
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, attorney or other professional advisor immediately.

The definitions and interpretations commencing on page 3 of this Circular apply throughout this Circular, including this cover page (unless the context indicates a contrary intention).

If you have disposed of all your Shares in Datatec on or before Tuesday, 9 January 2018, you should forward this Circular immediately with the enclosed Form of Election to the purchaser to whom, or the CSDP, Broker, banker, attorney or agent through whom, you disposed of such Shares.



Datatec Limited

Incorporated in the Republic of South Africa
(Registration Number 1994/005004/06)

JSE share code: DTC

ISIN: ZAE000017745

("Datatec" or "the Company")

CIRCULAR TO DATATEC SHAREHOLDERS

regarding

A SPECIAL CASH DIVIDEND TO ORDINARY SHAREHOLDERS OF R23 PER SHARE WITH AN ELECTION TO RECEIVE NON-RENOUNCEABLE CAPITALISATION ISSUE SHARES IN LIEU OF THE CASH DIVIDEND

and including

A FORM OF ELECTION (ONLY FOR USE BY CERTIFICATED SHAREHOLDERS ELECTING TO RECEIVE THE SCRIP DISTRIBUTION ALTERNATIVE)

The following information pertains to all of the Company's Shareholders.

The Board has declared a Cash Dividend of R23.00 per Share to its Shareholders. You are entitled to receive this Cash Dividend calculated with reference to your shareholding on the Record Date, being Friday, 12 January 2018. No action is required if you wish to receive the Cash Dividend.

However, should you so elect, you are entitled to receive a Scrip Distribution of that number of new, fully-paid capitalisation Shares in accordance with the formula set out in this Circular, instead of all or a part of your entitlement to the Cash Dividend. You are not required to pay for the Capitalisation Shares to which you are entitled in terms hereof.

If you wish to receive the Scrip Distribution in respect of all or a portion of your shareholding and:

- you hold Dematerialised Shares, you should instruct your CSDP or Broker accordingly, in terms of the custody agreement entered into between you and your CSDP or Broker; or
- you hold Certificated Shares, you must complete the attached Form of Election and return it to the Transfer Secretaries.

Forms of Election must be lodged with or mailed to the Transfer Secretaries to be received by no later than 12h00 noon on Friday, 12 January 2018. Forms of Election received after this date and time will not be accepted.

If you do not wish to receive the Scrip Distribution, no further action is required.

If you take no action, regardless of whether you are a Certificated or a Dematerialised Shareholder, then the Cash Dividend will be paid to you on Monday, 15 January 2018, subject to and in accordance with the provisions detailed in this Circular.

Issue date: Friday, 08 December 2017

JSE Transaction Sponsor

Pallidus
CAPITAL

Corporate Finance Advisor

AVIOR
CAPITAL MARKETS

CORPORATE INFORMATION AND ADVISORS

COMPANY SECRETARY AND REGISTERED OFFICE

Simon Morris
(registration number: 1994/005004/06)
Ground Floor, Sandown Chambers
Sandown Village, 16 Maude Street
Sandown, 2196
Johannesburg
(PO Box 76226, Wendywood, 2144)

CORPORATE FINANCE ADVISOR

Avior Capital Markets Proprietary Limited
(registration number: 2007/017236/07)
11th Floor, 140 West Street
Sandton, 2196
Johannesburg
(PO Box 651856, Benmore, 2010)

TRANSACTION SPONSOR

Pallidus Capital Proprietary Limited
(registration number: 2015/030782/07)
Suite 3, Southdowns Ridge Office Park
1240 John Vorster Drive, Irene
Centurion, 0123
(Postnet Suite 19, Private Bag X32, Highveld Park, 0169)

and at

Ground Floor, Cradock Heights
c/o Cradock and Tyrwhitt Avenues
Rosebank, 2196
Johannesburg

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2198
Johannesburg
(PO Box 62053, Marshalltown, 2107)

LEGAL ADVISOR TO CORPORATE FINANCE ADVISOR

Werksmans Inc.
(registration number: 1990/007215/21)
The Central
96 Rivonia Road
Sandton, 2196
Johannesburg
(Private Bag 10015, Sandton, 2146)

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 3 of this Circular apply throughout this Circular, including to this section (unless the context indicates a contrary intention).

EVENT	
Record date for Shareholders eligible to receive this Circular	Friday, 1 December 2017
Circular and Form of Election posted to Shareholders on	Friday, 8 December 2017
Finalisation Announcement released on SENS, in respect of the ratio of entitlement applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending at the close of business on Thursday, 21 December 2017, by 11h00 on	Friday, 22 December 2017
Finalisation Announcement published in the press, in respect of the ratio of entitlement applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending at the close of business on Thursday, 21 December 2017, on	Wednesday, 27 December 2017
Last day to trade in order to be eligible for the Cash Dividend and the Scrip Distribution alternative	Tuesday, 9 January 2018
Shares trade "ex" the Cash Dividend and the Scrip Distribution alternative on	Wednesday, 10 January 2018
Listing and trading of maximum possible number of Shares on the JSE in terms of the Scrip Distribution alternative from the commencement of business on	Wednesday, 10 January 2018
Announcement relating to the calculation of cash payments in respect of fractional entitlements released on SENS by 11h00 on	Thursday, 11 January 2018
Last day to elect to receive the Scrip Distribution alternative <i>in lieu</i> of the Cash Dividend, Forms of Election to reach the Transfer Secretaries by 12h00 noon on	Friday, 12 January 2018
Record Date in respect of the Cash Dividend and the Scrip Distribution alternative	Friday, 12 January 2018
Announcement relating to the results of the Cash Dividend and the Scrip Distribution alternative released on SENS by 11h00 on	Monday, 15 January 2018
Scrip Distribution Shares issued to Shareholders on the Register and Scrip Distribution certificates posted, and Cash Dividend payments made, CSDP/Broker accounts credited/updated, as applicable, on	Monday, 15 January 2018
Announcement relating to the results of the Cash Dividend and the Scrip Distribution alternative published in the press on	Tuesday, 16 January 2018
JSE listing of Shares in respect of the Scrip Distribution adjusted to reflect the actual number of Shares issued in terms of the Scrip Distribution alternative at the commencement of business on or about	Wednesday, 17 January 2018

