

# CONDENSED FINANCIAL RESULTS

FOR THE YEAR ENDED  
31 AUGUST 2019

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### **AYO TECHNOLOGY SOLUTIONS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number: 1996/014461/06

Share code: AYO ISIN: ZAE000252441

("AYO" or the "Group" or the "Company")





*Building resilience.  
Gearing for growth.*

Deeply rooted in South Africa, AYO is an organisation with a compelling purpose: to help our client businesses reach new heights by empowering their people, enriching their processes, and developing industry-leading and disruptive technology solutions so that they can be market leaders in sectors where they operate.

## 2019 Highlights



## Overview of the AYO Group

AYO Technology Solutions Limited (“AYO”) including its subsidiaries is one of the largest Broad-Based Black Economic Empowerment (“B-BBEE”) information and communications technology (“ICT”) groups in the South African market. We operate across a variety of industry verticals and geographies to deliver the full spectrum of ICT related products and services – from physical infrastructure to networking, data storage and security, connectivity and communications.

Our collaborative business model combined with strong empowerment credentials and solid strategic partnerships sets us apart from our competitors. We use an open innovation process to cross-pollinate novel solutions across industries and thus transform our clients’ organisations and their respective economic sectors.

Our highly specialised skilled staff is critical to our success, enabling AYO to drive innovation in the marketplace. Thus, attracting and nurturing talent underpins all our decisions and actions. Through the AYO Academy (our flagship CSI initiative) we strive to develop tomorrow’s ICT leaders who will take our Group as well as the South African digital transformation movement to new heights.

We believe that to truly propel our economy we need to work together, by establishing and fostering strategic partnerships which includes suppliers, clients, staff, governing bodies and the broader community who remains paramount to everything we do. As the age-old African proverb goes “If you want to go fast, go alone. If you want to go far, go together.”

As at 31 August 2019, the AYO Group employs over 1,200 people and has over 500 clients in both the public and private sector with operations located in South Africa, Mauritius, East Africa and the United Kingdom.





## Group financial performance

AYO delivered a strong financial performance for the year ended 31 August 2019 despite a challenging operating and economic environment with revenue increasing by 207% to R1.9 billion and profit before tax increasing by 39% to R273 million. The improved financial performance was predominately from significant organic growth as a result of a contract with a multi-national company that commenced in July 2018 and acquisitive growth in relation to the acquisitions of Sizwe IT Proprietary Limited (“Sizwe”), and SGT Solutions Proprietary Limited (“SGT Solutions”).

Revenue increased as a result of organic and acquisitive growth as mentioned above. Despite the challenging economic conditions facing the Group, revenues from our existing subsidiaries remained constant with the exception of Puleng Technologies Proprietary Limited (“Puleng”) which had a significant once-off contract in the prior year.

Operating expenses increased significantly during the year mainly as a result of the inclusion of the results of Sizwe, SGT Solutions and Global Command and Control Proprietary Limited (“GCCT”) as well as increase in operational capacity of AYO in anticipation of obtaining new contracts. Total operating expenses of R233 million have been included in the current year from Sizwe, SGT Solutions and GCCT.

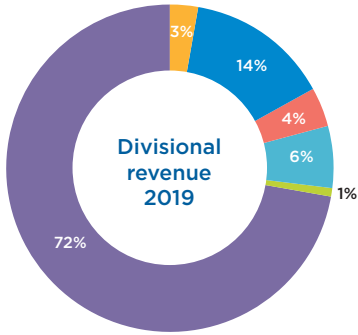
As per the share sale agreements, AYO has the option to acquire 60% of the shares in Mainstreet from African Equity Empowerment Investments Limited (“AEEI”) and 27% of the shares in GCCT. The options are exercisable between two to four years from the date of purchase of Mainstreet and GCCT. These options have been fair valued at year-end and the gain has been disclosed in other operating gains.

Additionally, as a result of listing in the prior financial year the Group had a once-off equity-settled share-based payment expense of R12 million, goodwill impairment of R5 million, listing costs of R7 million and a loss from disposal of a subsidiary of R5 million. In the current year the Group incurred once-off expenses of R3.4 million related to the acquisitions of subsidiaries, R7.8 million related to the interim audits for February 2018 and February 2019 and R11 million on legal costs.

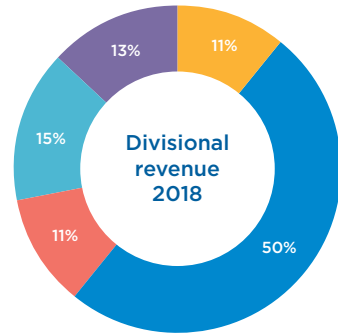
AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective from 1 April 2018 for an indefinite period as long as the services are provided under the agreement. However, on 1 October 2019 this significant customer gave AYO six months notice purporting to terminate the agreement. AYO disputed the customer’s right to cancel the agreement. On 22 January 2020, AYO and the significant customer by mutual agreement reached a settlement in respect of the declared dispute. AYO will cease to provide the significant customer with ICT services on 31 July 2020.

Since the Group listed it raised R4.3 billion and utilised a portion of the funds into major contracts which have significantly contributed to revenues. The Group utilised R220 million of the funds for the strategic acquisitions of new subsidiaries Sizwe, SGT Solutions and GCCT. R145 million was utilised to purchase cumulative preference shares from Bamblela Capital Proprietary Limited and R100 million was utilised for the establishment of a Fintech fund. The Group also invested an amount of R90 million into 4Plus an investment holding company which is focused primarily on pursuing opportunities arising out of the 4th industrial revolution on the African continent and K2018010234 (South Africa) Proprietary Limited (“KSA”) a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa. Since listing the Group has paid dividends of R221 million. The Group has also provided working capital funding for its subsidiaries to enable growth and expansion into different markets. The majority of the raised capital is still invested in banks as disclosed in note 18 and interest income of R488 million has been received from the banks since listing. Refer to the cash flow statement for a more detailed analysis on the cash movements of the Group.

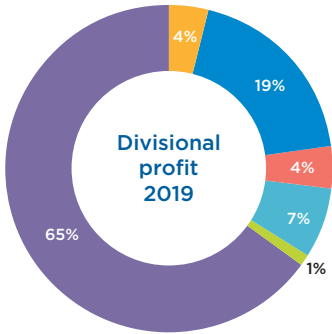
# Divisional performance



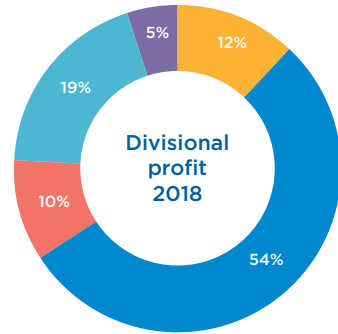
- Software and consulting
- Security solutions
- Unified communications
- Health care
- Tracking solutions
- Managed services



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	2019 R'000	2018 R'000
<b>Software and consulting</b>		
Revenue	61 348	73 415
Gross profit	22 962	24 514
EBITDA	5 848	479
Profit before tax	5 323	1 450

The software and consulting services division focuses on providing scalable digital solutions to retailers, media groups and brand agencies in Africa, the United States and Europe. The products developed are primarily focused in assisting clients in optimising business processes and customer experiences using technology. The division also offers a specialised digital media product set assisting organisations with the commercialisation of digital content.

Revenue decreased by 16.4% from R73 million to R61 million while gross margins improved from 33.39% in the prior year to 37.43% in the current year. Revenue decreased mainly as a result of ICT cost cutting from a major customer which impacted on the ability of the division to generate additional revenue from the major customer. There was a new product developed in the current year which helped to mitigate against the decrease in revenue from the major customer. The new product generates higher margins than the other products in the division which resulted in an increase in gross margins. In the current year, there was a sale of a subsidiary in this division which generated a profit of R1.3 million. The division continues to aggressively manage costs and pursue additional clients to ensure that margins and profitability is maintained.

	2019 R'000	2018 R'000
<b>Security solutions</b>		
Revenue	276 304	335 352
Gross profit	105 957	106 734
EBITDA	20 786	15 859
Profit before tax	20 973	16 812

The security solutions division deploys customised security systems to organisational clients with its key focus on identity, access management and Governance, Risk and Compliance (GRC) management. Revenue decreased by 17.6% from R335 million to R276 million while gross margins improved from 31.83% in the prior year to 38.35% in the current year.

The division had a significant non-recurring contract in the prior year which lead to a decrease in revenues in the current reporting period.

Revenue is generated from providing both services and product sales, of which service revenue has a higher margin than product sales. In the current financial year, the focus remained on increasing service revenue due to the higher margin which resulted in the proportion of service revenue to product sales being higher in the current year as compared to the prior year. This optimal sales mix resulted in an increase in gross margins compared to the prior year.

AYO initially owned 57% of this division and entered into an agreement on 16 August 2019 to acquire the remaining equity stake from minority shareholders for a cash consideration of R38.5 million. The division will continue to pursue a broader pool of clients with its improved empowerment credentials as well as expanding into the rest of Africa.

## Divisional performance *(continued)*

	2019 R'000	2018 R'000
<b>Unified communications</b>		
Revenue	73 239	75 552
Gross profit	24 473	20 360
EBITDA	2 123	110
Profit/(loss) before tax	1 144	(800)

The unified communications division is a reseller of telecommunications and gaming equipment of globally recognised brands. The key brands that are sold by the division are Plantronics and Konftel. The division managed to secure two additional global brands namely, Jabra and PolyCom from July 2019. Revenue decreased slightly within the division, however, plans were put in place to reduce costs, which is testament to the overall increase in profitability with margins increasing from 26.95% to 33.14%.

Additionally, AYO has also established a subsidiary in Mauritius for unified communications. AYO incurred costs of R1 million to establish the Mauritian subsidiary. The subsidiary is expected to increase product sales to the rest of Africa.

	2019 R'000	2018 R'000
<b>Healthcare</b>		
Revenue	111 373	100 975
Gross profit	38 739	37 260
EBITDA	15 237	14 886
Profit before tax	15 793	14 627

The health care division is a specialist provider of optimised and integrated healthcare ICT solutions. The division provides modular and integrated healthcare information systems across all levels in the public and private sector. Revenue for the division increased by 10.57% from R101 million to R112 million, with gross profit remaining fairly constant in the current year. Although the primary revenues are derived from the public sector, the increase in revenue was mainly generated from a successful delivery of a pilot project in relation to a health information exchange for the private health sector. The division continues to focus on meeting and exceeding its ongoing service level commitments and KPIs with all of its customers.

	2019 R'000	2018 R'000
<b>Tracking solutions</b>		
Revenue	25 355	-
Gross profit	6 915	-
EBITDA	(7 309)	-
Loss before tax	(11 458)	-



This division was established after the acquisition of GCCT on 1 March 2019. The division is a leading technology provider for enabled awareness solutions both nationally and internationally. The solutions include asset and force tracking across the globe, integrated situational awareness pictures and constructive simulation technology. Revenue of the division for the six months from 1 March 2019 to 31 August 2019 was R25 million with a R7 million gross profit.

The division is focused on rapidly expanding into the African markets through the selection of its command and control solution as a tactical command and control capability for a Continental Union, as well as becoming a training service provider within the private sector.

Managed services	2019 R'000	2018 R'000
Revenue	1 411 673	82 794
Gross profit	360 227	9 091
EBITDA	70 728	(90 674)
Profit/(loss) before tax	53 213	(91 063)

The division is focused on providing network infrastructure, support services and end-to-end solutions for enterprises.

Included in this division are the operational results from the contract which AYO secured with a multinational company, as well as the operational results of Sizwe and SGT Solutions. Sizwe was acquired by the Group effective 19 December 2018 and SGT Solutions was acquired by the Group effective 28 February 2019.

AYO commenced work on the contract with a multinational company in July 2018, and work on the contract has progressed well with constant positive feedback being received from the client. Revenue of R430 million was generated in relation to this contract, of which the gross profit amounted to R121 million. AYO is focused on obtaining additional contracts from other multinational companies in order to further organically grow revenue and increase profitability in this division.

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 solutions to hosting, storage server processing, mobility, data centre, end-user computing and associated consumables. AYO has consolidated revenue of R762 million and gross profit of R172 million from Sizwe for the eight and a half months from 19 December 2018 to 31 August 2019.

Sizwe generates annual revenues in excess of R1.4 billion and net profits in excess of R45 million.

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. The Company also specialises in integrated, leading-edge and comprehensive solutions across the entire spectrum of telecommunications. AYO has consolidated revenue of R220 million and gross profits of R67 million from SGT Solutions for the six months from 1 March 2019 to 31 August 2019.

SGT Solutions generates annual revenues of approximately R400 million and net profits in excess of R27 million.

# Governance matters

## 1. Directorate

The directors in office at the date of this report are as follows:

Director	Office	Designation	Date of appointment	Date of resignation
H Plaatjes	Chief executive officer	Executive	21 December 2018	
IT Bundo	Chief financial officer	Executive	22 January 2019	
V Govender	Corporate affairs	Executive	21 December 2018	
AM Salie	Chief investment officer	Executive	22 January 2019	6 May 2019
N Gamielien	Chief financial officer	Executive	19 May 2014	22 January 2019
WA Mgoqi	Chairman	Non-executive	20 August 2018	
AB Amod		Non-executive	26 February 2013	
CF Hendricks		Non-executive	6 July 2009	22 January 2019
S Young		Non-executive	10 November 2017	22 January 2019
DH George		Non-executive	20 August 2018	
RP Mosia		Non-executive	21 August 2018	
SM Rasethaba		Non-executive	24 August 2018	
NA Ramathlodi		Non-executive	7 March 2018	
TT Hove		Non-executive	20 December 2018	19 August 2019
I Amod		Non-executive	22 January 2019	
K Abdulla	Deputy executive chairman	Executive	12 March 2020	



## 2. Litigation

On 31 May 2019, AYO received a summons issued by the Public Investment Corporation (“PIC”) and the Government Employees Pension Fund (“GEPF”). The summons seeks a declaration that the subscription agreement entered into by the PIC and AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4 290 654 165 together with interest of 10.25% per annum accrued from 22 December 2017 to the date of final payment. AYO has instructed its attorneys to oppose the action.

