

GROUP ANNUAL FINANCIAL STATEMENTS 2019



DIGITAL ECONOMY. TRANSFORMED



AYO TECHNOLOGY SOLUTIONS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1996/014461/06
Share code: AYO ISIN: ZAE000252441
("AYO" or the "Group" or the "Company")



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LEVEL OF ASSURANCE

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

PREPARER

These consolidated annual financial statements were prepared by the Group Financial Accountant, Pride Guzha CA(SA), under the supervision of the Group Chief Financial Officer, Tatenda Bundo CA(SA).

Published

13 March 2020

Audit and risk committee report

The audit and risk committee have the pleasure in submitting this report for the financial year ended 31 August 2019 as recommended by the King Code, the JSE Listing Requirements and the Companies Act.

MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

The audit and risk committee comprises of the independent non-executive directors listed below, all of whom have the requisite business acumen and experience, as well as financial skills, to fulfil the committee's duties.

During the year under review, five meetings were held, and attendance at those meetings is set out in the table below:

Name	7 November 2018	4 December 2018	29 March 2019	3 June 2019	13 June 2019	3 August 2019
Rosemary Mosia	✓	✓	✓	✓	✓	✓
Dr Dennis George	✓	✓	✓	✓	✓	✓
Sello Rasethaba	✓	✓	✓	✓	✓	✓
Aziza Amod	N/A	N/A	✓	✓	✓	✗
Adv. Ngoako Ramathlodi	✓	✗	✗	✓	✓	✓
Salim Young	✓	✗	N/A	N/A	N/A	N/A

Salim Young resigned as a director and member of the audit and risk committee on 22 January 2019.

Aziza Amod was appointed as a member of the audit and risk committee on 23 January 2019.

In addition to the committee members, the chief executive officer, chief financial officer and the external auditors attend the meetings of the committee by invitation.

The external auditors may communicate directly with the Chair of the audit and risk committee and all its members throughout the year. The Chair of the committee is also available at the annual general meeting to answer questions about the committee's activities.

EXTERNAL AUDITOR

The audit and risk committee undertook a review of the cost and scope of the audit function performed by the independent auditors of the Group. BDO South Africa Incorporated ("BDO"), formerly BDO Cape Incorporated, was appointed as the Group's auditors for the 2019 reporting period. Mr Stephan Cillié was appointed as the designated auditor for the 2019 financial reporting period.

The committee is of the view and is satisfied that the external auditor is independent of the Group.

The committee approved the level of scope, external audit fees and the extent of non-audit services for the 2019 audit. The nature and extent of all non-audit services provided by the external auditors are approved and reviewed by the committee. The extent of non-audit services did not exceed the approved limits.



The committee evaluated the audit and was satisfied with the performance of the external auditor during the reporting period and with the quality of the external audit procedure. BDO has been the auditor of AYO for 22 years. The committee reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements.

BDO informed the Group that it will not be seeking re-appointment as the auditors of the Group, at the next annual general meeting (“AGM”) of AYO. The committee has commenced with a tender process for the appointment of auditors at the next AGM.

KEY AUDIT MATTERS RELATING TO THE 2019 AUDIT

The audit and risk committee considered the key audit matters as outlined in the independent auditor’s report set out on pages 7 to 12.

These key audit matters were:

- Valuation of goodwill and intangible assets (consolidated annual financial statements)
- Completeness and occurrence of related party transactions and disclosure (consolidated annual financial statements)
- New business acquisitions and related accounting (consolidated annual financial statements)

The committee is satisfied that these key audit matters were adequately addressed in the context of the audit.

INTERNAL AUDIT

The Group’s internal audit function was fulfilled by the head of internal audit of AEEI up to 30 April 2019 who provided the audit and risk committee with assurance of the effectiveness of the Group’s internal control environment. The head of internal audit reported directly to the Chair of the audit and risk committee.

The committee reviewed the reports on the adequacy of the Group’s internal control environment and based on that review it is satisfied that there have been no material breakdowns in the internal control environment of the Group.