All times provided in this Circular are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be Dematerialised or Rematerialised between Wednesday, 10 January 2018, and Friday, 12 January 2018, both days inclusive.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, and related expressions have corresponding meanings; words in the singular include the plural and *vice versa*; words denoting one gender include the other genders; and words denoting natural persons include juristic persons and *vice versa*.

“Authorised Dealer”	an authorised dealer of the SARB, designated as such in the Exchange Control Regulations;
“Board”	the directors of the Company whose names appear on the page 5 of this Circular;
“Broker”	any person registered as a “broking member equities” in terms of the rules of the JSE in accordance with the provisions of the Financial Markets Act;
“Business Day”	any day other than a Saturday, a Sunday or an official public holiday in South Africa on which securities are traded on the JSE;
“Cash Dividend”	the dividend of R23.00 per Share that was declared by the Board to Shareholders on Wednesday, 29 November 2017;
“Certificated Share”	a Share that has not been Dematerialised by Strate, title to which is evidenced by a Document of Title;
“Certificated Shareholder”	a Shareholder who holds Certificated Shares;
“Circular”	this bound document dated Friday, 8 December 2017, including its annexures and attachments;
“Companies Act”	the Companies Act, No 71 of 2008, as amended;
“CSDP”	a person that holds in custody and administers securities or an interest in securities and that has been authorised in terms of section 31 of the Financial Markets Act by a central securities depository as a participant in that central securities depository;
“Datatec” or “the Company”	Datatec Limited (registration number 1994/005004/06), a public company duly incorporated and registered in accordance with the laws of South Africa, the Shares of which are listed on the JSE;
“Datatec Group”	Datatec and all of its Subsidiaries;
“Dematerialise” or “Dematerialisation”	the process by which Certificated Shares are deposited with a CSDP and the Documents of Title evidencing such Certificated Shares are replaced by an electronic record of such Shares in a sub-register of Shareholders maintained by such CSDP;
“Dematerialised Share”	a Share that has been Dematerialised and incorporated into the Strate system or that has been issued in Dematerialised format, and is held on a sub-register of Shareholders in electronic form and administered by a CSDP;
“Dematerialised Shareholder”	a Shareholder who holds Dematerialised Shares;
“Documents of Title”	Share certificates, certified transfer deeds, balance receipts or any other physical documents of title to Shares acceptable to the Company in respect of the Shares;
“EFT”	electronic funds transfer;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933, as amended;
“Financial Markets Act”	the Financial Markets Act, No 19 of 2012, as amended;
“Form of Election”	the form of election attached to this Circular, which is only applicable to Certificated Shareholders;
“Income Tax Act”	the Income Tax Act, No 58 of 1962, as amended;
“JSE”	JSE Limited (registration number 2005/022939/06), a public company duly incorporated and registered in accordance with the laws of South Africa, and the securities exchange licensed under the Financials Markets Act and operated by it;
“Last Practicable Date”	the last date prior to the finalisation of this Circular, being Thursday, 30 November 2017;
“R”, “Rand” or “ZAR”	South African Rand, the official currency of South Africa;
“Record Date”	the last time and date to be recorded in the Register in order for Shareholders to be eligible to receive the Cash Dividend or elect to receive the Scrip Distribution alternative, being 17h00 on Friday, 12 January 2018;

“Register”	the main securities register of Shareholders maintained by the Company in South Africa in accordance with section 50 of the Companies Act;
“SARB”	means the South African Reserve Bank;
“Scrip Distribution”	the distribution and issue by the Company of capitalisation Shares to those Shareholders who elect to receive same on terms of this Circular <i>in lieu</i> of the Cash Dividend in respect of all or a portion of their shareholding;
“SENS”	the Stock Exchange News Service of the JSE;
“Shareholders” or “Ordinary Shareholders”	as at any date, the registered holders of Shares;
“Shares”	ordinary shares in the issued share capital of the Company, comprising 211,967,622 ordinary shares with a par value of R0.01 each as at the Last Practicable Date;
“South Africa” or “SA”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated and registered in accordance with the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system used on the JSE to settle trades;
“Subsidiary”	will bear the meaning assigned to this term in the Companies Act; and
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company duly incorporated and registered in accordance with the laws of South Africa and the appointed transfer secretaries of the Company.



Datatec Limited

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("Datatec" or "the Company")

Directors

SJ Davidson (*Chairman*)* (UK)

IP Dittrich (*CFO*)

O Ighodaro* (*Nigeria*)

JP Montanana (*CEO*) (UK)

JF McCartney* (*USA*)

MJN Njeke*

CS Seabrooke*

NJ Temple* (*UK*)

* *Independent non-executive*

CIRCULAR TO DATATEC SHAREHOLDERS

1. INTRODUCTION

Shareholders are referred to the declaration announcement released on SENS on Wednesday, 29 November 2017, in terms of which the Board notified Shareholders that it had resolved to declare a special Cash Dividend of R23.00 per Share to Shareholders recorded in the Register at the close of business on the Record Date, being Friday, 12 January 2018.