In the event that the PIC and GEPF are successful in their court application, management believes that they will be able to reconfigure the Company, into a pure investment holding company. AYO has several subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

## 3. Investment decisions

Upon the resignation of AM Salie (previous Chief Investment Officer (“CIO”)) from the Board and the Investment Committee, this role was taken over on an interim basis by IT Bundo, the Chief Financial Officer (“CFO”). After his resignation, AM Salie entered into an agreement with AYO for the period 1 June 2019 to 30 November 2019, in which he provided consulting services on evaluation of investments and presenting investments for evaluation by the Investment Committee. The Investment Committee recommends investments for approval to the Board of directors. As IT Bundo assumed both roles (CIO and CFO), AYO entered into various agreements with corporate finance advisors which would assist in the process of initial screening, detailed assessments and valuation of potential investments prior to presenting them to the AYO executives and investment committee for assessments of whether or not the investments are in accordance with AYO’s acquisition strategy.

Once the synergies, valuation and strategy fit are established, the potential investments are presented to the Investment Committee. If the acquisitions is approved, it is recommended to the Board for final approval.

AYO is currently in the process of recruiting a permanent Chief Investment Officer.

## Governance matters *(continued)*

### 4. Financial markets announcements

Several SENS announcements were published during the 2019 financial year. The majority relate to allegations against the Company regarding the 2018 interim financial results at the PIC Commission of Inquiry. The JSE Limited (“JSE”) requested AYO’s external auditors, BDO, to perform a factual findings report on the 2018 interim financial results, as a result of management identifying certain misstatements resulting in a Reportable Irregularity being identified. Management believes that their improved governance processes not only ensured that the Reportable Irregularity as reported in the 2018 interim financial results did not continue. Management is of the opinion that the issues noted are isolated to the 2018 interim financial period.

Particulars of the reportable irregularity relate to the evidence presented under oath by Mr Kevin Hardy to the Commission of Inquiry on 8 April 2019 into the affairs of the PIC, purportedly supported by an affidavit, in terms of which he claimed that the interim financial results for the six months ended 28 February 2018 for AYO had been misstated and the verbal interactions with representatives of AYO on 11 and 12 April 2019 have suggested that certain numbers were adjusted in the interim financial results for the six months ended 28 February 2018, although AYO believes that the adjustments were valid.

Subsequent to the factual findings report from BDO, several enquiries were received from the JSE, either in relation to the accounting treatment in terms of IFRS of the misstatements identified, the governance of AYO and the continued listing of AYO on the JSE. AYO has addressed the JSE’s concerns on the governance of the Company and remains committed to continue to improve its governance processes.

The JSE has requested that the 2018 and 2019 interim financial results be audited. The interim audits were performed simultaneously with the 2019 year end audit. Management would like to inform all stakeholders that the delay in the 2019 financial year end results is as a result of all three audits being done simultaneously, combined with the level of risk associated to AYO which increases the audit risk, resulting in increased audit work.

Additionally, as a result of the compliance requirements around year end financial results, management has rather focused on finalising the 31 August 2019 audit and will be releasing the restated audited interim results once all the necessary year end requirements have been finalised.

On 2 January 2020 the JSE issued a SENS announcement informing the market that AYO had not published its audited financial statements by 31 December 2019 (as required by JSE Listings requirements paragraph 3.19). As the Company was required to complete three audits, being the 2018 and 2019 interim financial results audits and the audit of the 2019 financial year, there were pressures on the Company’s resources for reporting financial results and completing the audits. The Company focused on completing the 2019 financial year audit.



## 5. Related party transactions

AYO entered into various transactions with related parties during the year under review. The nature and amounts of these related party transactions has been disclosed in note 31 of this report.

The Audit and Risk Committee has resolved to develop and recommend to the Board, for approval, a more comprehensive policy for the approval of related party transactions. This policy is expected to be reviewed and adopted by the Board during the first quarter of 2020.

## 6. Going concern

Management is aware of material uncertainties relating to events or conditions that may cast significant doubt upon AYO's ability to continue as a going concern.

However, the directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient cash reserves to meet its foreseeable cash requirements. The directors do not intend to liquidate the Company or cease trading and upon performing an assessment; have taken into account all available information about the future which is at least, but is not limited to 12 months from the date of issue of this report. The uncertainties in relation to the going concern of the entity have been disclosed under the commitments and contingencies note, refer to note 31. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements which may affect the Group.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 31.

## 7. Independent auditors' report

This abridged report is extracted from audited information, but is not itself audited. The directors are responsible for the content and integrity of this abridged report and the financial information in this abridged report has been correctly extracted from the underlying consolidated annual financial statements. The consolidated annual financial results for the year ended 31 August 2019 have been audited by BDO South Africa Incorporated, who expressed an unqualified audit opinion with an emphasis of matter. The emphasis of matter is with regards to the reissue of the consolidated annual financial statements as a result of changes identified to the notes to the financial statements which were issued on 31 January 2020. Refer to the supplement to the Audited results available on the company's website for a summary of the changes to the notes to the financial statements at [www.ayotsl.com](http://www.ayotsl.com). A copy of the independent auditors' report is available for inspection at the Company's registered office. The independent auditors' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the independent auditors' report together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement is the responsibility of the directors and has not been reviewed or reported by the Company's independent auditors.

## 8. Declaration of final ordinary dividend

Notice is hereby given that a gross final dividend of 16 cents per share has been declared by the Board of AYO out of income reserves in respect of ordinary shares of no-par value for the year ended 31 August 2019.

A dividend withholding tax of 20% or 3.2 cents per share will be applicable, resulting in a net dividend of 12.8 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

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

The Company's income tax number is 9389007031.

The salient dates of the dividend distribution are as follows:

Gross dividend (cents per share)	16
Dividend net of dividend withholding tax (cents per share)	12.8
Announcement date	Wednesday, 20 December 2019
Last day to trade <i>cum</i> dividend	Tuesday, 14 January 2020
Trading ex-dividend commences	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Date of payment	Monday, 20 January 2020

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Share certificates may not be dematerialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive.

## 9. Supplementary announcement to the announcement dated 31 January 2020

Shareholders are referred to the announcement ("Announcement") released on SENS on Friday, 31 January 2020 regarding a change statement, notice of annual general meeting and publication of the integrated annual report. The Announcement contained a "change statement" ("the Statement") which detailed the differences between Reviewed Consolidated Results for the Year Ended 31 August 2019 published on SENS on 20 December 2019 ("the Reviewed Results") and the audited 31 August 2019 annual financial statements ("the Audited Results").

Following a review by management and AYO's sponsors of all the documents submitted to the JSE and announced on SENS, it was noted that the Statement highlighted changes between the Reviewed Results and the Audited Results and detailed explanations for the differences were provided. The Statement is accurate and only the abridged report containing the disclosures as required by the Listings Requirements was omitted. This revised abridged report has been prepared in order to comply with paragraph 3.22(c)(ii) of the JSE Listings Requirements.

Refer to note 36 for the changes between the Reviewed Results and the Audited Results and detailed explanations of the differences.

## 10. Future prospects

The Group continues to focus on additional acquisitions and increasing the diversification of its service and product offerings. The Group expects an increased contribution to the performance of the Group for the 2020 financial year resulting from the acquisition of Sizwe, SGT Solutions and GCCT which would reflect financial results for a full year.

AYO has been operating in an extremely difficult market environment, exacerbated by the current narrative arising from the PIC Commission of Inquiry as well as the litigation instituted by the PIC and CIPC against the Company. These trying conditions are significantly impeding on our acquisition growth plans and operational performance.

AYO has the potential to become a leading transformative force in the ICT sector. To reach its objectives for all stakeholders, AYO believes that it can work closely with all of its major stakeholders to find a way to end the negative and unwarranted media attention that it is currently exposed to. AYO remains of the opinion that it has done nothing wrong and continues to attempt to deliver on its prospects as outlined in its Pre-Listing Statement and beyond.

## 11. Appreciation

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



**Dr Wallace Mgoqi**

*Independent non-executive chairman*



**Howard Platjes**

*Chief executive officer*

13 March 2020





# Consolidated statement of profit or loss and comprehensive income

	Notes	2019 R'000	2018 R'000
Revenue	1	1 959 292	638 893
Cost of sales		(1 400 019)	(440 935)
<b>Gross profit</b>		<b>559 273</b>	197 958
Other operating income	2	10 046	3 293
Other operating losses	3	(44 434)	(7 321)
Other operating expenses	4	(562 230)	(199 536)
Equity-settled share-based payment expense		-	(11 809)
Goodwill impairment		-	(4 957)
Lisiting costs expenses		-	(6 831)
Finance income	5	322 856	226 954
Finance costs	6	(10 918)	(1 754)
Loss from equity accounted investments		(1 608)	-
<b>Profit before taxation</b>		<b>272 985</b>	195 997
Taxation	7	(91 186)	(48 040)
<b>Profit after taxation</b>		<b>181 799</b>	147 957
<b>Other comprehensive income:</b>			
Items that will not be subsequently reclassified to profit or loss:			
Gains on property revaluation		221	-
Items that will be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(250)	(28)
Income tax relating to items that may be reclassified		32	-
Total items that will be subsequently reclassified to profit or loss:		(218)	(28)
Other comprehensive income for the year net of taxation		3	(28)
<b>Total comprehensive income for the year</b>		<b>181 802</b>	147 929
<b>Profit attributable to:</b>			
Owners of AYO		150 599	144 286
Non-controlling interest		31 200	3 671
<b>Total profit after taxation</b>		<b>181 799</b>	147 957
<b>Total comprehensive income attributable to:</b>			
Owners of AYO		150 602	144 258
Non-controlling interest		31 200	3 671
<b>Total comprehensive income</b>		<b>181 802</b>	147 929
<b>Earnings per share (cents)</b>			
Basic earnings per share (cents)	29	43.76	47.20

## Consolidated statement of financial position

	Notes	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>653 462</b>	<b>72 782</b>
Property, plant and equipment	8	102 776	7 169
Goodwill	9	131 152	35 248
Intangible assets	10	79 828	17 743
Investments in joint ventures		33	33
Investments	11	24 619	-
Loans receivable	12	156 764	-
Loans to related party companies	13	108 562	1 989
Other financial assets	14	12 355	6 890
Finance lease receivables	15	350	-
Operating lease asset		110	-
Deferred tax	16	36 913	3 710
<b>Current assets</b>		<b>4 476 137</b>	<b>4 598 350</b>
Inventories	17	178 991	12 378
Loans receivable	12	17 199	-
Other financial assets	14	12 242	93 390
Finance lease receivables	15	669	-
Trade and other receivables	18	584 491	183 222
Current tax receivable		2 329	662
Cash and cash equivalents	19	3 680 216	4 308 698
<b>TOTAL ASSETS</b>		<b>5 129 599</b>	<b>4 671 132</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Stated capital		4 444 410	4 444 410
Reserves		(30 470)	11 777
Retained income		(77 458)	(7 501)
Equity attributable to shareholders of AYO		4 336 482	4 448 686
Non-controlling interest	20	134 392	20 294
<b>Total equity</b>		<b>4 470 874</b>	<b>4 468 980</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>63 042</b>	<b>575</b>
Other financial liabilities	21	797	-
Finance lease liabilities	22	2 853	575
Derivatives	23	3 934	-
Contingent consideration liability	24	37 549	-
Employee benefit obligation		6 665	-
Deferred income	25	11 244	-
<b>Current liabilities</b>		<b>595 683</b>	<b>201 577</b>
Trade and other payables	26	443 836	132 925
Loans from related party companies	27	20 863	-
Loans from shareholders		-	5 001
Other financial liabilities	21	38 500	1 133
Finance lease liabilities	22	12 683	389
Operating lease liability		-	47
Deferred income	25	18 589	-
Current tax payable		24 124	41 636
Provisions	28	26 094	15 390
Dividend payable		5 093	-
Contingent consideration liability	24	4 795	-
Bank overdraft	19	1 106	5 056
<b>Total liabilities</b>		<b>658 725</b>	<b>202 152</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 129 599</b>	<b>4 671 132</b>



## Condensed consolidated statement of changes in equity

Notes	2019 R'000	2018 R'000
<b>Balance at the beginning of the period</b>	<b>4 468 980</b>	67 091
Total profit attributable to shareholders of AYO	150 599	144 286
Total profit attributable to non-controlling interests	31 200	3 671
Issue of shares	-	4 260 252
Equity-settled share-based payment	-	11 809
Dividends paid	(223 681)	-
Dividends paid to non-controlling interests	(3 730)	(17 646)
Disposal of subsidiary	11	-
Revaluation reserve	221	-
Foreign currency translation reserve	(218)	-
Non-controlling interest put option reserve	(14 795)	-
Changes in ownership reserve	(27 455)	-
Movement in retained income - changes in ownership	3 114	-
Non-controlling interests arising out of acquisition	101 172	-
Movement in non-controlling interest - disposal of subsidiary	(384)	(483)
Movement in non-controlling interest - changes in ownership	(14 160)	-
<b>Balance at the end of the period</b>	<b>4 470 874</b>	4 468 980
<b>Comprising of:</b>		
Stated capital	4 444 410	4 444 410
Reserves	(30 470)	11 777
Retained income	(77 458)	(7 501)
Non-controlling interest	20	134 392
<b>Total equity</b>	<b>4 470 874</b>	4 468 980

# Condensed consolidated statement of cash flows

	Notes	2019 R'000	2018 R'000
<b>Cash utilised in operations</b>		<b>(50 320)</b>	(58 931)
Finance income		285 644	215 243
Finance costs		(6 466)	(2 220)
Dividend income		3 021	-
Tax paid		(117 794)	(16 735)
<b>Net cash from operating activities</b>		<b>114 085</b>	137 357
<b>Cash flows from investing activities</b>			
Net additions to property, plant and equipment		(17 350)	(4 578)
Net additions to intangible assets		(19 844)	(6 053)
Proceeds from disposal of subsidiary		1 203	(314)
Acquisition of subsidiaries, net of cash acquired	30	(112 306)	-
Loans advanced to related party companies		(103 547)	3 029
Other loans advanced		(169 670)	(108)
Purchase of investments at fair value		(90 659)	-
Net inflow/(outflow) from purchases and disposals of financial assets		91 860	(63 832)
Funds held in Trust		(101 294)	-
Proceeds from assets held for sale		-	827
Finance lease receipts		7 135	-
<b>Net cash to investing activities</b>		<b>(514 472)</b>	(71 029)
<b>Cash flows from financing activities</b>			
Net proceeds on share issue		-	4 260 280
Net proceeds or repayment of other financial liabilities and finance leases		(11 387)	(5 967)
Loans received from related party companies		20 330	-
(Repayment)/proceeds from loans from shareholders		(5 000)	6 950
Repayment of loans from group companies		-	(77 424)
Payments for contingent consideration arrangements		(4 460)	-
Dividends paid		(223 628)	(17 646)
<b>Net cash (to) from financing activities</b>		<b>(224 145)</b>	4 166 193
<b>Total cash movement for the year</b>		<b>(624 532)</b>	4 232 521
Cash at the beginning of the year	19	4 303 641	71 120
<b>Total cash at the end of the year</b>		<b>3 679 109</b>	4 303 641



# Notes to the summarised audited consolidated financial results

## Accounting policies and basis of preparation

The audited condensed financial results for the year ended 31 August 2019 have been prepared in accordance with the JSE Limited Listings Requirements (“Listings Requirements”) for condensed financial statements and the requirements of the Companies Act 71 of 2008 as amended (“Companies Act”). The Listings Requirements require financial reports to be prepared in accordance with the framework concepts and 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 audited condensed financial results 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 new and revised IFRS standards as detailed below.

