AYO Technology Solutions Limited
(Incorporated in the Republic of South Africa)
Registration number 1996/014461/06
JSE share code: AYO
ISIN ZAE000252441
("AYO" or the "Group" or the "Company")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019 AND DIVIDEND DECLARATION

Highlights compared to the prior year interim period
- Revenue increased by 93% from R349 million to R675 million
- Profit before tax increased by 226% from R82 million to R267 million
- Earnings per share increased by 220% from 17.68 cents to 56.65 cents
- Headline earnings per share increased by 226% from 17.36 cents to 56.67 cents
- Assets grew by 16% from R4.5 billion to R5.2 billion
- Successfully completed the acquisition of a 55% shareholding in Sizwe Africa Proprietary Limited ("Sizwe")
- Interim dividend of 35.00 cents per share

Company profile

AYO is one of the largest Broad-Based Black Economic Empowerment ("B-BBEE") information and communications technology ("ICT") company in South Africa. AYO which has been in existence for more than 20 years was created from a desire to effect real change in South Africa and beyond its borders and through a belief that the future will be shaped by technological solutions. We deliver end-to-end ICT solutions to multiple industries in South Africa's public and private sectors through strategic partnerships. These partnerships enable us to service customers across the African continent, North America, Europe and Mauritius. AYO believes that real change and growth lies in empowering partnerships and through empowered partnerships. These partnerships are born from acquisitions and forged through employees, partners and clients working together to gain the competitive advantage that successful digital transformation can bring.

At 28 February 2019, the Group employed 1 400 people which grew from 250 people in 28 February 2018 and has over 500 clients, with operations located in South Africa, Mauritius, East Africa and United Kingdom.

Group performance

The Group delivered a strong performance for the period with revenue increasing by 93% and profit before tax increasing by 226% from the prior interim period.

The Group achieved significant organic growth during the interim period as a result of a contract with a multi-national company that commenced in July 2018. Work on the contract is progressing very well, with positive feedback from the client and AYO expects to obtain new contracts with other multi-national companies as it builds on its platforms driven by the "Go to Market" strategy.

Headline earnings per share ("HEPS") increased by 226% from 17.36 cents to 56.67 cents per share as a result of the strong trading performance of the Group.

Acquisitions

Since listing, AYO has shown progress in delivering on the strategy presented in its Pre-listing Statement ("PLS"). AYO completed the acquisition of a 55% shareholding in Zaloserve on 19 December 2018 for a consideration of R165 million after obtaining approval from the Competition Commission. Zaloserve is an investment holding company that holds a 100% shareholding in Opiwize Proprietary Limited, which in turn holds a 100% shareholding in Sizwe Africa IT Proprietary Limited ("Sizwe"). Sizwe offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security to hosting, storage server processing, mobility, data centre, end-user computing and associated consumables. Sizwe has annual revenues in excess of R1 billion, generates positive cash from operations in excess of R75 million and earnings before interest, tax, depreciation and amortisation ("EBITDA") in excess of R70 million.

On 9 February 2019, AYO concluded the acquisition of a 40% equity interest in SAAB Grintek Technologies Proprietary Limited, now known as SGT Solutions Proprietary Limited ("SGT Solutions") via a special purpose vehicle Mainstreet 1653 Proprietary Limited that in turn holds the entire equity interest in SGT Solutions Proprietary Limited.

SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi - technology telecommunication systems for mobile broadband and converged solutions, through partnerships with its customers and technology providers. SGT Solutions specialises in integrated, leading-edge and comprehensive solutions across the entire spectrum of telecommunications. SGT Solutions has been operating in South Africa for the past 14 years. SGT earned annual revenues in excess of R400 million in the past year and generates EBITDA in excess of R40 million annually.

On 16 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela Capital Proprietary Limited ("Bambelela") (previously Vunani Group Proprietary Limited). Bambelela holds a 50% shareholding in Vunani Limited a diversified financial services group. Bambelela generates profits in excess of R40 million. On 28 September 2018, AYO subscribed for 261 343 070 cumulative, redeemable, non-participating, convertible Class C preference shares of no par value in Bambelela for a consideration of R145 million.

