as at 1 March 2019 amounted to \$84.7 million.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 28 February 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 March 2019.

Previous guidance issued by the Group estimated that lease liabilities of between \$50 million and \$75 million would be recognised. An amount of \$53.8 million was recognised that was recognised was on the lower end of the estimate due to exchange rate fluctuations.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019. Incremental borrowing rates have been determined based on country-specific factors for each country that Logicalis Group trades in.

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

24. ADOPTATION OF IFRS 16 (CONTINUED)

The change in accounting policy affected the following items in the statement of financial position:

1 March 2019

ASSETS	
Right-of-use assets (Included in PPE – see note 12)	50,268
- Office furniture, equipment and motor vehicles	5,061
- Computer equipment	263
- Land and buildings	44,944
EQUITY AND LIABILITY	
Finance lease liabilities	(53,750)
Operating lease smoothing liabilities	3,482

25. SHARE-BASED PAYMENTS

Cash-settled share-based payment plan

The Logicalis Group Limited Cash-Settled Share Appreciation Right Scheme 2005 and 2014 (“the SAR Schemes”)

During the 2006 financial year, an executive incentive scheme was established in the form of a cash-settled share appreciation right (“SAR”) scheme. Under the terms of the SAR Scheme, SARs are issued annually to senior managers and directors. The SAR Scheme is cash-settled which requires an annual valuation of Logicalis to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested SARs. 50% of the SARs from the 2005 scheme vest after 24 months from the date of grant and the remainder after 36 months from the date of grant. 100% of the SARs from the 2014 scheme vest after 36 months from the date of grant. All rights lapse if the SARs are not exercised by the end of the seventh year. There are certain earnings performance conditions which govern the vesting of each award.

Details of SAR’s granted to Logicalis Group employees under the SAR Scheme which are outstanding are as follows:

	2020		2019	
	SARs	Weighted average grant price \$	SARs	Weighted average grant price \$
Outstanding at beginning of year	2,962,542	4.359	3,411,235	4.514
Granted during the year	476,090	4.920	493,368	4.840
Lapsed/Forfeited during the year	(78,500)	4.040	(769,561)	5.410
Exercised during the year	(863,408)	4.457	(172,500)	4.107
Outstanding at end of year	<u>2,496,724</u>	<u>4.442</u>	<u>2,962,542</u>	<u>4.359</u>
Exercisable at end of year	<u>553,075</u>	<u>5.050</u>	<u>633,375</u>	<u>4.925</u>

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

25. SHARE-BASED PAYMENTS (CONTINUED)

The grant price represents the amount to be deducted from the price at which each SAR is exercised. The weighted average grant price has been expressed in US Dollars (\$) as that is the currency of the SAR Scheme.

During the year, the fifteenth annual grant of SARs under the SAR Scheme was made with an effective grant date of 1 July 2019. The aggregate of the estimated fair value of the SARs granted on that date which are still outstanding at 29 February 2020 is \$nil. In the year to 28 February 2019, SARs were granted with an effective grant date of 1 July 2018. The aggregate of the estimated fair value of the SARs granted on that date which were still outstanding at 28 February 2019 was \$nil. During the year, all options from the twelfth annual grant lapsed due to failure to meet performance conditions (2019: All options lapsed).

The SARs outstanding at 29 February 2020 had a range of grant prices from \$3.700 to \$5.050 (2019: \$3.700 to \$5.840) and a weighted average remaining contractual life of 48 months (2019: 52 months).

The inputs into the Black-Scholes model for SARs granted and still outstanding at the year-end are as follows:

	2020	2019
Weighted average grant price at valuation date	4.442	4.359
Weighted average exercise price at valuation date	5.050	4.925
Expected volatility	35%	35%
Expected life	6.34 years	6.34 years
Risk free rate	1.06%	2.90%
Expected dividends	0.0%	0.0%

As Logicalis Group Limited is not listed, the expected volatility was determined using a weighted average volatility of the share price of several comparable listed companies. The expected life is the average expected period to exercise. The risk-free rate of return has been calculated using the US Dollar interest rate swap curve at 29 February 2020.

Cash-settled conditional share plan

The Logicalis Group Limited Cash-Settled Conditional Share Plan 2018 ("the LGL CSP Scheme")

During the 2019 financial year, an executive incentive scheme for Logicalis Group Limited ("LGL") was established in the form of a cash-settled conditional share plan ("LGL CSP") scheme. Under the terms of the LGL CSP Scheme, LGL CSPs are issued annually to directors. The LGL CSP Scheme is cash-settled which requires an annual valuation of LGL to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested LGL CSPs. CSPs vest after 36 months from the date of grant according to performance conditions in each grant.

All rights lapse if the CSPs are not exercised by the end of the seventh year. There are certain earnings performance conditions which govern the vesting of each award.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payment plan (continued)

Details of LGL CSP's granted to LGL employees under the LGL CSP Scheme which are outstanding are as follows:

	2020		2019	
	LGL SARs	Weighted average grant price \$	LGL SARs	Weighted average grant price \$
Outstanding at beginning of period	618,665	4.480	-	-
Granted during the period	602,759	4.920	618,665	4.840
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at end of period	<u>1,221,424</u>	<u>4.879</u>	<u>618,665</u>	<u>4.840</u>
Exercisable at end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average grant price has been expressed in US Dollars (\$) as that is the currency of the LGL CSP Scheme.

During the year, the second annual grant of LGL CSPs under the LGL CSP Scheme was made with an effective grant date of 1 July 2019. The aggregate of the estimated fair value of the options granted on that date which are still outstanding at 29 February 2020 is \$nil. In the year to 28 February 2019, CSPs were granted with an effective grant date of 1 July 2018. The aggregate of the estimated fair value of the options granted on that date which are still outstanding at 28 February 2019 is \$nil.