The committee resolved to appoint an internal audit manager to conduct the internal audit function for the Group commencing in the 2020 financial year.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The committee reviewed the consolidated annual financial statements for the year ended 31 August 2019 and is satisfied that they comply in all material respects with the requirements of IFRS, the Companies Act of South Africa (“Companies Act”) and the JSE Listing Requirements.

The committee recommended the consolidated annual financial statements to the board for approval.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

The committee has satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Limited Listing Requirements that the chief financial officer has the appropriate experience and expertise to meet the responsibilities of the position.

The committee has satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Limited Listing Requirements with the expertise of the finance department and is satisfied that the finance department has the appropriate expertise and is adequately resourced.

Audit and risk committee report (continued)

GOING CONCERN

The committee reviewed the going concern status of the Group and recommended to the board that the Group will continue to be considered on a going concern basis for the foreseeable future and that the consolidated annual financial statements have been prepared on the basis applicable to a going concern.

CONCLUSION

I would like to thank my fellow committee members, executive and non-executive directors, the external auditors, invitees and management for their contributions to the committee during the year.

On behalf of the audit and risk committee



Rosemary Mosia

Chair of the audit and risk committee

13 March 2020



Directors' responsibilities and approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated 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 ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") financial reporting guides issued by the Accounting Practice committee, the Listing Requirements of the JSE Limited and the Companies Act. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements, set out on pages 22 to 115, are based on appropriate accounting policies which have been consistently applied throughout the Group and which are 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 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 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 and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated 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 cash flow forecast for the next 12 months from the date of issue of audited financial statements 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.

During the period under review, no director had any material interest in any contract which is or was significant in the company, any of its subsidiaries, associate or joint venture that would cause conflict of interest in the ordinary course of business. Related party transactions with the directors are disclosed in note 44.

The independent external auditors are responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor's report to the shareholders of the Group is set out on pages 7 to 12 of this report.

The consolidated annual financial statements set out on pages 13 to 115, which have been prepared under the supervision of the Group Chief financial officer Tatenda Bundo CA(SA), on the going concern basis, were approved by the board of directors on 29 January 2020. The consolidated annual financial statements are signed on the directors' behalf by:

Dr Wallace Amos Mqoqi

Non-executive chairman

13 March 2020

Howard Platjes

Chief executive officer

13 March 2020

Company Secretary's Certification

Miss Rodanchia Nock served as the company secretary up to 21 December 2018, after which Mr Wazeer Moosa was appointed as the company secretary with effect from 1 January 2019. He is not a director of the Company. His roles and responsibilities are described in the board charter.

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as the company secretary, I hereby confirm in terms of the Companies Act, that for the year ended 31 August 2019, AYO Technology Solutions Limited ("AYO") has lodged with the Companies and Intellectual Property Commission ("CIPC"), all such returns and notices that are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



Per **Wazeer Moosa**
Company Secretary

13 March 2020

Independent Auditor's Report

To the shareholders of AYO Technology Solutions Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of AYO Technology Solutions Limited and its subsidiaries (the “group”) set out on pages 22 to 117, which comprise the consolidated statement of financial position as at 31 August 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AYO Technology Solutions Limited and its subsidiaries as at 31 August 2019, and its consolidated financial performance and consolidated 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 consolidated financial statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – subsequent event

We draw your attention to note 52 which indicates that the previously issued consolidated financial statements for the year-ended 31 August 2019, on which we issued an auditor's report dated 31 January 2020, have been revised. As explained in note 52, this is to correct certain disclosure amendments that were not previously incorporated into the audited results. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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)

Key audit matter

How our audit addressed the key audit matter

Valuation of goodwill and intangible assets

Under IFRS, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use.

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.

We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test.

Our audit procedures focused on evaluating and challenging the key assumptions applied by management in conducting the impairment review. These procedures included, amongst others, the following:

- reviewed the model for compliance with IAS 36 *Impairment of Assets*;
- verified the mathematical accuracy and methodology appropriateness of the underlying model calculations; and
- agreed the key financial inputs to the actual trial balance.

We have made use of our internal valuation experts to:

- assess the model for arithmetical accuracy;
- evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process;
- assess the reasonability and appropriateness of the key inputs;
- perform a sensitivity analysis of the key assumptions in the model; and
- assess 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.