Shareholders are entitled to elect to receive, *in lieu* of the Cash Dividend, a distribution of that number of fully-paid capitalisation Shares as is calculated in accordance with the formula set out in paragraph 3.1 below.

The right of Shareholders to elect the Scrip Distribution alternative applies to all or a portion of their shareholding on the Record Date.

As announced on Tuesday, 24 October 2017, the listing of the Company's Shares on the Alternative Investment Market ("**AIM**") in London will be cancelled on Friday, 8 December 2017. Depositary Interests on AIM will revert to Certificated Shareholdings on the Jersey register of the Company and be transferred to the main Register on 10 December 2017. Shareholders whose Shares were held on the Company's Jersey share register (including those Dematerialised for trading on AIM) up to Sunday, 10 December 2017, will participate in the Cash Dividend with the Scrip Distribution alternative in exactly the same way as all other Shareholders. Specifically, such Shareholders will receive the Cash Dividend (or the Scrip Distribution, if elected) along with all other Shareholders, provided that their Shares are still held as at the close of business on the Record Date, being Friday, 12 January 2018.

Nearly all of the Cash Dividend will be funded from the Company's foreign (ie non-South African) cash sources and the Company has purchased forward exchange contracts to ensure that it is able to convert its US Dollars into ZAR at the appropriate exchange rate quoted to arrive at the Cash Dividend amount of R23 per Share. The balance of the Cash Dividend not funded from foreign cash sources will be funded from existing sources in ZAR. In this regard, an amount equal to R4,841,410,000 of the total Cash Dividend will be funded from foreign sources, the balance of R33,845,306 will be funded from local sources. Accordingly, in respect of the R23,00 Cash Dividend per Share, an amount of R22,84 per Share will be funded from foreign sources and the balance of R0,16 per Share will be funded from local sources.

The rights accruing to Shareholders in respect of the Cash Dividend and/or the Scrip Distribution alternative are not renounceable and are not therefore capable of trade on the JSE or AIM.

The Company will issue the Scrip Distribution Shares only to those:

- Certificated Shareholders whose Forms of Election to receive the Scrip Distribution alternative, in respect of all or part of their shareholding, are received by the Transfer Secretaries on or before 12h00 noon on Friday, 12 January 2018; and
- Dematerialised Shareholders who have instructed their CSDP or Broker accordingly and in the manner and time stipulated in their custody agreement with such CSDP or Broker.

The terms of the Cash Dividend and Scrip Distribution alternative are contained in paragraph 3 below.

Shareholders not electing to receive the Scrip Distribution alternative will, without any action on their part, receive the Cash Dividend in respect of all of their Shares in the Company as at the close of business on the Record Date, being Friday, 12 January 2018.

Datatec does not accept any responsibility, and will have no liability, for any action on the part of, or omission by, any CSDP, Broker or other agent of any beneficial owner of Shares.

No payment to Shareholders contemplated in this Circular will carry interest as against the Company. Furthermore, any reference in this Circular to the Cash Dividend payable to or receivable by Shareholders refers to the amount of such dividend after the deduction of Dividend Withholding Tax, if any, as contemplated in paragraph 3.4 below.

2. RATIONALE

The Board recently announced that the Company has received an amount of approx. US\$630 million from the sale to SYNEX of its Westcon-Comstor businesses in North America and Latin America and a 10% interest in the remaining part of Westcon-Comstor division. The Board wishes to return the ZAR equivalent of US\$350,000,000 of this amount to Shareholders by way of a special Cash Dividend. To this end, the Board has used a US\$:ZAR exchange rate of US\$1:ZAR13.93. The Datatec Group's current and forecast solvency and liquidity comfortably allows for the payment of the full Cash Dividend. The Board wishes to offer those Shareholders who wish to increase their shareholding in the Company the opportunity to elect the Scrip Distribution alternative and receive capitalisation Shares *in lieu* of the Cash Dividend and in respect of all (or a part) of their shareholding as at the close of business on the Record Date. This provides flexibility to Shareholders in the light of the global nature of the Company's Shareholder base.

3. THE AWARD OF THE CASH DIVIDEND AND THE ELECTION TO RECEIVE CAPITALISATION ISSUE SHARES *IN LIEU* OF THE CASH DIVIDEND

3.1 Terms of the Cash Dividend and the Scrip Distribution Alternative

Shareholders will receive the Cash Dividend, if and to the extent that such Shareholders have not elected to receive the Scrip Distribution alternative.

Shareholders are, however, entitled to elect to receive a distribution of fully-paid capitalisation Shares in respect of all or a part of their shareholding as at the close of business on the Record Date *in lieu* of the Cash Dividend.

The maximum number of Shares which the Company is able to issue to Shareholders electing the Scrip Distribution alternative is 63,590,285 Shares, based on the number of Shares in issue (including treasury shares) as at the Last Practicable Date, being Thursday, 30 November 2017. This number has been calculated to ensure that the Company does not issue 30% or more of the number of Shares in issue as at the List Date of Wednesday, 10 January 2018. If the Company were to issue more than this number of Shares, it would need to convene a special meeting of the Shareholders to approve the issue in terms of section 41(3) of the Companies Act resulting in a significant delay in the ability of the Company to effect payment of the Cash Dividend and issue the Scrip Distribution Shares.