AYO is in the process of finalising certain key projects and transactions and will make further announcements in due course.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000
Revenue		674 509	348 672	638 893
Cost of sales		(469 153)	(223 859)	(440 935)
Gross profit		205 356	124 813	197 958
Other income		1 007	3 452	3 293
Other operating gains (losses)		324	-	(7 321)
Other operating expenses		(145 546)	(64 936)	(195 297)
Equity-settled share-based payment expense		-	(11 809)	(11 809)
Warranty expense		-	-	(4 239)
Goodwill impairment		-	-	(4 957)
Listing costs expensed		-	(6 831)	(6 831)
Fair value gains		18 217	-	-
Income from equity accounted investments		33 578	-	-
Finance income	6	154 866	38 220	226 954
Finance costs		(1 091)	(1 324)	(1 754)
Profit before taxation		266 711	81 585	195 997
Taxation		(52 931)	(15 646)	(48 040)
Profit after taxation		213 780	65 939	147 957
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on foreign operations		(24)	(5)	(28)
Total comprehensive income for the year		213 756	65 934	147 929
Profit after taxation attributable to:				
Shareholders of AYO Technology Solutions Limited		194 959	47 436	144 286
Non-controlling interests		18 821	18 503	3 671
Total profit after taxation		213 780	65 939	147 957
Total comprehensive income attributable to:				
Shareholders of AYO Technology Solutions Limited		194 968	47 431	144 258
Non-controlling interests		18 821	18 503	3 671
Total comprehensive income		213 789	65 934	147 929
Earnings per share (cents)				
- Basic		56.65	17.68	47.20
- Diluted		56.65	17.68	47.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited at 28 February 2019 R'000	Unaudited at 28 February 2018 R'000	Audited at 31 August 2018 R'000
Assets				
Non-current assets		551 655	70 346	72 782
Property, plant and equipment	1	95 225	6 729	7 169
Goodwill	2	91 235	43 411	35 248
Intangible assets	2	78 047	13 276	17 743
Investments in joint venture		33	33	33
Investments	3	155 750	-	-
Investments in associates	4	37 178	-	-
Loans to Group companies		2 107	4 780	1 989
Loans receivable	5	82 000	-	-
Other financial assets		3 098	747	6 890
Finance lease receivables		2 039	-	-
Operating lease asset		-	12	-
Deferred tax		4 943	1 358	3 710
Current assets		4 666 195	4 512 711	4 598 350
Inventories		92 478	37 546	12 378
Loans receivable	5	17 002	-	-
Trade and other receivables		525 190	160 756	183 222
Other financial assets		32 634	71 449	93 390
Finance lease receivables		418	-	-
Current tax receivable		1 408	680	662
Investments	3	418 169	-	-
Cash and cash equivalents		3 578 896	4 242 280	4 308 698

Total assets	5 217 850	4 583 057	4 671 132
Equity and liabilities			
Equity			
Stated capital	4 444 410	4 444 410	4 444 410
Reserves	11 785	11 805	11 777
Retained income	84 220	(104 352)	(7 501)
Attributable to shareholders of AYO	4 540 415	4 351 863	4 448 686
Non-controlling interests	139 228	40 658	20 294
Total equity	4 679 643	4 392 521	4 468 980
Liabilities			
Non-current liabilities	29 249	31 738	575
Loans from Group companies	-	29 748	-
Other financial liabilities	-	38	-
Finance lease liabilities	9 419	1 952	575
Deferred income	19 830	-	-
Current liabilities	508 958	158 798	201 577
Trade and other payables	363 538	128 710	132 925
Loans from shareholder	884	5 069	5 001
Other financial liabilities	146	8 268	1 133
Finance lease liabilities	13 406	-	389
Operating lease liabilities	56	356	47
Deferred income	10 009	1 213	-
Current tax payable	65 670	3 827	41 636
Provisions	38 368	8 166	15 390
Dividends payable	13 551	-	-
Bank overdraft	3 330	3 189	5 056
Total liabilities	538 207	190 536	202 152
Total equity and liabilities	5 217 850	4 583 057	4 671 132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000
Balance at the beginning of the period	4 468 980	67 091	67 091
Total comprehensive income attributable to shareholders of AYO	194 968	47 431	144 258
Total comprehensive income attributable to non-controlling interests	18 821	18 503	3 671
Issue of shares	-	4 260 280	4 260 280
Equity-settled share-based payment	-	11 809	11 809
Dividends paid to non-controlling interests	-	(12 593)	(17 646)
Movement in non-controlling interest- disposal of subsidiary	-	-	(483)
Dividends paid to shareholders of AYO	(103 237)	-	-
Non-controlling interests arising out of acquisition	100 114	-	-
Balance at the end of the period	4 679 646	4 392 521	4 468 980
Comprising of			
Stated capital	4 444 410	4 444 410	4 444 410
Reserves	11 785	11 805	11 777
Retained income	84 223	(104 352)	(7 501)
Non-controlling interests	139 228	40 658	20 294
Total equity	4 679 646	4 397 521	4 468 980