We assessed whether disclosures made relating to the goodwill and intangible assets impairment was appropriate and applicable in accordance with International Financial Reporting Standards.



Independent Auditor's Report (continued)

Key audit matter

How our audit addressed the key audit matter

Occurrence of related party transactions and completeness of related party disclosure

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 well as the occurrence of related party transactions, as disclosed in note 45 to the consolidated financial statements, resulting in this being regarded as a key audit matter.

Our procedures in assessing the occurrence of related party transactions, and the completeness of related party disclosure included, amongst others, the following:

- Obtained an understanding of the overall control environment regarding related parties, as well as the processes which have been implemented by management in this regard, and which have been overseen by the board of directors.
- Tested the design and implementation of relevant controls in place over related party transactions.
- Identified related parties through the review of shareholder records, minutes of meetings, director's registers, the Group structure and other records.
- Reviewed the prior year working papers for names of known related parties and compared these to the current year list of related parties provided by management.
- Obtained the list of known affiliations of those charged with governance to other entities and compared this to client schedules.
- For related party transactions identified, we agreed the transactions to disclosure included in the related entities' financial statements or to the company's general ledger as applicable.
- Obtained signed declarations of directors' interests in contracts.
- Scanned the general ledger for known related parties and:
 - ensured that all material recorded entries were included in the related party disclosure in the financial statements;
 - 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.
- For related party transactions recorded, we agreed the transactions on a judgemental sample basis to:
 - supporting evidence
 - resolutions passed
 - minutes of meetings
- Assessed a selection of related party transactions for compliance with the:
 - Memorandum of Incorporation
 - Companies Act
 - JSE listing requirements; and
- Obtained management representations as to the occurrence and validity of related party transactions and completeness of related party disclosures.

We assessed whether the related party disclosure was appropriate and applicable in terms of International Financial Reporting Standards.

Independent Auditor's Report (continued)

Key audit matter

How our audit addressed the key audit matter

New business acquisitions and related accounting

During the year, the group acquired Zaloserve (Pty) Ltd, Mainstreet (Pty) Ltd, GCCT (Pty) Ltd and AYO International (Pty) Ltd.

The accounting for these acquisitions is governed by IFRS 3 *Business Combinations*, whose requirements can be complex and requires management to exercise judgement in determining certain estimates. The most significant is the determination of the purchase price allocation which encompasses:

- identifying the assets and liabilities acquired and determining their provisional fair values;
- determination of goodwill to be recognised on acquisition; and
- determining the value of the considerations transferred.

Management appointed independent experts to assist them with the purchase price allocation (PPA) and the determination of the resulting goodwill.

We have determined this to be a key audit matter due to the value of the current year acquisitions and the level of judgment and estimate involved in the PPA. Refer to note 42.

Our procedures included, amongst others, the following:

- Assessed the design of the key controls over the PPA process.
- Assessed the competence, capabilities and objectivity of management's independent experts and verified their qualifications and independence.
- Involvement of our internal valuation specialists to perform an independent assessment of the fair values of the identifiable assets acquired and liabilities assumed on the respective acquisition dates specifically relating to the provisional valuation and identification of previously unidentified intangible assets and the resultant goodwill which was recognised.
- Recomputed the value of the considerations transferred with reference to the purchase agreements.
- Recomputed the resulting goodwill or bargain purchase to be recognised on acquisition.
- Assessed whether the previously unidentified intangible assets meet the recognition criteria.
- Performed procedures to determine that acquisitions made were included correctly in the consolidation.
- Reviewed the acquisition agreements to ensure that the acquisitions were accounted for at the correct effective date of acquisition.
- Obtained internal technical opinions on control in terms of IFRS 10 and reviewed and assessed opinions obtained by management on the matter.
- Obtained management representations on the valuation of the purchase price allocations.

Assessed the disclosures in the financial statements in relation to the business combinations for compliance with International Financial Reporting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "AYO Technology Solutions Limited Group Annual Financial Statements 2019", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the information included in the document titled "AYO Technology Solutions Limited Integrated Report for the year ended 31 August 2019". The other information does not include the consolidated financial statements and our auditor's reports 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.

Independent Auditor's Report (continued)

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 financial statements

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.

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.