If the elections of Shareholders in respect of the Scrip Distribution would result in the number of Scrip Distribution Shares that are issued exceeding the maximum number set forth above, then the number of Scrip Distribution Shares to be issued to each Shareholder who has elected the Scrip Distribution alternative will be reduced proportionately, such that each such Shareholder continues to receive the same percentage/proportion of the Scrip Distribution Shares (calculated with reference to all elections made to receive Scrip Distribution Shares) that it would have received had no limit been imposed. Shareholders will be paid the Cash Dividend in respect of those Scrip Distribution Shares which they do not receive pursuant to the application of the foregoing limitation, subject to Dividend Withholding Tax.

Any cash that is not paid to Shareholders who elect to receive the Scrip Distribution alternative may be used by the Company after this process has been concluded to repurchase Shares from Shareholders pursuant to the existing general authority to repurchase Shares that was made available to the Company at its last annual general meeting on Thursday, 14 September 2017.

The number of Scrip Distribution Shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution alternative is determined as follows:

The *ex dividend* Share price of a Share is calculated by deducting from the volume weighted average price of a Share traded on the JSE during the 30-day trading period ending at the close of business on Thursday, 21 December 2017, the amount of the Cash Dividend per Share of R23.00.

Once the *ex dividend* Share price is known, it is possible to calculate the number of new capitalisation Shares which the Company will issue for each Share in respect of which an election for a Scrip Distribution alternative is made, being the ratio of entitlement.

An example of how this calculation works is given below.

Where the application of this ratio of entitlement gives rise to a fraction of a Share, the rounding principles described in paragraph 3.2 below will be applied.

This formula ensures that all Shareholders are treated equally from an economic perspective, irrespective of whether they receive cash or elect to receive the Scrip Distribution alternative.

The ratio of entitlement applicable to the Scrip Distribution will only be known on the Finalisation Date, being Friday, 22 December 2017, and will be released on SENS and published in the press. It is calculated as the ratio that the Cash Dividend per Share bears to the *ex dividend* volume weighted average price of a Share traded on the JSE during the 30-day trading period ending at the close of business on Thursday, 21 December 2017.

The Company will procure that an amount equal to the *ex dividend* volume weighted average price of a Share traded on the JSE during the 30-day period ending at the close of business on Thursday, 21 December 2017, in respect of the number of shares for which Shareholders have elected to receive Scrip Distribution, is capitalised from the Company's distributable retained profits to enable the issue of these Shares as fully paid-up.

Example of Scrip Distribution entitlement:

This example assumes that:

1. a Shareholder holds 100 Shares at the close of business on the Record Date and elects to receive the Scrip Distribution alternative in respect of all of his Shares;
2. the volume weighted average price of Datatec's Shares traded on the JSE for the 30-day trading period ending at the close of business on Thursday, 21 December 2017, is 6000 ZAR cents per Share;
3. the amount of the Cash Dividend attributable to each Share is 2300 ZAR cents; and
4. the ex dividend Share price is 3700 ZAR cents (i.e. 6000 ZAR cents – 2300 ZAR cents).

The applicable Scrip Distribution ratio of entitlement is therefore 0.62162 (i.e. 2300 ZAR cents/3700 ZAR cents).

New Share entitlement = 100×0.62162

= 62.16216 Scrip Distribution Shares per 100 Shares held, subject to the rounding principles described in paragraph 3.2 below. This would result in a Shareholder with 100 Shares receiving a new Share entitlement of 62 Scrip Distribution Shares and a Shareholder with 300 Shares receiving a new Share entitlement of 186 Scrip Distribution Shares plus, in both cases, a cash payment for the fraction in terms of paragraph 3.2 below.

The Cash Dividend will be paid out of the Company's distributable retained profits, and the issue price of the Scrip Distribution (which will equal the ex dividend volume weighted average price of Datatec's Shares traded on the JSE for the 30-day trading day period ending at the close of business on Thursday, 21 December 2017) will be settled by way of capitalisation of the Company's distributable retained profits. The Scrip Distribution Shares will, upon their issue, rank *pari passu* in all respects with the other Shares then in issue.

The Company's total number of Shares in issue as at the Last Practicable Date is 211,967,622 (including 17,941 treasury shares). Datatec's income tax reference number is 9999/493/71/2.

If all Shareholders were to elect the Scrip Distribution alternative in respect of all of their Shares, the number of Scrip Distribution Shares issued would be limited to 63,590,285 Shares as a result of the limitation on the maximum number of Shares issuable in terms of the Scrip Distribution mentioned above. Based on the assumed Scrip Distribution ratio of entitlement in the example above (and ignoring rounding down for fractions on a per Shareholder basis), the aggregate issue price of R2,352,840,545 would be capitalised out of the Company's distributable retained profits. In addition, a Cash Dividend of R2,522,414,761 would be paid to Shareholders in respect of those Scrip Distribution Shares which they do not receive pursuant to the application of the limitation on issuing 30% or more of the Company's issued share capital explained above.

If all Shareholders were to receive the Cash Dividend, the maximum gross Cash Dividend payable by the Company would be R4,875,255,306.

3.2 Fractions

The settlement and clearing system (Strate) used by the JSE does not permit fractions and fractional entitlements of shares. Accordingly, where a Shareholder's entitlement to new Shares calculated in accordance with the above formula gives rise to a fraction of a new Share, such fraction of a new Share will be rounded down to the nearest whole number, resulting in allocations of whole Shares and a cash payment for the fraction. In addition, if the maximum number of Shares that Shareholders apply for in the Scrip Distribution alternative exceeds 63,590,285 Shares, then the allocations of Shares will be proportionately scaled down and Shareholders will be deemed to have elected the Scrip Distribution alternative for a proportionately smaller part of their shareholding. Such Shareholders will receive cash for the remaining part of their dividend. The fractional entitlement in respect of the rounding down of new Shares to the nearest whole number will also apply.

