



**CONSOLIDATED AND
SEPARATE ANNUAL
FINANCIAL STATEMENTS** 2018

REACH NEW HORIZONS
BY FORGING JOURNEYS
OF GROWTH

AYO Technology Solutions Limited (previously Sekunjalo Technology Solutions Limited)
(Registration number: 1996/014461/06)
Consolidated and separate annual financial statements for the year ended 31 August 2018

These consolidated and separate annual financial statements were internally prepared by:
Chwayita Peter CA(SA)
Group financial manager

Auditors

BDO Cape Inc. (formerly Grant Thornton Cape Inc.)
Chartered Accountants (SA)
Registered Auditors
Registration number: 1995/002310/21

Secretary

R Nock

Contents

2	Directors' responsibilities and approval
4	Independent auditor's report
9	Directors' report
12	Statement of financial position
13	Statements of profit or loss and other comprehensive income
14	Statement of changes in equity
16	Statement of cash flows
17	Notes to the consolidated and separate annual financial statements
68	Analysis of shareholder information
69	Shareholders' diary

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ('SAICA') Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa, as amended, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

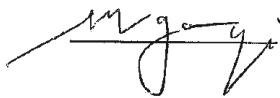
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

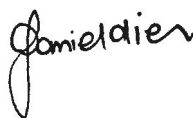
The directors have reviewed the Group's cash flow forecast for the next 12 months and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Group's external auditors and their report is presented on pages 4 to 8.

The consolidated and separate annual financial statements set out on page 12 to 67, which have been prepared on the going concern basis, were approved by the Board of Directors on 7 November 2018 and were signed on their behalf by:



Dr Wallace Amos Mgoqi



Naahied Gamieldien

DIRECTORS' RESPONSIBILITIES AND APPROVAL (CONTINUED)

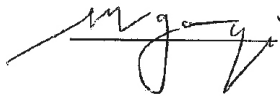
DIRECTORS' INTEREST IN CONTRACTS

During the period under review, no director had any material interest in any contract of significance with AYO Technology Solutions Limited, any of its subsidiaries, associate or joint venture that would give rise to a conflict of interest in the ordinary course of business other than those disclosed in the related party notes. Related party transactions with the directors are disclosed in note 39 of the financial statements.

GROUP SECRETARIAL CERTIFICATION

In terms of section 88(2)(e) of the Companies Act, as amended, I certify that the Company has lodged with the Commissioner all such returns as are required of a Public Company in terms of the Companies Act and that all such returns are true, correct and up to date.

All directors have access to the advice and services of the Company secretary who provides guidance to the Board as a whole and to individual directors with regard to corporate governance and how they should discharge their responsibilities in the best interests of the Group and Company.



Dr Wallace Amos Mgoqi
Independent non-executive chairman

Cape Town

INDEPENDENT AUDITOR'S REPORT

to the shareholders of AYO Technology Solutions

OPINION

We have audited the consolidated and separate financial statements of AYO Technology Solutions Limited (the "Group") set out on pages 12 to 67, which comprise the consolidated and separate statement of financial position as at 31 August 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of AYO Technology Solutions Limited as at 31 August 2018 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the shareholders of AYO Technology Solutions

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of subsidiaries (Separate annual financial statements)</p> <p>Investment in subsidiaries are carried at fair value through profit or loss. The valuation of these investments are based on an entity discounted cash flow valuation technique.</p> <p>The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting.</p> <p>In determining the fair value of the subsidiary companies, which are not traded in an active market, valuation techniques which require significant judgement and estimates are applied by management.</p> <p>These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments.</p> <p>Accordingly, the valuation of investment in subsidiaries at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the separate financial statements as well as the significance of the assumptions, estimates and the level of judgement involved.</p> <p>The disclosures relating to investment in subsidiaries are contained in note 1 (accounting policies) and notes 6 and 38 (financial disclosures).</p>	<p>In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by the board of directors.</p> <p>Our audit procedures included an assessment of the reasonability of the forecast which was done by performing the following:</p> <ul style="list-style-type: none"> • Tested the mathematical accuracy of the valuation models, by performing a recalculation of each valuation; • Assessed the budgeting process, and confirming reasonability of the forecasts; • Agreed management forecast to the approved budgets; • Compared the actual performance to that of previous years forecast; and • Compared the prior year valuation to this year's valuation to assess the reasonableness of management's estimate. <p>We have assessed the key inputs in the valuation models by performing the following procedures:</p> <ul style="list-style-type: none"> • Compared the inputs to the weighted average cost of capital discount rate to independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. • We utilised our internal valuation experts, who have assessed the reasonableness and appropriateness of the key inputs. <p>We have assessed managements' qualifications, experience and expertise with respect to the valuation performed.</p> <p>We inspected the disclosures in the financial statements in relation to the valuation of unlisted investments for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the shareholders of AYO Technology Solutions

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets (Consolidated annual financial statements) <p>Under IFRSs, the Group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test will compare the carrying amount of the asset with its recoverable amount, which is the higher of its value if sold (if known) and its value in use.</p> <p>We have determined this is a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management. Refer to note one (accounting policies) as well as notes 4 and 5.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included, amongst others, the following:</p> <ul style="list-style-type: none">• Reviewed the model for compliance with IAS 36 Impairment of Assets;• Verified the mathematical accuracy and methodology appropriateness of the underlying model calculations;• Evaluated the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, assessing the historical accuracy of the budgeting process;• Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the Group; and• Performed sensitivity analysis of the key assumptions in model. <p>We have also assessed whether disclosures made relating to the goodwill and intangible assets impairment was in accordance with International Financial Reporting Standards.</p>
Completeness of related party disclosure (Consolidated annual financial statements) <p>There are significant and complex transactions between the company and its' subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as disclosed in note 26 of the Annual Financial Statements, resulting in this being regarded as a key audit matters.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none">• Identification of related parties through review of shareholder records, minutes of meetings, director's registers, group structure and other records;• Reviewed the prior year working papers for names of known related parties and compared to current year list of related parties;• Obtained the list of known affiliations of those charged with governance and officers with other entities and compared this to client schedules;• For related party transactions identified agreed the transactions to disclosure included in related entities financial statements or to the company's general ledger as applicable; and• Reviewed related party disclosures in the financial statements to determine if it is in accordance with IFRS.• Obtained signed declarations of directors interests in contracts• The general ledger was scanned for known related parties and:<ul style="list-style-type: none">• Ensured that all material recorded entries were included in the related party disclosure in the financials;• Obtained an understanding of the transaction to determine whether it is within the scope of the entity's ordinary business; and• Agreed material transactions to supporting documents and board approvals where applicable

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the shareholders of AYO Technology Solutions

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the shareholders of AYO Technology Solutions

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO Cape Inc. has been the auditor of AYO Technology Solutions Limited for 21 years.

BDO Cape Inc

BDO CAPE INCORPORATED

Registered Auditors
Practice number: 970879-0000

Stephan Cillié

Director
Registered Auditor
Chartered Accountant (SA)

14 December 2018

6th Floor, BDO House,
123 Hertzog Boulevard, Foreshore
Cape Town

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of AYO Technology Solutions Limited and the Group for the year ended 31 August 2018.

1. NATURE OF BUSINESS

AYO Technology Solutions Limited was incorporated in South Africa with interests in the information technology and communications industry. The activities of the Group are undertaken through the Company and its principal subsidiaries. The Group primarily operates in South Africa.

During the current year, the Group listed on the Johannesburg Stock Exchange ("JSE") with effect from 21 December 2017. Further to the listing, the operating model of the Company was changed from being purely an investment holding Company to also being an operating Company. The Company provides managed services in the information and communication technology industry.

OVERVIEW

AYO is a leading Broad-Based Black Economic Empowerment ("B-BBEE") information and communications technology ("ICT") company, servicing customers in Southern and Northern Africa, Europe and Mauritius.

AYO is fully compliant in terms of the new B-BBEE Act, 53 of 2002 as amended, ICT Sector Codes, and has exceeded the minimum ownership requirements of the new codes by having more than about 75% black ownership and more than 35% black female ownership. AYO's empowerment is one of many key competitive advantages and has positioned itself well for the acquisition of large multinational customers, based locally in various sectors where the empowerment codes for procurement have been amended and have become significantly more onerous but advantageous for AYO. This was evidenced by the organic growth in revenues of 33% from R479 million to R639 million which includes the procurement of a major oil and gas multinational contract during the latter part of the year under review. The full benefit thereof will flow over future years.

AYO has a clear strategic roadmap, which includes building products and services both organically and through acquisitions. The strategy is driven by the "Go to Market" strategy focusing on offering customers platforms via on-premises, hybrid and cloud-based models (AYO Platforms) as well as innovative digital offerings (AYO Digital). These offerings are then presented to the market. The organic build-up and acquisitions strategy has been enabled through the capital raised during its listing in December 2017, with AYO holding significant growth capital planned for the deployment of its strategy in future. Since listing, AYO has shown progress in delivering on the strategy presented in its Pre-listing Statement ("PLS"). While certain key projects and transactions are still being finalised, numerous processes and timelines have been delayed and the variance in the results compared to the forecasted profits are mainly attributable to the following:

- A contract with a multinational company was scheduled to commence earlier in the reporting period which was delayed and only commenced in the latter part of the financial year. Since its inception this contract has been doing well.
- Preparation work was done for the implementation of the above contract whereby the Company incurred significant once-off contract costs.
- Significant costs have been absorbed in the operating costs line which are as a result of further once-off costs of the listing and capital raised.
- Acquisitions were not concluded within the expected timelines; however, one of the planned acquisitions was subsequently announced on SENS on 11 September 2018. Zaloserve Proprietary Limited ("Zaloserve"), being the acquiree, has revenues in excess of R1 billion, generates positive cash from operations of R75 million and an EBITDA of R70 million.

Extensive market engagement and a positive reception to AYO's strategy by customers and acquisition targets have now seen continued growth in customers and the target pipeline which is expected to come to fruition during the 2019 financial year.

One of AYO's major competitive advantages is that it has no legacy business or overhead structures preventing it from building a market-leading ICT provider with digital capability for its customers, thereby creating broad-based stakeholder value.

As a result of the listing, the ordinary issued share capital increased from 244 342 539 to 344 125 194 ordinary shares.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements and the requirements of the Companies Act of South Africa, as amended. The accounting policies have been applied consistently compared to the prior year, except for the application of the new disclosure initiative in IAS 7.44A-44E.

FINANCIAL HIGHLIGHTS

- Revenue increased by 33% from R479m to R639m.
- Profit before tax increased by 390% from R40m to R196m.
- Earnings per share increased from 7.86 cents to 47.20 cents.
- Total assets increased from R292m to R4 671m.
- Net asset value increased from R67m to R4 469m.
- Net cash generated from operating activities increased by 243% from R40m to R137m.

DIRECTORS' REPORT (CONTINUED)

GROUP PERFORMANCE

The Group delivered satisfactory organic revenue and profit growth as a result of the strong contributions from all its underlying operations and investment activities for the year under review. Group revenue increased organically by 33% from R479m to R639m compared to the prior year, with all divisions starting to benefit from the Group's synergies, empowerment credentials and excellent management expertise as well as gaining significant clients in various sectors.

The Group incurred significant once-off costs for its expansion of operational activities and listing costs. Note 9 has a detailed breakdown of the costs.

Profit before tax for the period increased by 390% from R40m to R196m, as a result of organic revenue growth and investment income from the capital raised on listing.

Cash generated from operations decreased from R53m in 2017 to an outflow of R59m in 2018, due to significant once-off costs for its expansion of operational activities and listing costs; however, net cash generated from operating activities increased by 243% from R40m to R137m.

Headline earnings per share ("HEPS") increased from 5.66 cents to 48.32 cents and earnings per share ("EPS") increased from 7.86 cents to 47.20 cents for the year under review.

The Group's asset base increased from R292m to R4 671m, which includes the capital raised from the listing.

Net asset value ("NAV") increased from R67m to R4 469m due to the capital raised from the listing and the asset growth of the underlying investments. The NAV per share increased from 15.23 cents to 1 292.75 cents.

As AYO embarked on the execution of its strategy, various costs increased to cater for the expected growth and the operational activities which commenced during the year under review.

SOFTWARE, CONSULTING AND SUPPORT

The software, consulting and support division focused mainly on digital consulting engagements and transformation projects, with revenue increasing by 3% from R71m to R73m.

HEAD OFFICE

Revenue improved significantly due the investment holding company becoming operational in the latter part of the financial year.

SECURITY SOLUTIONS

The security division focused on offering information technology security solutions to enterprises, with the key focus mainly on Identity and Access Governance Management. Revenue increased by 34% from R251m to R335m mainly due to new contracts based on improved and competitive B-BBEE credentials.

UNIFIED COMMUNICATIONS

The unified communications division is a reseller of telecommunications and gaming equipment from globally recognised brands. Revenue increased by 12% from R67m to R76m as a result of better alignment and leverage with its principal supplier and customer requirements. This division incurred initial setup costs relating to the establishment of a Mauritian subsidiary which will be utilised to service the rest of Africa in the future.

HEALTHCARE AND SUPPORT

The healthcare segment provides software and support in the healthcare industry having clients ranging from the private sector to government. Revenue increased from R91m to R101m as a result of the ever-improving products offered by this division.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated and separate annual financial statements.

3. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

EQUITY BASED SHARE PAYMENT

AYO issued 31 960 000 shares at an issue price of R1,50 per share to a B-BBEE Consortium prior to its listing.

LISTING ON THE JSE

AYO listed on the JSE on 21 December 2017, resulting in the issued share capital increasing from 244 342 539 to 344 125 194.

CHANGES IN THE BOARD OF DIRECTORS AND COMPANY SECRETARY

Messrs. Kevin Hardy and Sipiwe Nodwele resigned as executive directors of the Company during the current financial year, following which Ms. Naahied Gamielien was appointed as acting chief executive officer.

Dr. Wallace Mgoqi, Dr. Dennis George, Mr. Sello Rasethaba and Ms. Rosemary Mosia were appointed as independent non-executive directors to the Board of AYO, following the resignation of Messrs. Khalid Abdulla, Walter Madzonga, Telang Ntsasa and Ms. Mbuso Khoza from the Board. Mr. Salim Young has stepped down as the independent non-executive chairman of the Board but remains an independent non-executive director. The Board subsequently approved the appointment of Dr. Mgoqi as the Independent non-executive chairman of the Board.

DIRECTORS' REPORT (CONTINUED)

Ms. Nobulungisa Mbaliseli resigned as the company secretary of AYO on 20 August 2018. Ms. Rodanchia Nock was appointed as the company secretary of AYO on 12 November 2018.

4. SHARE CAPITAL

AYO Technology Solutions Limited listed on the JSE on 21 December 2017 at an issue price of R43,00 per share, thereby raising R4,2 billion. Prior to the listing, 31 960 000 shares were issued to a B-BBEE Consortium at a price of R1,50 per share. Refer to note 15 of the consolidated and separate annual financial statements for detail of the movement in authorised and issued share capital.

5. DIVIDENDS

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of Directors may pass on the payment of dividends.

After the reporting date the Board of Directors approved and declared a gross dividend of 30 cents per share for the year ended 31 August 2018 from income reserves. The dividend amount, net of South African dividend tax of 20%, which equates to 6 cents per share, is therefore 24 cents per share for those shareholders that are not exempt from dividend tax.