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000
Cash generated from operations before working capital changes	276 704	35 493	3 521
Working capital changes	(184 689)	(29 393)	(62 451)
Cash generated from operations	(92 015)	(6 100)	(58 930)
Finance income	141 875	38 220	215 243
Finance costs	(1 034)	(1 324)	(2 220)
Tax paid	(27 217)	(12 152)	(16 735)
Net cash from operating activities	21 609	18 644	137 358
Cash flows from investing activities			
Net additions to property, plant and equipment	(5 374)	(1 119)	(4 578)
Proceeds from sale of assets held for sale	-	-	827
Net additions to intangible assets	(5 099)	(1 148)	(6 053)
Business combination	(67 371)	-	-
Net cash outflow on disposal of subsidiary	-	-	(314)
Net outflow from purchases and disposals of financial assets	(546 636)	(51 274)	(63 832)
Net advances or repayments from loans from Group companies	(4 010)	-	3 029
Net cash to investing activities	(628 490)	(53 541)	(70 921)
Cash flows from financing activities			
Net proceeds on share issue	-	4 260 280	4 260 280
Net proceeds or repayment of other financial liabilities and finance leases	1 702	1 208	(5 967)
Net repayments or proceeds from loans from shareholder	(9 702)	5 057	6 950
Net repayment of loans from/ to group companies and staff loans	(23 509)	(51 084)	(77 532)
Dividends paid	(89 686)	(12 593)	(17 646)
Net cash (to) from financing activities	(121 195)	4 202 868	4 166 085
Total cash movement for the year	(728 076)	4 167 971	4 232 522
Cash at the beginning of the period	4 303 642	71 120	71 120
Total cash at the end of the year	3 575 566	4 239 091	4 303 642

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

Accounting policies and basis of preparation

The unaudited summarised consolidated financial statements for the six months ended 28 February 2019 have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for summary financial statements and the requirements of the Companies Act of South Africa, 2008 as amended, ("Companies Act"). The Listings Requirements require financial reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they, as a minimum, contain the information required by IAS 34 'Interim Financial Reporting'. The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated annual financial statements, except for the following accounting policies adopted during the current period.

The Group adopted the following new accounting policies during the current period:

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 replaces the previous revenue standard IAS 18 which was applied previously by the Group. All contracts within the Group have been assessed against the new revenue standard and the application of IFRS 15 did not have a significant impact on the Group's results or financial position.

IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 replaces the previous financial instrument recognition and measurement standard IAS 39 Financial Instruments: Recognition and Measurement.

The Group applied the standard retrospectively, however the Group has used the exemption not to restate comparative information for prior periods, therefore the comparative information continues to be reported under IAS 39. The Group has made use of the practical expedients in the standard, in particular the use of the provision matrix, which helps in measuring the loss allowance for short-term trade receivables.

On adoption date, the expected credit loss model did not result in a change in the IAS 39 allowances for trade receivables because of their short-term nature. The expected credit loss model also did not result in an impairment for other financial assets. Therefore, there was no need to adjust the retained earnings, financial assets and liabilities on 1 September 2018.