The applicable cash payment for any fraction arising in terms hereof is determined with reference to the volume weighted average price of a Share traded on the JSE on Wednesday, 10 January 2018 (being the day on which a Share begins trading 'ex' the entitlement to receive the Cash Dividend or the Scrip Distribution alternative), discounted by 10%. For illustrative purposes, this Circular assumes of the volume weighted average price of a Share traded on the JSE on Wednesday, 10 January 2018, is 3700 ZAR cents. The basis for the applicable cash payment will therefore be 3330 ZAR cents (3700 ZAR cents discounted by 10%).

The basis for the applicable cash payment will be announced on SENS by 11h00 on Thursday, 11 January 2018.

Example of fractional entitlement:

This example uses the same assumptions as those used in the example for determining the Scrip Distribution entitlement above, principally that a South African resident individual Shareholder holds 100 Shares at the close of business on the Record Date (being Friday, 12 January 2018) and has elected to receive the Scrip Distribution alternative in respect of all of her shareholding.

New Share entitlement = $100 \times 0.62162 = 62.162$ new Shares. The rounding provision described above is then applied and the Shareholder will receive:

62 Scrip Distribution Shares in respect of the 100 Shares held; and a cash payment for the fractional entitlement based on the 3330 ZAR cents noted above of $0.162 \times 3330 = 539$ ZAR cents. This fractional entitlement payment is subject to 20% dividend withholding tax, resulting in a net cash payment of 432 ZAR cents, in this example.

3.3 **Nominee companies**

The Transfer Secretaries have been instructed to treat applications from nominee companies as separate applications only on the submission of a breakdown of the beneficial owners of Shares registered in the name of the nominee companies.

3.4 **Tax implications**

3.4.1 ***in the case of South African Shareholders:***

3.4.1.1 The Cash Dividend and the Scrip Distribution alternative are likely to have tax implications for both resident and non-resident Shareholders. Shareholders are therefore encouraged to consult their professional tax advisors if they are in any doubt as to the appropriate action to take. In terms of the Income Tax Act, the Cash Dividend will, unless exempt, be subject to Dividend Withholding Tax (“DWT”). South African resident Shareholders that are liable for DWT will be subject to DWT at a rate of 20% of the Cash Dividend and this amount will be withheld from the Cash Dividend. The net dividend amount receivable by Shareholders for whom DWT is withheld will be announced on SENS on the Finalisation Date (being Friday, 22 December 2017). Non-resident Shareholders may be subject to DWT at a rate of less than 20%, depending on their country of residence and the applicability of any Double Tax Agreement between South Africa and their country of residence.

3.4.1.2 The issue of any Shares pursuant to an election to receive the Scrip Distribution alternative is not subject to DWT in terms of the Income Tax Act, but the subsequent disposal of Shares obtained as a result of the Scrip Distribution is likely to have income tax or capital gains tax (“CGT”) implications. Where any future disposals of Shares obtained as a result of the Scrip Distribution falls within the CGT regime, the base cost of such Shares will be deemed to be zero in terms of the Income Tax Act (or the value at which such Shares will be included in the determination of the weighted average base cost method will be zero).

3.4.2 ***in the case of foreign Shareholders:***

Foreign Shareholders (i.e. those who are not residents of South Africa for tax purposes) should consult their own professional advisors regarding their tax implications.

4. **FOREIGN SHAREHOLDERS**

The distribution of this Circular, and the rights to receive the Cash Dividend and/or the Scrip Distribution Shares (in the alternative) in jurisdictions other than South Africa, may be restricted by law and any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. **Accordingly, Shareholders are not entitled to receive the Scrip Distribution Shares, directly or indirectly, in those jurisdictions and are deemed to have elected not to receive the Scrip Distribution Shares and to receive the Cash Dividend instead.** Such non-resident Shareholders should inform themselves about and observe any applicable legal requirements in such jurisdictions. It is the responsibility of non-resident Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdictions in respect of the Scrip Distribution alternative, including the obtaining of any governmental, exchange control or other consents or the making of any filing which may be required, compliance with other necessary formalities and payment of any issue, transfer or other taxes or other requisite payments due in such jurisdictions. Shareholders who have any doubts as to their position, including, without limitation, their tax status, should consult an appropriate advisor in the relevant jurisdictions without delay.

5. **PROCEDURE FOR SHAREHOLDERS WHO WISH TO RECEIVE THE CASH DIVIDEND**

Shareholders who wish to receive the Cash Dividend must not take any action, since the Cash Dividend is paid as the default position.

6. **PROCEDURE FOR SHAREHOLDERS WHO ELECT TO RECEIVE THE SCRIP DISTRIBUTION ALTERNATIVE**

Shareholders who wish to elect to receive the Scrip Distribution in respect of all or any of their Shares must take the following action:

6.1 **Certificated Shareholders wishing to elect to receive the Scrip Distribution:**

Certificated Shareholders who wish to receive the Scrip Distribution alternative *in lieu* of the Cash Dividend, in respect of all or part of their shareholding, must complete the attached Form of Election in accordance with the instructions contained therein and lodge it with, or post it to, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2198 (PO Box 62053, Marshalltown, 2107), so as to be received no later than 12h00 noon on Friday, 12 January 2018. Alternatively, you can contact Computershare by e-mail at the address: corporate.events@computershare.co.za. Forms of Election received after this date and time will not be accepted.