6. DIRECTORATE

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

DIRECTORS	DESIGNATION	TERM	
CF Hendricks	Non-executive		
K Abdulla	Non-executive		Resigned 20 August 2018
AB Amod	Non-executive		
N Gamielien	Executive		
GW Madzonga	Non-executive	Appointed 10 November 2017	Resigned 20 August 2018
KAW Hardy	Executive	Appointed 17 November 2017	Resigned 23 August 2018
S Nodwele	Executive	Appointed 10 November 2017	Resigned 23 August 2018
S Young	Non-executive	Appointed 10 November 2017	
TM Ntsasa	Non-executive	Appointed 10 November 2017	Resigned 20 August 2018
MF Khoza	Non-executive	Appointed 10 November 2017	Resigned 20 August 2018
Dr W Mgoqi	Chairman and non-executive	Appointed 20 August 2018	
Dr D George	Non-executive	Appointed 20 August 2018	
R Mosia	Non-executive	Appointed 21 August 2018	
S Rasethaba	Non-executive	Appointed 24 August 2018	
N Ramathlodi	Non-executive	Appointed 7 March 2018	

7. INTERESTS IN SUBSIDIARIES, ASSOCIATE AND JOINT ARRANGEMENTS

Details of material interests in subsidiary companies, associate and joint arrangements are presented in the consolidated and separate financial statements in notes 6, 7 and 8.

8. EVENTS AFTER THE REPORTING PERIOD

On 21 August 2018, the Board of Directors approved the Company entering into a binding offer with Loxisource (Pty) Ltd and Alexisource (Pty) Ltd to acquire 55% of the share capital of Zaloserve (Pty) Ltd. Zaloserve is an investment holding Company that holds a 100% shareholding in Opiwize (Pty) Ltd, which in turn holds 100% shareholding in Sizwe Africa IT (Pty) Ltd. The investment will be purchased for R165 million. A payment of 90% of the Purchase Price will be settled upfront with the balance being settled upon the achievement of warranted profits for a 3-year period.

On 21 August 2018, the Board of Directors approved the Company entering into a joint venture with the Vunani Group an independent managed diversified financial services group. The formation of a R100 million fintech joint venture to expand the fintech platform and financial services activities of Vunani further diversifying the portfolio of AYO.

On 7 November 2018, the Board of Directors approved an amount of R1.5 billion to be invested with various asset managers to diversify their investment, with no one asset manager holding more than R400 million. Due to this the Company invested R400 million in 3 Laws Capital Proprietary limited.

9. GOING CONCERN

The directors believe that the Group and the Company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and the Company is in a sound financial position and that it has access to sufficient cash reserves to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group and the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group and the Company.

STATEMENT OF FINANCIAL POSITION

for the year ended 31 August 2018

Figures in Rand	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	7 169	7 118	2 777	11
Goodwill	4	35 248	43 410	–	–
Intangible assets	5	17 743	12 506	1 997	–
Investments in subsidiaries	6	–	–	414 974	477 646
Investment in joint venture	7	33	33	–	–
Investment in associate	8	–	–	–	–
Loans to group companies	9	1 989	4 552	1	1
Financial assets	10	6 890	747	6 127	–
Deferred tax	11	3 710	10 034	–	–
		72 782	78 400	425 876	477 658
Current assets					
Inventories	12	12 378	9 702	6 696	–
Trade and other receivables	13	183 222	110 428	101 050	4 723
Financial assets	10	93 390	19 266	92 304	3 024
Current tax receivable		662	384	–	–
Cash and cash equivalents	14	4 308 698	74 229	4 246 813	2 269
		4 598 350	214 009	4 446 863	10 016
Total assets		4 671 132	292 409	4 872 739	487 674
EQUITY AND LIABILITIES					
Equity					
Share capital	15	4 444 410	184 130	4 444 410	184 130
Reserves	16	11 777	(4)	11 809	–
Retained earnings		(7 501)	(151 787)	216 876	126 517
		4 448 686	32 339	4 673 095	310 647
Non-controlling interest		20 294	34 752	–	–
		4 468 980	67 091	4 673 095	310 647
LIABILITIES					
Non-current liabilities					
Loans from shareholders	9	–	80 597	–	80 596
Financial liabilities	17	–	50	–	–
Finance lease liabilities	18	575	2 549	–	–
Deferred tax	11	–	–	79 094	85 833
		575	83 196	79 094	166 429
Current liabilities					
Trade and other payables	19	132 925	108 502	53 230	1 396
Loans from shareholders	9	5 001	69	5 000	–
Financial liabilities	17	1 133	5 692	–	4 724
Finance lease liabilities	18	389	259	–	–
Operating lease liability		47	305	–	–
Deferred income	20	–	2 981	–	–
Current tax payable		41 636	8 372	55 653	–
Provisions	21	15 390	12 473	6 667	4 478
Bank overdraft	14	5 056	3 109	–	–
		201 577	141 762	120 550	10 598
Liabilities on disposal groups held-for-sale	22	–	360	–	–
Total liabilities		202 152	225 318	199 644	177 027
Total equity and liabilities		4 671 132	292 409	4 872 739	487 674
Net asset value per share (cents)		1,292.75	15.23	1,357.96	146.27
Net tangible asset value per share (cents)		1,277.35	(11.10)	1,357.38	146.27

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2018

Figures in Rand	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Continuing operations					
Revenue	23	638 893	478 663	82 794	15 381
Cost of sales		(440 935)	(319 921)	(44 509)	–
Gross profit		197 958	158 742	38 285	15 381
Other income	24	3 293	5 494	4 336	6 878
Other operating (losses)/gains	25	(7 321)	7 780	(62 672)	133 677
Other operating expenses		(195 297)	(125 263)	(48 133)	(8 784)
Equity-settled share-based payment	26	(11 809)	–	(11 809)	–
Warranty expense	26	(4 239)	–	(4 239)	–
Goodwill impairment	26	(4 957)	–	–	–
Listing costs expensed	26	(6 831)	–	(6 831)	–
Finance income	27	226 954	2 400	224 034	34
Finance costs	28	(1 754)	(8 804)	(1 375)	(8 089)
Loss from equity-accounted investments		–	(679)	–	–
Profit before income tax expense		195 997	39 670	131 596	139 097
Income tax expense	29	(48 040)	(12 822)	(41 237)	(28 774)
Profit from continuing operations		147 957	26 848	90 359	110 323
Profit/(loss) from discontinued operations	30	–	2 810	–	–
Profit for the year		147 957	29 658	90 359	110 323
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(28)	(4)	–	–
Total comprehensive income for the year		147 929	29 654	90 359	110 323
Profit attributable to:					
Owners of the parent					
From continuing operations		144 286	13 866	90 359	110 323
From discontinued operations		–	2 810	–	–
		144 286	16 676	90 359	110 323
Non-controlling interest					
From continuing operations		3 671	12 982	–	–
Total comprehensive income attributable to:					
Owners of the parent		144 258	16 672	90 359	110 323
Non-controlling interest		3 671	12 982	–	–
		147 929	29 654	90 359	110 323
Basic and diluted earnings per share (cents)					
Continuing operations		47.20	6.53		
Discontinued operations		–	1.33		
		47.20	7.86		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2018

	Share capital	Share premium	Total share capital
Group			
Balance at 1 September 2016	809	168 020	168 829
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Dividends	–	–	–
Share issue on acquisition of subsidiary	41	15 260	15 301
Acquisition of subsidiary with non-controlling interest	–	–	–
Total contributions by and distributions to owners of Company recognised directly in equity	41	15 260	15 301
Balance at 1 September 2017	850	183 280	184 130
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Issue of shares	4 338 594	–	4 338 594
Capitalised listing costs	(78 314)	–	(78 314)
Equity-settled share-based payment	–	–	–
Dividends	–	–	–
Changes in ownership – disposal of subsidiary	–	–	–
Total contributions by and distributions to owners of Company recognised directly in equity	4 260 280	–	4 260 280
Balance at 31 August 2018	4 261 130	183 280	4 444 410
Note	15	15	15
Company			
Balance at 1 September 2016	809	168 020	168 829
Profit for the year	–	–	–
Total comprehensive income	–	–	–
Share issue on acquisition of subsidiary	41	15 260	15 301
Total contributions by and distributions to owners of Company recognised directly in equity	41	15 260	15 301
Balance at 1 September 2017	850	183 280	184 130
Profit for the year	–	–	–
Total comprehensive income for the year	–	–	–
Issue of shares	4 338 594	–	4 338 594
Capitalised listing costs	(78 314)	–	(78 314)
Equity-settled share-based payment	–	–	–
Total contributions by and distributions to owners of Company recognised directly in equity	4 260 280	–	4 260 280
Balance at 31 August 2018	4 261 130	183 280	4 444 410
Note	15	15	15

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 August 2018

Foreign currency translation reserve	Share-based payment reserve	Total reserves	Retained income	Total attributable to equity holders of the Group/ Company	Non- controlling interest	Total equity
–	–	–	(169 578)	(749)	17 852	17 103
–	–	–	16 676	16 676	12 982	29 658
(4)	–	(4)	–	(4)	–	(4)
(4)	–	(4)	16 676	16 672	12 982	29 654
–	–	–	–	–	(5 985)	(5 985)
–	–	–	–	15 301	–	15 301
–	–	–	1 115	1 115	9 903	11 018
–	–	–	1 115	16 416	3 918	20 334
(4)	–	(4)	(151 787)	32 339	34 752	67 091
–	–	–	144 286	144 286	3 671	147 957
(28)	–	(28)	–	(28)	–	(28)
(28)	–	(28)	144 286	144 258	3 671	147 929
–	–	–	–	4 338 594	–	4 338 594
–	–	–	–	(78 314)	–	(78 314)
–	11 809	11 809	–	11 809	–	11 809
–	–	–	–	–	(17 646)	(17 646)
–	–	–	–	–	(483)	(483)
–	11 809	11 809	–	4 272 089	(18 129)	4 253 960
(32)	11 809	11 777	(7 501)	4 448 686	20 294	4 468 980
16	16					
–	–	–	16 194	185 023	–	185 023
–	–	–	110 323	110 323	–	110 323
–	–	–	110 323	110 323	–	110 323
–	–	–	–	15 301	–	15 301
–	–	–	–	15 301	–	15 301
–	–	–	126 517	310 647	–	310 647
–	–	–	90 359	90 359	–	90 359
–	–	–	90 359	90 359	–	90 359
–	–	–	–	4 338 594	–	4 338 594
–	–	–	–	(78 314)	–	(78 314)
–	11 809	11 809	–	11 809	–	11 809
–	11 809	11 809	–	4 272 089	–	4 272 089
–	11 809	11 809	216 876	4 673 095	–	4 673 095
16						

STATEMENT OF CASH FLOWS

for the year ended 31 August 2018

Figures in Rand	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash flows from operating activities					
Cash receipts from customers		306 388	459 785	196 044	5 445
Cash paid to suppliers and employees		(365 318)	(406 615)	(254 562)	14 515
Cash generated from operations	32	(58 930)	53 170	(58 518)	19 960
Finance income		215 243	2 579	205 207	34
Finance costs		(2 220)	(8 804)	(1 375)	(8 089)
Tax paid	33	(16 735)	(6 954)	–	–
Net cash from operating activities		137 358	39 991	145 314	11 905
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(4 636)	(3 380)	(2 943)	(11)
Proceeds on disposal of property, plant and equipment	3	58	92	–	5
Proceeds from sale of assets held for sale		827	–	824	–
Costs incurred on internally generated intangible assets	5	(3 823)	(1 205)	–	–
Acquisition of intangible assets	5	(2 230)	–	(2 230)	–
Net cash outflow on disposal of subsidiary	35	(314)	–	–	–
Acquisition of subsidiary, net cash acquired		–	(1 559)	–	(14 525)
Proceeds from disposal of subsidiary	35	–	17 140	–	–
Proceeds from loans from group companies		3 029	10 483	–	–
Proceeds from disposal of financial assets	38	415 728	–	400 000	–
Acquisition of financial assets	38	(479 560)	(13 612)	(479 560)	(266)
Net cash to investing activities		(70 921)	7 959	(83 909)	(14 797)
Cash flows from financing activities					
Proceeds on share issue	15	4 338 594	–	4 338 594	–
Transaction costs related to share issue	15	(78 314)	–	(78 314)	–
Proceeds from financial liabilities		–	265	–	–
Repayment of financial liabilities		(4 583)	–	(4 724)	(3 160)
Proceeds from loans from shareholder		6 950	–	5 000	8 208
Repayment of loans from group companies		(77 424)	–	(77 417)	–
Advance of staff loan(s)		(108)	–	–	–
Repayment of shareholders loan		–	(530)	–	–
Purchase of financial assets		–	(3 256)	–	–
Finance lease payments		(1 384)	(886)	–	–
Dividends paid		(17 646)	(5 985)	–	–
Net cash to financing activities		4 166 085	(10 392)	4 183 139	5 048
Total cash movement for the year		4 232 522	37 558	4 244 544	2 156
Cash at the beginning of the year		71 120	33 562	2 269	113
Total cash at the end of the year	14	4 303 642	71 120	4 246 813	2 269

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 BASIS OF PREPARATION

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of 2008, as amended, and the JSE Listings Requirements.

These accounting policies are consistent with the previous period, except for application of the new disclosure initiative in IAS 7.44A-44E.

ADOPTION OF NEW AND REVISED STANDARDS

No standards, interpretations and amended standards not yet effective at reporting date have been adopted during the year, except for application of the new disclosure initiative in IAS 7.44A-44E.

1.2 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management.

Business segments comprise the following, which are aggregated upon consolidation:

- Head office relates to the operations of the Company.
- Software and consulting relates to Software Tech Holdings Group.
- Healthcare and support relates to Health Systems Technologies Proprietary Limited.
- Security relates to Puleng Technologies Proprietary Limited.
- Unified communications relates to Kalula Communications Proprietary Limited.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions with other Group segments.

Segment assets and liabilities comprise the operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's statement of financial position. Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period, namely property, plant and equipment, and intangible assets other than goodwill.

The basis of segmental reporting has been set out in note 36.

1.3 SIGNIFICANT JUDGEMENTS

The preparation of consolidated and separate annual financial statements in conformity with the International Financial Reporting Standards requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgements include:

- the estimation of the useful lives of property, plant and equipment is based on historic performance as well as expectations about future use of and therefore require a significant degree of judgement to be applied by management. These depreciation rates represent management's current best estimate of the useful lives of the assets.

APPLICATION OF METHODOLOGY

Free cash flow (FCF) forecasts are prepared year-by-year for a minimum of a three-year period and for a period of five to ten years for high-growth companies.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 SIGNIFICANT JUDGEMENTS (CONTINUED)

FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Discounted cash flows are used to determine fair value for the investments in subsidiary companies. The use of discounted cash flow analysis requires the estimation of a number of significant components, including the future expected cash flows, and the weighted average cost of capital used to perform the discounting. Many of these factors may have a material impact on the valuation.

TERMINAL VALUE GROWTH RATES

When calculating the terminal value, growth rates in excess of the current inflation rate are not utilised. Real growth beyond ten years is not likely, and even if likely, is difficult to forecast with any certainty. The growth rates used are between 4.5% and 6% for the Group.

TERMINAL VALUES

When calculating the terminal value, care is taken regarding the level of net capital investment assumed. This is assumed to be lower than during the specific forecast for high-growth companies. For mature, stable companies net capital investment during the specific forecast period and beyond is assumed to be the same.

DISCOUNT RATES

Free cash flows are discounted at the Group's weighted average cost of capital (WACC), being the weighted cost of equity as determined using the capital asset pricing model (CAPM) and the weighted after-tax cost of debt and/or any other non-equity form of financing. The discount rates used are between 15% and 26% within the divisions in the Group.

RISK-FREE RATE

The risk-free rate utilised is the yield on ten-year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no ten-year SA bonds are in issue, the nearest long-term SA bond rate should be used. The risk-free rate used was in the range of 7.5% and 8.5%.