These audited condensed financial results for the year ended 31 August 2019 have been prepared under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

## New IFRS standards that became effective during the year

### Changes in significant accounting policies

IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers became effective for the Group during the current financial year.

In accordance with transition provisions in IFRS 9 the Group has considered all the special transition provisions of the new standard and elected to adopt the new rules without restating comparative information. In accordance with transition provisions in IFRS 15 the Group has applied the new standard using the unmodified approach, the Group has not restated comparative information as these differences are not material.

### IFRS 9 – Financial Instruments (“IFRS 9”)

The Group has applied IFRS 9 from 1 September 2018 and there has been no impact on opening retained income of the Group as at 1 September 2018.

### Classification initial recognition and measurement

IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the Group’s business model for managing financial assets and on the contractual cash flow characteristics of those financial assets.

The contractual terms of the Group’s financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

From 1 September 2018, loans receivable, trade receivables and cash and cash equivalents are held to collect contractual cash flows and are categorised as subsequently measured at amortised cost.

Investments are held to collect contractual cash flows and to sell the financial asset and are categorised as measured at fair value through profit or loss (FVTPL).

The Group has classified financial liabilities as subsequently measured at amortised cost except for the contingent consideration arrangements which are measured at fair value through profit or loss (FVTPL).

# Notes to the summarised audited consolidated financial results *(continued)*

The classification of financial assets in accordance to IFRS 9 measurement categories from 1 September 2018 is shown below:

Financial assets	Measurement category		Carrying amount	
			31 August 2018	1 September 2018
			IAS 39 R'000	IFRS 9 R'000
Loans to group companies	Loans and receivables	Amortised cost	1 989	1 989
Trade and other receivables	Loans and receivables	Amortised cost	172 962	172 962
Other financial assets	Held for trading	FVTPL	95 717	95 717
Other financial assets	Loans and receivables	Amortised cost	4 464	4 464
Cash and cash equivalents	Loans and receivables	Amortised cost	4 308 698	4 308 698
			<b>4 583 830</b>	4 583 830
<b>Financial liabilities</b>				
Loans from group companies	Amortised cost	Amortised cost	5 001	5 001
Other financial liabilities	Amortised cost	Amortised cost	1 133	1 133
Trade and other payables	Amortised cost	Amortised cost	126 574	126 574
Bank overdraft	Amortised cost	Amortised cost	5 056	5 056
	Amortised cost	Amortised cost	<b>137 764</b>	137 764

## Impairment of financial instruments

The Group recognises an allowance for expected credit losses for trade receivables and loans receivables. Expected credit loss is the difference between the contractual cash flows due to the Group and all the cash flows the Group expects to recover from the assets.

For trade receivables the Group applies a simplified approach in calculating the expected credit losses. This is aided by a provision matrix that is based on historical credit loss experiences for each past due ageing category adjusted for forward looking information.

The adoption of IFRS 9 impairment assessment approach had no impact on the carrying amounts reported at 31 August 2018.

## IFRS 15 - Revenue from Contracts with Customers

The Group has applied IFRS 15 retrospectively without restatement.

Apart from providing additional and more detailed disclosure around revenue recognition IFRS 15 did not have a significant impact on the Group's existing revenue recognition practices and annual financial statements.

The adoption of IFRS 15 did not have any other significant impact on the timing or amount of revenue recognised by the Group.



## IFRS Standards that have been issued but not yet effective

### IFRS 16 – Leases (“IFRS 16”)

IFRS 16 replaces IAS 17 “Leases” and its related interpretations. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.

The standard is effective for the Group for the financial year commencing 1 September 2019.

The Group is in the process of assessing the full impact of IFRS 16. The Group expects an increase in depreciation expense and finance charges and a reduction in operating lease charges as a result of adopting the new standard.

### Reporting entity

The audited condensed financial results for the year ended 31 August 2019 comprises of the Company, its subsidiaries, associates and joint venture.

### Use of judgements and estimates

In preparing these audited condensed financial results management has made judgements 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements 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 with the exception of the judgement and estimates required in line with IFRS 9 for the expected credit loss of loans receivable and the judgements noted below;

Significant judgements made by management that could have a significant effect on the carrying amounts recognised in the financial statements include:

#### Business combinations

In the calculation of Goodwill arising from a business combination the Group allocates the excess of fair value of the consideration transferred over the net of the fair value of the identifiable assets and liabilities of the acquired entity. Management made judgements in determining the fair value allocation of the consideration transferred as well as estimates of the useful lives of the intangible assets recognised in the business combination.

# Notes to the summarised audited consolidated financial results *(continued)*

## **Subsidiaries consolidated when less than 50% interest is held**

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns. The rights to appoint a majority of directors and key management personnel at the investee, give the company the power to direct the relevant activities of the investee.

Although AYO only has a 40% equity interest in Mainstreet 1653 Proprietary Limited ("Mainstreet") and 24% equity interest in GCCT it has been determined that AYO controls Mainstreet and GCCT respectively in terms of IFRS 10 Consolidated Financial Statements. As per the shareholders agreement AYO has the rights to variable returns from involvement with Mainstreet and GCCT and it has the ability to use its power over the investee to affect the amount of the returns in Mainstreet and GCCT.

## **Entities in which the Group holds more than 20% of the voting rights but does not have significant influence**

The directors have concluded that the Group does not have significant influence over Bambelela Capital Proprietary Limited ("Bambelela") even though it has 32% of the voting rights. This is because the Group has no representation on the board of directors and AYO and does not participate in any financial or operating activities in Bambelela. The voting rights only provide AYO with limited decision making powers. Consequently the investment has been accounted for in accordance with IFRS 9 at FVTP.

Significant judgements made by management mentioned above would have a significant effect on the carrying amounts recognised in the financial results.

## **Fair value measurement of investments**

The Group has an established a control framework with respect to the measurement of fair values. The fair valuation calculations are performed by Vunani Corporate Finance on an annual basis. The valuation reports are approved by the Investment Committee in accordance with the Group's reporting policies.



	2019 R'000	2018 R'000
<b>1. Revenue</b>		
Sale of goods	679 139	97 244
Rendering of services	1 280 153	541 649
<b>Total</b>	<b>1 959 292</b>	<b>638 893</b>

Revenue disaggregated by primary geographical markets is as follows:

2019	South Africa R'000	Rest of Africa R'000	Europe R'000	Total R'000
Software and consulting	58 427	-	1 461	59 888
Security solutions	261 913	2 599	14 085	278 597
Unified communications	65 993	7 247	-	73 240
Healthcare	111 372	-	-	111 372
Tracking solutions	25 090	265	-	25 355
Managed services	1 406 434	4 388	18	1 410 840
<b>Total</b>	<b>1 929 229</b>	<b>14 499</b>	<b>15 564</b>	<b>1 959 292</b>

Revenue disaggregated by pattern of revenue recognition is as follows:

2019	Revenue recognised at a point in time R'000	Revenue recognised over-time R'000	Total R'000
Software and consulting related	87 630	180 567	268 197
Security services solutions related	133 413	73 041	206 454
Communication products and hardware related	133 726	2 014	135 740
Project related services	552 496	796 405	1 348 901
<b>Total</b>	<b>907 265</b>	<b>1 052 027</b>	<b>1 959 292</b>

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>2. Other income</b>		
<b>Total other income</b>	<b>10 046</b>	<b>3 293</b>
The increase in other income is primarily as a result of corporate service fees of R4 million earned during the year from providing shared services to other related entities.		
<b>3. Other operating losses</b>		
<b>Other operating gains/(losses) comprises of:</b>		
Profit on sale of property, plant and equipment	454	-
Profit/(loss) on disposal of subsidiary	1 345	(4 662)
Gain on bargain purchase	418	-
Net foreign exchange gains/(losses)	853	(2 659)
Fair value losses on contingent considerations	(4 822)	-
Fair value gains on NCI written put option	(53 544)	-
Fair value losses on financial assets designated at fair value through profit or loss	10 860	-
<b>Total other operating losses</b>	<b>(44 434)</b>	<b>(7 321)</b>
<b>4. Other operating expenses</b>		
Employee costs	(288 336)	(98 689)
Other operating expenses	(273 894)	(100 847)
	<b>(562 230)</b>	<b>(199 536)</b>
Employee costs and other operating expenses increased significantly during the year mainly as a result of the inclusion of the results of Sizwe, SGT Solutions and GCCT as well as increase in operational capacity of AYO in anticipation of obtaining new contracts. 49% of the total increase in employee costs and 36% of the total increase in other operating expenses for the period is as a result of these business combination transactions.		



	2019 R'000	2018 R'000
<b>5. Finance income</b>		
Bank and cash	280 463	226 488
Interest – Group companies	518	466
Loans receivable	7 055	-
Cumulative preference shares – Bambelela	10 996	-
Funds in Trust	2 152	-
Other financial assets	21 671	-
<b>Total</b>	<b>322 856</b>	<b>226 954</b>
<b>6. Finance costs</b>		
Bank	465	103
South African Revenue Service	4 157	81
Finance leases	349	193
Vendor financing programme	2 869	-
Shareholder loan	3 078	1 377
<b>Total</b>	<b>10 918</b>	<b>1 754</b>
<b>7. Taxation</b>		
Major components of the tax expense		
South African normal taxation	97 534	42 017
Under provision – prior periods	769	-
Foreign normal taxation	15	23
<b>Total current tax expense</b>	<b>98 318</b>	<b>42 040</b>
<b>Deferred tax expense</b>		
Benefit of unrecognised tax loss or tax credit or temporary difference used to reduce deferred tax expense	180	9 229
Deferred tax arising on originating and reversing temporary differences	(8 486)	(3 229)
Arising from prior period adjustments	1 174	0
<b>Total deferred tax expense</b>	<b>(7 132)</b>	<b>6 000</b>
<b>Total tax expense</b>	<b>91 186</b>	<b>48 040</b>

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>8. Property plant and equipment</b>		
Property plant and equipment		
Opening balance	7 170	7 118
Additions	31 775	4 635
Additions through business combinations	98 399	-
Disposals	(13 032)	(1 500)
Revaluations	221	-
Foreign exchange movements	(1)	-
Derecognition due to loss of control	(41)	-
Depreciation	(21 470)	(3 084)
Impairment	(245)	-
<b>Closing balance</b>	<b>102 776</b>	<b>7 169</b>
<b>9. Goodwill</b>		
Opening balance	35 248	43 411
Additions through business combinations	95 908	-
Disposals	-	(3 205)
Impairment	-	(4 957)
<b>Closing balance</b>	<b>131 156</b>	<b>35 248</b>
Goodwill relates to the Group's interest in Zaloserve Proprietary Limited ("Zaloserve"), Mainstreet 1653 Proprietary Limited ("Mainstreet"), Health System Technologies Proprietary Limited ("HST"), The Software Tech Proprietary Limited Group ("Software Tech Group"), Puleng Technologies Proprietary Limited ("Puleng") and Kalula Communications Proprietary Limited ("Kalula"). The Group performs an annual valuation for purposes of determining the fair value in its investments. The valuation method is the basis for testing the goodwill which is allocated to Zaloserve, Mainstreet, HST, Software Tech Group, Puleng and Kalula as CGUs.		
Goodwill acquired through business combinations has been allocated to individual CGUs for impairment testing as follows:		
<b>Cash generating unit</b>		
Zaloserve	69 135	-
Mainstreet	26 773	-
HST	2 157	2 157
Software Tech Group	2 352	2 352
Puleng	22 274	22 274
Kalula	8 465	8 465
<b>Total</b>	<b>131 156</b>	<b>35 248</b>



	2019 R'000	2018 R'000
<b>10. Intangible assets</b>		
Opening balance	17 743	12 506
Additions	25 194	6 053
Additions through business combinations		
- Brands	14 573	-
- Customer lists	26 097	-
Disposals	(94)	-
Amortisation	(3 685)	(816)
Closing balance	79 828	17 743

Significant additions include distribution and assignments rights and additions through business combinations.

#### Distribution and assignment rights

The distribution rights arose during the 2017 financial year from the business combination for Kalula Communications Proprietary Limited ("Kalula") and an additional distributorship right was acquired in the current year by AYO international Holdings Proprietary Limited. This distribution rights regulates the purchase of Plantronics products by Computer Aided Telephony Systems Limited ("CATS") for resale by the Group.