6.2 **Dematerialised Shareholders wishing to elect to receive the Scrip Distribution:**

Dematerialised Shareholders must **not** complete the attached Form of Election. Dematerialised Shareholders are required to notify their duly appointed CSDP or Broker if they wish to receive the Scrip Distribution alternative, in the manner and the time stipulated in the custody agreement governing the relationship between such Dematerialised Shareholders and their CSDP or Broker, failing which they will receive the Cash Dividend.

Dematerialised Shareholders' CSDP/Broker accounts will be credited and updated on Monday, 15 January 2018, in accordance with any election made.

6.3 Election in respect of all or a portion of a Shareholder's Shares:

Shareholders may make the election to receive the Scrip Distribution Shares in respect of all or a portion of their Shares held on the Record Date, being Friday, 12 January 2018. Shareholders who do not wish to receive any Scrip Distribution Shares do not need to take any further action and will receive the Cash Dividend in respect of their entire shareholding. Shareholders electing to receive the Scrip Distribution alternative should note that the election is irrevocable and, once an election to receive the Scrip Distribution is made, such election cannot be cancelled.

7. POSTING OF SHARE CERTIFICATES, PAYMENT OF CASH DIVIDEND AND UPDATING/CREDITING OF CSDP/BROKER ACCOUNTS

Where applicable, Share certificates will be dispatched to all Certificated Shareholders who elect the Scrip Distribution alternative by registered post and ordinary mail, at the risk of such Certificated Shareholders, on or about Monday, 15 January 2018, to their registered addresses or in accordance with the instructions given to the Transfer Secretaries.

According to the elections made, Cash Dividend payments will be made by EFT into the personal bank accounts of Certificated Shareholders who have provided (either in their Forms of Election or historically) the Transfer Secretaries with their bank account details on Monday, 15 January 2018. **(To combat the increase in cheque fraud, the Company has discontinued payments by cheque and, accordingly, payment of any Cash Dividend to Certificated Shareholders is dependent on the Transfer Secretaries being in possession of such Certificated Shareholders' banking details.)**

Dematerialised Shareholders' CSDP/Broker accounts will be updated on Monday, 15 January 2018.

8. LISTING OF NEW SHARES

Application has been made to the JSE to list the maximum possible number of Scrip Distribution Shares that may be issued in terms of the Scrip Distribution alternative (assuming all Shareholders elect to receive the Scrip Distribution alternative, subject to the provisions of paragraph 3.1 above), with effect from the commencement of business on Wednesday, 10 January 2018. An adjustment of the number of Shares listed will be made on or about Wednesday, 17 January 2018, in accordance with the actual number of Shares issued in terms of the Scrip Distribution alternative.

The right to receive new Shares in terms of the Scrip Distribution alternative is not renounceable and may not be traded on the JSE.

9. EXCHANGE CONTROL REGULATIONS

The following summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt, please contact your CSDP, Broker, attorney, accountant, banker or other professional advisor immediately.

In terms of the Exchange Control Regulations, which apply to Shareholders who are registered on the Register and who are either non-residents of, or emigrants from, the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland):

9.1 *in the case of Certificated Shareholders:*

- 9.1.1 any Share certificate that may be issued to non-resident Certificated Shareholders will be endorsed "non-resident";
- 9.1.2 any new Share certificates issued based on emigrant Certificated Shareholders' Shares controlled in terms of the Exchange Control Regulations will be forwarded to the Authorised Dealer in foreign exchange controlling their blocked assets. The election by emigrant Certificated Shareholders for the above purpose must be made through the Authorised Dealer in foreign exchange controlling their blocked assets. Such new Share certificates will be endorsed "non-resident"; and
- 9.1.3 Cash Dividend payments paid out of the Company's distributable profits due to non-residents and emigrant Certificated Shareholders are freely transferable from South Africa. In respect of all non-residents of the Common Monetary Area (collectively, the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland), the Cash Dividend payments due will be sent in accordance with instructions given to the Transfer Secretaries. In respect of all emigrants, the Cash Dividend payments will be sent to the Authorised Dealer in foreign exchange controlling their blocked assets; and

9.2 *in the case of Dematerialised Shareholders:*

- 9.2.1 any Shares issued to emigrant Dematerialised Shareholders from the Common Monetary Area will be credited to their blocked shares accounts at the CSDP controlling their blocked portfolios. Any Shares issued to a non-resident of the Common Monetary Area will be credited to such non-resident's CSDP or Broker account and a "non-resident" annotation will appear in the CSDP or Broker register;
- 9.2.2 any Cash Dividend payments paid out of the Company's distributable profits to non-residents and emigrant Dematerialised Shareholders from the Common Monetary Area are freely transferable and will be credited to the CSDP or Broker controlling their portfolios; and
- 9.2.3 non-resident and emigrant Dematerialised Shareholders will have all aspects relating to exchange control managed by their CSDP or Broker.

10. ADVISORS' CONSENTS

Avior Capital Markets (Pty) Limited (the corporate finance advisors in respect of this transaction), Werksmans Inc. (the attorneys to the corporate finance advisors), Pallidus Capital (Pty) Limited (the transaction sponsor in respect of this transaction) and the Transfer Secretaries to Datatec have consented in writing to act in the capacity stated and to their names being included in this Circular and have not withdrawn their consents prior to the publication of this Circular.

This Circular is available in English only. Copies may be obtained from the Transfer Secretaries at the address set out in paragraph 6.1 above.