The application of IFRS 9 has not resulted in the reclassification of any of the Group's financial assets and liabilities.

The unaudited interim financial results were prepared under the supervision of the chief financial officer, Isaiah Tatenda Bundo and were not reviewed or audited by the Groups external auditors, BDO Cape Incorporated.

Reporting entity

The consolidated interim financial statements for the six months ended 28 February 2019 comprises of the Company,its subsidiaries, associates and joint venture.

Use of judgments and estimates

In preparing these summarised interim financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the audited consolidated financial statements for the year ended 31 August 2018.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values, the fair valuation calculations are performed by the Group's finance department and operational team on an annual basis. The Group's finance department reports to the chief financial officer.

The valuation reports are approved by the investment committee in accordance with the Group's reporting policies.

1. BUSINESS COMBINATIONS

AYO acquired the brand, customer list, workforce and related assets of Zaloserve for a total consideration of R165 million to enhance AYO's product basket and client offering as part of AYO's "Go to Market" strategy. The purchase agreement had an effective date of acquisition of 1 November 2018, however, in terms of IFRS 3 Business Combinations, the date of acquisition has been determined as 19 December 2018. The fair value of the acquired brand, customer lists, workforce and assets are provisional upon the fair value determination of the brand, customer list and workforce. The provisional fair values of the identifiable assets and liabilities are shown below:

Fair value of assets acquired, and liabilities assumed:

	R'000
Property, plant and equipment	88 169
Intangible assets	56 582
Other financial assets	6 018
Finance lease receivables	8 155
Inventories	92 702
Trade and other receivables	166 888
Cash and cash equivalents	81 129
Deferred tax	4 570
Finance lease liabilities	(24 826)
Deferred income	(26 439)
Trade and other payables	(239 933)
Current tax payable	(414)
Provisions	(6 266)
Total identifiable net assets	206 335
Non-controlling interests	(100 114)
Goodwill	55 622
Total purchase consideration	161 843
Consideration paid	
Cash	148 500
Contingent consideration	13 343
Total	161 843

Non-controlling interest
Non-controlling interest, which is a present ownership interest, and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation, is measured at the present ownership interests proportionate share of the acquiree's identifiable net assets.

Contingent consideration
AYO is required to pay the previous shareholders of Zaloserve a cash amount of R5.5 million per year for the next 3 years provided that certain profit after tax targets are met by Zaloserve.
The fair value of the contingent consideration arrangement was determined at acquisition date and included in the consideration. The target is based on net profit after tax meeting certain thresholds. The payments are discounted at a rate of 15.78%.

	R'000
Net cash outflow on acquisition date	
Cash consideration paid	148 500
Cash acquired	(81 129)
Net cash paid	67 371

Goodwill
Goodwill recognised on acquisition relates to the expected growth and cost synergies which cannot be separately recognised as an intangible asset.

Revenue and profit or loss of Zaloserve and its subsidiaries

Revenue of R212 million and profit of R11 million of Zaloserve and its subsidiaries for two months and twelve days has been included in the Group's results since the date of acquisition.

2. GOODWILL AND INTANGIBLES

Reconciliation of Goodwill balance

	Unaudited six months ended 28 February 2019	Unaudited six months ended 28 February 2018	Audited year ended 31 August 2018
Carrying amount at beginning of period	35 248	43 411	43 411
Disposal of subsidiary	-	-	(3 206)
Acquisition of subsidiary	55 987	-	-
Impairment	-	-	(4 957)
Carrying amount at the end of period	91 235	43 411	35 248

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:

Comprising:			
Investment in Health System Technologies Proprietary Limited	2 157	2 157	2 157
Investment in Software Tech Holdings Group Proprietary Limited	-	3 784	-
Investment in Software Tech Holdings Subsidiaries	2 352	6 731	2 352
Investment in Puleng Technologies Proprietary Limited	22 274	22 274	22 274
Investment in Kalula Communications Proprietary Limited	8 465	8 465	8 465
Investment in Zaloserve Proprietary Limited	55 987	-	-
	91 235	43 411	35 248

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period for each of the cash-generating units shown above. Cash flow projections take into account past experience and external sources of information. The valuation method used is consistent with the prior year. There have been no accumulated impairment losses recognised to date.