Independent Auditor's Report (continued)

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 South Africa Incorporated has been the auditor of AYO Technology Solutions Limited for 22 years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors.

The reportable irregularity relates to the 28 February 2018 interim results. Particulars of the reportable irregularity are:

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

BDO South Africa Incorporated

BDO SOUTH AFRICA INCORPORATED

Registered Auditors

Practice number: 970879-0000

Stephan Cillié

Director

Registered Auditor

Chartered Accountant (SA)

13 March 2020

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

Directors' report

The directors have pleasure in submitting their report which forms part of the consolidated annual financial statements for the year ended 31 August 2019.

1. NATURE OF BUSINESS

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

AYO increased its operations during the current financial year with the acquisition of Sizwe Africa IT Proprietary Limited (“Sizwe”), a company which provides managed services in the ICT industry, SGT Solutions Proprietary Limited (“SGT Solutions”), a company which provides turnkey solutions integrator services specialising in the design, supply, deployment, commissioning and maintenance of multi-technology telecommunication systems for mobile broadband and converged solutions, and Global Command and Control Technologies Proprietary Limited (“GCCT”), a leading technology provider for enabled awareness solutions in the security and defence industry.

Refer to AYO’s integrated report available on our website at www.ayotsl.com for a more detailed description of the AYO’s operations, products and services.

2. FINANCIAL RESULTS

The consolidated annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee, King IV Report on Corporate Governance for South Africa (“King IV”) and the Listings Requirements of the JSE Limited. The accounting policies have been applied consistently compared to the prior year except as outlined in note 2 of the consolidated annual financial statements.

Revised Annual Group Financial Statements

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

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

The disclosure amendments are to notes 1, 2, 3, 7, 8, 14, 16, 22, 28, 40, 44, 46, 47, 50 and 51 of the financial statements. Refer to updates in note 52.

A SENS report issued on 11 March 2020 details the summary of the disclosure amendments made to the notes in the revised 2019 audited Group financial statements and this report can be accessed on the Company website www.ayotsl.com.

Group financial performance

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

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

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

Directors' report (continued)

2. FINANCIAL RESULTS (continued)

As per the share sale agreements, AYO has the option to acquire 60% of the shares in Main Street from African Equity Empowerment Investments Limited ("AEEI") and 31% of the shares in GCCT. The options are exercisable between two to four years from the date of purchase of Main Street and GCCT. These options have been fair valued at year-end and the gain has been disclosed in other operating gains.

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

Investment decisions

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

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

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

Financial markets announcements

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

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

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

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

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

2. FINANCIAL RESULTS (continued)

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

Related party transactions

AYO entered into various transactions with related parties during the year under review. The nature and amounts of these related party transactions has been disclosed in note 44 of this report.

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

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

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

4. DIVIDENDS

A maiden interim dividend of 35 cents per share amounting to R120 million was paid to shareholders during the year under review.

A final dividend of 16 cents per share was approved by the board of directors on 20 December 2019 in South African rand in respect of the year ended 31 August 2019. The dividend was paid on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 13 January 2020.

5. DIRECTORATE

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

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

Directors' report (continued)

6. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2019, the directors of the Company held direct and indirect beneficial interest in 3.2008% (2018: 0.0015%) of its issued ordinary shares, as set out below.

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2019					
S Young	2 500	-	-	-	0.0007%
A Amod	1 250	-	-	-	0.0004%
I Amod	1 250	-	-	-	0.0004%
D George	-	-	-	11 063 304	3.2000%
2018					
K Abdulla	1 250	-	-	-	0.0004%
A Amod	1 250	-	-	-	0.0004%
S Young	2 500	-	-	-	0.0007%

7. CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in the King IV, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to conduct the Group with integrity and in accordance with generally accepted corporate practices. The board and the board committees have reviewed the Group's corporate governance policies and procedures in the current year and no issues were identified.

8. GOING CONCERN

Management is not aware of material uncertainties relating to events or conditions that may cast significant doubt upon AYO's ability to continue as a going concern.