The LGL CSPs outstanding at 29 February 2020 had a weighted average remaining contractual life of 70 months (2019: 76 months).

The inputs into the Black-Scholes model for LGL SARs granted and still outstanding at the year-end are as follows:

	2020	2019
Weighted average grant price at valuation date	4.442	\$4.840
Weighted average exercise price at valuation date	5.050	\$4.840
Expected volatility	35%	28%
Expected life	6.34 years	6.34 years
Risk free rate	1.06%	2.90%
Expected dividends	<u>0.0%</u>	<u>0.0%</u>

As LGL is not listed, the expected volatility was determined using a weighted average volatility of the share price of several comparable listed companies. The expected life is the average expected period to exercise. The risk free rate of return has been calculated using the USD Swap Curve at 29 February 2020.

The Group recognised a total debit of \$637,911 in relation to the SAR and CSP Schemes in the financial year (2019: \$475,773 debit). The total liability at 29 February 2020 was \$3,192,327 (2019: \$2,554,416).

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

25. SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payment plan (continued)

The Promon-Logicalis Latin America Limited Cash-Settled Share Appreciation Right Scheme 2009 and 2014 ("the PLLAL SAR Scheme")

During the 2010 financial year, an executive incentive scheme for Promon-Logicalis Latin America Limited ("PLLAL") was established in the form of a cash-settled share appreciation right ("PLLAL SAR") scheme. Under the terms of the PLLAL SAR Scheme, PLLAL SARs are issued annually to senior managers and directors. The PLLAL SAR Scheme is cash-settled which requires an annual valuation of PLLAL to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested PLLAL SARs. 50% of the SARs from the 2009 scheme vest after 24 months from the date of grant and the remainder after 36 months from the date of grant. 100% of the SARs from the 2014 scheme vest after 36 months from the date of grant. All rights lapse if the SARs are not exercised by the end of the seventh year. There are certain earnings performance conditions which govern the vesting of each award.

Details of PLLAL SAR's granted to PLLAL employees under the SAR Scheme which are outstanding are as follows:

	2020		2019	
	Options	Weighted average grant price \$	Options	Weighted average grant price \$
Outstanding at beginning of year	827,282	6.145	1,104,925	6.615
Granted during the year	184,193	8.870	152,021	8.160
Exercised during the year	(173,917)	5.391	(89,832)	5.821
Lapsed/Forfeited during the period	-	-	(339,832)	8.662
Outstanding at end of year	<u>837,677</u>	<u>6.901</u>	<u>827,282</u>	<u>6.145</u>
Exercisable at end of year	<u>145,767</u>	<u>5.223</u>	<u>29,925</u>	<u>7.583</u>

The grant price represents the amount to be deducted from the price at which each PLLAL SAR is exercised. The weighted average grant price has been expressed in US Dollars (\$) as that is the currency of the PLLAL SAR Schemes.

During the year, the eleventh annual grant of PLLAL SARs under the PLLAL SAR Schemes was made with an effective grant date of 1 July 2019. The aggregate of the estimated fair value of the options granted on that date which are still outstanding at 29 February 2020 is \$nil. In the year to 28 February 2019, PLLAL SARs were granted with an effective grant date of 1 July 2018. The aggregate of the estimated fair value of the PLLAL SARs granted on that date which were still outstanding at 28 February 2019 was \$nil.

The PLLAL SARs outstanding at 29 February 2020 had a range of grant prices from \$5.08 to \$8.87 (2018: \$5.08 to \$9.25) and a weighted average remaining contractual life of 57 months (2019: 60 months).

The inputs into the Black-Scholes model for PLLAL SARs granted and still outstanding at the year-end are as follows:

	2020	2019
Weighted average grant price at valuation date	6.901	\$6.143
Weighted average exercise price at valuation date	5.223	\$7.583
Expected volatility	35%	28%
Expected life	6.34 years	6.34 years
Risk free rate	1.06%	2.90%
Expected dividends	2.0%	0.0%

LOGICALIS GROUP LIMITED

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Year ended 29 February 2020

25. SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payment plan (continued)

As PLLAL is not listed, the expected volatility was determined using a weighted average volatility of the share price of several comparable listed companies. The expected life is the average expected period to exercise. The risk free rate of return has been calculated using the US Dollar interest rate swap curve at 29 February 2020.

Cash-settled conditional share plan

The Promon-Logicalis Latin America Limited Cash-Settled Conditional Share Plan 2018 ("the PLLAL CSP Scheme")

During the 2019 financial year, an executive incentive scheme for Promon-Logicalis Latin America Limited ("PLLAL") was established in the form of a cash-settled conditional share plan ("PLLAL CSP") scheme. Under the terms of the PLLAL CSP Scheme, PLLAL CSPs are issued annually to senior managers and directors. The PLLAL CSP Scheme is cash-settled which requires an annual valuation of PLLAL to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested PLLAL CSPs. CSPs vest after 36 months from the date of grant according to performance conditions in each grant.

All rights lapse if the CSPs are not exercised by the end of the seventh year. There are certain earnings performance conditions which govern the vesting of each award.

Details of PLLAL CSP's granted to PLLAL employees under the PLLAL CSP Scheme which are outstanding are as follows:

	2020		2019	
	PLLAL SARs	Weighted average grant price \$	PLLAL SARs	Weighted average grant price \$
Outstanding at beginning of period	118,656	8.160	-	-
Granted during the period	114,450	8.870	118,656	8.160
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at end of period	<u>233,106</u>	<u>8.509</u>	<u>118,656</u>	<u>8.160</u>
Exercisable at end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average grant price has been expressed in US Dollars (\$) as that is the currency of the PLLAL CSP Scheme.