Intangibles
Included in intangibles is the fair value of the acquired brand, customer list and workforce recognised at the acquisition of Zaloserve as disclosed in note 1.

3. INVESTMENTS

Investments comprises of:

	Unaudited at 28 February 2019 R'000	Unaudited at 28 February 2018 R'000	Audited at 31 August 2018 R'000
Cumulative preference shares in Bambelela Proprietary Limited	149 576	-	-
Funds placed in 3 Laws Capital Proprietary Limited	-	-	88 827
Funds placed in Oasis	418 169	-	-
Cadiz Life Investment Enterprise Development Fund	6 174	-	6 890
Total	573 919		95 717
Non-current assets	155 750	-	6 890
Current assets	418 169	-	88 827
Total	573 919	-	95 717

Bambelela Capital Proprietary Limited ("Bambelela")
On 28 September 2018, AYO subscribed for 261 343 070 cumulative, redeemable, non-participating, convertible Class C preference shares of no par value in Bambelela for a consideration of R145 million. Dividend income amounting to R4.5 million has been accrued for in the interim period.

3 Laws Capital Proprietary Limited Investment ("3 Laws")
AYO placed an amount of R70 million with 3 Laws for during the 2018 financial year and a further R400 million for 3 months of the current reporting period. AYO withdrew the funds placed with 3 Laws at the end of the reporting period. AYO earned a return of R8,4 million on the portfolio during the current reporting period.

Oasis balanced Fund & Bond Fund ("Oasis")
In line with AYO's strategy to diversify its investments, it invested R100 million in the Oasis Bond Fund and R300 million in the Oasis Balanced Fund on 21 December 2018. During the reporting period, the portfolio yielded a return of R18 million.

4. INVESTMENTS IN ASSOCIATES

Bambelela Capital Proprietary Limited ("Bambelela")
On 28 September 2018, AYO purchased 32% of the issued shares in Bambelela. The 32% shareholding represents significant influence over the entity. The investment has been accounted for as an investment in associate in line with IAS 28.

Mainstreet 1653 Proprietary Limited ("Mainstreet")
On 9 February 2019, AYO purchased 40% of the issued shares in Mainstreet which holds 100% of the issued share of Saab Grintek Technologies Proprietary Limited ("SGT"). The 40% shareholding represents significant influence over the entity. The investment in Mainstreet has been accounted for as an investment in associate in line with IAS 28.

Income from associates:
The Group's share of the profits from the above investments since acquisition amounted to R33.7 million.

5. LOANS RECEIVABLE

Comprises of:

	Unaudited at 28 February 2019 R'000	Unaudited at 28 February 2018 R'000	Audited at 31 August 2018 R'000
Mainstreet 1653 Proprietary Limited	60 000	-	-
Global Command and Control Technologies Proprietary Limited	11 400	-	-
Cortex Logic Proprietary Limited	8 460	-	-
Chaaday Holdings Proprietary Limited	3 501	-	-
Independent Digital Lab Proprietary Limited	10 847	-	-
Headsetsolutions Africa Proprietary Limited	4 794	-	-
Total	99 002	-	-
Non-current assets	82 000	-	-
Current assets	17 002	-	-
Total	99 002	-	-

The loans with Mainstreet 1653 Proprietary Limited and Global Command and Control Technologies Proprietary Limited bear interest at prime +2% per annum and are repayable on 1 March 2024.

The loans with Cortex Logic Proprietary Limited and Chaaday Holdings Proprietary Limited bear interest at prime +2% per annum and are repayable on demand.

The loan with Independent Digital Lab Proprietary Limited bears interest at prime +2% per annum. 50% of the loan balance is repayable on 1 January 2020, with remaining balance payable on 1 January 2024.