BETA

The equally weighted average of the relevant industry betas are used. The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the Group's recent market price. The beta used for the Group was in the range of 0.68 and 1.4.

MARKET RISK PREMIUM

A market risk premium was utilised in all valuations. The market risk premium used was in the range of 4% and 8%.

VALUE OF EQUITY

The value of equity will be equal to the free cash flow value of the entity, less the carrying values (at the valuation date) of debt and any other form of financing, plus cash on hand (per the financial position) which is in excess of normal working capital requirements.

TRADE RECEIVABLES AND LOANS AND RECEIVABLES

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

IMPAIRMENT TESTING

Assets are subject to regular impairment reviews as required. Impairments are measured as the difference between the cost (or amortised cost) of a particular asset and the recoverable amount which is the greater of the fair value less cost to sell and value in use of the asset. Impairments are recorded in the statement of comprehensive income in the period in which the occur. The Group's policy in relation to impairment testing in respect of goodwill is detailed below.

The recoverable amount of the cash-generating units has been determined based on a value-in-use calculation. Key assumptions applied to determine the recoverable amount of the cash-generating units, using the value in-use calculation relating to sales growth rates, working capital requirements and capital expenditure. Cash flow projections were based on historical information and financial budgets approved by senior management covering a five-year period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 SIGNIFICANT JUDGEMENTS (CONTINUED) IMPAIRMENT TESTING (CONTINUED)

The following assumptions were utilised:

Pre-tax discount rates	15% – 26%
Number of years	5
Growth rate	4.5% – 6%

TAXATION

Judgement is required in determining income taxes due to the complexity of legislation. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

INVESTMENT IN EQUITY-ACCOUNTED INVESTMENTS

Losses from equity-accounted investments in excess of the Group's interest are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the investments held in equity-accounted investments. Additionally, an investment in an associate is recognised when the Group has the power to participate in the financial and operating policy decisions of the investee over those policies.

When the Group obtains significant influence of an investment previously held at fair value through profit and loss, the Group accounts for investments in associates at fair value in line with business combinations, which is deemed to be the cost. This deemed cost is adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	USEFUL LIVES
Plant and machinery	1 – 6 years
Furniture and fixtures	2 – 10 years
Motor vehicles	1 – 6 years
Office equipment	3 – 5 years
IT equipment	1 – 3 years
Computer software	2 – 4 years
Leasehold improvements	5 – 8 years
Electronic equipment	2 – 3 years

The residual value, useful life and depreciation method of each asset are reviewed at each reporting date, and adjusted if appropriate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Any gain or loss from the derecognition of an item of property, plant and equipment is recognised in profit or loss when the item is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 GOODWILL

Goodwill arising on the acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is an indication of impairment and is not amortised.

1.6 INTANGIBLE ASSETS

Intangible assets which are separately acquired are recognised at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs, which are generated internally, are measured at cost less any accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Costs associated with maintaining software programmes are recognised as an expense as incurred. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Amortisation is calculated on the intangible assets using the straight-line method over their useful lives to their residual values. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The useful life of the billing system was assessed by management at the reporting date. Based on the terms of the service contract to which the intangible asset relates, a notice period of 1 year is required to terminate the contract. As the contract has not been terminated, the intangible asset is assumed to have an additional year of use.

Management has assessed that the useful life of the eCCR system is 3 years. This judgement is used on the market and trading conditions for the Group.

Management will assess the useful life of the software under development once it is ready for use.

Management has assessed that the distribution rights have an indefinite useful life, based on the distribution agreement. Further to the assessment, the distribution rights continue to generate economic benefits for the Group.

1.7 INVESTMENTS IN SUBSIDIARIES **COMPANY ANNUAL FINANCIAL STATEMENTS**

In the Company's consolidated and separate annual financial statements, investments in subsidiaries are carried at fair value through profit or loss.

The fair value of the investments in subsidiaries is determined by using discounted cash flow analysis.

1.8 FINANCIAL INSTRUMENTS **INITIAL RECOGNITION**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group's principal financial assets are various investments, long term loans receivable, trade and other current receivables and bank and cash balances. The Group's financial liabilities are long-term interest-bearing and non-interest-bearing loans payable and trade and other payables.

OFFSETTING

Financial assets and financial liabilities are only offset if there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

SUBSEQUENT MEASUREMENT

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.8 FINANCIAL INSTRUMENTS (CONTINUED)

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

FINANCIAL ASSETS

These include investments with various asset managers, such as 3 Laws Capital Proprietary Limited and Cadiz Life Investment Enterprise Development Fund.

Subsequently these financial assets are measured at fair value through profit and loss.

LOANS TO/(FROM) GROUP COMPANIES

These include loans to and from shareholders, fellow subsidiaries, subsidiaries, joint ventures and associates.

Subsequently the loans to Group companies are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts.

Loans from Group companies are classified as financial liabilities measured at amortised cost using the effective interest method.

TRADE AND OTHER RECEIVABLES

Trade receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

TRADE AND OTHER PAYABLES

Trade payables are subsequently measured at amortised cost, using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are subsequently recognised at amortised cost.

BANK OVERDRAFT AND BORROWINGS

Bank overdrafts and borrowings are subsequently measured at amortised cost, using the effective interest method.

1.9 INCOME TAX

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

FINANCE LEASES – LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance costs and reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

OPERATING LEASES – LESSEE

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs.

The Group's inventory comprises of headsets sold by Kalula Communications Proprietary Limited and work in progress in the Company. Work in progress relates to capitalised project costs which will be amortised over the term of the contract and management will assess whether the costs can be realised within the next financial year.

1.12 PROVISIONS

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflect current market assessments of the time value of money and the risks. The unwinding of the discount rate is recognised as a finance cost.

1.13 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is to be made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

Revenue comprises sale of goods, services rendered, dividend income and management fees.

SALE OF GOODS

The Group sells headsets in the telecommunications and consumer electronic markets. Revenue from the sale of goods is recognised when control of the headsets has transferred to the buyer, being on delivery.

SERVICES RENDERED

The Group provides information technology management, security, software design, implementation and support services. Revenue from providing services is recognised in the reporting period in which the services are rendered by reference to the stage of completion of the transaction at the reporting date.

Stage of completion is determined as follows:

- For time and material contracts, revenue is recognised based on the contractual rates as labour hours and direct expenses are incurred.
- Where a contract includes multiple deliverables, such as the sale of hardware and related installation services. Each deliverable is accounted for separately based on expected cost-plus margin.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.13 REVENUE (CONTINUED)

SERVICES RENDERED (CONTINUED)

- If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.
- For long term projects, stage of completion is measured relative to the milestones achieved as specified in the contract.
- For maintenance contracts, revenue is measured on a straight-line basis over the maintenance period.

MANAGEMENT FEES

Management fees are recognised on an accrual basis in accordance with the substance of the relevant agreements.

DIVIDEND INCOME

Dividend revenue relates to the Company is recognised, in profit or loss, when the Company's right to receive payment has been established.

1.14 FINANCE INCOME

Finance income is recognised, in profit or loss, using the effective interest rate method.

1.15 FINANCE COSTS

Finance costs are recognised as an expense in the period in which they are incurred.

1.16 TRANSLATION OF FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

A foreign currency transaction is recognised, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recognised in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rands at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Rands at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

1.17 CONSOLIDATION

BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, and Unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.17 CONSOLIDATION (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

The difference between the carrying amount of non-controlling interest and the non-controlling interest's proportionate share of the net assets of the subsidiary is represented by goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Any excess of the cost of the investment over the Group's share of net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

On disposal of a subsidiary, associate or joint venture to which goodwill was allocated on acquisition, the amount attributable to such goodwill is included in the determination of the profit or loss for the period in which the relevant investment is disposed.

1.18 SHARE CAPITAL

SHARE CAPITAL

Ordinary share capital represents the par value of ordinary shares issued.

SHARE PREMIUM

Share premium represents the excess consideration received by the Company over the par value of ordinary shares issued and classified as equity.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

SHARE-BASED PAYMENT RESERVE

The share-based payment reserve is used to recognise the value of equity-settled share-based payments. Refer to note 16 for further details.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.19 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, are recognised in profit or loss in the period in which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.20 ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

1.21 INVESTMENTS IN EQUITY-ACCOUNTED INVESTMENTS

The Group's interests in equity-accounted investments comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

1.22 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

1.23 SHARE-BASED PAYMENTS

The grant date fair value of equity-settled share-based payment arrangements granted is recognised as an expense, with a corresponding increase in equity.

The grant date fair value of the share-based payment is determined using the discounted cash flow valuation technique.

1.24 EARNINGS PER SHARE

Earnings per share is calculated on the weighted average number of shares in issue, net of treasury shares, in respect of the year and is based on profit attributable to ordinary shareholders. Headline earnings per share is calculated in terms of the requirements set out in Circular 04/2018 issued by SAICA.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Below is a list of the current standards and interpretations that have been issued, but are not yet effective.

STANDARD	DETAILS OF AMENDMENT	ADDITIONAL INFORMATION
IFRS 9 Financial Instruments	IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities, including a new impairment model which will result in earlier recognition of losses. Under IFRS 9 financial assets will be classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income.	<p>Effective date: 1 January 2018</p> <p>Implementation date: The Group expects to implement this standard in the 2019 annual financial statements.</p> <p>Impact on the Group: The Group performed a detailed assessment of the impact of the application of IFRS 9 on its financial statements. The current findings indicate that apart from the application of the credit loss impairment model, there are no major deviations in the current classification of financial assets as they are largely in line with IFRS 9 and other loan receivables are not considered material. There will also be no major impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities as financial liabilities are accounted for at amortised cost.</p> <p>The Group has identified that the most significant impact that IFRS 9 will have on the Group relates to the expected credit loss impairment model. The financial assets impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. The Group is in the process of performing a detailed assessment, however the impact is likely to be immaterial as the Group uses cash flow forecasts for a year period thus performing impairment tests using a forward-looking model.</p>

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

STANDARD	DETAILS OF AMENDMENT	ADDITIONAL INFORMATION
IFRS 15 Revenue from Contracts with Customers	<p>IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue – Barter Transactions Involving Advertising Services.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Identify the contract(s) with a customer Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contract • Recognise revenue when (or as) the entity satisfies a performance obligation. <p>IFRS 15 also includes extensive new disclosure requirements.</p>	<p>Effective date: 1 January 2018</p> <p>Implementation date: The Group expects to adopt the standard for the first time in the 2019 annual financial statements.</p> <p>Impact on the Group: In assessing the impact of IFRS 15 on the Group, the activities that generate revenue were assessed in determining whether they fall within the scope of the new revenue standards. The Group generates revenue from various sources, including dividend income and interest income from loans advanced, of which a detailed assessment has been done during the year whereby contracts were analysed within each division and the impact would result in additional disclosures as a result of classification of performance obligations. The Group is in the process of finalising its assessment and documenting the impact thereof.</p> <p>The new standard does not include guidance on the accounting for dividend income. Instead, guidance that is consistent with the existing requirements of IAS 18 has been incorporated into the financial instruments standards. Although dividend income arises in the ordinary course of the Group's activities, it does not arise from contracts with customers and therefore may not be presented as revenue.</p>
IFRS 16 Leases	<p>IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.</p>	<p>Effective date: 1 January 2019</p> <p>Implementation date: The Group expects to adopt the standard for the first time in the 2020 annual financial statements.</p> <p>Impact on Group: The Group has assessed the requirements of IFRS 16 during the financial year and considered the impact to be medium/high due to the changes of presentation on the statement of financial position and the statement of financial performance.</p>

The directors have considered all of these standards and interpretations and found IFRS 9, IFRS 15 and IFRS 16 together with the applicable interpretations and amendments to these standards, to be applicable to the Group.

NOTES (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

Group	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Plant and machinery	1 575	(381)	1 194	1 575	(223)
Furniture and fixtures	2 527	(912)	1 615	1 250	(833)	415
Motor vehicles	1 356	(1 022)	334	5 074	(3 376)	1 698
Office equipment	1 613	(1 237)	376	1 209	(1 115)	94
IT equipment	7 203	(4 362)	2 841	5 354	(3 733)	1 621
Computer software	1 374	(1 294)	80	1 968	(1 731)	237
Leasehold improvements	1 258	(941)	317	1 811	(1 150)	661
Electronic equipment	1 565	(1 153)	412	1 565	(525)	1 040
Total	18 471	(11 302)	7 169	19 806	(12 688)	7 118

Company	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Plant and machinery	1 476	(36)	1 440	–	–
Furniture and fixtures	91	(5)	86	–	–	–
IT equipment	1 366	(115)	1 251	11	–	11
Total	2 933	(156)	2 777	11	–	11

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance	Additions	Disposals	Depreciation	Carrying value
Plant and machinery	1 352	–	–	(157)	1 194
Furniture and fixtures	415	1 499	(43)	(256)	1 615
Motor vehicles	1 698	–	(981)	(383)	334
Office equipment	94	436	–	(154)	376
IT equipment	1 621	2 264	(141)	(903)	2 841
Computer software	237	195	–	(352)	80
Leasehold improvements	661	243	(335)	(251)	317
Electronic equipment	1 040	–	–	(629)	412
Total	7 118	4 637	(1 500)	(3 084)	7 169

Reconciliation of property, plant and equipment – Group – 2017

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Carrying value
Plant and machinery	–	–	1 509	–	(158)	1 352
Furniture and fixtures	147	50	237	(10)	(9)	415
Motor vehicles	–	–	2 606	–	(908)	1 698
Office equipment	108	197	48	(33)	(226)	94
IT equipment	894	1 018	660	(321)	(629)	1 621
Computer software	776	229	–	(9)	(759)	237
Leasehold improvements	570	314	–	(23)	(200)	661
Electronic equipment	–	1 572	–	(5)	(527)	1 040
Total	2 495	3 380	5 060	(401)	(3 416)	7 118

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – Company – 2018

	Opening balance	Additions	Disposals	Depreciation	Carrying value
Plant and machinery	–	1 475	–	(36)	1 440
Furniture and fixtures	–	91	–	(5)	86
IT equipment	11	1 376	(21)	(115)	1 251
Total	11	2 942	(21)	(156)	2 777

Reconciliation of property, plant and equipment – Company – 2017

	Opening balance	Additions	Disposals	Depreciation	Carrying value
Furniture and fixtures	7	–	(5)	(2)	–
IT equipment	–	11	–	–	11
Total	7	11	(5)	(2)	11

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

4. GOODWILL

	2018	2017
Cost	35 629	43 791
Accumulated impairment	(381)	(381)
Balance at end of year	35 248	43 410

Reconciliation of goodwill – Group – 2018

	Opening balance	Disposals through business divesture	Impairment	Total
Goodwill	43 410	(3 205)	(4 957)	35 248

Reconciliation of goodwill – Group – 2017

	Opening balance	Additions	Disposals	Total
Goodwill	17 301	30 740	(4 631)	43 410

Goodwill relates to the Group's interest in Health System Technologies Proprietary Limited, the Software Tech Holdings Proprietary Limited Group, Puleng Technologies Proprietary Limited and Kalula Communications Proprietary Limited. The Group performs an annual valuation for purposes of determining the fair value of its investments. The valuation method is the basis for valuing the goodwill which is allocated to Health System Technologies Proprietary Limited, the Software Tech Holdings Proprietary Limited Group, Puleng Technologies Proprietary Limited and Kalula Communications Proprietary Limited as cash generating units (CGU).