During the year, the second annual grant of PLLAL CSPs under the PLLAL CSP Scheme was made with an effective grant date of 1 July 2019. The aggregate of the estimated fair value of the options granted on that date which are still outstanding at 29 February 2020 is \$nil. In the year to 28 February 2019, CSPs were granted with an effective grant date of 1 July 2018. The aggregate of the estimated fair value of the options granted on that date which are still outstanding at 28 February 2019 is \$nil.

The PLLAL CSPs outstanding at 29 February 2020 had a weighted average remaining contractual life of 70 months (2019: 76 months).

The inputs into the Black-Scholes model for PLLAL SARs granted and still outstanding at the year-end are as follows:

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Year ended 29 February 2020

25. SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payment plan (continued)

	2019	2018
Weighted average grant price at valuation date	8.509	\$8.160
Weighted average exercise price at valuation date	-	-
Expected volatility	35%	28%
Expected life	6.34 years	6.34 years
Risk free rate	1.06%	2.90%
Expected dividends	2.0%	0.0%

As PLLAL is not listed, the expected volatility was determined using a weighted average volatility of the share price of several comparable listed companies. The expected life is the average expected period to exercise. The risk free rate of return has been calculated using the USD Swap Curve and BRL estimated Curve at 29 February 2020.

The Group recognised a total credit of \$806,384 in relation to the PLLAL SAR and CSP Schemes in the financial year (2018: \$1,589,490 debt). The total liability at 29 February 2020 was \$1,732,224 (2019: \$2,538,608).

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with fellow group undertakings of the ultimate parent company and controlling party, Datatec Limited, are disclosed below.

Sales of goods and services to fellow group undertakings

	2020 \$'000	2019 \$'000
Westcon Group	357	126
Logicalis South Africa	2	-
Analysys Mason Limited	1	-
Datatec Financial Services Holdings Limited	526	1,163
Datatec Limited	4	63
	<u>890</u>	<u>1,352</u>

Goods are sold on the basis of the pricing principles in force with non-related parties.

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Year ended 29 February 2020

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Purchases of goods and services from fellow group undertakings

	2020	2019
	\$'000	\$'000
Westcon Group	30,373	31,998
Logicalis South Africa	2,641	2,537
Analysys Mason Group	-	2
Datatec Limited Group	24	-
	<u>33,038</u>	<u>34,537</u>

Goods are bought based on the pricing principles in force with non-related parties.

Other transactions with fellow group undertakings

	2020	2019
	\$'000	\$'000
Datatec Plc – Internal audit fee	521	-
Datatec Plc – management fees	7,999	8,009
Datatec Financial Services Limited – finance costs	-	87
Datatec Limited – finance costs	572	700
Datatec Plc – finance costs	302	(4)
	<u>9,394</u>	<u>8,792</u>

During the year, group companies entered into the following transactions with related parties who are not members of the group.

Sales of goods and services to Promon S.A.

	2020	2019
	\$'000	\$'000
Promon S.A.	<u>49</u>	<u>132</u>

Purchases of goods and services from PT. Metrodata Electronics Tbk

	2020	2019
	\$'000	\$'000
PT. Metrodata Electronics Tbk	<u>64</u>	<u>20</u>

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Year ended 29 February 2020

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions with Promon S.A.

	2020 \$'000	2019 \$'000
Promon S.A. – pension fund expenses	1,696	1,529
Promon S.A. – other operating expenses	5	85

Promon S.A. is a related party of the Group as it owns 35% (2019: 35%) of the issued ordinary share capital and one 'B' cumulative, redeemable preference share of Promon-Logicalis Latin America Limited.

There is only one 'B' cumulative, redeemable preference share of £1 in issue, which is owned by Promon S.A. This 'B' preference share has a dividend entitlement equivalent to Promon S.A.'s relative share (based on its percentage interest in Promon-Logicalis Latin America Limited) of the management fees invoiced to Promon-Logicalis Latin America Limited by Logicalis Group Limited.

PromonLogicalis Tecnologia e Participações Ltda and PTLIS Serviços de Tecnologia e Assessoria Técnica Ltda provided information technology and support services to subsidiaries of Promon S.A.

A subsidiary of Promon S.A. incurred other operating expenses on behalf of PTLIS Serviços de Tecnologia e Assessoria Técnica Ltda.

PT. Metrodata Electronics Tbk is a related party of the Group as it owns 20.5% of the issued ordinary share capital of PT. Packet Systems Indonesia PT. (2019: 49% of Logicalis Metrodata Indonesia and 14.116% of the issued ordinary share capital of PT. Packet Systems Indonesia).

Remuneration of key management personnel

The remuneration of key management personnel of the Group is set out below.

	2020 \$'000	2019 \$'000
Salaries and short term employee benefits	9,322	8,091
Post-employment benefits	310	315
Share-based payments	22	-

Key management compensation for the Group includes the Board and Executive Board of the Company and the managing directors in each territory the Group operates in. Further information about the remuneration of the Directors is provided in note 8.

27. CONTINGENT LIABILITIES

The Group has a contingent liability in respect of a possible tax liability at its Brazilian operation. In April 2011, a Brazilian state tax authority claimed that the Brazilian operations should have paid a higher rate of state tax on its equipment sales up to October 2010 than actually paid. The amount being claimed by the Brazilian state tax authority, excluding interest, is BRL 15.1 million (USD 4.7 million).

The Brazilian management, supported by a legal opinion, strongly disagrees with the state tax authority's assessment and have formally appealed against it.

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28. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at 29 February 2020 are shown below. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 29/28 February each year.