6. INVESTMENT REVENUE

	Unaudited six months ended 28 February 2019	Unaudited six months ended 28 February 2018	Audited for the year ended 31 August 2018
Bank	150 197	38 220	226 488
Group loans	94	-	466
Preference shares	4 575	-	-
	154 866	38 220	226 954

7. HEADLINE EARNINGS

Determination of headline earnings

	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000
Earnings attributable to ordinary equity holders	194 959	47 436	144 286
Adjusted for:			
Loss/(profit) on sale of property and equipment	72	(4)	(9)
Loss on disposal of a subsidiary	-	-	1 429
Impairment loss	-	-	3 084
Profit on sale of associate	-	(852)	(1 074)
Headline earnings	195 031	46 580	147 716
Weighted average number of shares	344 123 944	268 269 657	305 700 253
Headline earnings per share (cent)			
Basic	56,67	17,36	48,32
Diluted	56,67	17,36	48,32

8. CONDENSED SEGMENTAL ANALYSIS

	Segmental revenue			Segmental profit		
	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000	Unaudited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000
Software and consulting	32 574	36 848	73 739	12 942	16 725	24 514
Security	143 522	223 156	335 352	54 463	66 818	106 734
Unified communications	37 989	40 081	75 552	13 635	14 382	20 360
Health care	53 134	49 717	100 975	19 219	19 330	37 260
Managed services	410 363	-	82 794	108 169	12 423	38 285
Total	677 582	349 802	668 412	208 428	129 678	227 153
Less intersegmental sales	(3 073)	(1 130)	(29 519)	-	-	-
Administration and support services	-	-	-	(147 287)	(73 180)	(245 351)
Equity settled share-based payment expense	-	-	-	-	(11 809)	(11 809)
Warranty expense	-	-	-	-	-	(4 239)
Impairments	-	-	-	-	-	(4 957)
Fair value gains	-	-	-	18 217	-	-
Finance income	-	-	-	154 866	38 220	226 954
Finance costs	-	-	-	(1 091)	(1 324)	(1 754)
Income from Equity accounted investments				33 578	-	-
Total revenue and profit before taxation	674 509	348 672	638 893	266 711	81 585	195 997

Segment profit represents the profit before tax earned by each segment without the allocation of central administration costs, fair value adjustments, interest income and finance costs. This is the measure that is reported to the chief operating decision-maker for the purposes of assessing the segment performance and resource allocation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segmental assets	Unaudited at 28 February 2019 R'000	Unaudited at 28 February 2018 R'000	Audited at 31 August 2018 R'000
Software and consulting	24 049	14 177	20 719
Security	62 324	159 108	73 793
Unified communications	24 996	33 116	22 304
Health care	77 142	68 083	63 860
Managed services	461 385	-	107 746
Head office	4 563 011	4 307 215	4 379 000
Total segmental assets	5 212 907	4 581 699	4 667 442
Unallocated*	4 943	1 358	3 710
Total consolidated assets	5 217 850	4 583 057	4 671 132
Segmental liabilities			
Software and consulting	8 014	19 504	8 715
Security	39 268	96 461	58 059
Unified communications	14 269	16 618	16 937
Health care	26 287	23 291	16 898
Managed services	72 940	-	53 520
Head office	377 879	34 662	48 023
Total consolidated liabilities	538 207	190 536	202 152

*For the purposes of monitoring segment performances and resource allocations between segments all assets and liabilities are allocated to reportable segments other than deferred tax assets and liabilities.

Included in segmental results is:

	Depreciation and amortisation			Additions to property, plant, equipment and intangible assets		
	Unaudited six months ended 28 February 2019 R'000	Unaudited six months ended 28 February 2018 R'000	Audited year ended 31 August 2018 R'000	Unaudited at 28 February 2019 R'000	Unaudited at 28 February 2018 R'000	Audited at 31 August 2018 R'000
Software and consulting	399	489	985	197	272	328
Security	270	315	465	181	246	296
Unified communications	216	230	685	16	21	163
Health care	601	853	1 377	5 473	533	4 730
Managed services	4 098	-	-	145 671	-	-
Head office*	2 038	7	389	3 839	44	5 173
Total	7 622	1 894	3 901	155 377	1 116	10 690

*The head office performs an administrative function for all the segments in the Group.