#### Additions through business combinations

Additions through business combinations include:

##### Brands

The acquired brands relate to the underlying companies distinct service offerings apart from other similar offerors. In assessing the brand the Group has been taken into account the key components which include brand identity, brand loyalty and brand awareness and therefore ascribing a monetary value to the brand.

##### Customer lists

Customer lists relates to customer relationships with Zaloserve and Mainstreet.

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>11. Investments</b>		
<b>Investments comprises of:</b>		
Bambelela Capital Proprietary Limited	16 182	-
K2018010234 (South Africa) Proprietary Limited	2 850	-
4Plus Technology Venture Fund Africa	5 587	-
<b>Closing balance</b>	<b>24 619</b>	<b>-</b>

### **Bambelela Capital Proprietary Limited (“Bambelela”)**

On 28 September 2018 AYO purchased 32% of the issued shares in Bambelela for a nominal amount. The 32% shareholding does not represent a significant influence over the entity. This is because the Group has no representation on the board of directors and does not participate in any financial or operating activities in Bambelela. The voting rights only provide the Group with limited decision making. The investment has been accounted for as an investment at fair value. Bambelela holds a 49% interest in Vunani Limited, a diversified financial services Group.

### **K2018010234 (South Africa) Proprietary Limited (“KSA”)**

On 4 March 2019 AYO subscribed for 19% of share capital in KSA. KSA is a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa. KSA’s key focus will be on marketing locally manufactured goods and global brands.

### **4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”)**

4Plus is an investment holding company which is focused primarily on pursuing opportunities arising out of the 4th industrial revolution on the African continent. As at year-end, the company had interests in digital advertising technology, artificial intelligence and software development. The focus of the businesses owned by 4Plus in the current financial period under review was on the development of technology platforms and intellectual property (“IP”).

The development included a unique, and highly customised front-end CMS platform that maximises site speed through cloud caching and Google search engine optimisation. The IP also extends to technology partnerships with global technology companies. One major exclusive partnership with a back-end CMS that allows the custom packaging of a full enterprise content management solution for publishers and corporates in Africa, has been entered into. AYO believes that 4Plus has a great potential of extracting synergies with Group companies and has the potential for growth in the future.

At year-end, 4Plus significant investments were in Volt Africa Proprietary Limited, IOX Africa Proprietary Limited and Chaday Media Proprietary Limited.

AYO invested R75 million in 4Plus as at year-end. The subsidiaries in 4Plus are mostly high potential start-up companies with revenue streams being forecasted for the 2020 financial period.



## 11. Investments (continued)

	2019 R'000	2018 R'000
<b>Reconciliation of investments</b>		
Opening Balance	-	-
Additions	91 541	-
Changes in fair value	(66 922)	-
<b>Closing balance</b>	<b>24 619</b>	-

### Additional note to investments

The South African government has pinpointed small business start-ups in South Africa as a way to stimulate economic growth in the country and to help solve the large unemployment problem. We are making small investments which will be up to a maximum of 5% of our total assets to support start-up companies to assist in the transformation of the ICT sector.

Our focus is on disruptive tech startups that tackle Africa's challenges and further its digital economy through entrepreneurship. These are early-revenue stage companies that require funding for growth or expansion, with a strong product or service offering and a scalable business model to add complementary innovation to some of our mature subsidiaries.

The board believes in the value and future positive potential of the entities invested in. The board believes that the investments have been made in good faith, for proper purpose and in the best interests of the Group.

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>12. Loans receivable</b>		
Volt Business Solutions Proprietary Limited	11 535	-
Cortex Logic Proprietary Limited	11 432	-
Cumulative preference shares	150 996	-
<b>Total loans receivable</b>	<b>173 963</b>	-
Split between non-current and current portions		
Non-current assets	156 764	-
Current assets	17 199	-
<b>Total loans receivable</b>	<b>173 963</b>	-

### Loans to major shareholders

#### Volt Business Solutions Proprietary Limited

The loan is unsecured and bears interest at a rate of prime plus 2%. 50% of the balance is repayable on 1 January 2020 and the remaining balance due on 1 January 2024. This loan is for working capital purposes.

#### Cortex Logic Proprietary Limited

The loan is unsecured, has no fixed repayment terms and bears interest at a rate of prime plus 2%.

#### Cumulative preference shares

On 28 September 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bambelela for consideration of R145 million.



	2019 R'000	2018 R'000
<b>13. Loans to related party companies</b>		
<b>Major shareholder</b>		
African Equity Empowerment Investments Limited ("AEEI")	5 367	1 820
<b>Joint ventures</b>		
Digital Health Africa Proprietary Limited ("Digital Health")	168	168
Tamlalor Proprietary Limited ("Tamlalor")	103 027	-
	<b>103 195</b>	<b>168</b>
<b>Other related entities</b>		
Sekunjalo Health & Commodities Proprietary Limited ("Sekunjalo Health")	-	1
<b>Total</b>	<b>108 562</b>	<b>1 989</b>

**AEEI**

The loan is unsecured and interest is charged at the prime overdraft rate. There are no fixed terms of repayment, however, the company has been granted an unconditional right to defer payment for over 12 months.

**Digital Health**

The loan is unsecured, bears no interest and has no repayment terms.

**Tamlalor**

The loan is unsecured bears interest at prime and repayable on 28 March 2024. AYO has subordinated, for the benefit of other creditors, so much of their claim against Tamlalor as this would enable the claims of such other creditors to be paid in full.

**Sekunjalo Health**

The loan was unsecured, had no fixed repayment terms and bore no interest. In the current year, the loan was written off as there was no expectation of repayment.

# Notes to the summarised audited consolidated financial results *(continued)*

## 13. Loans to related party companies (continued)

### Expected credit loss for loans receivable, loans to related party companies and the other financial assets

The loans are advanced to the related party companies for capital investment or working capital needs. The risk of default is based on the success of the related party companies trading. No loans are past due and only Tamlalor was impaired due to the equity method loss recognised. A loan with Futuretell Proprietary Limited of R3.5 million was fully written off due to doubt of recoverability of the loan as a result of the entities poor financial performance in the current year. In determining the amount of expected credit losses, the group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate. There has not been any default in the past. As at the reporting date, credit risk has not increased significantly since initial recognition (stage 1) and therefore a 12 month ECL has been determined. Management determine the credit rating grades of each loan at the end of the reporting period. The general approach is used for loans receivables and other financial assets measured at amortised cost. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

The loss allowance as at 31 August 2019 and 1 September 2018 (on adoption of IFRS 9) was determined as follows:

### Allowance for expected credit losses on loans receivable

	Stage 1 - Performing		Stage 2 - Underperforming		Stage 3 - Non-performing		Total	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Gross amount	192 178	6 803	108 351	-	-	-	300 529	6 803
Loans receivable	173 963	350	3 716	-	-	-	177 679	350
Loans to related party companies	5 535	1 989	104 635	-	-	-	110 170	1 989
Other financial assets	12 680	4 464	-	-	-	-	12 680	4 464
Expected credit loss rate	0%	0%	4.91%	0%	0%	0%	0%	0%
Loss allowance	-	-	(5 324)	-	-	-	(5 324)	-
<b>Carrying value of loans with expected credit losses</b>	<b>192 178</b>	<b>6 803</b>	<b>103 027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295 205</b>	<b>6 803</b>



## 14. Other financial assets

Other financial assets are comprised of:

	2019 R'000	2018 R'000
<b>Other financial assets are comprised of:</b>		
<b>At fair value through profit or loss - designated</b>		
Cadiz Life Investment Enterprise Development Fund	10 234	6 890
3 Laws Capital Proprietary Limited	-	88 827
Nesa Capital Fund	188	-
	<b>10 422</b>	<b>95 717</b>
<b>At fair value through profit or loss</b>		
Foreign exchange contracts	1 495	100
<b>Loans and receivables at amortised cost</b>		
Ikeganya Support Services Proprietary Limited	1 983	-
Staff Loans	1 534	799
Ragna CC	30	30
Supplier Development Loan	5 500	3 635
Uhula ICT Proprietary Limited	1 700	-
Sizwe Connect Proprietary Limited Investment	1 933	-
	<b>12 680</b>	<b>4 464</b>
<b>Total</b>	<b>24 597</b>	<b>100 280</b>
<b>Split between non-current and current portions</b>		
Non-current assets	12 355	6 890
Current assets	12 242	93 390
	<b>24 597</b>	<b>100 280</b>

### At fair value through profit or loss – designated

#### Funds placed with 3 Laws Capital Proprietary Limited

In line with AYO's strategy to diversify its investments it placed an additional R400 million with 3 Laws Capital Proprietary Limited ("3 Laws") on 18 November 2018. AYO withdrew the funds placed with 3 Laws on 15 March 2019. The portfolio yielded a net return of R7 million from 1 September 2018 to 22 February 2019.

#### Oasis Bond Fund

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. AYO withdrew the funds placed with Oasis on 22 May 2019.

### Loans and receivables at amortised cost

#### Ikeganya, Uhula and Sizwe Connect

The loans to Ikeganya Uhula and Sizwe Connect arose as a result of the business combination with Zaloserve. The loans are unsecured and interest free.

## Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>15. Finance lease receivables</b>		
<b>Gross investment in leases</b>	1 331	-
- within one year	892	-
- in second to fifth year inclusive	439	-
<b>Unearned finance income</b>	(312)	-
- Unearned finance income within one year	(223)	-
- Unearned finance income in second to fifth year inclusive	(89)	-
<b>Present value minimum lease payments due</b>	1 019	-
- within one year	669	-
- in second to fifth year inclusive	350	-
<b>Total finance lease receivables</b>	1 019	-
<p>The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for IT equipment which includes laptops, printers, tablets and CCTV equipment.</p> <p>The average term of the finance leases is three to five years. The average effective lending rate was 22%.</p>		
<b>16. Deferred tax</b>		
<b>Deferred tax asset/(liability) is comprised of:</b>		
Property, plant and equipment	(6 809)	(90)
Intangible assets	(9 607)	(2 757)
Fair value adjustments on investments	14 772	(10)
Finance lease assets	(4 131)	-
Prepaid expenses	(964)	(206)
Provisions	16 463	4 700
Allowance for credit losses	1 905	1 428
Income received in advance	8 231	116
Operating lease assets	252	2
Finance lease liabilities	4 392	-
Tax losses available for set-off against future taxable income	12 409	527
<b>Total net deferred tax asset</b>	36 913	3 710
Deferred tax liability	(21 511)	(3 063)
Deferred tax asset	58 424	6 773
<b>Total net deferred tax asset</b>	36 913	3 710



	2019 R'000	2018 R'000
<b>17. Inventories</b>		
Finished goods	66 604	5 682
Work in progress	116 669	6 696
Inventory written down to net realisable value	(4 282)	-
<b>Total inventories</b>	<b>178 991</b>	<b>12 378</b>
<b>18. Trade and other receivables</b>		
<b>Financial instruments:</b>		
Trade receivables	376 366	143 184
Loss allowance	(9 107)	(7 422)
<b>Trade receivables at amortised cost</b>	<b>367 259</b>	<b>135 762</b>
Deposits	28 563	1 360
Accrued income	30 790	35 840
Funds held in trust	110 336	-
Related party receivables	11 950	-
Sundry customers	4 070	3 997
<b>Non-financial instruments:</b>		
Operating lease receivables	34	-
Value added taxation	11 560	4 827
Prepayments	28 970	1 436
Provisions for prepayment	(9 041)	-
<b>Total</b>	<b>584 491</b>	<b>183 222</b>

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>19. Cash and cash equivalents</b>		
<b>Cash and cash equivalents is comprised of:</b>		
Cash on hand	154	11
Bank balances	3 680 062	4 308 687
Bank overdraft	(1 106)	(5 056)
<b>Total</b>	<b>3 679 110</b>	<b>4 303 642</b>
<b>Bank balances are held with</b>		
Absa Bank Limited - Baa3	2 735 145	4 268 950
Investec Bank Limited - Baa3	265 308	-
Nedbank Limited - Baa3	9 965	2 431
Standard Bank of South Africa Limited - Baa3	86 398	2 938
First National Bank Limited - Baa3	51 098	29 312
HSBC Bank Limited	761	-
Bank of China Limited	501 213	-
Albaraka Bank Limited	28 958	-
Cash on hand	154	-
Other	110	11
<b>Total</b>	<b>3 679 110</b>	<b>4 303 642</b>
<b>20. Non-controlling interests</b>		
Opening balance	20 294	34 752
Total comprehensive income attributable to NCIs	31 200	3 671
Additions through business combinations	101 172	-
Change in ownership	(14 160)	-
Dividends paid to NCIs	(3 730)	(17 646)
Disposal of subsidiary	(384)	(483)
<b>Closing balance</b>	<b>134 392</b>	<b>20 294</b>



	2019 R'000	2018 R'000
<b>21. Other financial liabilities</b>		
Loans from a director of a subsidiary.	-	1 130
SAEBEX Proprietary Limited	-	3
Sekunjalo Technology Solutions Group Proprietary Limited	797	-
NCI shareholders	38 500	-
<b>Total</b>	<b>39 297</b>	<b>1 133</b>
<b>Split between non-current and current portions</b>		
Non-current liabilities	797	-
Current liabilities	38 500	1 133
	<b>39 297</b>	<b>1 133</b>
<b>NCI shareholders</b>		
Amount payable to previous NCI shareholders of Puleng. AYO entered into an agreement to purchase the remaining 43% of Puleng from minority NCI shareholders for a consideration of R38.5 million.		
<b>Sekunjalo Technology Solutions Group Proprietary Limited</b>		
The loan is unsecured and interest is charged at the prime overdraft rate. There are no fixed terms of repayment, however, the company has been granted an unconditional right to defer payment for 12 months.		
<b>22. Finance lease liabilities</b>		
Minimum lease payments due	17 911	1 125
- within one year	14 449	394
- in second to fifth year inclusive	3 462	731
Future finance charges	(2 375)	(161)
- within one year	(1 766)	(161)
- in second to fifth year inclusive	(609)	-
<b>Present value of minimum lease payments</b>		
- within one year	12 683	389
- in second to fifth year inclusive	2 853	575
	<b>15 536</b>	<b>964</b>
The finance lease arrangements relate to vehicles leased by Kalula, SGT and Sizwe. The average lease term is two to five years. The average effective lending rate was 22%. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.		

# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>23. Derivatives</b>		
Opening balance	-	-
Additions	14 795	-
Fair value adjustments	(10 861)	-
<b>Closing balance</b>	<b>3 934</b>	<b>-</b>
<b>Written put-options over non-controlling interests</b>		
As per the share sale agreements, AYO has a written a put option which gives AEEI the right to sell AYO its 60% shareholding in Mainstreet and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Mainstreet and GCCT. These options have been fair valued at year-end and the gain of R10 million has been disclosed in other operating gains.		
<b>24. Contingent consideration liabilities</b>		
Opening balance - Puleng Technologies Proprietary Limited	4 256	-
<b>Contingent consideration arrangements entered into</b>	<b>43 226</b>	<b>-</b>
Zaloserve Proprietary Limited	13 343	-
SGT Solutions Proprietary Limited	29 883	-
Amount due for payment	(5 500)	-
Settlements	(4 460)	-
Fair value adjustments	4 822	-
<b>Closing balance</b>	<b>42 344</b>	<b>-</b>
<b>Split between non-current and current portions</b>		
Non-current liabilities	37 549	-
Current liabilities	4 795	-
	<b>42 344</b>	<b>-</b>
The contingent consideration arrangement for Zaloserve requires AYO to pay the former owners of Zaloserve for achieving certain earn-out targets for the 2019, 2020 and 2021 financial years, up to a maximum undiscounted amount of R5.5 million for each financial year.		
The contingent consideration arrangement for SGT Solutions requires Mainstreet to pay the former owners of SGT Solutions for achieving certain earn-out targets for the 2020 and 2021 financial years, up to a maximum undiscounted amount of R20 million for each financial year.		
<b>25. Deferred income</b>		
<b>Reconciliation</b>		
Additions through business combination	31 120	-
Additions	6 715	-
Reversals through profit and loss	(8 002)	-
	<b>29 833</b>	<b>-</b>
<b>Split between non-current and current portions</b>		



## 25. Deferred income (continued)

	2019 R'000	2018 R'000
Non-current liabilities	11 244	-
Current liabilities	18 589	-
	<b>29 833</b>	<b>-</b>

The Group generates deferred revenue on future warranties and maintenance contracts where upfront payment has been received. The deferred revenue is released to the income statement in line with the costs incurred over the period of the contract.

## 26. Trade and other payables

Trade payables	324 342	111 982
Leave pay and other accruals	99 645	14 592
SARS - PAYE, UIF and SDL	13 310	1 954
Amounts received in advance	1 979	1 145
Value added taxation	4 560	3 252
	<b>443 836</b>	<b>132 925</b>

The fair value of trade and other payables approximates their carrying amounts due to its short-term nature.

## 27. Loans from related party companies

### Major shareholder

African Equity Empowerment Investments Limited ("AEEI")

This loan was provided to GCCT by AEEI. The loan bears interest at prime plus 2% and is repayable within 12 months from signature date.

20 863	-
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## 28. Provisions

### Provisions are comprised of:

Commission	533	303
Partner reward incentive program	-	204
Leave pay	-	4 710
Bonuses	15 643	5 917
Onerous contract	5 680	-
Project and product warranties and product risk	3 742	-
Marketing and promotions	496	-
Provision for warranty costs	-	4 256

<b>Closing balance</b>	<b>26 094</b>	<b>15 390</b>
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Reconciliation		
Opening balance	15 390	12 473
Additions	50 746	8 998
Utilised during the year	(30 593)	(4 903)
Reversed during the year	(9 449)	(705)
Derecognised	-	(473)

<b>Closing balance</b>	<b>26 094</b>	<b>15 390</b>
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# Notes to the summarised audited consolidated financial results *(continued)*

	2019 R'000	2018 R'000
<b>29. Earnings per share</b>		
Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares.		
Basic and diluted earnings per share (cents)	43.76	47.20
There are no dilutive options and other dilutive potential ordinary shares, therefore, basic and diluted earnings per share are the same.		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Earnings attributable to shareholders of AYO	150 599	144 286
Weighted average number of shares ('000)	344 124	305 700
Net asset value per share (cents)	1 299	1 300
<b>Headline earnings per share</b>		
Headline earning is determined as follows:		
Earnings attributable to shareholders of AYO	150 599	144 286
<b>Adjusted for:</b>		
Profit on sale of property, plant and equipment	(352)	(9)
Profit on disposal of associate	-	(1 074)
(Profit)/loss on disposal of subsidiary	(764)	1 429
Impairment of property, plant and equipment	176	-
Goodwill impairment	-	3 084
Gain on bargain of purchase	(301)	-
<b>Headline earnings</b>	<b>149 358</b>	<b>147 715</b>
Weighted average number of shares ('000)	<b>344 124</b>	<b>305 700</b>
Headline earnings per share (cents)	<b>43.40</b>	<b>48.32</b>



## 30. Business combinations

### Acquisition of Zaloserve Proprietary Limited (“Zaloserve”)

AYO acquired a 55% equity interest in Zaloserve Proprietary Limited (“Zaloserve”) on 19 December 2018 for a consideration of R165 million after obtaining approval from the Competition Commission. The effective date in terms of the agreement was 1 November 2018 however in terms of IFRS 3 Business Combinations the date of acquisition has been determined as 19 December 2018 as a result of the significant conditions precedents being met. 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.

### Acquisition of Mainstreet 1653 Proprietary Limited (“Mainstreet”)

On 9 February 2019, the Group acquired a 40% shareholding in Main Street. On 28 February, Main Street concluded the acquisition of a 100% equity interest in SGT Solutions Proprietary Limited (“SGT Solutions”) for a consideration of R60 million. Although AYO only has a 40% equity interest in Main Street it has been determined that AYO controls Mainstreet in terms of IFRS 10 Consolidated Financial Statements. As per the shareholders agreement, AYO has the right to appoint directors and key management personnel that give AYO the power to direct the relevant activities of Mainstreet.

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. The Company 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.

### Acquisition of Global Command and Control Technologies Proprietary Limited (“GCCT”)

On 1 March 2019 AYO acquired a 24% equity shareholding interest in Global Command and Control Technologies Proprietary Limited (“GCCT”). Although AYO only has a 24% equity interest it has been determined that AYO controls GCCT in terms of IFRS 10 Consolidated Financial Statements. AYO has the right to direct the relevant activities of GCCT by virtue of the rights arising from its voting rights, combined with the rights arising from the shareholder’s agreement to appoint the majority of the directors of the board.

GCCT supplies microwave and related services to telecommunication network operators (public and private) in South Africa. The company offers full local radio frequency, network planning deployment, product support, field maintenance and logistic services.

# Notes to the summarised audited consolidated financial results *(continued)*

## 30. Business combinations (continued)

At the end of the reporting period, the Group had not yet completed the accounting for the acquisition of Zaloserve and GCCT. In particular the determination of all intangible assets is provisional as at year-end due to Zaloserve and GCCT's operational assessments not yet being finalised. The provisional fair values of the identified assets and liabilities are shown below:

Assets acquired and liabilities assumed	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Property, plant and equipment	88 119	3 075	7 155	<b>98 349</b>
Intangible assets	31 829	7 098	1 744	<b>40 671</b>
Other financial assets	6 018	-	-	<b>6 018</b>
Finance lease receivables	8 155	-	-	<b>8 155</b>
Inventory	92 702	50 321	16 166	<b>159 189</b>
Trade and other receivables	166 888	51 225	12 717	<b>230 830</b>
Current tax receivable	804	765	-	<b>1 569</b>
Cash and cash equivalents	81 129	38 135	-	<b>119 264</b>
Deferred tax	(8 912)	18 018	-	<b>9 106</b>
Other financial liabilities	-	(3 814)	(3 012)	<b>(6 826)</b>
Finance lease liabilities	(24 826)	-	-	<b>(24 826)</b>
Deferred income	(26 439)	-	-	<b>(26 439)</b>
Trade and other payables	(239 421)	(81 517)	(9 956)	<b>(330 894)</b>
Current tax payable	(1 218)	-	-	<b>(1 218)</b>
Provisions	(6 266)	(15 530)	-	<b>(21 796)</b>
<b>Total identifiable assets and liabilities</b>	<b>168 562</b>	<b>67 776</b>	<b>24 814</b>	<b>261 152</b>
Non-controlling interests	(75 853)	(4 666)	(1 326)	<b>(81 845)</b>
Goodwill	69 135	26 773	-	<b>95 908</b>
Gain on bargain purchase	-	-	(418)	<b>(418)</b>
<b>Total</b>	<b>161 844</b>	<b>89 883</b>	<b>23 070</b>	<b>274 797</b>
<b>Cash consideration</b>				
Cash	148 500	60 000	23 070	<b>231 570</b>
Contingent consideration	13 344	29 883	-	<b>43 227</b>
<b>Total purchase consideration</b>	<b>161 844</b>	<b>89 883</b>	<b>23 070</b>	<b>274 797</b>
<b>Net cash flow on acquisition date</b>				
Cash consideration paid	(148 500)	(60 000)	(23 070)	<b>(231 570)</b>
Cash acquired	81 129	38 135	-	<b>119 264</b>
<b>Net cash outflow</b>	<b>(67 371)</b>	<b>(21 865)</b>	<b>(23 070)</b>	<b>(112 306)</b>

### Non-controlling interests

The Group has elected to measure the non-controlling interests ("NCI") at a proportionate percentage of the recognised amounts of the acquiree's identifiable net assets. The NCI has been adjusted for the effect of loan funding provided by AYO to Mainstreet and GCCT in order to fund the cash portion of the purchase consideration.

### Goodwill

Goodwill recognised on acquisition relates to the expected synergies and economies of scale expected from combining the operations of the entities which cannot be separately recognised as



### 30. Business combinations (continued)

an intangible asset.

#### Contingent considerations

The contingent consideration arrangement for Zaloserve requires AYO to pay the former owners of Zaloserve for achieving certain earn-out targets for the 2019, 2020 and 2021 financial years up to a maximum undiscounted amount of R5.5 million for each financial year.

The contingent consideration arrangement for SGT Solutions requires AYO and AEEI non-controlling shareholder to pay the former owners of SGT Solutions for achieving certain earn-out targets for the 2020 and 2021 financial years up to a maximum undiscounted amount of R20 million for each financial year.

The fair value of the contingent consideration arrangements was calculated as the present value of the future expected cash flows. The calculation was based on the assumption that the earn-out targets will be met based on the best available forecast financial information at acquisition date and were discounted at the weighted average cost of capital of the relevant subsidiary.

#### Acquisition related costs

Acquisition costs of R3.4 million were recognised in profit or loss for the 2019 financial year.

#### Impact of the acquisitions on the Group results

Revenue and profits of the acquiree's since acquisitions which have been included in the AYO Group results:

	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Revenue	766 368	219 517	25 355	1 011 240
Profit/(loss) after tax	30 821	19 546	(6 323)	44 404

Revenue and profits of the acquirees' since acquisitions which would have been included in the AYO Group results had the business combinations taken place at the beginning of the 2019 financial year:

	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Revenue	1 651 026	477 149	25 355	2 153 530
Profit/(loss) after tax	32 790	28 474	(6 323)	54 941

# Notes to the summarised audited consolidated financial results *(continued)*

## 31. Commitments and contingencies

### Litigation

On 31 May 2019 AYO received a summons issued by the Public Investment Corporation (“PIC”) and Government Employees Pension Fund (“GEPF”). The summons seeks a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment.

AYO has instructed its attorneys to oppose the action.

In the event that the PIC and GEPF are successful in their court application, management believes that they will be able to reconfigure the Company, into a pure investment holding company. AYO has several subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court. AYO is contesting the claim.



## 32. Fair value information

The Group does not have any financial instruments which are traded in an active market. Fair value is determined using valuation techniques as outlined below. Where possible, inputs are based on quoted prices and other market determined variables.

### Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a 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 or liabilities.
- **Level 2** Inputs other than quoted prices (included in level 1) that are observable for the asset or liability (directly or indirectly).
- **Level 3** Inputs for the asset or liability that are unobservable.

There have been no transfers between levels in the current year.

The following table shows financial assets and liabilities for which fair value is disclosed at reporting date.

Financial instrument	Fair value hierarchy
<b>Non-financial assets</b>	
Intangible assets acquired through business combination	Level 3
<b>Financial assets</b>	
Other financial assets (not designated at fair value through profit (loss))	Level 2 <sup>1</sup>
Other financial assets (designated at fair value through profit/(loss) - level 2 <sup>2,3</sup> )	
Trade receivables	Level 3 <sup>1</sup>
Cash and cash equivalents	Level 1 <sup>2</sup>
Foreign exchange contracts	Level 1 <sup>1</sup>
Investments at fair value through profit/(loss)	Level 3
<b>Financial liabilities</b>	
Other financial liabilities	Level 3 <sup>1</sup>
Trade payables	Level 3 <sup>1</sup>
Bank overdraft	Level 1 <sup>2</sup>
Derivatives - Put options over non-controlling interests	Level 3
Contingent consideration liability	Level 3

<sup>1</sup> The fair value of these instruments approximates their carrying value, due to their short-term nature.

<sup>2</sup> The carrying value of cash is considered to reflect its fair value.

<sup>3</sup> A Level 2 asset, Oasis Proprietary Limited, was acquired in the current year and disposed of before the financial year-end.

# Notes to the summarised audited consolidated financial results *(continued)*

## 32. Fair value information (continued)

The following table shows assets and liabilities measured at fair value at reporting date.