The value of the CGU to which the goodwill was allocated has been determined based on the value in use calculations using cash flow projections. The carrying value of one of the CGUs in Software Tech Holdings Group was more than the recoverable amount and an impairment loss of R1 172 962 was recognised in the Group.

During the current year the goodwill in Software Tech Holdings Company of R3 784 331 was impaired as the carrying value was more than the recoverable amount.

The carrying value of all the remaining CGUs has been calculated to be less than the recoverable amount and therefore no impairment has been recognised.

NOTES (CONTINUED)

4. GOODWILL (CONTINUED)

The following significant assumptions were used:

Software Tech Holdings subsidiaries

Pre-tax discount rates	24.5% – 26%
Number of years	5
Growth rate	4.5%

Health System Technologies Proprietary Limited

Pre-tax discount rates	15.67%
Number of years	5
Growth rate	6%

Puleng Technologies Proprietary Limited

Pre-tax discount rates	15.59%
Number of years	5
Growth rate	6%

Kalula Communications Proprietary Limited

Pre-tax discount rates	16.01%
Number of years	5
Growth rate	6%

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

Investment in Health System Technologies Proprietary Limited	2 157	–	2 157	–
Investment in Software Tech Holdings Group	–	–	3 784	–
Investment in Software Tech Holdings subsidiaries	2 352	–	6 730	–
Investment in Puleng Technologies Proprietary Limited	22 274	–	22 274	–
Investment in Kalula Communications Proprietary Limited	8 465	–	8 465	–
Total	35 248	–	43 410	–

5. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Group						
Licences	2 230	(233)	1 997	–	–	–
Billing system	8 819	(8 748)	71	8 819	(8 748)	71
Software development	7 738	(3 489)	4 249	4 638	(3 489)	1 149
eCCR system	3 266	(1 716)	1 550	2 543	(1 133)	1 410
Supplier distribution agreement	9 876	–	9 876	9 876	–	9 876
Total	31 929	(14 186)	17 743	25 876	(13 370)	12 506

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Company						
Licences	2 230	(233)	1 997	–	–	–
Balance at end of year	2 230	(233)	1 997	–	–	–

5. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible asset – Group – 2018

	Opening balance	Additions	Internally generated	Amortisation	Total
Licences	–	2 230	–	(233)	1 997
Billing system	71	–	–	–	71
Software development	1 149	–	3 100	–	4 249
eCCR system	1 410	–	723	(583)	1 550
Supplier distribution agreement	9 876	–	–	–	9 876
Total	12 506	2 230	3 823	(816)	17 743

Reconciliation of intangible assets – Group – 2017

	Opening balance	Additions	Additions through business combinations	Amortisation	Total
Billing system	71	–	–	–	71
Software development	–	1 149	–	–	1 149
eCCR system	2 110	56	–	(756)	1 410
Supplier distribution agreement	–	–	9 876	–	9 876
Total	2 181	1 205	9 876	(756)	12 506

Reconciliation of intangible assets – Company – 2018

	Opening balance	Additions	Amortisation	Total
Licences	–	2 230	(233)	1 997

The intangible assets are classified as follows:

Internally generated intangibles

- Billing system
- Software development
- eCCR system

Other intangible assets

- Distribution rights

BILLING SYSTEM

Based on the terms of the service contract to which the billing system relates, a notice period of one year is required to terminate the contract. The billing system has a residual value of R70 977 which will be amortised when the service contract is terminated.

eCCR SYSTEM

The electronic Continuity of Care Record (eCCR) project is aimed at improving the continuity of care between hospitals and primary healthcare. It is a collaborative project by Health Impact Assessment, Information Management and Health Systems Technology with an initial focus of establishing a web-based electronic discharge summary. The eCCR system was internally developed and phase 1 was completed in the 2016 financial year. The product went live on 1 March 2016. Phase 2A began in October 2016 which entails further ongoing development of the product. The team has started preparing for phase 2B of the project in 2018. Management has assessed that the eCCR system has a useful life of three years and an expected remaining useful life of one year.

SOFTWARE DEVELOPMENT

Software development relates to 3 different programs currently being developed.

The first being the Health Information System Technology refresh. This is a technology refresh and modernisation of the existing Health Information System platform.

The second is the Health Benefit Protocol and Plan Management. The outcome of this project is the ability to share patient information and care paths between the health insurance agency and healthcare providers in an accurate and reliable manner which supports better patient outcomes through guided information capture and standards-based data management and interoperability.

5. INTANGIBLE ASSETS (CONTINUED)

SOFTWARE DEVELOPMENT (CONTINUED)

The third is the Free Bed Enquiry System which allows ambulances to assess the availability of beds at hospitals.

Costs of R3 099 537 were capitalised to software development. Amortisation of the software will commence once the programmes are available for use.

There are no research and development expenses recognised in profit or loss in the current year. Management will assess the useful life of the intangible asset under development once it is ready for use.

Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of software is assessed as finite and is reassessed, with the amortisation method, at least at each financial period-end. The amortisation of software is recognised in profit or loss in the period to which it relates. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by assessing the future economic benefits which will flow to the Group using expected forecast cash flows.

DISTRIBUTION RIGHTS

The distribution rights arose during the prior year from the acquisition of Kalula Communications Proprietary Limited. The distribution rights regulates the purchase of Plantronics products by CATS for resale by the Group.

There is no limit on the number of time the above distribution right can be renewed and based on historical information no distribution rights have been revoked. Additionally, the cost to renew the distribution rights are insignificant in relation to the economic benefits that are expected to arise from the assets and the distribution rights are expected to be renewed without any cost and therefore have an indefinite useful life. This intangible asset has an indefinite useful life was allocated to the Unified communications cash generating unit. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using the forecast cash flows focusing on profitability and constant gross profit margins which have been maintained.

LICENCES

The licences relate to ServiceNow licences purchased during the reporting period, which is a service management software. These licences have a useful life of three years based on the licence agreement, which commenced on 1 July 2018.

6. INVESTMENT IN SUBSIDIARIES

Breakdown of investment in subsidiaries are as follows:

Name of company	Held by	Company		Carrying amount 2018	Carrying amount 2017
		% holding 2018	% holding 2017		
Puleng Technologies Proprietary Limited	AYO Technology Solutions Limited	57%	57%	88 552	149 244
Sekunjalo Medical Services Proprietary Limited	AYO Technology Solutions Limited	100%	100%	284 137	284 137
Software Tech Holdings Proprietary Limited	AYO Technology Solutions Limited	42.59%	42.59%	5 357	7 337
Kalula Communications Proprietary Limited	AYO Technology Solutions Limited	51%	51%	36 928	36 928
				414 974	477 646

Subsidiaries for which control was lost during the year

The Group lost control of subsidiary World Wide Creative Proprietary Limited on 31 August 2018.

Loss on disposal of subsidiary 4 650

The loss has been included in other operating gains/(losses) in profit or loss.

Subsidiaries with less than 50% share capital held

The Group holds less than 50% of the issued share capital in Software Tech Holdings Proprietary Limited. The Group consolidated Software Tech Holdings Proprietary Limited as it has additional voting powers granted to the parent Company in the shareholders' agreement. These voting rights together with the other requirements of IFRS 10, resulted in control over the investee.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	2018	2017
Puleng Technologies Proprietary Limited	43%	43%
Software Tech Holdings Proprietary Limited	57.41%	57.41%
Kalula Communications Proprietary Limited	49%	49%

Summarised statement of financial position

	2018						Carrying amount of non-controlling interest
	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	
Software Tech Holdings Proprietary Limited Group	4 446	16 385	20 831	–	8 725	8 725	7 895
Puleng Technologies Proprietary Limited	1 065	72 728	73 793	–	60 736	60 736	7 120
Kalula Communications Proprietary Limited	2 598	19 706	22 304	1 579	17 249	18 828	5 188
Total	8 109	108 818	116 928	1 579	86 710	88 289	20 203

The difference between the carrying amount of non-controlling interest and the non-controlling interest's proportionate share of the net assets of the subsidiary is represented by goodwill.

Summarised statement of profit or loss and other comprehensive income

	Revenue	Profit/(loss) before tax	Income tax expense	Profit/(loss) for the year	Other comprehensive loss	Total comprehensive income/loss	Profit/(loss) allocated to non-controlling interest
Software Tech Holdings Proprietary Limited Group	73 415	(1 450)	(1 349)	(2 799)	(32)	(2 831)	(1 184)
Puleng Technologies Proprietary Limited	335 352	16 812	(4 707)	12 105	–	12 105	5 205
Kalula Communications Proprietary Limited	75 552	(800)	85	(715)	–	(715)	(350)
Total	484 319	14 562	(5 971)	8 591	(32)	8 559	3 671

Summarised statement of cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase/(decrease) in cash flow	Dividend paid to non-controlling interest
Software Tech Holdings Proprietary Limited Group	2 480	15 090	(18 466)	(896)	(11 135)
Puleng Technologies Proprietary Limited	13 530	(296)	(13 901)	(667)	(5 049)
Kalula Communications Proprietary Limited	192	818	(1 642)	(632)	–
Total	16 202	15 612	(34 009)	(2 195)	(16 184)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of financial position

	2017						Carrying amount of non-controlling interest
	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	
Software Tech Holdings Proprietary Limited Group	9 569	37 221	46 790	81	13 643	13 724	20 120
Puleng Technologies Proprietary Limited	977	98 091	99 068	–	79 473	79 473	8 418
Kalula Communications Proprietary Limited	4 017	22 428	26 445	2 808	18 065	20 873	6 214
Total	14 563	157 740	172 303	2 889	111 181	114 070	34 752

Summarised statement of profit or loss and other comprehensive income

	Revenue	Profit/(loss) before tax	Income tax expense	Profit/(loss) for the year	Other comprehensive loss	Total comprehensive income/loss	Profit/(loss) allocated to non-controlling interest
Software Tech Holdings Proprietary Limited Group	68 967	14 764	(3 132)	11 632	(4)	11 628	7 138
Puleng Technologies Proprietary Limited	251 134	17 844	(4 996)	12 848	–	12 848	5 524
Kalula Communications Proprietary Limited	67 207	926	(273)	653	–	653	320
Total	387 308	33 534	(8 401)	25 133	(4)	25 129	12 982

Included in the profit of Software Tech Holdings Proprietary Limited is a profit of R2 810 471 on discontinued operations.

Summarised statement of cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase/(decrease) in cash flow	Dividend paid to non-controlling interest
Software Tech Holdings Proprietary Limited Group	12 121	(1 334)	(8 170)	2 617	4 870
Puleng Technologies Proprietary Limited	17 589	(261)	(2 613)	14 715	1 106
Kalula Communications Proprietary Limited	(1 329)	(19)	(1 063)	(2 411)	–
Total	28 381	(1 614)	(11 846)	14 921	5 976

7. INVESTMENT IN JOINT VENTURE

JOINT VENTURE

Group	Held by	% ownership interest		Carrying amount	
		2018	2017	2018	2017
Exaro HST Proprietary Limited	Health System Technologies Proprietary Limited	50%	50%	33	33

Exaro HST Proprietary Limited is a jointly controlled entity and is incorporated and operates principally in West Africa. The investment is measured using the equity method. This is the only joint operation in the Group, and there are no other undisclosed structured entities.

SUMMARISED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURE

Summarised statement of comprehensive income

	Exaro HST Limited	
	2018	2017
Depreciation and amortisation	–	(17)
Other income and expenses	(343)	(207)
Loss before tax	(343)	(224)
Loss from continuing operations	(343)	(224)
Total comprehensive loss	(343)	(224)

Summarised statement of financial position

	2018	2017
ASSETS		
Non-current		
Property, plant and equipment	908	68
Current		
Cash and cash equivalents	20	18
Total assets	928	86
LIABILITIES		
Current		
Trade creditors	(4 342)	(3 123)
Total net assets	(3 414)	(3 037)

	Group		Company	
	2018	2017	2018	2017
Reconciliation of net assets to equity accounted investments in joint venture Interest in joint venture.	(33)	(33)	–	–
Carrying value of investment in joint venture	(33)	(33)	–	–

RESTRICTIONS RELATING TO JOINT VENTURE

There are currently no restrictions relating to the joint venture.

UNRECOGNISED LOSSES

The Company has not recognised its share of the losses of Exaro HST Proprietary Limited as the Company has no obligation for any losses of the joint venture as the Group does not fund nor have any funding commitments for Exaro HST Proprietary Limited.

The total unrecognised losses for the current year amount to R342 750 (2017: R223 698). The accumulated unrecognised losses for the current period amount to R3 414 114 (2017: R3 037 133).

NOTES (CONTINUED)

8. INVESTMENT IN ASSOCIATE

Emergent Energy Proprietary Limited was disposed of on 1 September 2017 for a cash consideration of R823 716. Further to this there is a contingent consideration which is receivable until August 2019. The contingent consideration is based on projected profits, of which R386 816 accrued to the Group in the current financial year.

Name of company	Held by	Company			
		% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Emergent Energy Proprietary Limited	AYO Technology Solutions Limited	–	33.00%	–	–

9. LOANS TO/(FROM) GROUP COMPANIES

	Group		Company	
	2018	2017	2018	2017
Joint venture				
Digital Health Africa Proprietary Limited	168	168	–	–
The loan is unsecured, bears no interest and has no repayment terms.				
Major shareholder (previously holding company)				
African Equity Empowerment Investments Limited	(5 000)	(80 596)	(5 000)	(80 596)
The loan was unsecured with no fixed terms of repayment. Interest is charged at prime plus 3%.				
African Equity Empowerment Investments Limited	1 820	4 383	–	–
The loan is unsecured, and interest is charged at prime overdraft rate. There are no fixed terms of repayment and management does not expect to enforce settlement within the next twelve months.				
	3 180	(76 213)	(5 000)	(80 596)
Other related entities				
Sekunjalo Technology Group Proprietary Limited	(1)	(1)	–	–
The loan is unsecured and bears no interest and is repayable on demand.				
Sekunjalo Health & Commodities Proprietary Limited	1	1	1	1
The loan is unsecured, has no fixed repayment term and bears no interest.				
G. Rushby	–	(69)	–	–
The above loan is unsecured, bears no interest and has no fixed repayment terms.				
	–	(69)	1	1
Non-current assets	1 989	4 552	1	1
Non-current liabilities	–	(80 597)	–	(80 596)
Current liabilities	(5 001)	(69)	(5 000)	–
Net loans	(3 012)	(76 114)	(5 001)	(80 595)

9. LOANS TO/(FROM) GROUP COMPANIES (CONTINUED)

CREDIT QUALITY OF LOANS TO GROUP COMPANIES

The credit quality of loans to Group companies that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Other than loans that have been impaired which have low credit quality, credit quality on all other loans is considered to be high.