However, the directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient cash reserves to meet its foreseeable cash requirements. The directors do not intend to liquidate the Company or cease trading and upon performing an assessment; have taken into account all available information about the future which is at least, but is not limited to 12 months from the date of issue of this report. The uncertainties in relation to the going concern of the entity have been disclosed under the commitments and contingencies note, refer to note 43. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements which may affect the Group.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 43.



9. EVENTS AFTER THE REPORTING PERIOD

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

On 4 October 2019, the Company increased its ownership interest in 4Plus Technology Venture Fund Africa Proprietary Limited by a further 5% increasing its total ownership to 15%.

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

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

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

On 1 November 2019, the Company concluded an offer to acquire 55% of the share capital of VOX Spectrum Limited ("VOX") for an upfront consideration of R9.4 million and an earn-out of R10.7 million. The earn out amount is to be paid equally over a period 3 years provided that VOX achieves a minimum warranted net profit after tax (Warranted NPAT) of R7.3 million in the first year, R8.4 million in the second year and R9.7 million in the third year. In the event that VOX does not achieve the Warranted NPAT over the 3 year period then the earn out payments shall be pro-rata to the amount met as percentage of the Warranted NPAT. As at reporting date it is estimated that AYO will pay a maximum of R10.7 million for the earn-out. VOX is a multinational company which designs, engineers, constructs, installs and maintains a broad range of voice data video and wireless infrastructure for clients worldwide. This acquisition is intended to expand the Company's market outside of South Africa and into the telecommunications market. At the time of issue of the financial statements, AYO did not have sufficient information to provide the disclosures as required by IFRS 3 Business Combinations as the initial accounting for the transaction was incomplete due to conditional proceedings of the offer being finalised.

A gross final dividend of 16 cents per share was approved by the board of directors on 20 December 2019 in South African rand in respect of the year ended 31 August 2019. The dividend was paid on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 13 January 2020.

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

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

10. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 2 to 4 of these consolidated annual financial statements.

11. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

The board of directors believes that the committee has satisfied its responsibilities for the year in compliance with the terms of reference of the Companies Act and King IV.

Directors' report (continued)

12. COMPANY SECRETARY

The company secretary is Mr Wazeer Moosa of:

Postal address:

PO Box 181
Waterfront
Cape Town
8000

Business address:

2 Fir Street
Black River Park
2nd Floor
Old Warehouse Building
Observatory
7925

As required by JSE Listings Requirement 3.84(l), the board has satisfied itself that the company secretary has the appropriate expertise, competence and experience. The company secretary is accountable to the board and the following duties, among other things, were carried out:

- guidance to the directors in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the board aware of any law relevant to and/or affecting the Company;
- preparation of board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all board, committee and annual general meetings;
- disclosure of corporate actions on SENS announcements and directors' dealings in securities;
- preparation and timeous delivery of the integrated report and annual general meeting notice and proxy to shareholders;
- compliance with JSE Listings Requirements and the Companies Act; and
- updated board policies, board charters in compliance with statutory, regulatory and legislative requirements. All directors have access to the advice and services of the company secretary.

The board considered the competence, qualifications and experience of the company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the company secretary's qualifications, experience and performance.



13. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiary companies are presented in note 50.

14. ACQUISITIONS DURING THE YEAR

On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela Capital Proprietary Limited (“Bambelela”) (previously Vunani Group Proprietary Limited). Bambelela holds a 49% shareholding in Vunani Limited, a diversified financial services Group.

On 14 December 2019, AYO subscribed for 500 000 cumulative, redeemable, non-participating, convertible Class C preference shares of no-par value in Bambelela for a consideration of R145 million.

On 19 December 2018, AYO concluded the acquisition of a 55% shareholding in Sizwe. Sizwe offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking, security and hosting services, storage server processing, mobility, data centre, end-user computing and associated consumables.

On 9 February 2019, the Group acquired a 40% shareholding in Main Street. On 28 February 2019, Main Street concluded the acquisition of 100% equity interest in SGT Solutions. SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi-technology telecommunication systems for mobile broadband and converged solutions, through partnerships with its customers and technology providers.

On 1 March 2019, the Group concluded the acquisition of a 24% equity interest in GCCT. GCCT is a leading technology provider for enabled awareness solutions in the security and defence industry.