	Fair value at 31 August 2019 R'000	Fair value at 31 August 2018 R'000	Valuation method	Fair value hierarchy
<b>Non-financial assets</b>				
Intangible assets acquired through business combinations				
Brands	14 573	-	Relief from royalties and excess earnings method	Level 3
Customer lists	24 692	-	Relief from royalties and excess earnings method	Level 3
	39 265	-		Level 3
<b>Financial assets</b>				
<b>Investments at fair value through profit or loss</b>				
Bambelela Capital Proprietary Limited	16 182	-	Percentage	Level 3 <sup>a</sup>
K2018010234 (South Africa) Proprietary Limited	2 850	-	Percentage of total investment	Level 3 <sup>b</sup>
4Plus Technology Venture Fund Africa Proprietary Limited	5 587	-	Combination of DCF and Market multiples	Level 3 <sup>c</sup>
	24 619	-		
<b>Other financial assets designated at fair value through profit or loss</b>				
Cadiz Investment Enterprise Development Fund	10 234	6 890		
3 Laws Capital Proprietary Limited	-	88 827		
Nesa Capital Fund	188	-		
	10 422	95 717		Level 2
<b>Financial liabilities</b>				
Written put options over non-controlling interests	(3 934)	-	Discounted cash flow	Level 3
Contigent consideration liabilities	(42 344)	(4 256)	Discounted cash flow	Level 3
	(46 278)	(4 256)		



## 32. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 2 and 3

	Opening balance R'000	Additions R'000	Settlements/ Disposals R'000	Gains/ (losses) in profit or loss R'000	Closing balance R'000
<b>2019</b>					
<b>Non-financial assets</b>					
<b>Intangible assets acquired through business combinations</b>					
- Brands	-	14 573	-	-	14 573
- Customer lists	-	26 097	-	(1 405)	24 692
	-	40 670	-	(1 405)	39 265
<b>Financial assets</b>					
<b>Investments at fair value through profit or loss</b>					
Bambelela Capital Proprietary Limited K2018010234 (South Africa) Proprietary Limited	-	-	-	16 182	16 182
4Plus Technology Venture Fund Africa Proprietary Limited	-	15 000	-	(12 150)	2 850
	-	75 660	-	(70 073)	5 587
	-	90 660	-	(66 041)	24 619
<b>Other financial assets designated at fair value through profit or loss</b>					
Oasis Proprietary Limited	-	409 801	(422 201)	12 400	-
Cadiz Investment Enterprise Development Fund	6 890	3 216	-	84	10 190
3 Laws Capital Proprietary Limited	88 827	401 734	(490 561)	-	-
Nesa Capital Fund	-	188	-	-	188
	95 717	814 940	(912 763)	12 484	10 378
<b>Financial liabilities</b>					
Written put options over non-controlling interests	-	(14 795)	-	10 861	(3 934)
Contingent consideration liabilities	-	(47 482)	9 960	(4 822)	(42 344)
	-	(62 277)	9 960	6 039	(46 278)
<b>2018</b>					
<b>Financial assets</b>					
<b>Other financial assets designated at fair value through profit or loss</b>					
Cadiz Investment Enterprise Development Fund	747	6 141	-	2	6 890
3 Laws Capital Proprietary Limited	-	488 827	(400 000)	-	88 827
	747	494 968	(400 000)	2	95 717

### Valuation processes applied by the Group

The fair value calculations are performed by Vunani Corporate Finance and reviewed by the Group's finance department and operations team on a yearly basis. The valuation reports are discussed with the Investment Committee and Board of directors in accordance with the Group's reporting policies.

# Notes to the summarised audited consolidated financial results *(continued)*

## 33. Related parties

The Group entered into various transactions with related parties in the ordinary course of business which are shown below:

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding Company
AYO International Holdings	Subsidiary
Zaloserve Proprietary Limited	Subsidiary
Global Command and Control Technologies Proprietary Limited	Subsidiary
Kalula Communications Proprietary Limited	Subsidiary
Main Street 1653 Proprietary Limited	Subsidiary
Health System Technologies Proprietary Limited	Subsidiary
Sizwe Africa IT Group Proprietary Limited	Subsidiary
Puleng Technologies Proprietary Limited	Subsidiary
Afrinat Proprietary Limited	Fellow subsidiary
espAfrika Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripes Travel Proprietary Limited	Fellow subsidiary
Exaro HST Proprietary Limited	Joint venture
Tamlalor Proprietary Limited	Joint venture
Digital Health Africa Proprietary Limited	Joint venture
Biton Music Productions Proprietary Limited	Common shareholding
3 Laws Capital Proprietary Limited	Common shareholding*
African News Agency Proprietary Limited	Common shareholding*
BT Communications Services South Africa Proprietary Limited	Common shareholding*
Independent News and Media Proprietary Limited	Common shareholding*
KimCo Trust	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Capital Proprietary Limited	Common shareholding*
Sekunjalo Health and Commodities Proprietary Limited	Common shareholding*
Sekunjalo Technology Group Proprietary Limited	Common shareholding*
Imagine Awards	Common shareholding*
Premfresh Seafoods Proprietary Limited	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Investment Holdings	Common shareholding*
Tripes Tourist Investments Proprietary Limited	Common shareholding*
Headset Solutions Africa Proprietary Limited	Common shareholding
SGT Solutions Proprietary Limited	Common shareholding
Bambelela Proprietary Limited	Investment
K2018010234 (South Africa) Proprietary Limited	Investment
Volt Business Solutions Proprietary Limited	Investment1
4Plus Technology Venture Fund Africa Proprietary Limited	Investment1
<b>Directors</b>	Refer to director's report
Dr Wallace Mgoqi	Director
Sello Rasethaba	Director
Vanessa Govender	Director
Salim Young	Former director
Clifford van der Venter	Director of fellow subsidiary

\* These entities are controlled by shareholders that have more than 5% shares in AYO and African Equity Empowerment Investment Management ("AEEI").

<sup>1</sup> These entities were not assessed as controlled at year-end but are included for completeness purposes as they are connected to the Group.



### 33. Related parties (continued)

Significant related party transactions entered into include;

#### **African News Agency Proprietary Limited (“ANA”)**

ANA Creative Agency was contracted to develop and integrate market intelligence services into AYO’s brand development and marketing strategy. They also conducted media monitoring for reputation management on all platforms, prepare AYO’s advertising campaigns including commercials to be broadcast, or other appropriate forms of AYO’s messaging to the market. ANA will also provide event management and event marketing for AYO to host exhibitions and conferencing with industry leaders in the ICT sector.

#### **espAfrika Proprietary Limited (“espAfrika”)**

AYO entered into a co-sponsorship agreement with espAfrika to launch and showcase AYO at the Cape Town International Jazz Festival.

#### **3 Laws Capital Proprietary Limited (“3 Laws”)**

AYO placed funds with 3 Laws during the current year under review. There was interest income received on the funds placed with 3 Laws. 3 Laws returned all AYO’s funds placed under its management on 15 March 2019 and the interest earned on the funds on 18 March 2019.

#### **African Equity Empowerment Investment Limited (“AEEI”)**

AYO entered into a Management Agreement with AEEI which has been ongoing since 2017.

#### **BT Communications Services South Africa Proprietary Limited (“BT”)**

AYO concluded an alliance agreement with BT on 12 December 2017. This agreement governed the relationship between BT and AYO in respect of the partnership between BT and AYO pertaining to providing BT’s ICT services to BT’s existing and target clients (being international companies headquartered in South Africa), with BT acting as the sub-contractor.

#### **Independent News and Media Proprietary Limited (“Independent News and Media”)**

AYO paid Independent News and Media an amount of R9 million in the current financial year for a marketing and advertising campaign that AYO placed with Independent News and Media to promote AYO’s brand in the market.

#### **Tripes Tourist Investments Proprietary Limited (“Tripos”)**

Tripes is a travel agent company which is a subsidiary of AEEI. Various companies in the Group, including AYO, use Tripes to arrange travel and accommodation for its employees.

All travel and accommodation expenses incurred by AYO’s representatives are subject to an internal procedure by AYO. The payments by AYO to Tripes comprise the cost of the travel, the accommodation and Tripes’ professional fees. Tripes earns a market-related professional fee for providing these services to AYO.

#### **K2018010234 (South Africa) Proprietary Limited (“KSA”)**

On 8 March 2019 AYO subscribed for 19% of share capital in KSA. KSA is a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa.

# Notes to the summarised audited consolidated financial results *(continued)*

## 33. Related parties (continued)

Figures in Rand	2018 R'000	
<b>Related party transactions include the following:</b>		
<b>Sales to related parties</b>		
African Equity Empowerment Investments Limited	824	76
BT Communications Services South Africa Proprietary Limited	1 633	-
Kalula Communications Proprietary Limited	212	-
Premier Fishing SA Proprietary Limited	380	282
Sagarmatha Technologies Limited	1 099	-
K2018010234 (South Africa) Proprietary Limited	532	-
Blank Page Publishing Proprietary Limited	325	-
Sizwe Asset Finance Proprietary Limited	389 404	-
Win-a-Way Investments Proprietary Limited	28	-
Tintantrade Proprietary Limited	106	-
Mustek Limited	13	-
<b>Management fees received from related parties</b>		
Health System Technologies Proprietary Limited	4 434	-
Kalula Communications Proprietary Limited	663	-
<b>Commission received from related parties</b>		
Health System Technologies Proprietary Limited	3 245	-
<b>Purchases of information technology management services from related parties</b>		
African News Agency Proprietary Limited	9 307	-
Health System Technologies Proprietary Limited	280	-
Kalula Communications Proprietary Limited	812	-
BT Communications Services South Africa	302 358	37 633
Independent Newspapers Proprietary Limited	13 955	-
Sizwe IT Africa Proprietary Limited	1 154	-
Premier Fishing SA Proprietary Limited	208	-
Tripos Tourist Investments Proprietary Limited	29	-
Sizwe Asset Finance Proprietary Limited	98 856	-
Mustek Limited	22 718	-
<b>Human resources services fees paid to related parties</b>		
Premier Fishing SA Proprietary Limited	-	194
<b>Advertising and marketing expenses paid to related parties</b>		
African Equity Empowerment Investments Limited	-	346
African News Agency Proprietary Limited	5 376	-
Independent News and Media Proprietary Limited	15 134	335
espAfrika Proprietary Limited	10 249	3 051
Orleans Cosmetics Proprietary Limited	207	-
<b>Consulting fees paid to related parties</b>		
Sekunjalo Capital Proprietary Limited	-	400
Salim Young	-	341
Clifford van der Venter (Non-exec director Premier Fishing & Brands Limited)	74	-
<b>Corporate finance service fees paid to related parties</b>		
African Equity Empowerment Investments Limited	-	57 700
<b>Administration fees (received from)/paid to related parties</b>		
African Equity Empowerment Investments Limited	7 560	7 203
3 Laws Capital Proprietary Limited	(6 243)	1 263
<b>Corporate service fees received from related parties</b>		
Independent News and Media Proprietary Limited	3 175	-



### 33. Related parties (continued)

Figures in Rand	2018 R'000	
<b>Related party transactions include the following (continued):</b>		
<b>Travel agency fees paid to related parties</b>		
Tripos Travel Proprietary Limited	5 939	1 047
Health System Technologies Proprietary Limited	23	-
<b>Recoveries from related parties</b>		
Afrinat Proprietary Limited	-	2 136
<b>Rental expenses paid to related parties</b>		
Biton Music Productions Proprietary Limited	-	1 006
Prodirect Investments 112 Proprietary Limited	1 705	-
Sekunjalo Properties Proprietary Limited	1 369	-
Health System Technologies Proprietary Limited	31	-
Win-a-Way Investments Proprietary Limited	3 833	-
<b>Interest received from/(paid) related parties</b>		
African Equity Empowerment Investments Limited	(2 045)	466
3 Laws Capital Proprietary Limited	7 977	18 827
Bambelela Proprietary Limited	10 996	-
AYO International Holdings Proprietary Limited	353	-
Global Command and Control Technologies Proprietary Limited	1 991	-
Headset Solutions Africa Proprietary Limited	91	-
Kalula Communications Proprietary Limited	500	-
Main Street 1653 Proprietary Limited	1 957	-
SGT Solutions Proprietary Limited	1 518	-
Tamlalor Proprietary Limited	4 605	-
Volt Business Solutions Proprietary Limited	935	-
<b>Sundry income earned from/Sundry expenses (paid to) related parties</b>		
Global Command and Control Technologies Proprietary Limited	(990)	-
Kalula Communications Proprietary Limited	108	-
Win-a-Way Investments Proprietary Limited	620	-
<b>Conferences, Meetings and Seminars paid to/(received from) related parties</b>		
Independent Newspaper Proprietary Limited	904	-
<b>Dividend declared by related parties</b>		
Puleng Technologies Proprietary Limited	7 676	-
<b>Professional service fees paid to related parties</b>		
Premier Fishing SA Proprietary Limited	103	-
African News Agency Proprietary Limited	6	-
Vunani Capital Proprietary Limited	9 888	-
Health System Technologies Proprietary Limited	12	-
<b>Entertainment paid to related parties</b>		
Imagine Awards (Surve Philanthropies)	413	-
Sekunjalo Edu Jazz Awards	3	-
Health Systems Technology Proprietary Limited	2	-
<b>Licenses paid to related parties</b>		
Health System Technologies Proprietary Limited	70	-

# Notes to the summarised audited consolidated financial results *(continued)*

## 33. Related parties (continued)

Figures in Rand	2018 R'000	
<b>Related party transactions include the following (continued):</b>		
<b>Staff welfare</b>		
Health Systems Technologies Proprietary Limited	1	-
Dr. Wallace Mgoqi	1	-
Vanessa Govender	32	-
<b>Other expenses</b>		
Premier Fishing SA Proprietary Limited	35	-
Health Systems Proprietary Limited	9	-
Prodirect Investments 112 Proprietary Limited	14	-
Dr Wallace Mgoqi	20	-
<b>Donations</b>		
Dr Wallace Mgoqi	20	-
Sello Rasethaba	30	-
Independent Media Proprietary Limited	255	-
<b>Legal fees</b>		
African Equity Empowerment Investments Limited	11	-
<b>Subscriptions paid to related parties</b>		
Sekunjalo Investment Holdings Proprietary Limited	1 538	-
Sello Rasethaba	3	-
<b>Leasing Charges</b>		
Sizwe Africa IT Group Proprietary Limited	25	-
<b>Levies</b>		
Independent Media Proprietary Limited	72	-
<b>Printing and Stationery</b>		
Sizwe Africa IT Group Proprietary Limited	17	-
<b>Warranty Expense</b>		
Puleng Technologies Proprietary Limited	203	-
<b>Prepayments</b>		
African News Agency Proprietary Limited	10 450	-
Independent News Proprietary Limited	9 041	-
Independent News Proprietary Limited (impairment)	(9 041)	-
<b>Trade receivables from related parties</b>		
Afrinat Proprietary Limited	-	25
Exaro HST Proprietary Limited	-	5 354
4Plus Technology Venture Fund Africa Proprietary Limited	529	-
Global Command and Control Technologies Proprietary Limited	1 040	-
Kalula Communications Proprietary Limited	1 114	-
Premier Fishing SA Proprietary Limited	399	-
Sargamatha Technologies Limited	1 346	-
Sizwe Asset Finance Proprietary Limited	5 006	-
Sekunjalo Investment Holdings Proprietary Limited	1 281	-
Health Systems Technologies Proprietary Limited	479	-