10. FINANCIAL ASSETS

	Group		Company	
	2018	2017	2018	2017
At fair value through profit or loss – designated				
Cadiz Life Investment Enterprise Development Fund	6 890	747	6 127	–
The fund is an innovative new investment whereby corporate clients can now earn the required Enterprise Development points in terms of the DTI scorecard, and at the same time earn real returns from a once-off investment. The investments matures 31 July 2023.				
3 Laws Capital Proprietary Limited Investment	88 827	–	88 827	–
The above investment has no fixed maturity date, is refundable on demand and bears interest at a target rate of CPI +5% per annum.				
	95 717	747	94 954	–
At fair value through profit or loss – held for trading				
Foreign exchange contract	67	–	–	–
A sixth month forward exchange contract was entered into which expires on 14 September 2018 to purchase \$47 054,66 at an exchange rate of 13,245.				
Forward exchange contract	32	–	–	–
A sixth month forward exchange contract was entered into which expires on 21 December 2018 to purchase \$73 792,16 at an exchange rate of 14,249.				
	99	–	–	–
Loans and receivables				
SA Components CC	–	3 024	–	3 024
The receivable is for plant and equipment sold to SA Components and is payable in January 2018. The above loan is unsecured, and bears interest of 9.25% per annum. The receivable was repaid during the current financial year.				
Staff loans	799	483	192	–
The above loans bear no interest, are dependent on service terms committed and are repayable on demand should the employee leave the employment of the Company earlier than the committed service term.				
Alacrity Technologies Proprietary Limited	–	15 729	–	–
The above loan was for the sale of the going concern in Software Tech Holdings Proprietary Limited. The loan is unsecured, bore no interest and was repaid during the current financial year.				
Supplier development loan	3 635	–	3 285	–
The above loans were provided as part of the Company's enterprise and supplier development process. The loans are interest free and are receivable as follows:				
– R3 285 000 by no later than 31 October 2018				
– R350 000 by no later than 13 August 2019				
Ragna CC	30	30	–	–
The above loan is unsecured, bears no interest and has no fixed repayment terms.				
	4 464	19 266	3 477	3 024
Total financial assets	100 280	20 013	98 431	3 024

NOTES (CONTINUED)

10. FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
Non-current assets				
At fair value through profit or loss – designated	6 890	747	6 127	-
Current assets				
At fair value through profit or loss – designated	88 827	-	88 827	-
Held for trading (fair value through profit or loss)	99	-	-	-
Loans and receivables	4 464	19 266	3 477	3 024
	93 390	19 266	92 304	3 024
	100 280	20 013	98 431	3 024

FAIR VALUE INFORMATION

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The fair values of investments not listed or quoted are estimated using the discounted cash flow analysis. Fair values are determined annually at balance sheet date.

Refer to note 38 for detail on assumptions and methods used to determine fair values for unlisted investments.

11. DEFERRED TAX

	Group		Company	
	2018	2017	2018	2017
Deferred tax asset/(liability)				
Allowance for credit losses	1 428	1 248	-	-
Provisions	4 700	3 037	2 071	50
Tax losses available for set off against future taxable income	527	9 238	-	9 236
Property, plant and equipment	(90)	18	-	-
Intangible assets	(2 757)	(3 102)	-	-
Prepaid expenses	(206)	(733)	-	-
Income received in advance	116	328	(86)	-
Investment in subsidiaries	-	-	(81 081)	(95 119)
Leases	2	-	2	-
Investments	(10)	-	-	-
Total deferred tax liability	3 710	10 034	(79 094)	(85 833)
Deferred tax liability	(306)	(3 835)	(82 390)	(95 119)
Deferred tax asset	4 016	13 869	3 296	9 286
Total net deferred tax asset/(liability)	3 710	10 034	(79 094)	(85 833)
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	10 034	11 068	(85 833)	(57 059)
Increase(decrease) in tax loss available for set off	(8 711)	1 128	(9 236)	1 126
Taxable/(deductible) temporary difference movement on tangible fixed assets	(109)	20	-	2
Taxable/(deductible) temporary difference movement on intangible assets	346	(2 497)	-	-
Original temporary difference on provision	1 663	216	2 021	42
Fair value of subsidiaries			14 038	(29 944)
Income received in advance	(211)	117	-	-
Prepaid expense	526	(143)	(86)	-
Allowance for credit losses	180	125	-	-
Fair value movements	(10)	-	-	-
Leases	2	-	2	-
Balance at the end of the year	3 710	10 034	(79 094)	(85 833)

12. INVENTORIES

	Group		Company	
	2018	2017	2018	2017
Finished goods	5 682	9 702	–	–
Work in progress	6 696	–	6 696	–
	12 378	9 702	6 696	–

No inventory was written down to net realisable value in the current and prior year.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
Trade receivables	135 762	98 057	56 713	4 665
Prepayments	1 436	2 616	–	–
Deposits	1 360	1 627	567	–
Value added income tax expense	4 827	496	4 063	58
Sundry customers	3 997	6 308	–	–
Accrued income	35 840	1 324	39 707	–
Total	183 222	110 428	101 050	4 723

SUNDRY CUSTOMERS

This relates to maintenance jobs done at year end but not yet invoiced. These were subsequently invoiced after year end and recognised as trade receivables.

ACCRUED INCOME

This relates to accrued income recognised in the Group, the majority being interest accrued on the money market account; dividend income and revenue earned but not yet invoiced.

CREDIT QUALITY OF TRADE AND OTHER RECEIVABLES

Of the trade receivables at the reporting date, R96 723 107 (2017: R47 916 768) is due from three of the Group's largest customers in the Information Technology sector.

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The average credit period on sales of merchandise goods and services rendered is 30 days from the anniversary date and statement date. No interest has been charged on trade receivables for amounts outstanding longer than the credit period.

Forty one percent of the Group's trade receivables stems from Head office. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are classified as current and based on the recent payment history of the debtors.

Thirty one percent of the Group's trade receivables stem from the Group's Security segment. The credit risk for this segment has been assessed as low by the divisional management based on the ageing of the receivables (majority of the receivables are classified as current) and the recent payment history.

Eight percent of the Group's trade receivables stem from sales within the Unified Communications segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are less than 60 days overdue and the segment currently has insurance on receivables.

Eighteen percent of the Group's trade receivables stem from sales within the Healthcare and Support segment. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is High as sales are to a few customers however these are blue chip customers and there have been low defaults in the past.

Two percent of the Group's trade receivables stem from sales within the Software and Consulting segment. The credit risk for this segment has been assessed as low by the divisional management based on the recent payment history of the debtors.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2018, R11 973 519 (2017: R14 327 109) were past due but not impaired. The Group has not provided for these debtors as there has not been significant change in credit quality and the amount is still considered recoverable. Further the majority of the past due debtors relates to Kalula Communications Proprietary Limited, which has insurance over debtor defaults.

	Group		Company	
	2018	2017	2018	2017
1 month past due	4 620	2 723	–	–
2 months past due	4 422	8 798	–	–
3 months past due	2 931	2 805	1 114	–
Total	11 973	14 326	1 114	–

TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 August 2018, impaired trade and other receivables of R7 352 239 (2017: R5 673 669) was recognised.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

RECONCILIATION OF ALLOWANCE FOR TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
Opening balance	5 674	5 071	1 274	1 274
Recognised during the year	2 068	5 709	–	–
Unused amounts reversed	(390)	(5 106)	–	–
Total	7 352	5 674	1 274	1 274

FAIR VALUE OF TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables approximates its carrying value due to the short-term nature.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
Cash and cash equivalents consists of:				
Cash on hand	11	27	–	–
Bank balances	4 308 687	74 202	4 246 813	2 269
Bank overdraft	(5 056)	(3 109)	–	–
Total	4 303 642	71 120	4 246 813	2 269
Current assets	4 308 698	74 229	4 246 813	2 269
Current liabilities	(5 056)	(3 109)	–	–
Net amount	4 303 642	71 120	4 246 813	2 269

14. CASH AND CASH EQUIVALENTS (CONTINUED)

The Group has the following facilities in place:

ABSA

The Company has a bank overdraft facility with Absa Bank Limited and is secured with unlimited cross suretyship between African Equity Empowerment Investments Limited, Health System Technologies Proprietary Limited and Premier Fishing SA Proprietary Limited supported by cession of loan accounts.

The following facilities are also held with Absa Bank Limited:

Primary lending = R5 000 000

Term loan = R5 800 000

Credit card = R202 000

Forward exchange contract (nominal value) = R10 000 000

Foreign exchange settlement = R5 000 000

FIRSTRAND BANK LIMITED

Puleng Technologies Proprietary Limited has the following facilities with FirstRand Bank Limited:

Working capital = R2 500 000

Forward exchange contracts = R5 000 000

Security:

- Cession of debtors
- Unlimited suretyship by the non-controlling shareholders of Puleng Technologies Proprietary Limited

NEDBANK LIMITED

Kalula Communications Proprietary Limited has the following facilities with Nedbank:

General banking facility = R7 000 000

Facility utilised = R5 055 640

Vehicle-and-asset finance facility = R1 373 514

Security: Limited surety by the following:

- Mr AS Brown for R8 000 000
- Communications Productions (Pty) Ltd for R5 300 000
- Briton Music Productions GSA (Pty) Ltd for R7 500 000

CREDIT QUALITY OF CASH AT BANK AND SHORT-TERM DEPOSITS, EXCLUDING CASH ON HAND

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Cash and cash equivalents are held with reputable banking service providers. Absa Bank Ltd provides the majority of banking services used by the Group and it is rated AA+ and A1+ in the long term and short term respectively.

	Group		Company	
	2018	2017	2018	2017
Credit rating				
Absa Bank Ltd – Baa3	4 268 950	36 377	4 246 813	2 269
Nedbank Ltd – Baa3	2 431	198	–	–
Standard Bank Ltd – Baa3	2 938	1 491	–	–
First National Bank Ltd – Baa3	29 312	32 872	–	–
HSBC – A2	772	155	–	–
Other	11	27	–	–
	4 304 414	71 120	4 246 813	2 269

15. SHARE CAPITAL

	Group		Company	
	2018	2017	2018	2017
Authorised				
2 000 000 ordinary shares of no par value	–	–	–	–
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
Issued				
344 125 194 (2017: 212 382 539) ordinary shares	4 339 444	850	4 339 444	850
Share premium	183 280	183 280	183 280	183 280
Share issue costs written off against share premium	(78 314)	–	(78 314)	–
	4 444 410	184 130	4 444 410	184 130

On 21 December 2018, the Company listed on the JSE at an issue price of R43,00 per share. Prior to the listing, the Company issued 31 960 000 shares to the B-BBEE Consortium at an issue price of R1,50 per share.

Share issue costs were incurred on listing, which were made up of sponsor fees and placement fees.

16. RESERVES

SHARE-BASED PAYMENT RESERVE

Prior to listing, the Company issued 31 960 000 shares to a B-BBEE Consortium at an issue price of R1,50 per share. The shares were issued for cash and the B-BBEE Consortium is restricted from selling the shares for a period of 5 years from the issue date. The fair value of the shares at the date of issuance was R1,87, which was determined using the net asset value of the Company on transaction date. In line with IFRS 2, an adjustment of R11 809 375 was recognised to account for the difference between the issue price and the fair value of the shares. The adjustment was recognised as an expense in the statement of comprehensive income, with the contra recognised directly in equity.

TRANSLATION OF FOREIGN OPERATIONS

The exchange gain arose on translation of the foreign investment held by the Software Tech Holdings Group.

	Group		Company	
	2018	2017	2018	2017
Equity-settled share-based payment	11 809	–	11 809	–
Exchange differences on translating foreign operations	(32)	(4)	–	–
	11 777	(4)	11 809	–

NOTES (CONTINUED)

17. FINANCIAL LIABILITIES

	Group		Company	
	2018	2017	2018	2017
At fair value through profit/(loss)				
Foreign exchange contract	–	265	–	–
Two six-month forward exchange contracts were entered into which expire on 5 December 2017 and 31 January to purchase \$98 641,35 and \$442 397,31 at exchange rate of R13,2769 and R13,6350 respectively.				
Held at amortised cost				
Shareholder loan	–	4 724	–	4 724
The loan was incurred at the acquisition of Puleng Technologies and is payable to the previous shareholders of Puleng Technologies subject to profit warranty adjustments.				
The repayment terms are: 50% of the balance is payable on 30 June 2018 (subject to the profit warranty adjustments) and the remaining balance is payable on 30 June 2019 (subject to warranty adjustment). The portion payable on 30 June 2018, was settled in the current year.				
Amrichprop 27 Properties Proprietary Limited	–	50	–	–
This comprises of the loan granted to World Wide Creative Proprietary Limited on 1 March 2015 by the landlord of R108 000 in order to effect improvements to the leased premises in Cape Town. The repayment terms are R2 000 per month for 54 months. World Wide Creative Proprietary Limited was sold on 31 August 2018 and the loan was derecognised as part of the sale.				
SAEBEX Proprietary Limited	3	3	–	–
The above loan is unsecured, bears no interest and has no fixed repayment terms.				
Loans from directors of subsidiary. The loan is unsecured, interest free and repayable on demand.	1 130	700	–	–
	1 133	5 477	–	4 724
	1 133	5 742	–	4 724
Non-current liabilities				
At amortised cost	–	50	–	–
Current liabilities				
Fair value through profit or loss	–	265	–	–
At amortised cost	1 133	5 427	–	4 724
	1 133	5 692	–	4 724
	1 133	5 742	–	4 724

18. FINANCE LEASE LIABILITIES

	Group		Company	
	2018	2017	2018	2017
Minimum lease payments due				
– within one year	394	425	–	–
– in second to fifth year inclusive	731	2 714	–	–
	1 125	3 139	–	–
less: future finance charges	(161)	(331)	–	–
Present value of minimum lease payments	964	2 808	–	–
Present value of minimum lease payments due				
– within one year	389	259	–	–
– in second to fifth year inclusive	575	2 549	–	–
	964	2 808	–	–
Non-current liabilities	575	2 549	–	–
Current liabilities	389	259	–	–
	964	2 808	–	–

The average lease term is two to five years and the average effective borrowing rate was 11%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The finance lease relates to vehicles leased by Kalula Communication with a carrying value of R305 211 (2017: R1 671 792).

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
Trade payables	111 982	88 013	45 129	244
Amounts received in advance	1 145	1 382	–	–
Value added Income tax expense	3 252	5 717	–	–
Payroll accruals	1 147	1 046	–	–
Accrued expenses	13 445	8 641	8 101	1 152
SARS – PAYE, UIF and SDL	1 954	3 703	–	–
Total	132 925	108 502	53 230	1 396

The average credit period on purchases of certain goods is 30 – 45 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit frame.

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

20. DEFERRED INCOME

The deferred income relates to licence and maintenance contracts billed to customers which will only be delivered after the reporting date.

	Group		Company	
	2018	2017	2018	2017
Current liabilities	–	2 981	–	–
	–	2 981	–	–

21. PROVISIONS

Reconciliation of provisions – Group – 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Derecognised	Total
Provision for commission	298	5	–	–	–	303
Provision for incentive programme	447	29	(272)	–	–	204
Provision for leave pay	2 697	3 514	(1 245)	(256)	–	4 710
Provision for bonus	4 081	5 450	(3 165)	(449)	–	5 917
Provision for warranty costs	4 950	–	(221)	–	(473)	4 256
Total	12 473	8 998	(4 903)	(705)	(473)	15 390

Reconciliation of provisions – Group – 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Additions through business combinations	Total
Provision for commission	–	298	–	–	–	298
Provision for incentive programme	–	140	(272)	–	580	448
Provision for leave pay	3 635	1 819	(2 664)	(93)	–	2 697
Provision for bonus	3 210	3 977	(3 107)	–	–	4 080
Provision for warranty costs	424	4 924	–	(398)	–	4 950
Total	7 269	11 158	(6 043)	(491)	580	12 473

Reconciliation of provisions – Company – 2018

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	–	1 375	–	1 375
Provision for bonus	–	1 035	–	1 035
Provision for warranty costs	4 478	–	(221)	4 257
Total	4 478	2 410	(221)	6 667

Reconciliation of provisions – Company – 2017

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	31	–	(31)	–
Provision for warranty costs	–	4 478	–	4 478
Total	31	4 478	(31)	4 478

The provision for leave pay is based on the amount of paid leave days owed to employees at the reporting date. The policy of the Company is to limit the number of leave days to twenty-five. The leave pay provision is calculated in accordance with the policy per employee.

The provision for bonuses are provided for when they accrue to employees with reference to service rendered up to the statement of financial position date. The above provision represents management's best estimate of the Company's liabilities based on prior experience.