On 19 March 2019, AYO entered into a joint venture with other joint venture partners and formed Tamlalor Proprietary Limited (“Tamlalor”). AYO provided loan funding of R100 million and obtained 50% in Tamlalor. Tamlalor was formed to invest in disruptive financial services technology as part of AYO’s (go to market) strategy. Tamlalor is jointly controlled by AYO, Bambelela and Vunani Capital Proprietary Limited (“Vunani Capital”). Vunani Capital is the appointed investment manager.

On 2 April 2019, AYO concluded an agreement to subscribe for 10% of the issued share capital in 4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”). 4Plus has interests in digital media, artificial intelligence, software development and telecommunications. As at 31 August 2019 AYO holds 9.3% of the issued share capital of 4Plus.

On 8 March 2019, AYO subscribed for 19% of the issued share capital in K2018010234 (South Africa) Proprietary Limited (“K2018”). K2018 specialises in e-commerce.

On 15 August 2019 AYO entered into a binding agreement to acquire 43% equity interest in Puleng Technologies Proprietary Limited (“Puleng”), increasing AYO’s total shareholding to 100%. Puleng is a leading technology provider of enterprise security management.

For details of subsidiaries acquired, refer to note 41 of these consolidated annual financial statements and for details of other investments refer to notes 9 and 10.

Directors' report (continued)

15. LIQUIDITY AND SOLVENCY

The directors have performed the required liquidity and solvency tests required by the Companies Act for the Group. The directors are satisfied that the Group is solvent and have no reason to believe that the business will not be a going concern in the year ahead.

16. AUDITORS

BDO South Africa Incorporated, continued in office as the independent external auditors for the Group for the period ending 31 August 2019.

BDO South Africa Incorporated, informed the Group that it will not be seeking re-appointment as the auditors of the Group at the next annual general meeting ("AGM") of AYO. The committee has commenced with a tender process for the appointment of auditors at the next AGM.

17. SPECIAL RESOLUTIONS

At the annual general meeting ("AGM") of the Company held on 22 January 2019, shareholders passed the following special resolutions:

- The approval of the non-executive directors' remuneration, the effect of which was to approve the annual remuneration of non-executive directors for the period from 1 September 2018 to 31 August 2019.
- The general approval to provide financial assistance to related or inter-related companies, the effect of which was to authorise the Company to provide direct and indirect financial assistance to related or inter-related companies or corporation in terms of section 45 of the Companies Act.
- The general approval of provision of financial assistance for the acquisition of shares, the effect of which was to grant the board of directors of the Company the general authority to provide such direct or indirect financial assistance.
- The approval of the general authority to re-purchase the Company's shares, the effect of which was to authorise the Company and or its subsidiaries to re-purchase its own securities.



18. LITIGATION

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

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

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

Refer to note 43.

19. PREPARER

These consolidated annual financial statements were prepared by the Group Financial Accountant, Pride Guzha CA(SA) under the supervision of Tatenda Bundo CA(SA) Group Chief Financial Officer.

Statement of financial position

at 31 August 2019

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

Statement of profit or loss and other comprehensive income

for the year ended 31 August 2019

Figures in Rand	Notes	2019 '000	2018 '000
Revenue	28	1 959 292	638 893
Cost of sales		(1 400 019)	(440 935)
Gross profit		559 273	197 958
Other operating income	29	10 046	3 293
Other operating gains/(losses)	30	(44 434)	(7 321)
Goodwill impairment	31	-	(4 957)
Equity-settled share-based payment expense	31	-	(11 809)
Listing costs expensed	31	-	(6 831)
Other operating expenses	32	(562 230)	(199 536)
Finance income	33	322 856	226 954
Finance costs	34	(10 918)	(1 754)
Loss from equity-accounted investments		(1 608)	-
Profit before taxation		272 985	195 997
Income tax expense	35	(91 186)	(48 040)
Profit for the year		181 799	147 957
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss:			
Gains on property revaluation		221	-
Total items that will not subsequently be reclassified to profit or loss net of tax		221	-
Items that will subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(250)	(28)
Income tax relating to items that may be reclassified		32	-
Total items that will subsequently be reclassified to profit or loss		(218)	(28)
Other comprehensive income for the year net of taxation		3	(28)
Total comprehensive income for the year		181 802	147 929
Profit attributable to:			
Owners of AYO		150 599	144 286
Non-controlling interest		31 200	3 671
		181 799	147 957
Total comprehensive income attributable to:			
Owners of AYO		150 602	144 258
Non-controlling interest		31 200	3 671
		181 802	147 929
Earnings per share (cents)			
Basic earnings per share (cents)	36	43.76	47.20