### 33. Related parties (continued)

Figures in Rand	2018 R'000	
<b>Related party balances include the following:</b>		
<b>Other receivables</b>		
African Equity Empowerment Investments Limited	723	-
Independent News and Media Proprietary Limited	3 651	-
Health System Technologies Proprietary Limited	4 232	-
African Equity Empowerment Investments Limited	723	-
Puleng Technologies Proprietary Limited	4 176	-
<b>Investments</b>		
3 Laws Capital Proprietary Limited	-	88 827
4Plus Technology Proprietary Limited	75 660	-
4Plus Technology Proprietary Limited (impairment)	(70 073)	-
Bambelela Proprietary Limited	16 182	-
K2018010234 (South Africa) Proprietary Limited	15 881	-
K2018010234 (South Africa) Proprietary Limited	(12 150)	-
Tamlalor Proprietary Limited (loss from equity-accounted investment)	(1 608)	-
<b>Preference shares</b>		
Bambelela Proprietary Limited	150 996	-
<b>Trade payables to related parties</b>		
African Equity Empowerment Investments Limited	-	4 314
African News Agency Proprietary Limited	175	-
BT Communications Services South Africa Proprietary Limited	27 360	37 158
Independent News and Media Proprietary Limited	6 931	-
Premier Fishing SA Proprietary Limited	11	29
Health System Technologies Proprietary Limited	79	-
Premfresh Seafoods Proprietary Limited	121	-
Sizwe Africa IT Group Proprietary Limited	56	-
Tripos Tourist Investments Proprietary Limited	25	-
Mustek Limited	1 015	-
Sizwe Asset Finance Proprietary Limited	14 223	-

## Notes to the summarised audited consolidated financial results *(continued)*

### 33. Related parties (continued)

Figures in Rand	2018 R'000	
<b>Related party balances include the following: (continued)</b>		
<b>Loans receivable from related parties</b>		
African Equity Empowerment Investments Limited	5 367	1 820
Sekunjalo Health and Commodities Proprietary Limited	-	1
Digital Health Africa Proprietary Limited	168	168
AYO International Holdings Proprietary Limited	12 353	-
Global Command and Control Technologies Proprietary Limited	61 642	-
Headset Solutions Africa Proprietary Limited	879	-
Kalula Communications Proprietary Limited	15 353	-
Main Street 1653 Proprietary Limited	31 957	-
SGT Solutions Proprietary Limited	31 518	-
Tamlalor Proprietary Limited	104 605	-
Volt Business Solutions Proprietary Limited	11 535	-
<b>Loans payable to related parties</b>		
African Equity Empowerment Investments Limited	20 863	5 000
Sekunjalo Technology Group Proprietary Limited	-	1
KimCo Trust	-	615
<b>Funds placed with related parties for management</b>		
3 Laws Capital Proprietary Limited	-	88 827
<b>Options</b>		
African Equity Empowerment Investments	14 795	
African Equity Empowerment Investments (Fair value adjustment)	(10 861)	-

#### Bank guarantee

Unrestricted cross surety and cession of the Zaloserve's trade receivable was provided as surety for the FNB overdraft facility by Sizwe. The value of the trade receivables is R223 million.

AYO has provided a bank guarantee of R60 million to Sizwe Africa IT Group Proprietary Limited.

AYO has provided an unlimited guarantee for AEEI's overdraft facility of R28.2 million held with Absa.



## 34. Events after reporting period

On 13 September 2019 AYO settled its obligations in relation to the purchase of 43% of the share capital of Puleng from the minority shareholders for a consideration of R38.5 million.

On 4 October 2019, the Company increased its ownership interest in 4 Plus Africa Venture Fund by a further 5% increasing its total ownership to 15%, for R62.6 million.

AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective from 1 April 2018 for an indefinite period as long as the services are provided under the agreement. On 1 October 2019, this significant customer gave AYO six months' notice purporting to terminate the agreement. AYO disputed this significant customer's right to cancel the agreement. By virtue of the dispute AYO invoked the arbitrations provisions under the agreement. On 22 January 2020, AYO and the significant customer by mutual agreement reached a settlement in respect of the declared dispute. AYO will cease to provide the significant customer with ICT services on 31 July 2020. Refer to note 31.

On 17 October 2019 the Board of directors approved the Company concluding a binding offer to acquire 100% of the share capital of NSX Experts Proprietary Limited ("NSX") for a consideration of R500 000. A loan of R850 000 was extended to NSX. NSX is a company which provides cloud computing solutions. At the time of issue of the financial statements, AYO did not have sufficient information to provide the disclosures as required by IFRS3 Business Combinations as the initial accounting for the transaction was incomplete.

A loan of 32 million was advanced to Kalula on 18 October 2019. Loans advanced to GCCT amounted to a total of R33.9 million as at the date of this report.

On 1 November 2019, the Company concluded an offer to acquire 55% of the share capital of VOX Spectrum Limited ("VOX") for an upfront consideration of R9.4 million and an earn-out of R10.7 million. The earn out amount is to be paid equally over a period 3 years provided that VOX achieves a minimum warranted net profit after tax (Warranted NPAT) of R7.3 million in the first year, R8.4 million in the second year and R9.7 million in the third year. In the event that VOX does not achieve the Warranted NPAT over the 3 year period then the earn out payments shall be pro-rata to the amount met as percentage of the Warranted NPAT. As at reporting date it is estimated that AYO will pay a maximum of R10.7 million for the earn-out.

VOX is a multinational company which designs, engineers, constructs, installs and maintains a broad range of voice data video and wireless infrastructure for clients worldwide. At the time of issue of the financial statements, AYO did not have sufficient information to provide the disclosures as required by IFRS 3 Business Combinations as the initial accounting for the transaction was incomplete due to conditional proceedings of the offer being finalised.

A gross final dividend of 16 cents per share was approved by the board of directors on 20 December 2019 in South African rand in respect of the year ended 31 August 2019. The dividend was paid on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 17 January 2020.

Mr Khalid Abdulla has been appointed as the deputy executive chairman of AYO, effective 12 March 2020.

The directors are not aware of any other material facts or circumstances which occurred between the reporting date and the date of this report that would require any adjustments to the consolidated annual financial statements.

# Notes to the summarised audited consolidated financial results *(continued)*

## 35. Summarised segmental analysis

	Segmental revenue		Segmental profit	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Software and consulting	61 348	73 415	22 962	24 514
Security solutions	276 304	335 352	105 957	106 734
Unified communications	73 239	75 552	24 473	20 360
Healthcare	111 373	100 975	38 739	37 260
Tracking solutions	25 355	-	6 915	-
Managed services	1 411 673	53 599	360 227	9 091
<b>Total</b>	<b>1 959 292</b>	<b>638 893</b>	<b>559 273</b>	<b>197 959</b>
Administration and support services			(562 230)	(208 032)
Equity-settled-share-based payment expense			-	(11 809)
Other operating income			10 046	-
Other operating losses			(44 434)	(7 321)
Finance income			322 856	226 954
Finance costs			(10 918)	(1 754)
Loss on equity accounted investment			(1 608)	-
	<b>1 959 292</b>	<b>638 893</b>	<b>272 985</b>	<b>195 997</b>

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.



### 35. Summarised segmental analysis (continued)

Segmental assets	2019 R'000	2018 R'000
Software and consulting	22 017	20 719
Security solutions	83 099	73 793
Unified communications	48 022	22 304
Healthcare	350 355	63 860
Tracking solutions	85 343	-
Managed services	5 709 245	4 486 746
<b>Total segmental assets</b>	<b>6 298 081</b>	<b>4 667 422</b>
<b>Eliminations</b>	<b>(1 205 395)</b>	<b>-</b>
<b>Unallocated*</b>	<b>36 913</b>	<b>3 710</b>
<b>Total consolidated assets</b>	<b>5 129 599</b>	<b>4 671 132</b>
<b>Segmental liabilities</b>		
Software and consulting	8 592	8 715
Security solutions	65 965	58 059
Unified communications	56 909	16 937
Healthcare	29 973	16 898
Tracking solutions	96 801	-
Managed services	581 847	101 543
<b>Total segmental liabilities</b>	<b>840 087</b>	<b>202 152</b>
<b>Eliminations</b>	<b>(174 410)</b>	<b>-</b>
<b>Total consolidated liabilities</b>	<b>665 677</b>	<b>202 152</b>

\* For the purpose of monitoring segment performance and resources allocations between segments all assets and liabilities are allocated to reportable segments other than deferred tax assets and liabilities.

	Depreciation and amortisation		Additions to property, plant, equipment and intangible assets	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Software and consulting	983	985	437	328
Security solutions	444	465	332	296
Unified communications	409	685	58	163
Healthcare	742	1 377	7 953	4 730
Tracking solutions	943	-	9 015	-
Managed services	21 604	388	163 900	5 171
<b>Total</b>	<b>25 125</b>	<b>3 900</b>	<b>181 695</b>	<b>10 688</b>

# Notes to the summarised audited consolidated financial results *(continued)*

## 36. Changes between the Reviewed Results and the Audited Results

The following differences between the Reviewed Consolidated Results for the Year Ended 31 August 2019 published on SENS on 20 December 2019 (“the Reviewed Results”) and the audited 31 August 2019 annual financial statements (“the Audited Results”) were noted:

Changes in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 August 2019.

	Reviewed results R'000	Audited results R'000	Difference R'000	Notes R'000
Revenue	1 959 292	1 959 292	-	
Cost of sales	(1 400 019)	(1 400 019)	-	
<b>Gross profit</b>	<b>559 273</b>	<b>559 273</b>	-	
Other operating income	10 046	10 046	-	
Other operating losses	(22 813)	(44 434)	(21 621)	1
Other operating expenses	(562 230)	(562 230)	-	
Finance income	316 325	322 856	6 531	2
Finance costs	(10 918)	(10 918)	-	
Loss from equity accounted investments	(1 608)	(1 608)	-	
<b>Profit before taxation</b>	<b>288 075</b>	<b>272 985</b>	(15 090)	
Taxation	(69 199)	(91 186)	(21 987)	3
<b>Profit after taxation</b>	<b>218 876</b>	<b>181 799</b>	(37 077)	4
<b>Other comprehensive income:</b>				
Items that will not be subsequently reclassified to profit or loss:				
Gains on property revaluation	221	221	-	
<b>Items that will be subsequently reclassified to profit or loss:</b>				
Exchange differences on translating foreign operations	(250)	(250)	-	
Income tax relating to items that may be reclassified	32	32	-	
<b>Total items that will be subsequently reclassified to profit or loss:</b>	<b>(218)</b>	<b>(218)</b>	-	
<b>Other comprehensive income for the year net of taxation</b>	<b>3</b>	<b>3</b>	-	
<b>Total comprehensive income for the year</b>	<b>218 879</b>	<b>181 802</b>	(37 077)	4
<b>Profit attributable to:</b>				
Owners of AYO	187 676	150 599	(37 077)	4
Non-controlling interest	31 200	31 200	-	
	<b>218 879</b>	<b>181 799</b>	(37 077)	4



### 36. Changes between the Reviewed Results and the Audited Results (continued)

	Reviewed results R'000	Audited results R'000	Difference R'000	Notes R'000
<b>Total comprehensive income attributable to:</b>				
Owners of AYO	187 679	150 602	(37 077)	4
Non-controlling interest	31 200	31 200	-	
	<b>218 879</b>	<b>181 802</b>	<b>(37 077)</b>	<b>4</b>
<b>Earnings per share (cents)</b>				
Basic earnings per share (cents)	54.29	43.76	(10.53)	5

- There was an error in the calculation of the derivative liability. As a result, the fair value gains on derivatives has been reduced by an amount of R15.5 million and other operating losses increased by the same amount. There was a reclassification between other operating losses and finance income of R6.5 million and a gain on bargain purchase of R0.4 million. Other operating losses increased by an amount of R21.6 million in the audited results as a result of the fair value loss on the derivatives of R15.5 million, the reclassification from operating losses to finance income of R6.5 million and a reduction of R0.4 million as a result of the recognised gain on bargain purchase.
- There was a reclassification between finance income and other operating losses of R6.5 million resulting in an increase in finance income of R6.5 million in the audited results.
- There was a deferred tax asset of R17.1 million which was erroneously recognised on written put option liabilities in the reviewed results. This deferred tax asset has been reversed in the audited financial statements resulting in an increase in tax expense of R17.1 million. There was an additional income tax expense of R3.7 million and deferred tax expense of R1.2 million recognised as a result of error in the previous calculation of income tax. The reversals of the deferred tax asset erroneously recognised on the written put options and the errors in the calculation of income and deferred tax resulted in an increase in tax expense of R22 million in the audited results.
- The effect of the adjustments mentioned above is a reduction in profits after tax of R37 million in the audited results.
- Earnings per share decreased from 54.29 cents per share to 43.76 cents per share as a result of the effects of adjustments mentioned above.

# Notes to the summarised audited consolidated financial results *(continued)*

## 36. Changes between the Reviewed Results and the Audited Results *(continued)*

Changes in the Consolidated Statement of Financial Position as at 31 August 2019.