By order of the Board

Simon Morris

For and on behalf of

Datatec Management Services (Pty) Limited

Company Secretary

Registered office: *Ground Floor, Sandown Chambers, Sandown Village, 16 Maude Street, Sandown, Johannesburg, South Africa.*

Friday, 8 December 2017

Sandton



Datatec Limited
 Incorporated in the Republic of South Africa
 (Registration Number 1994/005004/06)
 JSE share code: DTC
 ISIN: ZAE00017745
 ("Datatec" or "the Company")

FORM OF ELECTION

The definitions and interpretations commencing on page 3 of the Circular to which this Form of Election is attached apply, *mutatis mutandis*, to this Form of Election.

A SPECIAL CASH DIVIDEND OR, ALTERNATIVELY, A SCRIP DISTRIBUTION *IN LIEU* OF THE CASH DIVIDEND

The following applies to Certificated Shareholders on the Register:

Only for use by Shareholders who hold Shares in Datatec in Certificated format and who elect to receive the Scrip Distribution alternative for all or a portion of their ordinary shareholding held, or deemed to be held, at the close of business on the Record Date, being Friday, 12 January 2018, failing which the Cash Dividend will, by default, be paid to such Shareholders.

Dematerialised Shareholders who wish to receive the Scrip Distribution alternative are required to notify their duly appointed CSDP or Broker of their election in the manner and the time stipulated in the custody agreement governing the relationship between such Dematerialised Shareholders and their CSDP or Broker and must not complete this Form of Election. Please refer to paragraph 6.2 of the Circular to which this Form of Election is attached.

IF YOU WISH TO RECEIVE THE SCRIP DISTRIBUTION ALTERNATIVE FOR ALL OR A PORTION OF YOUR ORDINARY SHAREHOLDING AND:

- YOU HOLD DEMATERIALISED SHARES, YOU SHOULD INSTRUCT YOUR CSDP OR BROKER ACCORDINGLY, IN TERMS OF THE CUSTODY AGREEMENT ENTERED INTO BETWEEN YOU AND YOUR CSDP OR BROKER; OR
- YOU HOLD CERTIFICATED SHARES, YOU MUST COMPLETE THIS FORM OF ELECTION AND RETURN IT TO THE TRANSFER SECRETARIES.

IF YOU DO **NOT** WISH TO RECEIVE THE SCRIP DISTRIBUTION ALTERNATIVE, NO FURTHER ACTION IS REQUIRED.

IF YOU TAKE NO ACTION, REGARDLESS OF WHETHER YOU ARE A CERTIFICATED OR A DEMATERIALISED SHAREHOLDER, THEN THE CASH DIVIDEND WILL BE PAID TO YOU ON MONDAY, 15 JANUARY 2018, IN ACCORDANCE WITH THE PROVISIONS DETAILED IN THE CIRCULAR.

FORMS OF ELECTION MUST BE LODGED WITH OR MAILED TO THE TRANSFER SECRETARIES SO AS TO BE RECEIVED BY NO LATER THAT 12h00 NOON ON FRIDAY, 12 JANUARY 2018. FORMS OF ELECTION RECEIVED AFTER THIS TIME AND DATE WILL NOT BE ACCEPTED.

<p>To the Transfer Secretaries: Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg, 2198 (PO Box 62053, Marshalltown, 2107)</p> <p>Attention: Corporate Actions Department Tel: + 27 11 370 5000 or, if calling within South Africa, 086 1100 63434 (available between 08h00 and 16h30 SA time) Email: corporate.events@computershare.co.za</p>	
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Shareholders who do not post their Forms of Election should ensure that they are emailed to corporate.events@computershare.co.za. Neither Computershare Investor Services Proprietary Limited, nor the Company, is responsible for any damage and/or loss whatsoever arising from or in relation to the late or non-receipt of emailed or posted Forms of Election or owing to Forms of Election being forwarded to any other e-mail or physical or postal address other than those provided above. Forms of Election are deemed to have been received on the date reflected in the Transfer Secretaries' electronic systems. Notwithstanding anything to the contrary contained in this Form of Election or the Circular, it is each Shareholder's responsibility to ensure that their Form of Election is received by Computershare Investor Services Proprietary Limited.

I/We _____ (name in BLOCK LETTERS)

regarding the election of the Scrip Distribution instead of the Cash Dividend:

- confirm that I/we have read and understood the terms and conditions of this Form of Election and the Circular to which it is attached;
- authorise you to send me/us by post, at my/our own risk, a Share certificate in respect of new Shares allotted and issued to me/us pursuant to this Form of Election and the Scrip Distribution;
- hereby irrevocably, and on the terms and conditions contained in this Form of Election and in the Circular, elect to receive the Scrip Distribution of fully-paid Shares, calculated in accordance with the terms of the Circular, in respect of the portion of my/our ordinary shareholding stipulated in Block D overleaf, *in lieu* of the Cash Dividend;
- hereby authorise you to make payment of any cash balances under the Circular in accordance with the terms and conditions of the Circular;
- by signing this Form of Election, I/we confirm that I/we am/are not prohibited from receiving or electing to receive scrip dividends in accordance with the terms and conditions of the Circular and all legal and regulatory requirements of any applicable jurisdiction;
- acknowledge that this Form of Election is applicable only in respect of Shares of which I/we was/were the registered holder(s) at the close business on the Record Date, being Friday, 12 January 2018; and
- acknowledge that I/we am/are not entitled to a Cash Dividend, in respect of the number of Shares reflect in Block D overleaf that are held, or deemed to be held, by me/us at the close of business on the Record Date, being Friday, 12 January 2018, in respect of which I/we have in terms of this Form of Election elected to receive the Scrip Distribution.