Subsidiary	Country of registration and incorporation	Activity	Proportion of ordinary shares held	
			2020	2019
Logicalis Argentina S.A.*	Argentina	IT solutions and services provider	65%	65%
Nubeliu Argentina Srl*	Argentina	IT solutions and services provider	33%	33%
Thomas Duryea Logicalis Holdings Pty Ltd	Australia	IT solutions and services provider	100%	100%
Thomas Duryea Logicalis Pty Ltd*	Australia	Consulting, technology services and outsourcing company	100%	100%
Logicalis CNI (Corporate Network Integrations Pvt Ltd)*	Australia	IT solutions and services provider	100%	100%
Logicalis Andina Bolivia LAB. LTDA.*	Bolivia	IT solutions and services provider	65%	65%
PromonLogicalis Tecnologia e Participações Ltda.*	Brazil	IT solutions and services provider	65%	65%
PTLS Serviços de Tecnologia e Assessoria Técnica Ltda. *	Brazil	IT solutions and services provider	65%	65%
Nubeliu Consultoria e Licenciamento de Software LTDA*	Brazil	IT solutions and services provider	33%	33%
NetStar Group Holding Limited	British Virgin Islands	Intermediate holding company	100%	100%
Fastec Management Inc*	British Virgin Islands	Dormant	0%	33%
Nubeliu Limited*	Cayman Islands	Intermediate Holding Company	33%	33%
Logicalis Chile S.A.*	Chile	IT solutions and services provider	65%	65%
Coasin Chile S.A.*	Chile	IT solutions and services provider	65%	65%
Logicalis Colombia S.A.S.*	Colombia	IT solutions and services provider	65%	65%
Logicalis Ecuador S.A.*	Ecuador	IT solutions and services provider	65%	65%
Logicalis Group Services Limited	England and Wales	Non-trading entity	100%	100%
Logicalis UK Limited	England and Wales	IT solutions and services provider	100%	100%

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28. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Country of registration and incorporation	Activity	Proportion of ordinary shares held	
			2020	2019
Promon-Logicalis Latin America Limited	England and Wales	Intermediate holding company	65%	65%
Logicalis Limited	England and Wales	Intermediate holding company	100%	100%
Logicalis Group Finance Limited*	England and Wales	Intermediate holding company	100%	-
Logicalis Networks GmbH*	Germany	Intermediate holding company	100%	100%
Logicalis GmbH*	Germany	IT solutions and services provider	100%	100%
ITUMA GmbH*	Germany	IT services provider	51%	51%
Orange Networks GmbH	Germany	IT solutions and services provider	100%	0%
Orange Networks 365 GmbH	Germany	IT solutions and services provider	100%	0%
Logicalis Guernsey Limited*	Guernsey	IT solutions and services provider	100%	100%
PT Packet Systems Indonesia*	Indonesia	IT solutions and services provider	54%	54%
Logicalis Ireland Limited	Ireland	IT solutions and services provider	100%	100%
Logicalis Solutions Limited*	Ireland	IT solutions and services provider	100%	100%
Logicalis Technical Services Limited*	Ireland	IT solutions and services provider	100%	100%
Logicalis Technology Limited*	Ireland	IT solutions and services provider	100%	100%
Logicalis Channel Islands Limited	Jersey	Intermediate holding company	100%	100%
Logicalis Jersey Limited*	Jersey	IT solutions and services provider	100%	100%
Thomas Duryea Logicalis Asia Pacific Sdn Bhd*	Malaysia	IT services provider	100%	100%
Logicalis Malaysia Sdn Bhd*	Malaysia	IT solutions and services provider	100%	100%
Logicalis Mexico, S. De R.L. de C.V.*	Mexico	IT solutions and services provider	65%	65%
Logicalis Paraguay S.A.*	Paraguay	IT solutions and services provider	65%	65%

LOGICALIS GROUP LIMITED

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28. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Country of registration and incorporation	Activity	Proportion of ordinary shares held	
			2020	2019
Logicalis Pte. Ltd*	People's Republic of China	IT solutions and services provider	100%	100%
Logicalis Hong Kong Limited*	People's Republic of China	IT solutions and services provider	100%	100%
Logicalis Shanghai Limited*	People's Republic of China	IT solutions and services provider	100%	100%
Logicalis Andina S.A.C.*	Peru	IT solutions and services provider	65%	65%
C2 Mining Solutions S.A.C. *	Peru	IT solutions and services provider	65%	65%
(Cilnet) Comunicações e Projectos Especiais S.A *	Portugal	IT solutions and services provider	70%	0%
Virtualization LDA*	Portugal	IT solutions and services provider	53%	0%
Scorpionpixel - Unipessoal, Lda*	Portugal	IT solutions and services provider	36%	0%
Logicalis Puerto Rico Inc*	Puerto Rico	IT solutions and services provider	65%	65%
Logicalis Singapore Pte Ltd*	Singapore and Republic of China	IT solutions and services provider	100%	100%
Logicalis Spain S.L.	Spain	IT solutions and services provider	100%	100%
Logicalis Uruguay S.A.*	Uruguay	IT solutions and services provider	65%	65%
Logicalis Inc S.A.*	Uruguay	IT solutions and services provider	65%	65%
Nubeliu I LLC*	USA	Dormant	33%	33%
Nubeliu II LLC*	USA	Dormant	33%	33%
Logicalis South America, Inc.*	USA	IT solutions and services provider	65%	65%
PLLAL International LLC.*	USA	IT solutions and services provider	65%	65%
Logicalis US Holdings, Inc.	USA	Intermediate holding company	100%	100%
Logicalis, Inc.*	USA	IT solutions and services provider	100%	100%
The Via Group, Inc.*	USA	Deregistered	0%	100%

All subsidiaries are owned directly by Logicalis Group Limited, except those marked * which are held indirectly via an intermediate subsidiary. All subsidiaries listed above have been included in the consolidation. The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of shares held. The principal place of business of PLLAL International LLC is Brazil and the principal place of business of Logicalis South America, Inc is Argentina, in all other cases the principal place of business is the same as the entities country of incorporation.