The provision for warranty costs relates to the acquisition of World Wide Creative Proprietary Limited and Puleng Technologies Proprietary Limited. The provisions were estimated based on agreements entered into on acquisition date. The provision relating to Puleng Technologies Proprietary Limited is a warranty payment payable to the previous owners of Puleng Technologies Proprietary Limited subject to Puleng Technologies Proprietary Limited meeting agreed profit thresholds. The warranty expires on 30 June 2019.

NOTES (CONTINUED)

21. PROVISIONS (CONTINUED)

The Group disposed of its interest in World Wide Creative Proprietary Limited at the reporting date and the provision relating to World Wide Creative Proprietary Limited was derecognised.

The provision for commission is recognised for sales commission recognised in Kalula Communications and is estimated based on monthly revenue at a rate of 2.5%.

The provision for incentive is recognised for Kalula Communication's partner reward programme which is granted to debtors when they reach certain revenue targets.

22. NON-CURRENT ASSETS HELD FOR SALE

During the prior year, management committed to a plan to sell the Group's investment in Emergent Energy. Accordingly, the investment was presented as a disposal group held for sale in the prior year.

The investment was sold during the current year on 1 September 2017 for a cash consideration of R823 716. Further to this there is a contingent consideration which is receivable until 31 August 2019. The contingent consideration is based on projected profits of projects specified in the sale agreement, of which R386 816 accrued to the Group in the current financial year. The Group recognised a profit on sale of R1 490 043 in the current year.

	Group		Company	
	2018	2017	2018	2017
Assets and liabilities				
Liabilities of disposal group held for sale				
Liabilities held for sale	–	(360)	–	–

23. REVENUE

Sale of goods	97 244	81 164	533	–
Rendering of services	541 649	397 499	54 382	–
Management fees	–	–	4 774	5 057
Dividends received	–	–	23 105	10 324
Total	638 893	478 663	82 794	15 381

24. OTHER OPERATING INCOME

Fees earned	–	738	–	–
Other recoveries	1	–	–	–
Sundry income	1 789	–	–	–
Commission received	–	4 761	3 204	6 883
Profit on sale of investment in associate	1 490	–	1 130	–
Profit on sale of property, plant and equipment	11	(5)	–	(5)
Fair value gain on Cadiz Life Investment Enterprise Development Fund	2	–	2	–
Total	3 293	5 494	4 336	6 878

NOTES (CONTINUED)

25. OTHER OPERATING GAINS/(LOSSES)

	Group		Company	
	2018	2017	2018	2017
Gains/(losses) on disposals, scrapings and settlements				
Discontinued operations	–	6 019	–	–
Investment in subsidiaries	(4 662)	–	–	–
Foreign exchange gains/(losses)				
Net foreign exchange (losses)/gains	(2 659)	1 748	–	–
Fair value gains/(losses)				
Investment in subsidiaries	–	–	(62 672)	133 677
Financial instruments at fair value through profit or loss				
Fair value gain on Cadiz investment	–	13	–	–
	–	13	(62 672)	133 677
Total other operating gains (losses)	(7 321)	7 780	(62 672)	133 677

26. MATERIAL NON-OPERATING ITEMS

	Group		Company	
	2018	2017	2018	2017
Equity-settled share-based payment	11 809	–	11 809	–
Warranty expense	4 239	–	4 239	–
Goodwill impairment	4 957	–	–	–
Listing costs expensed	6 831	–	6 831	–
	27 836	–	22 879	–

Equity-settled share-based payment: Refer to note 16.

Warranty expense: Refer to note 21.

Goodwill impairment: Refer to note 4.

Listing costs expensed: Share issue costs were incurred on listing, which were made up of: legal costs; independent reporting accountant fee; JSE listing fees and printing fees. These costs have been expensed in line with the Pre-listing Statement.

27. FINANCE INCOME

	Group		Company	
	2018	2017	2018	2017
Bank	226 488	2 101	224 034	34
Interest – group loans	466	299	–	–
Total interest income	226 954	2 400	224 034	34

28. FINANCE COSTS

Major shareholder loan	1 377	8 106	1 375	8 089
Finance leases	193	412	–	–
Bank	103	163	–	–
SARS interest	81	123	–	–
Total	1 754	8 804	1 375	8 089

29. INCOME TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
Major components of the tax expense/(income)				
Current				
Local income tax – recognised in current tax period	42 017	12 686	47 977	–
Under provision – prior period	–	655	–	–
Foreign income tax	23	114	–	–
Total current tax expense	42 040	13 455	47 977	–
Deferred				
Originating and reversing temporary differences	–	(720)	–	–
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	9 230	–	–	–
Current year	(3 230)	87	(6 740)	28 774
Total deferred tax expense	6 000	(633)	(6 740)	28 774
Total tax expense	48 040	12 822	41 237	28 774
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense:				
Accounting profit	195 996	39 669	131 595	139 097
Tax at the applicable tax rate of 28% (2017: 28%)	54 879	11 107	36 847	38 947
Tax effect of adjustments on taxable income				
Investment in subsidiaries	–	–	3 510	(7 486)
Donations	26	26	–	–
Dividends	–	–	(6 470)	(2 687)
Legal fees	600	245	592	–
Fines and penalties	2 231	161	2 149	–
Loss from associate	368	245	–	–
Tax on discontinued operations	–	1 093	–	–
Tax losses utilised	(15 737)	4	(1 573)	–
Under provision – prior period	3	164	–	–
Foreign income tax or withholding tax	23	114	–	–
Disposal of going concern in Software Tech Holdings	–	(337)	–	–
Other unreconciled movements in temporary difference	135	–	–	–
Equity-settled share-based payment	3 307	–	3 307	–
Listing fees	1 828	–	1 828	–
Consulting fees	82	–	82	–
Learnerships	(132)	–	(132)	–
Expense in respect of exempt income	427	–	1 097	–
	48 040	12 822	41 237	28 774

The estimated tax loss available for set-off against future taxable income is R– (2017: R38 603 624).

30. DISCONTINUED OPERATIONS

Profit or loss				
Revenue	–	44 215	–	–
Expenses	–	(40 315)	–	–
Operating profit	–	3 903	–	–
Income tax expense	–	(1 093)	–	–
	–	2 810	–	–

SOFTWARE TECH HOLDINGS PROPRIETARY LIMITED

In the prior year, the Group disposed of the going concern in Software Tech Holdings Proprietary Limited.

NOTES (CONTINUED)

31. EARNINGS PER SHARE

Earnings per share ("EPS") are derived by dividing the earnings attributable to equity holders of the parent by the weighted average number of ordinary shares.

	2018			2017		
	Gross	Tax	Net	Gross	Tax	Net
Earnings attributable to ordinary equity holders from continuing operations	–	–	144 285	–	–	13 861
Discontinued operations	–	–	–	–	–	2 811
Profit on sale of property, plant and equipment	(12)	3	(9)	12	(3)	9
Profit on disposal of discontinued operations	–	–	–	(6 019)	1 348	(4 671)
Profit on disposal of associate	(1 491)	417	(1 074)	–	–	–
Loss on disposal of subsidiary	1 985	(556)	1 429	–	–	–
Goodwill impairment	4 284	(1 200)	3 084	–	–	–
Headline earnings			147 715			12 010
Continued operation			147 715			9 199
Discontinued operation			–			2 811
Weighted average number of shares			305 700			212 079
Basic earnings per share (cents)			47.20			7.86
Continued operations			47.20			6.53
Discontinued operations			–			1.33
Headline earnings per share (cents)			48.32			5.66
Continued operations			48.32			4.33
Discontinued operations			–			1.33
There is no dilution in headline earnings per share						
Weighted average number of shares						
Shares: 31 August 2016						202 152
Shares issued:						
1 September 2017						6 584
Shares issued:						
30 September 2017						3 647
Shares: 15 December 2017 – 31 August 2018			93 317			–
Shares: 1 September 2016 – 31 August 2018			212 383			–
Shares:						
1 – 30 September 2016			–			17 395
Shares: 30 September 2016 – 31 August 2017			–			194 684
Total weighted average number shares			305 700			212 079

There were no diluted headline earnings per share.

32. CASH/(USED IN) GENERATED FROM OPERATIONS

	Notes	Group		Company	
		2018	2017	2018	2017
Profit before tax		195 997	39 670	131 596	139 097
Adjustments for:					
Depreciation	3	3 084	3 293	389	2
Profit on sale of investment in associate	35	(1 490)	–	(1 130)	–
Losses/(gains) on foreign exchange		235	708	–	–
Share of loss from equity-accounted investments		–	679	–	–
Loss on sale of property, plant and equipment		989	40	–	–
Finance income		(226 954)	(2 578)	(224 034)	(34)
Finance costs	28	1 754	8 804	1 375	8 089
Fair value (gains)/losses		(2)	(13)	62 672	(133 677)
Impairment losses		4 957	–	–	–
Tax penalty		7 676	–	7 676	–
Movements in operating lease assets and accruals		(35)	(520)	–	–
Loss on sale of investment		4 643	(6 019)	–	–
Movements in provisions		5 390	2 788	2 189	4 447
Equity-settled share-based payment		11 809	–	11 809	–
Income from discontinued operations	30	–	3 903	–	–
Amortisation	5	817	755	–	–
Changes in working capital:					
Inventories		(2 675)	(5 244)	(6 696)	–
Trade and other receivables		(91 650)	(18 878)	(96 314)	1 444
Trade and other payables		26 847	25 802	51 950	592
Deferred income		(322)	(20)	–	–
Total		(58 930)	53 170	(58 518)	19 960

33. TAX PAID

Tax payable balance at the beginning of the year		(7 988)	699	–	–
Current tax for the year recognised in profit or loss	29	(42 039)	(14 548)	(47 977)	–
Current tax on discontinued operations		–	(1 093)	–	–
Tax penalty		(7 682)	–	(7 676)	–
Balance at end of the year		40 974	7 988	55 653	–
		(16 735)	(6 954)	–	–

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – Group – 2018

	Opening balance	Loss of control of subsidiary	Finance cost	Finance costs paid	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Financial liabilities	5 742	(26)	–	–	–	(26)	(4 583)	1 133
Finance lease liabilities	2 347	–	–	–	–	–	(1 383)	964
Loans from group companies	80 597	–	766	(766)	(3 180)	(3 180)	(72 424)	4 993
Other loans							1 842	1 842
Total liabilities from financing activities	88 686	(26)	766	(766)	(3 180)	(3 206)	(76 548)	8 932

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Reconciliation of liabilities arising from financing activities – Company – 2018

	Opening balance	Finance cost	Finance costs paid	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Financial liabilities	4 724	–	–	–	–	(4 724)	–
Loans from group companies	80 596	766	(766)	(3 179)	(3 179)	(72 415)	5 002
Total liabilities from financing activities	85 320	766	(766)	(3 179)	(3 179)	(77 139)	5 002

35. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATION

World Wide Creative Proprietary Limited

On 31 August 2018 Software Tech Holdings Proprietary Limited Group disposed 75% of its interest in World Wide Creative Proprietary Limited for a consideration of R90. The Company was sold as it no longer fits the Group's long-term strategy. The net assets of World Wide Creative Proprietary Limited were as stated below on the date of disposal.

35.1 DISPOSAL OF SUBSIDIARY

	Group		Company	
	2018	2017	2018	2017
World Wide Creative				
Property, plant and equipment	442	–	–	–
Financial assets	4	–	–	–
Goodwill	3 205	–	–	–
Trade and other receivables	2 343	–	–	–
Trade and other payables	(974)	–	–	–
Provisions	(359)	–	–	–
Operating lease liability	(174)	–	–	–
Financial liabilities	(26)	–	–	–
Cash	314	–	–	–
Outside shareholders	(483)	–	–	–
Operating lease asset	30	–	–	–
Deferred tax asset	323	–	–	–
Current tax receivable	6	–	–	–
Total net assets sold	4 651	–	–	–
Consideration received	(1)	–	–	–
Loss on sale of subsidiaries	4 650	–	–	–
Net cash outflow on disposal				
Cash sold	314	–	–	–

35. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATION (CONTINUED)

35.2 DISCONTINUED OPERATIONS

On 30 June 2017, the Group disposed the going concern in Software Tech Holdings Proprietary Limited to Alacrity Technologies Proprietary Limited for a cash consideration of R17 140 000.

The going concern was sold as it no longer aligned with the Group's long-term strategy.

	Group		Company	
	2018	2017	2018	2017
Carrying value of assets sold				
Property, plant and equipment	–	342	–	–
Financial assets	–	474	–	–
Goodwill	–	4 631	–	–
Trade and other receivables	–	8 467	–	–
Trade and other payables	–	(218)	–	–
Provisions	–	(2 641)	–	–
Operating lease liability	–	(8)	–	–
Cash and cash equivalents	–	2 300	–	–
Total net assets sold	–	13 347	–	–
Consideration received	–	(19 440)	–	–
Profit on disposal	–	6 093	–	–
Consideration received				
Cash	–	(2 300)	–	–
Loan receivable	–	(17 140)	–	–
	–	(19 440)	–	–

NOTES (CONTINUED)

36. SEGMENT REPORT

The Group has the following five strategic divisions, which are reportable segments. These divisions offer different products and services and are managed separately.

The following summary describes the operations of each reportable segment:

	Software and consulting	Head office	Healthcare and support	Security	Unified communications	Total
31 August 2018						
Revenue	73 415	82 794	100 975	335 352	75 552	668 088
External sales	73 415	54 915	99 701	335 310	75 552	638 893
Intergroup sales	–	27 878	1 598	43	–	29 219
Depreciation and amortisation	(985)	(389)	(1 377)	(465)	(685)	(3 901)
Interest revenue	257	224 034	1 202	1 419	42	226 954
Interest expense	(28)	(1 375)	(83)	(1)	(267)	(1 754)
Non-current assets	4 337	53 008	11 773	1 065	2 598	72 781
Current assets	16 382	4 437 447	52 087	72 728	19 706	4 598 350
Non-current liabilities	–	–	–	–	(575)	(575)
Current liabilities	(8 715)	(101 544)	(16 898)	(58 059)	(16 362)	(201 578)
Capital expenditure	328	5 173	907	296	163	6 867

31 August 2017

Revenue	71 106	21 381	91 100	251 134	67 207	501 928
External sales	68 974	248	91 100	251 134	67 207	478 663
intergroup sales	2 132	21 133	–	–	–	23 265
Discontinued operation	2 811	–	–	–	–	2 811
Depreciation and amortisation	(1 143)	(2)	(1 851)	(439)	(772)	(4 207)
Interest revenue	183	34	1 768	373	42	2 400
Interest expense	(50)	(8 089)	(18)	(90)	(557)	(8 804)
Non-current assets	9 460	21 051	10 745	23 252	5 993	70 501
Current assets	38 076	10 016	46 254	98 091	21 570	214 007
Non-current liabilities	(149)	(85 074)	–	–	(2 808)	(88 031)
Current liabilities	(14 184)	(6 109)	(19 954)	(79 473)	(17 207)	(136 927)
Profit from associate	–	(679)	–	–	–	(679)
Capital expenditure	2 099	–	–	261	163	2 523

SEGMENTAL ANALYSIS

GEOGRAPHIC INFORMATION

The operations of the Group are domiciled in South Africa. A total of 2% (2017: 2%) of external revenue is attributable to foreign sales mainly to the Far East, United States of America 0% (2017: 0.3%) and Europe 2% (2017: 1.7%).

MAJOR CUSTOMERS

16% (2017: 19%) of the Group's revenue is derived from the public sector, mainly in the Western Cape. The balance relates to sales to the private sector.