Signed at _____ on _____ 2017/8

Assisted by (where applicable) _____

Signature _____

Telephone numbers including international and area codes: _____

Home: _____ Work: _____

Cellphone/mobile number: _____

E-mail address: _____

Telefax number: _____

CERTIFICATED SHAREHOLDERS ARE REQUIRED TO ACCURATELY COMPLETE THE INFORMATION IN THE BLOCKS BELOW:

Name, address and contact number of registered Certificated Shareholder
(A)
Contact telephone and/or cellular phone number:
E-mail address:

Nominated Authorised Dealer in the case of a Certificated Shareholder who is an emigrant from, or non-resident of, the Common Monetary Area:
(A)
Name:
Address in South Africa or substitute instructions:
Contact telephone and/or cellular phone number:
E-mail address:

Account number/Investor Code (IVC)	Number of Shares deemed to be held on the Record Date, being Friday, 12 January 2018, based on shareholding at the close of business on the Last Day to Trade, being Wednesday, 10 January 2018.
(B)	(C)

Number of ordinary shares for which the Scrip Distribution is elected – The remaining Cash Dividend and Scrip Distribution will be calculated by the Transfer Secretaries. The maximum number of Shares for which the Scrip Distribution alternative can be elected is the number of Shares still registered in your name in the Company's Register on the Record Date, being Friday, 12 January 2018.	(D)
(If Block D is not completed, but the remaining parts of the Form of Election are completed, then you are deemed to have elected to receive the Scrip Distribution based on your entire shareholding held, or deemed to be held, on the Record Date, being Friday, 12 January 2018. Therefore, Certificated Shareholders who wish to receive the Scrip Distribution based on less than their entire shareholding must complete Block D and must complete and sign the rest of the Form of Election in accordance with the instructions herein and lodge this Form of Election with the Transfer Secretaries.	

Date of signature	Signature
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Computershare cannot record any change of address of a Shareholder in accordance with the Financial Intelligence Centre Act, No 38 of 2001 (as amended), unless the following documentation is received from the relevant Shareholder:

- an original certified copy of the Shareholder's identity document;
- an original certified copy of a document issued by the South African Revenue Service to verify the Shareholder's tax number. If a Shareholder does not have such a document, he/she should advise Computershare of his/her tax number in writing and have the letter signed by a Commissioner of Oaths; and
- a certified true copy of an original bank statement.

Please note that copies of certified copies are not acceptable.

Instructions on how to complete this Form of Election:

- For the terms and conditions governing the election, refer to the Circular and to the notes below.
- If you hold Share certificate(s) and complete this Form of Election, you will be deemed to have elected to receive the Scrip Distribution alternative in respect of the portion of your shareholding specified in Part D above. If this Form of Election is not properly completed in accordance with the instructions contained herein, then this Form of Election will be disregarded and, on Monday, 15 January 2018, the Cash Dividend will be paid to you, subject to and in accordance with the provisions detailed in this Circular and based on your entire holding of Shares held, or deemed to be held, on the Record Date, being Friday, 12 January 2018.
- In order to be valid, this Form of Election must be properly completed and received by the Transfer Secretaries detailed above, by no later than 12h00 noon on Friday, 12 January 2018. If your Form of Election is received by the Transfer Secretaries later than 12h00 noon on Friday, 12 January 2018, then the Cash Dividend will be paid to you on Monday, 15 January 2018, subject to and in accordance with the provisions detailed in this Circular and based on your entire holding of Shares held, or deemed to be held, on the Record Date, being Friday, 12 January 2018.
- Should you have any queries as to the completion of this Form of Election, please contact the Transfer Secretaries.

Notes:

- Capitalised terms in the Form of Election have the same meanings as in the Circular, unless the context indicates otherwise.
- Please note that, if your preference is to participate in the Scrip Distribution alternative, an election must be made in respect of all or a portion of the number of Shares held, or deemed to be held, by you at the close of business on the Record Date, being Friday, 12 January 2018, as specified in Block D above. If Block D above is left blank, then you are deemed to have elected to receive the Scrip Distribution based on your entire shareholding held, or deemed to be held, on the Record Date, being Friday, 12 January 2018. If no election is made for a Scrip Distribution, or if a Form of Election is received by the Transfer Secretaries timeously but it is not completed in accordance with the above instructions, the Shareholder will receive the Cash Dividend in accordance with the Shareholder's ordinary shareholding in the Company as of the Record Date, being Friday, 12 January 2018.
- The signature of this Form of Election by any person who is under legal disability must be accompanied by the signature of his/her guardian, parent and other legal representative.
- If a Shareholder holds his/her Shares jointly with others, then he/she must arrange for the most senior of the joint holders (being the joint holder whose name stands first in the Register of the Company) to sign this Form of Election.
- In the case of a company, this Form of Election can be signed by a duly authorised official whose capacity must be stated.
- If this Form of Election is signed under a power of attorney or other authority, then such power of attorney or other authority (or a certified copy thereof) should accompany this Form of Election for noting by Computershare (unless Datatec or Computershare has already noted such authority).
- Any alteration or correction made to this Form of Election must be initialled by the signatory(ies).
- Datatec reserves the right, in its discretion, to:
 - treat as invalid (in which case the Cash Dividend will be awarded) any Form of Election not complying with the terms of the election or any instruction contained in the Circular; and
 - require proof of the authority of the person signing this Form of Election, where such proof has not yet been lodged with or recorded by the Transfer Secretaries.