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 29 February 2020

28. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Registered Office
Logicalis Argentina S.A.*	Avenida Belgrano 955, Piso 20, Ciudad de Buenos Aires, CP: 1092, Argentina.
Nubeliu Argentina Srl	Coronel Cetz 336, Pb, San Isidro, Buenos Aires, Argentina
Thomas Duryea Logicalis Holdings Pty Ltd	79 Swan Street, Richmond, Victoria, Australia 3121, Australia
Thomas Duryea Logicalis Pty Ltd *	79 Swan Street, Richmond, Victoria, Australia 3121, Australia
Corporate Network Integrations Pvt Ltd*	79 Swan St, Richmond, Australia
Logicalis Andina Bolivia LAB. LTDA.*	4to Anillo # 4200 - Tower Dúo Piso 10 Office B, Santa Cruz de la Sierra, Bolivia
PromonLogicalis Tecnologia e Participações Ltda.*	Avenida das Nações Unidas, 12.901, Conjunto N-1802, 18º andar, Torre Norte, Centro Empresarial Nações Unidas (CENU), Brooklin Paulista, São Paulo/SP, CEP 04578-910
PTLS Serviços de Tecnologia e Assessoria Técnica Ltda. *	Avenida das Nações Unidas, 12.901, Conjunto N-1802, 18º andar, Torre Norte, Centro Empresarial Nações Unidas (CENU), Brooklin Paulista, São Paulo/SP, CEP 04578-910
Nubeliu Consultoria e Licenciamento de Software LTDA*	Praça General Gentil Falcão, 139 – Apto 61 – Bloco 2 – Cidade Monções São Paulo/SP – CEP: 04571-150
NetStar Group Holding Limited	c/o ATC Trustees (BVI) Limited, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands
Nubeliu.Limited*	Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, P.O. Box 268, Grand Cayman Kyi-LI04, Cayman Islands
Logicalis Chile S.A.*	Avenida El Bosque Norte 0177 Oficina 801, Las Condes - Santiago
Coasin Chile S. A.*	Coasin Chile, Av. Del Valle Norte 732, Huechuraba, Santiago, Chile
Logicalis Colombia S.A.S.*	Street 113 No. 7 - 80 Floor 6, Office 601, Tower AR, Bogota, Colombia
Logicalis Ecuador S.A.*	Avenida República del Salvador y Portugal, Building Twin Tower, Tower 1, Office 3A- 3B, Quito, Ecuador
Logicalis Group Services Limited	110 Buckingham Avenue, Slough, Berkshire, SL14PF
Logicalis UK Limited	110 Buckingham Avenue, Slough, Berkshire, SL14PF
Promon-Logicalis Latin America Limited	110 Buckingham Avenue, Slough, Berkshire, SL14PF
Logicalis Limited	110 Buckingham Avenue, Slough, Berkshire, SL14PF
Logicalis Group Finance Limited	110 Buckingham Avenue, Slough, Berkshire, SL14PF

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

28. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Registered Office
Logicalis Networks GmbH*	Martin-Behaim Str. 19-21, 63263 Neu-Isenburg
Logicalis GmbH	Martin-Behaim Str. 19-21, 63263 Neu-Isenburg
ITUMA GmbH*	Kleinhülsen 29, 40721 Hilden
Orange Networks GmbH	Sachsente 26, 21029 Hamburg, Germany
Orange Networks 365 GmbH	Sachsente 26, 21029 Hamburg, Germany
Logicalis Guernsey Limited*	Pitronnerie Road, St. Peter Port, Guernsey
PT Packet Systems Indonesia*	The Manhattan Square, Mid Tower, 25th Floor, JL. TB. Simatupang Kav. 1S, RT.002, RW.003, Sub-District Cilandak Timur, District Pasar Minggu, South Jakarta 12560, Indonesia
Logicalis Ireland Limited	Heather Road, Sandyford Industrial Estate, Dublin 18
Logicalis Solutions Limited*	Heather Road, Sandyford Industrial Estate, Dublin 18
Logicalis Technical Services Limited*	Heather Road, Sandyford Industrial Estate, Dublin 18
Logicalis Technology Limited*	Heather Road, Sandyford Industrial Estate, Dublin 18
Logicalis Channel Islands Limited	Rue a la Dame, St. Saviour, Jersey, JE2 7NH
Logicalis Jersey Limited*	Rue a la Dame, St. Saviour, Jersey, JE2 7NH
Thomas Duryea Logicalis Asia Pacific Sdn Bhd*	Unit F-3-1, Blok F, Third Floor, CBD Perdana 3, Jalan Perdana, Cyber 12, 63000 Cyberjaya, Selangor Darul Ehsan
Logicalis Malaysia Sdn Bhd*	No. 1 & 1A, 2nd Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur, Wilayah Persekutuan
Logicalis Mexico, S. De R.L. de C.V.*	Av. Ejército Nacional 678 – Of. 101. Col. Polanco IV Sección Del. Miguel Hidalgo C.P. 11550 - México, D.F.
Logicalis Paraguay S.A.*	Avda España 2028 c/Avda Brasilia Edificio Urano - 2do piso- Bloque B-Asuncion – Paraguay
Logicalis Pte. Ltd (Xiamen)*	Room 902 of Shen Tian International Building, No.42-46 Shen Tian Road, Siming District of Xiamen City, Fujian Province, China.
Logicalis Hong Kong Limited*	Suite 1401-02, 14/F, 1063 King's Road, Quarry Bay, Hong Kong
Logicalis Shanghai Limited	No. 1080, Jin Feng Rd. Jinshan District Shanghai