Software and consulting

The software and consulting division focusses mostly on digital consulting engagements and transformation projects. Revenue for the division decreased by 11%, from R37 million to R33 million as a result of reduced consulting work obtained in the current period. However, operating margins remained consistent with those of the prior period.

Security solutions

The security solutions division is focused on offering security solutions to enterprises, with the key focus mainly on Identity and Access Governance Management. Revenue decreased by 35% from R223 million to R144 million as a result of a contract that had reached its expiry date in the current period. Operating profit decreased by 24% from R67 million to R54 million as a result of the decrease in revenue.

The software and consulting and security solutions divisions are focused on the financial services sector and the divisions are pursuing a larger pool of clients as a result of their improved empowerment credentials.

Unified Communications

The unified communications division is a reseller of telecommunications and gaming equipment of globally recognised brands. Revenue decreased by 5% from R40 million to R38 million as a result of reduced sales volumes of telecommunications equipment in the months of December and January. Operating profit margins for the division remained constant even though there was a decrease in revenue due to improved cost controls.

Health care

The health care division provides software and support in the health care industry with clients ranging from the private sector to government. Revenue for the division increased by 6% from R50 million to R53 million, with operating margins remaining consistent with those of the prior period.

Managed services

The managed services division provides network infrastructure and support services to enterprises. The division obtained a large contract with a multi-national that commenced in July 2018 which resulted in significant revenue for the division in the current period. The Group also successfully acquired Zaloserve as detailed above and the consolidation of Zaloserve resulted in significant additional revenues for the division.

9. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets and liabilities.

Level 2: Other techniques for all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly for the asset or liability.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. As at 28 February 2019, the Group held the following instruments measured at fair value:

2019
Financial instruments

	Level 2 R'000s	Level 3 R'000s	Total R'000s
Cumulative Preference Shares	-	149 576	149 576
Unlisted investments	418 161	6 937	425 098

2018

	Level 2 R'000s	Level 3 R'000s	Total R'000s
Unlisted investments	-	6 890	6 890

Reconciliation of assets and liabilities measured at level 2 and level 3
2019

	Opening balance R'000s	Investment R'000s	Changes in Fair value R'000s	Closing balance R'000s
Level 2				
Unlisted investments	-	400 000	18 161	418 161
Level 3				
Unlisted investments	6 890	-	56	6 946

2018

	Opening balance R'000s	Investment R'000s	Changes in Fair value R'000s	Closing balance R'000s
Level 3				
Unlisted investments	749	6 141	-	6 890

Changes in fair value are recognised in profit or loss. Refer to fair value gains in the Groups Statement of Comprehensive income.

Events after reporting period

On 1 March 2019 AYO acquired a 24% equity interest in Global Command and Control Technologies Proprietary Limited ("GCCT") for a consideration of R3.6 million. GCCT supplies microwave and related services to telecommunication network operators (public & private) in South Africa. The company offers full local radio frequency network planning, deployment, product support, field maintenance and logistic services. GCCT generates annual revenues in excess of R150 million and profit before interest and tax in excess of R6 million annually.

On 19 March 2019, AYO signed an agreement with Bambelela and Vunani Capital Proprietary Limited ("Vunani Capital") in which, AYO will be a 50% shareholder, Bambelela a 30% shareholder and Vunani Capital a 20% shareholder in a special purpose vehicle which has been formed to invest in disruptive financial services technology as part of its "Go to Market" strategy. AYO will provide a loan of up to R100 million to the special purpose vehicle.

Prospects

The Group had annual historical revenues of R280 million which have since grown to about R675 million during the current six month period.

AYO continues to focus on its acquisition strategy in order to complement and augment the current businesses and enhance its vertical industry "Go to Market" strategy.

AYO is currently pursing targets in three key focus areas, being disruptive IT platform services, digital transformation and specific industry vertical expertise. AYO's Digital Ecosystem will focus on these areas through, AYO Platforms, AYO Digital Intelligence and AYO Industries, including expansion in the short term to AYO fintech.

AYO Platforms is focused on attracting disruptive platform businesses which will give customers the ability to source various data, network, communications and security services through various consumption models including on-premise, hybrid and cloud.