37. COMMITMENTS

Operating leases – as lessee/(expense)

Minimum lease payments due

	Group		Company	
	2018	2017	2018	2017
– within one year	6 314	6 181	1 828	–
– in second to fifth year inclusive	13 345	13 873	3 053	–
– later than five years	1 936	5 419	–	–
	21 595	25 473	4 881	–

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

38. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets, financial liabilities and non-financial assets 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 that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of financial assets and non-financial assets measured at fair value, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Levels of fair value measurements

Level 3 – Recurring fair value measurements

	Notes	Group		Company	
		2018	2017	2018	2017
ASSETS					
Investments in subsidiaries at fair value through profit/(loss)	6	–	–	414 974	477 646
Financial assets designated at fair value through profit/(loss)	10				
3 Laws Capital Proprietary Limited Investment		88 827	–	88 827	–
Cadiz Investment Enterprise Development Fund		6 890	747	6 127	–
Total		95 717	747	94 954	–

There are no transfers of assets and liabilities between Levels 1, 2 or 3 of the fair value hierarchy.

NOTES (CONTINUED)

38. FAIR VALUE INFORMATION (CONTINUED) Reconciliation of assets and liabilities measured at level 3

		2018				
Notes	Opening balance	Gains/(losses) recognised in profit/(loss)	Purchases	Settlements	Closing balance	
Group ASSETS						
Financial assets designated at fair value through profit/(loss)						
10						
3 Laws Capital Proprietary Limited Investment	–	–	488 827*	(400 000)	88 827	
Cadiz Enterprise Development Investment	747	2	6 141	–	6 890	
Total financial assets designated at fair value through profit/(loss)	747	2	494 968	(400 000)	95 717	
Total	747	2	494 968	(400 000)	95 717	
		2017				
Notes	Opening balance	Gains/(losses) recognised in profit/(loss)	Purchases	Settlements	Closing balance	
Group ASSETS						
Financial assets designated at fair value through profit/(loss)						
10						
Cadiz Enterprise Development Investment	1 129	–	–	(382)	747	
Total	1 129	–	–	(382)	747	
		2018				
Notes	Opening balance	Gains/(losses) recognised in profit/(loss)	Purchases	Settlements	Closing balance	
Company ASSETS						
Investments in subsidiaries at fair value						
6						
Investments in unlisted subsidiaries	477 646	(62 672)	–	–	414 974	
Financial assets designated at fair value through profit/(loss)						
10						
3 Laws Capital Proprietary Limited Investment	–	–	488 827*	(400 000)	88 827	
Cadiz Enterprise Development Investment	–	2	6 125	–	6 127	
Total	477 646	(62 670)	494 952	(400 000)	509 928	
		2017				
Notes	Opening balance	Gains/(losses) recognised in profit/(loss)	Purchases	Settlements	Closing balance	
Company ASSETS						
Investments in subsidiaries at fair value						
6						
Investments in unlisted subsidiaries	301 782	133 676	42 188	–	477 646	
Total	301 782	133 676	42 188	–	477 646	

Gains and losses recognised in profit or loss are included in fair value adjustments in profit and loss.

* 3 Laws Capital purchases of R488.8 million consist of R470 million initial cash invested and R18.8 million interest earned which was reinvested.

38. FAIR VALUE INFORMATION (CONTINUED)

Financial instruments measured at cost for which a fair value is disclosed

Financial assets that are not measured at fair value, namely trade and other receivables, cash and cash equivalents, loans receivables and financial assets are categorised as loans and receivables. It has been concluded that the carrying amount of these assets approximate their fair value. Refer to note 40.

Financial liabilities that are not measured at fair value, namely loans, trade and other payables and financial liabilities are categorised as financial liabilities. It has been concluded that the carrying amount of these liabilities approximate fair value. Refer to note 41.

Information about valuation techniques and inputs used to derive level 3 fair values

Investment in subsidiaries

The value of investments in subsidiaries is determined using a discounted cash flow technique. A capital asset pricing model is used in which the present value of expected cash flows of the subsidiary are determined. The expected cash flows are determined by considering the current and planned operational activities of each subsidiary. The following rates were used in the valuation model:

Beta	0.68 – 1.4
Terminal growth rate	4.5% – 6%
Weighted average cost of capital	15.6% – 25.8%
Specific risk premium	1% – 3%
Debt-equity ratio	0% – 20%
Cost of debt	10%

The potential effect of using reasonably possible alternative assumptions in the valuation, based on a change in the most significant input by between 1% and 10% while holding all other variables constant, is shown in the following table:

Assumption	Change	Movement
Cost of debt	1%	3 420
Beta	0.1	21 140
Weighted average cost of capital	1%	39 320
Specific risk premium	1%	34 480
Debt-equity ratio	10%	31 330
Terminal growth	1%	23 830

Sensitivity analysis by company, for shareholding % and reflecting change only

	Cost of debt	Beta	WACC	Specific risk	Debt-equity ratio	Terminal growth
Change	1%	0.1	1%	1%	10%	1%
Software Tech Holdings Proprietary Limited	–	200	310	310	(580)	120
Health System Technologies Proprietary Limited	1 930	13 940	25 390	22 680	21 170	15 340
Puleng Technologies Proprietary Limited	1 250	4 880	9 240	7 840	7 230	5 760
Kalula Communication Proprietary Limited	240	2 120	4 380	3 650	3 510	2 610
	3 420	21 140	39 320	34 480	31 330	23 830

Valuation processes applied by the Group

The fair value calculation of Investments in subsidiaries are performed by the Group's finance department and operations team, on a yearly basis. The valuation reports are reviewed with the Board of Directors in accordance with the Group's reporting policies and operations team on a quarterly basis.

39. RELATED PARTY BALANCES AND TRANSACTIONS

Entity name	Relationship	Transaction description	Group		Company	
			2018	2017	2018	2017
African Equity Empowerment Investments Limited	Shareholder with significant influence	Loans receivable/ (payable)	(3 404)	(76 213)	(5 000)	(80 596)
Health System Technologies Proprietary Limited	Subsidiary	Loans receivable/ (payable)	(1)	(1)	–	–
Digital Health Africa Proprietary Limited	Subsidiary	Loans receivable/ (payable)	169	169	–	–
Sekunjalo Health and Commodities Proprietary Limited	Common share holding	Loans receivable/ (payable)	1	1	1	1
KimCo Trust – common key management	Common major shareholder	Loans receivable/ (payable)	(615)	(700)	–	–
3 Laws Capital Proprietary Limited	Common shareholding	Purchase of financial asset (refer to note 38)	88 827	–	88 827	–
Minority shareholder – Kalula Communications	Subsidiary	Loans receivable/ (payable)	371	–	–	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Trade receivables/ (trade payables)	(4 314)	1	(4 315)	–
Sekpharma Proprietary Limited	Common major shareholder	Trade receivables/ (trade payables)	–	228	–	–
Exaro HST Limited	Joint venture	Trade receivables/ (trade payables)	5 354	5 354	–	–
Health System Technologies Proprietary Limited	Subsidiary	Trade receivables/ (trade payables)	–	–	(502)	(13)
Health System Technologies Proprietary Limited	Subsidiary	Trade receivables/ (trade payables)	–	–	435	–
Premier Fishing SA Proprietary Limited	Common major shareholder	Trade receivables/ (trade payables)	(29)	(8)	(18)	–
African Technology and Media Holdings	Common major shareholder	Trade receivables/ (trade payables)	–	1 411	–	–
BT Communications Services South Africa Proprietary Limited	Common major shareholder	Trade receivables/ (trade payables)	(37 158)	–	(37 158)	–
Tripas Travel Proprietary Limited	Common major shareholder	Trade receivables/ (trade payables)	(397)	–	(397)	–
Kalula Communications Proprietary Limited	Subsidiary	Trade receivables/ (trade payables)	–	–	1 114	–
Afrinat Proprietary Limited	Shareholder with significant influence	Trade receivables/ (trade payables)	25	–	–	–
Premfresh Proprietary Limited	Common major shareholder	Trade receivables/ (trade payables)	(121)	–	(121)	–
Puleng Technology Proprietary Limited	Subsidiary	Dividend receivable	–	–	2 677	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Interest paid on shareholder loan	766	8 089	766	8 089

NOTES (CONTINUED)

39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Entity name	Relationship	Transaction description	Group		Company	
			2018	2017	2018	2017
African Equity Empowerment Investments Limited	Shareholder with significant influence	Interest (received from) loan to shareholder	(466)	(306)	–	(3)
3 Laws Capital Proprietary Limited	Common shareholding	Interest (received from) investment (refer to note 38)	(18 827)	–	(18 827)	–
Biton Music Productions Proprietary Limited	Common shareholder	Rent payable for property	1 006	–	–	–
Sub-lease to directors	Director	Rent receivable on motor vehicle lease	(228)	–	–	–
Health System Technologies Proprietary Limited	Subsidiary	Commission received	–	–	(3 029)	(8 530)
African Equity Empowerment Investments Proprietary Limited	Shareholder with significant influence	Administration fees paid to/ (received from)	7 203	2 968	7 203	2 968
Health System Technologies Proprietary Limited	Subsidiary	Administration fees paid to/ (received from)	–	–	(4 474)	(3 831)
Kalula Communication Proprietary Limited	Subsidiary	Administration fees paid to/ (received from)	–	–	–	(977)
African Equity Empowerment Investments Limited	Shareholder with significant influence	Sales	(76)	(2 436)	–	–
Sekpharma Proprietary Limited	Joint venture	Sales	–	(284)	–	–
Exaro HST Limited	Joint venture	Sales	–	(651)	–	–
Premier Fishing SA Proprietary Limited	Common major shareholder	Sales	(282)	(49)	–	–
Health System Technology Solutions	Subsidiary	Sales	–	–	–	(11)
Premier Fishing SA Proprietary Limited	Common major shareholder	Purchases – HR services and courier fees	194	211	–	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Purchases – marketing fees and bank charges	346	516	–	–
Tripas Travel Proprietary Limited	Common major shareholder	Purchases – travel	–	134	–	–
Health System Technologies Proprietary Limited	Subsidiary	Purchases – laptops, rent, IT services	–	–	930	21
BT Communications Proprietary Limited	Common major shareholder	Purchases – information technology management services	37 633	–	33 885	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Sundry income received – recovery of expenditure paid by the Company on behalf of AEEI	–	(283)	–	(283)

NOTES (CONTINUED)

39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Entity name	Relationship	Transaction description	Group		Company	
			2018	2017	2018	2017
Premier Fishing SA Proprietary Limited	Common major shareholder	Sundry income received – recovery of expenditure paid by the Company on behalf of Premier	–	(238)	–	(238)
Afrinat Proprietary Limited	Common major shareholder	Sundry income received – recovery of salaries paid by the Company on behalf of Afrinat	(2 136)	(3 374)	(2 136)	(3 374)
Health System Technology Proprietary Limited	Subsidiary	Sundry income received – recovery of expenditure paid by the Company on behalf of HST	–	–	(11)	(74)
Sekunjalo Medical Services Proprietary Limited	Subsidiary	Dividend received	–	–	(3 200)	(5 969)
Puleng Technologies Proprietary Limited	Subsidiary	Dividend received	–	–	(10 193)	(1 458)
Software Tech Holdings Proprietary Limited	Subsidiary	Dividend received	–	–	(7 773)	(2 896)
African Equity Empowerment Investments Limited	Shareholder with significant influence	Advertising, marketing paid to related parties	–	20	–	20
Independent News and Media Proprietary Limited	Common major shareholder	Advertising, marketing paid to related parties	335	–	335	–
esp Afrika Proprietary Limited	Common major shareholder	Advertising, marketing paid to related parties	3 051	–	3 051	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Conferences, meetings and seminars	99	21	99	21
Puleng Technologies Proprietary Limited	Subsidiary	Conferences, meetings and seminars	–	–	42	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Consulting fees paid	–	111	–	111
Sekunjalo Capital	Common major shareholder	Consulting fees paid – tax and corporate finance services	400	50	400	50
Saratoga Private Equity Proprietary Limited	Common shareholder	Consulting fees paid – Information technology services	–	60	–	–
S Young	Director	Consulting fees paid business strategy advisory	341	–	341	–

NOTES (CONTINUED)

39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Entity name	Relationship	Transaction description	Group		Company	
			2018	2017	2018	2017
Thunder Capital Assets Proprietary Limited	Common shareholder	Consulting fees paid – retainer paid for director	–	52	–	–
African Equity Empowerment Investments Limited	Shareholder with significant influence	Legal fees paid	–	714	–	714
Premier Fishing SA Proprietary Limited	Common major shareholder	Professional service fees paid to related parties	82	28	82	28
African Equity Empowerment Investments Limited	Shareholder with significant influence	Corporate finances services for listing	57 700	–	57 700	–
World Wide Creative Proprietary Limited	Subsidiary	Professional service fees paid to related parties	–	–	220	–
Tripos Tourism Investments Proprietary Limited	Common major shareholder	Travel and Accommodation paid to related parties	1 047	9	1 047	9
Health System Technology Proprietary Limited	Subsidiary	Travel and accommodation paid to related parties	–	–	–	7
Emergent Energy Proprietary Limited	Associates	Accounting fees paid to related parties	–	(192)	–	–
Health Systems Technology Proprietary Limited	Subsidiary	Recovery of CFO's salary paid by HST on behalf of the Company	–	–	750	–
Kalula Communications Proprietary Limited	Subsidiary	Information technology hardware	143	–	143	–
Short-term employee benefits	Directors and other key management	Compensation to directors and other key management	21 483	34 321	–	–
3 Laws Capital Proprietary Limited	Common shareholding	Management fee paid	1 263	–	1 263	–
3 Laws Capital Proprietary Limited	Common shareholding	(Trade payables)	(1 263)	–	(1 263)	–

NOTES (CONTINUED)

40. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Categories of financial instruments – Group – 2018

	Loans and receivables	Fair value through profit or loss – held for trading	Non- financial assets	Total
ASSETS				
Loans to group companies	1 989	–	–	1 989
Trade and other receivables	135 762	–	47 460	183 222
Other financial assets	93 390	6 890	–	100 280
Cash and cash equivalents	4 308 698	–	–	4 308 698
	4 539 839	6 890	47 460	4 594 189

Categories of financial instruments – Group – 2017

	Loans and receivables	Fair value through profit or loss – held for trading	Non- financial assets	Total
ASSETS				
Loans to group companies	4 552	–	–	4 552
Trade and other receivables	98 057	–	12 371	110 428
Cash and cash equivalents	74 229	–	–	74 229
Other financial assets	19 266	747	–	20 013
	196 104	747	12 371	209 222

Categories of financial instruments – Company – 2018

	Loans and receivables	Fair value through profit or loss – designated	Non- financial assets	Total
ASSETS				
Loans to group companies	1	–	–	1
Investment in subsidiaries	–	414 974	–	414 974
Trade and other receivables	56 713	–	44 337	101 050
Other financial assets	92 304	6 127	–	98 431
Cash and cash equivalents	4 246 813	–	–	4 246 813
	4 395 831	421 101	44 337	4 861 269

Categories of financial instruments – Company – 2017

	Loans and receivables	Fair value through profit or loss – designated	Non- financial assets	Total
ASSETS				
Loans to group companies	1	–	–	1
Investment in subsidiaries	–	477 646	–	477 646
Trade and other receivables	4 665	–	58	4 723
Other financial assets	3 024	–	–	3 024
Cash and cash equivalents	2 269	–	–	2 269
	9 959	477 646	58	487 663

41. FINANCIAL LIABILITY BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Categories of financial instruments – Group – 2018

	Financial liabilities at amortised cost	Non-financial liability	Total
LIABILITIES			
Loans from group companies	5 001	–	5 001
Financial liabilities	1 133	–	1 133
Finance lease liability	–	964	964
Trade and other payables	111 982	20 942	132 924
Bank overdraft	5 056	–	5 056
Operating lease liability	–	47	47
	123 172	21 953	145 125

Categories of financial instruments – Group – 2017

	Financial liabilities at amortised cost	Non-financial liability	Total
LIABILITIES			
Loans from group companies	80 597	–	80 597
Loans from shareholders	69	–	69
Finance lease liability	–	2 808	2 808
Financial liabilities	5 742	–	5 742
Trade and other payables	88 013	20 490	108 503
Operating lease liability	–	305	305
Bank overdraft	3 109	–	3 109
Deferred income	–	2 981	2 981
	177 530	26 584	204 114

Categories of financial instruments – Company – 2018

	Financial liabilities at amortised cost	Non-financial liability	Total
LIABILITIES			
Loans from group companies	5 000	–	5 000
Trade and other payables	45 129	8 101	53 230
	50 129	8 101	58 230

Categories of financial instruments – Company – 2017

	Financial liabilities at amortised cost	Non-financial liability	Total
LIABILITIES			
Loans from group companies	80 596	–	80 596
Financial liabilities	4 724	–	4 724
Trade and other payables	244	1 151	1 395
	85 564	1 151	86 715

42. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group holds financial instruments to finance its operations and to manage the financial risk that arises from these operations. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. Risk management is carried out by the Group under policies approved by the board.