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

28. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Country of registration and incorporation
Logicalis Andina S.A.C.*	AV. Santo Toribio 173- OFIC. 503 Via Central 125 Edificio Real 8 San Isidro
C2 Mining Solutions S.A.C.*	Av. Santo Toribio Nro. 173 Int. 503 Urb. El Rosario Lima - Lima - San Isidro
Comunicações e Projectos Especiais S.A (Cilnet)*	Lagoas Park, Edifício 5, Torre A 2740-265 Porto-Salvo, Portugal
Virtualization LDA (VXnet)*	Lagoas Park, Edifício 5, Torre A 2740-265 Porto-Salvo, Portugal
Scorpionpixel - Unipessoal, (DXnet)*	Lda Lagoas Park, Edifício 5, Torre A 2740-265 Porto-Salvo, Portugal
Logicalis Puerto Rico Inc*	252 Ponce de Leon Avenue, Floor 20, San Juan, PR 00918
Logicalis Singapore Pte Ltd*	150 Kampong Ampat #04-06 Ka Centre, Singapore 368324
Logicalis Spain S.L.	Av. Diagonal, 569 2º 3ª, 08029 Barcelona, Spain
Logicalis Uruguay S.A.*	Luis A. de Herrera 1248, World Trade Center Building, Tower 3, Office 1976 - Montevideo - Uruguay
Logicalis Inc S.A.*	Luis A. de Herrera 1248, World Trade Center Building, Tower 3, Office 1976 - Montevideo - Uruguay
Nubeliu I LLC*	C/o Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware
Nubeliu II LLC*	C/o Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware
Logicalis South America, Inc.*	3505 NW 107th Avenue, Suite C, Miami, Florida 33172, US
PLLAL International LLC.*	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808
Logicalis US Holdings, Inc.	C/O Corporation Service Company, 80 State Street, Albany, New York 12207-2543
Logicalis, Inc.*	C/O Corporation Service Company, 80 State Street, Albany, New York 12207-2543

LOGICALIS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 29 February 2020

29. POST BALANCE SHEET EVENTS

COVID 19 Impact:

On January 30, 2020 the World Health Organization declared the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Logicalis operations, suppliers or other vendors and customers. The operations of Logicalis could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the company’s financial position and operating results, however the magnitude will be determined by the duration of COVID-19 and different approaches taken by different governments in different countries.

Logicalis will monitor the ongoing developments and be proactive in mitigating the impact on operations. Already Logicalis have taken various steps regionally to addresses potential effects of the pandemic. Notwithstanding, the company expects there may be an impact as a result of these events into the new year, however magnitude will be determined by the during of COVID-19.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of these operations or the state of affairs of the company in future financial years.

30. HYPERINFLATION

From 31 May 2018 the Argentinean economy has met the definition of a hyperinflationary economy. Resulting in Logicalis Argentina S.A. applying hyperinflation accounting to its results. The impacts of hyperinflation accounting for Logicalis Argentina S.A. on the group results was not material.

31. AUDIT EXEMPTION FOR SUBSIDIARY COMPANIES

For the year ending 29 February 2020, Logicalis Group Services Limited a fully owned subsidiary incorporated in the United Kingdom with registration number 03732384 and Logicalis Limited a fully owned subsidiary incorporated in the United Kingdom with registration number 05399733 are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of that Act.

32. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The parent company is Datatec Plc, a company incorporated and registered in the United Kingdom. The ultimate parent company is Datatec Limited, a company incorporated and registered in the Republic of South Africa and listed on the Johannesburg Stock Exchange. Copies of the ultimate parent company’s annual financial statements can be obtained from Datatec Limited, PO Box 76226, Wendywood 2144, South Africa or from its website www.datatec.com. Datatec Plc is the smallest group and Datatec Limited is the largest group of which the Company is a member for which consolidated accounts are prepared. Datatec PLC’s registered office is Bush House, North West Wing, Aldwych, London, WC2B 4PJ, United Kingdom and Datatec limited’s registered office is Ground Floor, Sandown Chambers, Sandown Village, 16 Maude Street, Sandown, South Africa.

LOGICALIS GROUP LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 29 February 2020

	Notes	2020 \$'000	2019 \$'000
Dividends received		17,467	2,048
Management fees received		13,638	15,368
Foreign exchange (loss) / gain		438	(368)
Other administrative expenses		(18,406)	(19,050)
Operating (loss)/profit		13,137	(2,002)
Investment Impairment	39	(42,456)	(33,898)
Other income	35	289	401
Finance costs	36	(1,364)	(1,190)
(Loss)/profit before tax		(30,394)	(36,689)
Tax (charge)/credit	37	(185)	291
Total comprehensive (loss)/profit for the year attributable to the owner of the Company		(30,579)	(36,398)

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 29 February 2020

	Share capital \$'000	Share premium \$'000	Capital contrib- utions reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 March 2018	117,623	12,571	13,381	91,987	235,562
Total comprehensive income for the year	-	-	-	(36,398)	(36,398)
At 1 March 2019	117,623	12,571	13,381	55,589	199,164
Total comprehensive loss for the year	-	-	-	(30,579)	(30,579)
At 29 February 2020	117,623	12,571	13,381	25,010	168,595