AYO Digital Intelligence is building distinct areas of expertise including Internet of Things (IOT) Platforms, Big Data Analytics, Artificial Intelligence (AI) and Business Process Innovation and Transformation skills. AYO is in advanced discussions with target companies who are recognised leaders in this field.

AYO Industries is focused on attracting companies that have leading offerings and significant contracts in particular vertical industries. In the short term, the company will be looking to add to its already comprehensive intellectual property in the health, mining, oil and gas industries with additional competencies in financial services, service provider and public sector verticals.

On successful completion of certain acquisitions, AYO will be strongly positioned to win significant market share in its industry and to challenge and disrupt the ICT landscape that has been dominated by the same brands.

Through the above strategies, AYO's product and service portfolio and Digital Ecosystem, it should be able to service a substantial customer base and capture 5-8% of the South African market by 2022. The exciting growth prospects that these target businesses will enjoy within the AYO Digital Ecosystem will have a compounding effect on the company's organic growth.

Changes in the Board of directors ("Board") and company secretary
Mr. Howard Plaatjes, Mrs. Vanessa Govender and Mr. Takudzwa Tanyaradzwa Hove were appointed as directors of the Company with effect from 20 December 2018.

Mr. Salim Young and Ms. Cherie Felicity Hendricks did not make themselves available for re-election to the board of directors at the Company's annual general meeting on 22 January 2019 and therefore resigned as directors of the Company with effect from 22 January 2019.
Ms. Naahied Gamieldien resigned as the acting Chief Executive Officer and the Chief Financial Officer of the Company with effect from 22 January 2019.
Mr. Howard Plaatjes was appointed as the Chief Executive Officer, Mr. Isaiah Tatenda Bundo was appointed as Director and Chief Financial Officer and Mr. Abdul Malick Salie was appointed as Director and Chief Investment Officer of the company with effect from 22 January 2019.

The company secretary Ms. Rodanchia Nock resigned with effect from 21 December 2018 and Mr. Wazeer Moosa was appointed with effect from 1 January 2019 as the company secretary.

Dividends

DECLARATION OF CASH DIVIDEND
Notice is hereby given that an interim gross dividend of 35 cents(2018:0 cents) per share has been declared out of income reserves in respect of ordinary shares of no par value for the six months ended 28 February 2019.

A dividend withholding tax of 20% or 7 cents per share will be applicable, resulting in a net dividend of 28 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The issue share capital at the declaration date is 344 125 194 ordinary shares.

The income tax number of the Company is 9389007031.

Dates of importance:

Last day to trade in order to participate in the dividend	Tuesday, 23 April 2019
Shares trade ex dividend	Wednesday, 24 April 2019
Record date	Friday, 26 April 2019
Payment date	Monday, 29 April 2019

Share certificates may not dematerialised or rematerialiased between Wednesday, 24 April 2019, and Friday, 26 April 2019, both days inclusive.

Appreciation

We wish to thank our employees, Group executives, management, our Board as well as our strategic partners, stakeholders and business partners for their loyalty and dedication in contributing to the success of the Group.

Dr Wallace Mgoqi
Independent Non-Executive Chairman

Mr Howard Plaatjes
Chief Executive Officer

Cape Town
1 April 2019

Directors
W Mgoqi (Chairman) *#; H Plaatjes (Chief Executive Officer); IT Bundo (Chief Financial Officer); AM Salie (Chief Investment Officer); V Govender (Corporate Affairs Director); R Mosia*#; T T Hove*; A B Amod*#; S Rasethaba*#; D George*#; Advocate N A Ramatlhodi*# ; I Amod*#;
* Non-Executive
# Independent

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Auditors:	BDO Cape Incorporated 6th Floor, 123 Hertzog Boulevard, Cape Town, 8001 (PO Box 2275, Cape Town, 8000)
Joint Sponsors:	Vunani Proprietary Limited 151 Katherine Street, Vunani Office Park, Vunani House Sandown Merchantec Capital 2nd Floor, North Block, Hyde Park Office Tower, Cnr 6th Rd & Jan Smuts Ave, Hyde Park