	Reviewed results R'000	Audited results R'000	Difference R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	720 965	653 462	(67 503)
Property, plant and equipment	102 776	102 776	-
Goodwill	185 591	131 152	(54 439)
Intangible assets	65 514	79 828	14 314
Investments in joint ventures	33	33	-
Investments	24 619	24 619	-
Loans receivable	265 326	156 764	( 108 562)
Loans to related party companies	-	108 562	108 562
Other financial assets	12 221	12 355	134
Finance lease receivables	350	350	-
Operating lease asset	110	110	-
Deferred tax	64 425	36 913	( 27 512)
<b>Current assets</b>	4 476 141	4 476 137	(4)
Inventories	178 991	178 991	-
Loans receivable	17 199	17 199	-
Other financial assets	12 246	12 242	(4)
Finance lease receivables	669	669	-
Trade and other receivables	584 491	584 491	-
Current tax receivable	2 329	2 329	-
Cash and cash equivalents	3 680 216	3 680 216	-
<b>Total assets</b>	5 197 106	5 129 599	(67 507)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital	4 444 410	4 444 410	-
Reserves	(75 687)	(30 470)	45 217
Retained income	(70 951)	(77 458)	(6 507)
<b>Equity attributable to shareholders of AYO</b>	4 297 772	4 336 482	38 710
Non-controlling interest	185 647	134 392	(51 255)
<b>Total equity</b>	4 483 419	4 470 874	(12 545)



### 36. Changes between the Reviewed Results and the Audited Results (continued)

	Reviewed results R'000	Audited results R'000	Difference R'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>	120 207	63 042	(57 165)
Other financial liabilities	797	797	-
Finance lease liabilities	2 853	2 853	-
Derivatives	61 099	3 934	(57 165)
Contingent consideration liability	37 549	37 549	-
Employee benefit obligation	6 665	6 665	-
Deferred income	11 244	11 244	-
<b>Current liabilities</b>	593 480	595 683	2 203
Trade and other payables	439 511	443 836	4 325
Loans from related party companies	-	20 863	20 863
Loans from shareholders	-	-	-
Other financial liabilities	59 363	38 500	(20 863)
Finance lease liabilities	12 683	12 683	-
Operating lease liability	-	-	-
Deferred income	17 287	18 589	1 302
Current tax payable	22 048	24 124	2 076
Provisions	26 094	26 094	-
Dividend payable	5 093	5 093	-
Contingent consideration liability	10 295	4 795	(5 500)
Bank overdraft	1 106	1 106	-
<b>Total liabilities</b>	713 687	658 725	(54 962)
<b>Total equity and liabilities</b>	5 197 106	5 129 599	(67 507)

1. There was an error in the calculation of the customer list intangible on the Purchase Price allocation ("PPA") for Zaloserve and there was a portion of an NCI loan of R36 million for a subsidiary which was not allocated on the PPA for Mainstreet. As a result, intangible assets increased by an amount of R14.3 million, Goodwill decreased by an amount of R54.4 million, the deferred tax liability increased by an amount of R8 million and Non-controlling interests ("NCI") decreased by an amount of R48.1 million in the audited results.
2. There was a reclassification between loans receivable and loans to related party companies of R108.6 million as loans to related party companies were disclosed separately in the audited results.
3. There was a reclassification between the non-current other financial assets and trade and other payables of R0.1 million in the audited results.

# Notes to the summarised audited consolidated financial results *(continued)*

## 36. Changes between the Reviewed Results and the Audited Results *(continued)*

4. There was a deferred tax asset of R17.1 million which was erroneously recognised on written put option liabilities in the reviewed financial results. This deferred tax asset has been reversed in the audited financial statements. There was an additional deferred tax expense and corresponding liability of R1.2 million recognised as a result of error in the previous calculation of income and deferred tax. The increase in deferred tax liability from the business combination as mentioned in 1 above, decrease in asset of 17.1 million and increase in liability of R1.2 million as mentioned above resulted in a total decrease in the deferred tax asset of R27.5 million in the audited results.
5. There was an error in the calculation of the NCI written put option reserve (“option reserve”) and the derivative liability. As a result, the option reserve decreased by an amount of R72.7 million and the derivative liability decreased by an amount of R57.1 million. There was a reclassification between retained income and a change in ownership reserve of R27.4 million in the audited annual financial statements. The decrease in the option reserve of R72.7 million and the recognition of the change in ownership reserve of R27.4 million resulted in a total increase in reserves of R45.2 million in the audited results.
6. There was a reclassification of R3.1 million between retained income and NCI due to a change in ownership of a subsidiary. Retained income decreased by an amount of R6.5 million in the audited results due to the effect of changes in the consolidated statement of profit or loss of R37 million, the reclassification from NCI to retained income of R3.1 million and the reclassification between retained income and the change in ownership reserve of R27.4 million.
7. The NCI decreased by an amount of R51.2 million in the audited results due to the decrease in NCI of R48 million mentioned in 1 above and the reclassification to retained income mentioned in 6 above.
8. There was a reclassification between the current contingent consideration liability and trade and other payables of R5.5 million and as result the current contingent liability in the audited results decreased by R5.5 million and trade payables increased by an amount of R5.5 million. There was a reclassification between trade and other payables and current deferred income of R1.3 million and as result current deferred income increased by an amount of R1.3 million in the audited results. The reclassification from contingent liabilities of R5.5 million, the reclassification to deferred income of R1.3 million and the recalssification to other financial assets of R0.1 million mentioned in 3 above resulted in an increase in trade and other payables of R4.3 million in the audited results.
9. There was a reclassification between loans from related party companies and other financial liabilities of R20.9 million as loans from related party companies were disclosed separately in the audited results.
10. There was an increase in the current tax payable balance of R2.1 million in the audited results as a result of an increase in the income tax expense.



## Revised Annual Group Financial Statements

Subsequent to issuing the audited Group financial statements on 31 January 2020, it was noted that certain disclosure amendments were not incorporated into the audited results.

These amendments items do not impact the financial statements, earnings per share and headline earnings per share of AYO. The disclosure changes only impact the notes to the financial statements. These financial statements have been revised with the corrected notes to the financial statements.

A supplement to the Group annual financial statements which details the changes to the notes to the annual financial statements is available on the Company website, [www.ayotsl.com](http://www.ayotsl.com).

The Group annual financial statements issued on 31 January 2020 are available on the company website, [www.ayotsl.com](http://www.ayotsl.com).

Below is a summary of the changes to the notes to the annual financial statements which were published on 31 January 2020, these exclude minor edits made to other notes in the annual financial statements.

### Note 1 - Significant accounting policies

Significant judgements and sources of estimation uncertainty used in the preparation of the consolidated annual financial statements was updated to include the accounting policies regarding fair value estimation, terminal value growth rates, terminal values, discount rates, risk-free rates, specific risk premium value of equity on pages 28 and 29.

### Note 2 - New Standards and Interpretations

Updated the amounts for financial assets and financial liabilities disclosed according to the classification to IFRS 9 measurement categories from 1 September 2018 on pages 41 and 42 of the financial statements.

### Note 3 - Property, plant and equipment

The disclosure for revaluations on page 46 was updated to state that the fair value measurement for land and buildings was performed as of 13 June 2019 instead of the previously disclosed date of 31 August 2019.

Updated the total amount disclosed for fair value of land and buildings in the disclosure note to R4,024,000 instead of the previously disclosed amount of R24,324,000 on page 46.

### Note 7 - Loans to related party companies

The disclosure for the loan to Tamlalor Proprietary Limited (“Tamlalor”) on page 54 was updated to state that the loan is repayable on 28 March 2024 instead of the previously disclosed date of 1 March 2024.

Included additional disclosure to state that AYO has subordinated the loan to Tamlalor for the benefit of other creditors.

### Note 8 - Loans receivable

For the disclosure of allowance for credit losses, on the 2019 column for stage1 - performing on page 56, updated the amount disclosed for other financial assets to R12,680,000 from the previously disclosed amount of R24,467,000. This resulted in the change in gross amounts and total amounts disclosed in the note for 2019.

# Notes to the summarised audited consolidated financial results *(continued)*

## 36. Changes to the notes to the annual financial statements (continued)

### Note 14 - Trade and other receivables

For the disclosure of categorisation of trade and other receivables on the 2019 column on page 63, we updated the amount disclosed for financial instruments to R522,968,000 from the previously disclosed amount of R539,891,000. We updated the amount disclosed for non-financial instruments to R31,523,000 from the previously disclosed amount of R44,600,000. The total amount remained the same.

### Note 16 - Share Capital

Sentence relating to the reclassification of the share premium account was removed on page 68 of the financial statements.

### Note 22 - Contingent consideration liability

In the note disclosure on page 70 it was previously stated that the contingent consideration arrangement for SGT Solutions requires AYO to pay the former owners of SGT Solutions for achieving certain earn out targets. The note disclosure has been updated to state that the contingent consideration arrangement for SGT Solutions requires Main Street to pay the former owners of SGT Solutions for achieving certain earn out targets.

### Note 28 - Revenue

In the note disclosure on page 74, updated the table for timing of revenue recognition by revenue pattern at a point in time and over-time as well as Group revenue presented per segment by primary geographical markets.

### Note 40 - Changes in liabilities arising from financing activities

For the 2019 column, updated the numbers disclosed for other financial liabilities, other payables and contingent considerations on page 80. This resulted in the change in total amounts disclosed for 2019 on the note.

### Note 44 - Related parties

The related party note was updated with additional transactions and balances to provide additional information for users.

### Note 46 - Financial risk management

For the disclosure of financial assets exposed to credit risk on the 2019 column on page 96, we updated the amount disclosed for other financial assets to R24,597,000 from the previously disclosed amount of R24,467,000. We updated the amount disclosed for trade and other receivables to R552,968,000 from the previously disclosed amount of R584,491,000. We updated the amount disclosed for cash and cash equivalents to R3,679,110,000 from the previously disclosed amount of R3,680,216,000. This resulted in the change in total amount disclosed for 2019 on the note.

Changes to interest rate sensitivity analysis were made on page 98. These include change in narrative from 0.5% to 1%, profit after tax changed to profit before tax and the calculated amount changed to 1%.

**Note 47 – Fair value information**

Updated the fair value hierarchy for other financial assets (not designated at fair value through profit or loss) to state that it is level 1 from the previously disclosed level 3 on page 99. Updated the table to include the fair value hierarchies for Investments, Foreign exchange contracts, Derivatives, Contingent consideration liability and NCI put option.

Updated the table on page 100 which shows assets and liabilities measured at fair value at reporting date to include intangible assets acquired through business combinations and included details of investments at fair value through profit/loss.

Updated the table on page 101 which shows a reconciliation of assets and liabilities measured at level 2 and 3 to include intangible assets acquired through business combinations and included details of investments at fair value through profit/loss and the amounts disclosed in the table.

On page 102 updated the risk-free rate to state a range of 7.26% to 8.6% instead of the previously disclosed rate of 7.26% to 8%. Removed the table on page 102 for NCI put liability and contingent consideration liabilities as it was duplicated on page 103 and updated equity investments sensitivity analysis values.

**Note 50 – Investments in subsidiaries**

Updated the shareholding for Puleng Technologies Proprietary Limited to state that AYO owns 100% instead of the previously disclosed ownership of 57% on page 107 and 108.

Updated the amounts disclosed for 2019 on the tables – summarised statement of financial position and summarised statement of profit and loss and other comprehensive income on page 109.

Updated the amounts disclosed on the table – summarised statement of cash flow on page 110.

**Note 51 – Financial instruments**

Removed the column loans and receivables which was previously disclosed and updated the numbers on the table for 2019 and 2018.

## Corporate information

<b>Directors:</b>	Wallace Mgoqi (Chairman)**, Howard Platjies (Chief executive officer)^, Isaiah Tatenda Bundo (Chief financial officer)^, Vanessa Govender (Corporate affairs director)^, Rosemary Mosia**, Aziza Amod*, Sello Rasethaba**, Dennis George**, Ngoako Ramatlhodi** and Ismet Amod*  <i>* Non-executive # Independent</i> <i>^ Executive</i>
<b>Registered office:</b>	2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925
<b>Company secretary:</b>	Wazeer Moosa  2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925 Email: wazeer.moosa@ayotsl.com
<b>Auditors:</b>	BDO South Africa Incorporated  123 Hertzog Boulevard, 6th Floor, Cape Town, 8001
<b>Transfer secretaries:</b>	Link Market Services South Africa Proprietary Limited  Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001
<b>Joint sponsor:</b>	Vunani Proprietary Limited  151 Katherine Street, Vunani Office Park, Sandown, 2196
<b>Joint sponsor:</b>	Merchantec Capital  13th Floor, Illovo Point, 68 Melville Rd, Illovo, Sandton, 2196



## Glossary of terms and acronyms

<b>AEEI</b>	African Equity Empowerment Investments Limited
<b>AYO</b>	Ayo Technology Solutions Limited
<b>Bambelela</b>	Bambelela Capital Proprietary Limited
<b>Board</b>	The Board of directors
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BDO</b>	BDO South Africa Incorporated
<b>Dr.</b>	Doctor
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings per share
<b>GCCT</b>	Global Command and Control Proprietary Limited
<b>Group</b>	Ayo Technology Solutions Limited including its subsidiaries and joint ventures
<b>IFRS</b>	International Financial Reporting Standards
<b>JSE</b>	Johannesburg Stock Exchange
<b>Kalula</b>	Kalula Proprietary Limited
<b>KPI</b>	Key Performance Indicator
<b>Mainstreet</b>	Mainstreet 1653 Proprietary Limited
<b>HEPS</b>	Headline earnings per share
<b>Inc.</b>	Incorporated
<b>Puleng</b>	Puleng Technologies Proprietary Limited
<b>SARS</b>	South African Revenue Service
<b>SLA</b>	Service Level Agreement
<b>SGT Solutions</b>	SGT Solutions Proprietary Limited
<b>Sizwe</b>	Sizwe IT Proprietary Limited
<b>Tamlalor</b>	Tamlalor Proprietary Limited
<b>USD</b>	United States Dollar
<b>Zaloserve</b>	Zaloserve Proprietary Limited



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