LOGICALIS GROUP LIMITED

COMPANY BALANCE SHEET

As at 29 February 2020

	Notes	2020 \$'000	2019 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	37	38	88
Investment in subsidiaries	38	247,457	238,923
		<u>247,495</u>	<u>239,011</u>
CURRENT ASSETS			
Trade and other receivables	39	9,640	17,564
Deferred tax Asset		408	23
Cash and cash equivalents		3,790	317
		<u>13,837</u>	<u>17,904</u>
TOTAL ASSETS		<u>261,332</u>	<u>256,916</u>
CURRENT LIABILITIES			
Trade and other payables	40	(12,768)	(6,940)
Financial liabilities: amounts owed to group undertakings	44	(50,989)	(36,407)
Bank overdrafts and loans	40	(15,693)	(1,559)
		<u>(79,450)</u>	<u>(44,906)</u>
NET CURRENT LIABILITIES		<u>(65,612)</u>	<u>(27,025)</u>
NON-CURRENT LIABILITIES			
Financial liabilities: amounts owed to group undertakings	44	(13,298)	(12,845)
		<u>(13,298)</u>	<u>(12,822)</u>
TOTAL LIABILITIES		<u>(92,454)</u>	<u>(57,728)</u>
NET ASSETS		<u>168,585</u>	<u>199,164</u>
EQUITY			
Share capital	42	117,623	117,623
Share premium		12,571	12,571
Capital contributions reserve		13,381	13,381
Retained earnings		25,010	55,589
		<u>168,585</u>	<u>199,164</u>
ATTRIBUTABLE TO THE OWNER OF THE COMPANY		<u>168,585</u>	<u>199,164</u>

These financial statements of Logicalis Group Limited, registered number 04012342, were approved by the Board of Directors and authorised for issue on 26 August 2020.

Signed on behalf of the Board of Directors by:



R Bailkoski
Director



S Radcliffe
Director

LOGICALIS GROUP LIMITED

COMPANY CASH FLOW STATEMENT

Year Ended 29 February 2020

	2020	2019
	\$'000	\$'000
Operating activities		
Cash (used in)/generated by operations	9,473	(12,835)
Other income received	289	401
Finance costs paid	(1,364)	(1,191)
Taxation (paid) / received	(567)	291
Dividends received	17,467	2,048
	<u>25,294</u>	<u>(11,286)</u>
Investing activities		
Purchases of property, plant and equipment	-	(3)
Acquisition of subsidiaries	(8,752)	
Capital contribution to existing subsidiaries	(42,238)	-
	<u>(50,990)</u>	<u>(3)</u>
Financing activities		
Advance of loan from holding companies	26,579	8,973
Repayment of loan from holding company	(11,997)	(1,678)
Advance of loan from subsidiary companies	30,128	12,339
Repayment of loan from subsidiary companies	(29,675)	(15,693)
	<u>15,035</u>	<u>3,941</u>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(10,661)	(7,348)
Cash and cash equivalents at beginning of year	(1,242)	6,093
Effect of foreign exchange rate changes	-	13
	<u>(11,903)</u>	<u>(1,242)</u>
Cash, cash equivalents and bank overdrafts at end of year	<u>(11,903)</u>	<u>(1,242)</u>
Disclosed on the Balance Sheet as:		
Cash and cash equivalents	3,790	317
Bank overdrafts and loans	(15,693)	(1,559)
	<u>(11,903)</u>	<u>(1,242)</u>

LOGICALIS GROUP LIMITED

NOTE TO THE COMPANY CASH FLOW STATEMENT
Year Ended 28 February 2020

	2020	2019
	\$'000	\$'000
Reconciliation of operating (loss)/profit to cash used in operations		
Operating (loss)/profit	13,137	(2,002)
Adjustments for:		
Dividends received	(17,467)	(2,048)
Depreciation	51	72
Foreign exchange loss/(gain)	-	(14)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(4,279)	(3,991)
Increase in trade and other receivables	8,218	(10,238)
Increase in trade and other payables	5,534	1,394
	<hr/>	<hr/>
Cash (used in)/generated by operations	<u>9,473</u>	<u>(12,835)</u>

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year Ended 28 February 2020

33. DIRECTORS AND EMPLOYEES

Three directors received emoluments in respect of their services to the Company during the year (2019: Three). Details of their emoluments for their services to the Group are disclosed in Note 8 to the consolidated financial statements.

34. OTHER INCOME

	2020 \$'000	2019 \$'000
Interest income on amounts owed by group undertakings	289	401
	<u>297</u>	<u>401</u>

35. FINANCE COSTS

	2020 \$'000	2019 \$'000
Interest on bank overdrafts, loans and other borrowings	(159)	(231)
Interest expense on amounts owed to group undertakings	(1,205)	(959)
	<u>(1,364)</u>	<u>(1,190)</u>

36. TAX

	2020 \$'000	2019 \$'000
Current taxation		
<i>United Kingdom corporation tax:</i>		
Current year	(26)	(741)
Adjustment in respect of prior years	(544)	304
<i>Foreign tax:</i>		
Current year	-	(80)
Total current taxation	<u>(570)</u>	<u>(517)</u>
Deferred taxation		
Credit for the current year	93	1,035
Adjustment in respect of prior years	292	(227)
Total deferred taxation (see note 38)	<u>385</u>	<u>808</u>
Tax (charge)/credit on loss on ordinary activities	<u>(185)</u>	<u>291</u>

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year Ended 28 February 2020

36. TAX (CONTINUED)

The charge for the year can be reconciled to the (loss)/profit per the Company Statement of Comprehensive Income as follows:

	2020 \$'000	2019 \$'000
(Loss)/profit before tax	(30,394)	(32,010)
Tax at the UK Corporation tax rate of 19.0% (2019: 19.0%)	(5,774)	(6,082)
<i>Factors affecting charge for the year:</i>		
Tax effect of exempt dividend income	-	(389)
Tax effect of investment impairment	8,066	5,552
Tax effect of other permanent differences	(2,855)	714
Group relief unpaid	46	-
Deferred tax assets not recognised	370	(89)
Adjustments to tax charge in respect of prior periods	54	(77)
Withholding Tax arising on dividends and other income	26	80
Prior Year DT movement	(292)	-
Prior year current tax	544	-
Tax charge/(credit) on loss	185	(291)