LIQUIDITY RISK

The Group's risk to liquidity is as a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. African Equity Empowerment Investments Limited has subordinated their loan and gives support to the Group which reduces the liquidity risk of the Group.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 August 2018	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Total
Group				
Trade and other payables	132 927	–	–	132 927
Loans from group companies	5 000	–	–	5 000
Finance lease liability	389	575	–	964
Other financial liabilities	1 133	–	–	1 133

At 31 August 2017	Up to 1 year	Between 1 and 2 years	Total
Group			
Trade and other payables	108 505	–	108 505
Loans from group companies	80 597	–	80 597
Finance lease liability	259	2 549	2 808
Other financial liabilities	5 692	50	5 742

At 31 August 2018	Less than 1 Year	Between 1 and 2 years	Over 5 years
Company			
Trade and other payables	53 232	–	50 632
Loans from group companies	5 000	–	5 000

At 31 August 2017	Less than 1 Year	Over 5 years
Company		
Trade and other payables	1 398	1 398
Loans to group companies	80 596	80 596
Financial liabilities	4 724	4 724

42. RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

At 31 August 2018, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R12 678 (2017: R64 038) lower/higher, mainly as a result of higher/lower finance cost on floating rate borrowings.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Group adopts a policy of ensuring that 100% of its interest rate risk exposure is at a fixed rate.

CREDIT RISK

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, and trade receivables. The Group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

The Group utilises the services of Absa Bank Limited, First National Bank and Standard Bank, of which the credit ratings are as follows:

	MOODY'S RATING		FITCH RATINGS
	Absa Group	Absa Group	Absa Bank Limited
Long-term	Baa3	BB+	BB+
Outlook	Negative	Negative	Stable
	Standard Bank	Standard Bank	Standard Bank
Long-term	Baa3	Ba1	BB+
Outlook	Stable	Stable	Stable
	First National Bank	First National Bank	First Rand Limited
Long-term	Baa3	BB+	BB+
Outlook	Negative	BB+	Negative

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rate, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customer are settled in cash.

Credit risk with respect to receivables is limited due to the number of debtors comprising the Group's customer base. Although the Group is directly affected by the financial condition of its customers, management does not believe significant credit risk exist at 31 August 2018. Generally, the Group does not require collateral or other securities to support its accounts receivable.

Loans to Group companies are managed at Group level by the Group treasury function. Regular reviews of subsidiary cash flows and loan repayment are monitored on an ongoing basis. Advances and repayment are assessed per the agreed terms. Where there are any deviations, this is brought to the attention of the Group treasury function and the Company's Board of Directors.

Financial assets exposed to credit risk at period end were as follows:

	Group		Company	
	2018	2017	2018	2017
Financial instrument				
Loans receivable	1 989	4 552	–	1
Financial assets	100 280	20 013	98 431	3 024
Trade and other receivables	183 222	110 428	101 050	4 723
Cash and cash equivalents	4 308 698	74 229	4 246 813	2 269

42. RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

At 31 August 2018, the exposure to credit risk for trade receivables by geographic region was as follows:

	2018
Group	
Africa	8 476
Europe	190
	8 666
Non-government	80 763
Government institutes	23 219
	103 982

The Group performs ongoing credit evaluations of the financial condition of all customers. Before any new customer is approved for credit, a thorough credit check is performed by an external credit agency. The agency provides credit scores and credit ratings on each customer. In addition to that a recommended credit limit is provided by the credit agency. Additional internal ratings and credit limit checklist procedures are performed by management before a final credit limit is approved to our customers. The credit quality of trade and other receivables that are neither past due nor impaired is assessed by management based on historical information about counterparty default ratings if available. The customer base consists of both foreign and local customers. Credit quality is considered to be high.

FOREIGN EXCHANGE RISK

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group was exposed to both US Dollar and British Pound exposure during the year. At the reporting date, only a US Dollar balance existed and was restated.

FOREIGN CURRENCY EXPOSURE AT REPORTING DATE

Current assets

Trade debtors USD 13 274 (2017: USD 207 329)	192	2 692
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Liabilities

Trade payables, USD 1 187 878 (2017: USD 629 524)	17 176	8 175
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Exchange rates used for conversation of foreign items were

USD	14,4591	12,9854
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At 31 August 2018, if the currency had been 10% higher or lower against the US Dollar with all other variables held constant, post-tax profit for the year would have been R1 222 828 higher or lower (2017: R246 326).

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Company expects its foreign exchange contracts to hedge foreign exchange exposure.

43. EVENTS AFTER THE REPORTING PERIOD

On 21 August 2018, the Board of Directors approved the Company entering into a binding offer with Loxisource Proprietary Limited and Alexisource Proprietary Limited to acquire 55% of the share capital of Zaloserve Proprietary Limited. Zaloserve is an investment holding company that holds a 100% shareholding in Opiwize Proprietary Limited, which in turn holds 100% shareholding in Sizwe Africa IT Proprietary Limited. The investment will be purchased for R165 million. A payment of 90% of the purchase price will be settled upfront with the balance being settled upon the achievement of warranted profits for a 3-year period.

As per IFRS 3 B64 the acquisition is required to be disclosed as a business combination but due to the fact that the timing between when the deal was finalised and the issue date of the financial statements initial accounting for a business combination was incomplete.

On 21 August 2018, the Board of Directors approved the Company entering into a joint venture with the Vunani Group an independently managed diversified financial services group. The formation of a R100 million fintech joint venture to expand the fintech platform and financial services activities of Vunani further diversifying the portfolio of AYO.

NOTES (CONTINUED)

44. DIRECTORS' EMOLUMENTS

The aggregate remuneration of the Directors for the financial year ending 31 August 2018, paid by the Group (AYO Technology Solutions and any of its subsidiaries) is as follows:

	2018					
	Salary	Bonus	Medical Group life and other	Pension contributions	Directors' fees	Total
CF Hendricks ^{1,3}	—	—	—	—	—	—
K Abdulla ^{1,4}	—	—	—	—	—	—
AB Amod ^{1,6}	—	—	—	—	—	—
N Gamielien ²	1 543	377	10	27	—	1 957
GW Madzonga ¹	—	—	—	—	—	—
KAW Hardy ²	2 500	2 000	111	284	—	4 895
S Nodwele ²	1 716	320	51	111	—	2 198
S Young ^{1,5}	—	—	—	—	486	486
TM Ntsasa ¹	—	—	—	—	—	—
MF Khoza ¹	—	—	—	—	—	—
Dr W Mgoqi ¹	—	—	—	—	—	—
Dr D George ¹	—	—	—	—	—	—
R Mosia ^{1,7}	—	—	—	—	—	—
S Rasethaba ¹	—	—	—	—	—	—
N Ramathlodj ^{1,8}	—	—	—	—	101	101
	5 759	2 697	172	422	587	9 637

	2017				
	Salary	Bonus	Medical Group life and other	Pension contributions	Total
CF Hendricks ¹	—	—	—	—	—
K Abdulla ¹	—	—	—	—	—
AB Amod ¹	—	—	—	—	—
N Gamielien ²	934	170	56	131	1 291
GW Madzonga ^{1,9}	—	—	—	—	—
KAW Hardy ^{1,9}	—	—	—	—	—
S Nodwele ^{1,9}	—	—	—	—	—
S Young ^{1,9}	—	—	—	—	—
TM Ntsasa ^{1,9}	—	—	—	—	—
MF Khoza ^{1,9}	—	—	—	—	—
Dr W Mgoqi ^{1,9}	—	—	—	—	—
Dr D George ^{1,9}	—	—	—	—	—
R Mosia ^{1,9}	—	—	—	—	—
S Rasethaba ^{1,9}	—	—	—	—	—
N Ramathlodj ^{1,9}	—	—	—	—	—
	934	170	56	131	1 291

Note:

¹ Non-executive directors.

² Executive directors.

³ CF Hendricks was remunerated by AEEI an amount of R568 524 and by Premier Fishing SA Limited (Premier) an amount of R946 929. Such remuneration was not payable by AYO Technology, nor was it for services rendered as a Director of the Company.

⁴ K Abdulla was remunerated by AEEI in an amount of R6 058 094. Such remuneration was not payable by AYO Technology nor was it for services rendered as a Director of the Company.

⁵ S Young was remunerated by AEEI in amount of R369 504 and by Premier an amount of R 182 544. Such remuneration was not payable by AYO Technology nor was it for services rendered as a Director of the Company.

⁶ AB Amod was remunerated by AEEI in amount of R216 287 and by Premier an amount of R635 682. Such remuneration was not payable by AYO Technology nor was it for services rendered as a Director of the Company.

⁷ R Mosia was remunerated by Premier an amount of R 182 544. Such remuneration was not payable by AYO Technology nor was it for services rendered as a Director of the Company.

⁸ N Ramathlodi was remunerated by AEEI in amount of R107 506 and by Premier an amount of R76 149. Such remuneration was not payable by AYO Technology nor was it for services rendered as a Director of the Company.

⁹ The Directors were appointed during the current reporting period.

NOTES (CONTINUED)

44. DIRECTORS' EMOLUMENTS (CONTINUED)

The Companies Act of South Africa require that the Company also discloses remuneration and benefits received or receivable by Directors of the Company from any holding company or its subsidiaries. AYO Technology Solutions Limited was a subsidiary of African Equity Empowerment Investments (AEEI) for a portion of the reporting period, as such remuneration received from AEEI or any of its subsidiaries is disclosed.

Directors are not entitled to any commission and are not party to any gain or profit-sharing arrangements with the Group. Save for the emoluments set out above, no other material benefits were received by Directors.

Direct and indirect interest of the Directors

The direct and indirect interests of the Directors and their associates (including a director who has resigned during the last 18 months) in the issued share capital of the Company at the reporting date is as follows:

2018	Share held directly number of share held	Direct % of shares in issue held	Indirect number of shares held	Indirect % of shares in issue held	Total number of shares held	% of shares in issue held
Director						
K Abdulla	1 250	0.00%	–	–	1 250	0.00%
S Young	2 500	0.00%	–	–	2 500	0.00%
A Amod	1 250	0.00%	–	–	1 250	0.00%
Total	5 000	0.00%	–	–	5 000	0.00%

2017	Share held directly number of share held	Direct % of shares in issue held	Indirect number of shares held	Indirect % of shares in issue held	Total number of shares held	% of shares in issue held
Director						
K Abdulla	1 250	0.00%	–	–	1 250	0.00%
S Young	2 500	0.00%	–	–	2 500	0.00%
A Amod	1 250	0.00%	–	–	1 250	0.00%
Total	5 000	0.00%	–	–	5 000	0.00%

There have been no changes in beneficial interest that occurred between the end of the reporting period and the date of this report.

45. AUDITOR'S REMUNERATION

	2018	2017
Auditor's remuneration		
Audit fees	731 102	458 453

ANALYSIS OF SHAREHOLDER INFORMATION

Shareholder information as at 31 August 2018

	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
ANALYSIS OF SHAREHOLDINGS				
1 – 5 000	862	81.11%	1 120 336	0.33%
5 001 – 10 000	69	6.48%	520 775	0.15%
10 001 – 100 000	98	9.21%	2 863 818	0.83%
100 001 – 1 000 000	16	1.50%	3 568 039	1.04%
1 000 001 – and more	18	1.69%	336 052 226	97.65%
Totals	1 063	100.00%	344 125 194	100.00%

	Number of shares	Percentage of total issued shares
MAJOR SHAREHOLDERS (5% AND MORE OF THE SHARES IN ISSUE)		
African Equity Empowerment Investments Limited	169 866 829	49.36%
Government Employees Pension Fund	99 782 655	29.00%
	269 649 484	78.36%

	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
SHAREHOLDER SPREAD				
Non-public:	5	0.47%	269 654 484	78.36%
Directors	3	0.28%	5 000	0.00%
>than 10% of I/C	2	0.19%	269 649 484	78.36%
Public	1 058	99.53%	74 470 710	21.64%
Totals	1 063	100.00%	344 125 194	100.00%

	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
DISTRIBUTION OF SHAREHOLDERS				
Individuals	936	88.05%	36 011 318	10.46%
Nominee companies and trusts	59	5.55%	5 345 294	1.55%
Public companies	2	0.19%	269 649 484	78.36%
Close corporations and private companies	66	6.21%	33 119 098	9.62%
Totals	1 063	100%	344 125 194	100%

	Market price per share (cents)
SHARE TRADING STATISTICS	
High	4 500
Low	1 404
Year-end	3 000
Volume traded (shares)	840 718
Value traded (rand)	33 087 187
Volume of shares traded as a percentage of issued capital	0.24%
Market capitalisation at 31 August 2018 (rand)	10 323 755 820
Market capitalisation at 7 November 2018 (rand)	8 585 923 590

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING

FINANCIAL REPORTS

Announcement of interim results	May 2019
Interim report	May 2019
Announcement of annual results	November 2019
Integrated report	November 2019

DIVIDEND PAYMENT

Gross dividend (cents per share)	30.00
Dividend net of dividend withholding tax (cents per share)	24.00
Announcement date	Monday, 12 November 2018
Last date to trade cum dividend	Tuesday, 27 November 2018
Trading ex-dividend commences	Wednesday, 28 November 2018
Record date	Friday, 30 November 2018
Date of payment	Monday, 3 December 2018

Share certificates may not be dematerialised between Wednesday, 28 November 2018 and Friday, 30 November 2018, both days inclusive.

ADMINISTRATION

COMPANY SECRETARY

Company secretary:

R Nock
Rodanchia.nock@ayotsl.com

Registered address:

Quay 7, East Pier, V&A Waterfront, Cape Town, 8001

Email:

info@ayotsl.com

Transfer secretaries:

Link Market Services South Africa Proprietary Limited
13th Floor, 19 Ameshoff Street, Braamfontein, 2001

Auditors:

BDO Cape Incorporated
6th Floor, 123 Hertzog Boulevard, Cape Town, 8001
(PO Box 2275, Cape Town, 8000)

Sponsor:

PSG Capital Proprietary Limited
1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600

LISTING

Johannesburg Stock Exchange Sector: Diversified Industrials
Share Code: AYO
ISIN Code: ZAE000252441

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