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year Ended 28 February 2020

37. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, fittings and equipment \$'000	Computer equipment \$'000	Computer software \$'000	Total \$'000
Cost				
At 1 March 2019	24	24	151	199
Additions	-	-	-	-
At 29 February 2020	<u>24</u>	<u>24</u>	<u>151</u>	<u>199</u>
Accumulated depreciation				
At 1 March 2019	13	14	83	110
Depreciation	4	10	37	51
At 29 February 2020	<u>17</u>	<u>24</u>	<u>120</u>	<u>161</u>
Net book value				
At 29 February 2020	<u>8</u>	<u>-</u>	<u>31</u>	<u>38</u>
At 28 February 2019	<u>11</u>	<u>10</u>	<u>68</u>	<u>88</u>

38. INVESTMENT IN SUBSIDIARIES

	2020 \$'000	2019 \$'000
Cost		
At 1 March	303,137	303,137
Acquired Investments	8,752	-
Capital Injection	42,238	-
At 28/29 February	<u>354,127</u>	<u>303,137</u>
Accumulated impairment losses		
At 1 March	64,214	30,316
Impairment	42,456	33,898
At 28/29 February	<u>106,670</u>	<u>64,214</u>
Carrying amount		
At 28/29 February	<u>247,457</u>	<u>238,923</u>

Details of the Company's subsidiaries can be found within note 28 to the Logicalis Group accounts and details of the company's acquisitions can be found in note 23 to the Logicalis Group accounts.

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year Ended 28 February 2020

39. FINANCIAL ASSETS

Trade and other receivables

	2020	2019
	\$'000	\$'000
Prepayments and accrued income	5,528	533
Amounts owed from holding company and fellow subsidiaries (Note 44)	4,112	17,031
	<u>9,640</u>	<u>17,564</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

40. FINANCIAL LIABILITIES

Trade and other payables

	2020	2019
	\$'000	\$'000
Accounts Payable	2,021	397
Accruals and other creditors	10,747	6,520
	<u>12,768</u>	<u>6,917</u>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Bank overdrafts and loans due within one year or on demand

	2020	2019
	\$'000	\$'000
Unsecured	<u>15,693</u>	<u>1,559</u>

41. DEFERRED TAX LIABILITIES

The following represents the movement on deferred tax during the year.

	2020	2019
	\$'000	\$'000
At 1 March	(23)	785
Credit to the Statement of Comprehensive Income	(385)	(808)
At 29/28 February	<u>(408)</u>	<u>(23)</u>

The deferred tax asset represents timing differences arising from fixed assets.

42. SHARE CAPITAL

Details of authorised and issued share capital are disclosed in note 21 to the consolidated financial statements.

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year Ended 28 February 2020

43. COMMITMENTS

The Company has provided a letter of support to Logicalis UK Limited, Thomas Duryea-Logicalis Holdings Pty Ltd, Logicalis Jersey Limited and Logicalis Guernsey Limited confirming its intention to continue to provide financial support to these subsidiaries for a period of at least twelve months from the date of signing its statutory accounts.

44. RELATED PARTIES

Outstanding balances between the Company and its related parties are disclosed below and include short term trading loans.

Loans to related parties

	2020	2019
	\$'000	\$'000
Current		
Logicalis US Inc	808	-
Logicalis UK Limited	262	650
Logicalis Bolivia	-	2
PLOG (PromonLogicalis Tecnologia e Participações Ltda)	42	-
Logicalis Networks GmbH	-	2,989
Logicalis GmbH	294	-
Logicalis Ireland	32	-
Logicalis Channel Islands	210	188
Logicalis Spain S.L.	712	505
Logicalis Peru	-	5
Logicalis Australia	-	3,513
Logicalis Argentina	-	9
Logicalis Hong Kong	33	42
Logicalis PSI	623	351
Logicalis Group Finance Limited	500	-
Logicalis Singapore	279	345
Logicalis Taiwan	-	2
Logicalis South Africa	131	61
Logicalis Coasin Chile	65	-
Logicalis Chile	21	-
Promon-Logicalis Latin America Limited	12	8,360
Datatec Financial Services Limited	35	9
Logicalis Argentina	13	-
Other (Individually Immaterial)	40	-
	<u>4,112</u>	<u>17,031</u>

LOGICALIS GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year Ended 28 February 2020

44. RELATED PARTIES (CONTINUED)

Loans from related parties

	2020	2019
	\$'000	\$'000
Current		
Logicalis Group Services Limited	-	11,254
Logicalis Group Finance Limited	33,011	-
Logicalis Ireland Limited	-	23
Logicalis GmbH	-	2,756
Logicalis Australia	72	-
PromonLogicalis International Inc	16	98
NetStar Group Holding Limited	5,740	5,740
Logicalis Inc	-	5,385
Datatec Limited	-	2,252
Datatec Plc	12,150	8,899
	<u>50,989</u>	<u>36,407</u>
Non-current		
Datatec Limited	13,298	12,845
	<u>13,298</u>	<u>12,845</u>

The amount owed to Datatec Limited is made up of two (2019: four) separate advances. Both loans bear interest at One Month US\$ Libor plus 1.5%, are unsecured and have no fixed date for repayment.

The amount owed to NetStar Group Holding Limited is interest free, unsecured and has no fixed date for repayment.

Other transactions include the receipt of dividends from subsidiaries, as disclosed on the face of the Company Statement of Comprehensive Income.