Statement of changes in equity

for the year ended 31 August 2019

Figures in Rand	Stated capital '000	Share premium '000	Total share capital '000	Foreign currency translation reserve '000	Revaluation reserve '000
Balance at 1 September 2017	850	183 280	184 130	(4)	-
Total comprehensive income for the year	-	-	-	(28)	-
Profit for the year	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(28)	-
Issue of shares	4 338 594	-	4 338 594	-	-
Capitalised listing costs	(78 314)	-	(78 314)	-	-
Equity-settled share-based payment	-	-	-	-	-
Dividends	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-
Balance at 1 September 2018	4 261 130	183 280	4 444 410	(32)	-
Total comprehensive income for the year	-	-	-	(218)	221
Profit for the year	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(218)	221
Transfer between share premium and share capital	9 835	(9 835)	-	-	-
Derecognition relating to sale of business	-	-	-	-	-
Raising of NCI put option liabilities	-	-	-	-	-
Dividends	-	-	-	-	-
Business combination	-	-	-	-	-
Changes in ownership of acquisition of minorities	-	-	-	-	-
Balance at 31 August 2019	4 270 965	173 445	4 444 410	(250)	221



NCI put options reserve '000	Share-based payment reserve '000	Changes in ownership reserve '000	Total reserves '000	Retained income '000	Total attributable to shareholders of AYO '000	Non-controlling interests '000	Total equity '000
-	-	-	(4)	(151 787)	32 339	34 752	67 091
-	-	-	(28)	144 286	144 258	3 671	147 929
-	-	-	-	144 286	144 286	3 671	147 957
-	-	-	(28)	-	(28)	-	(28)
-	-	-	-	-	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	-	11 777	(7 502)	4 448 686	20 294	4 468 980
-	-	-	3	150 599	150 602	31 200	181 802
-	-	-	-	150 599	150 599	31 200	181 799
-	-	-	3	-	3	-	3
-	-	-	-	-	-	-	-
-	-	-	-	10	10	(384)	(374)
(14 795)	-	-	(14 795)	-	(14 795)	-	(14 795)
-	-	-	-	(223 681)	(223 681)	(3 730)	(227 411)
-	-	-	-	-	-	101 172	101 172
-	-	(27 455)	(27 455)	3 115	(24 340)	(14 160)	(38 500)
(14 795)	11 809	(27 455)	(30 470)	(77 058)	4 336 482	134 392	4 470 874

Statement of cash flows

for the year ended 31 August 2019

Figures in Rand	Notes	2019 '000	2018 '000
Cash flows from operating activities			
Cash receipts from customers		1 950 208	306 388
Cash paid to suppliers and employees		(2 000 528)	(365 319)
Cash generated from operations	37	(50 320)	(58 931)
Finance income		285 644	215 243
Finance costs		(6 466)	(2 220)
Dividend income		3 021	-
Tax paid	38	(117 794)	(16 735)
Net cash from operating activities		114 085	137 357
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(31 775)	(4 636)
Proceeds from disposal of property, plant, equipment		14 425	58
Acquisition of intangible assets		(19 937)	(2 230)
Sale of intangible assets		93	-
Proceeds from disposal of subsidiary		1 203	(314)
Acquisition of subsidiaries, net of cash acquired		(112 306)	-
Loans advanced to related party companies		(103 547)	3 029
Other loans advanced		(169 670)	(108)
Purchase of investments at fair value		(90 659)	-
Amounts advanced to acquire other financial assets		(809 366)	(63 832)
Amounts repaid from other financial assets		901 226	-
Funds held in Trust		(101 294)	-
Proceeds from assets held for sale		-	827
Costs incurred on internally generated intangible assets		-	(3 823)
Finance lease assets receipts		7 135	-
Net cash to investing activities		(514 472)	(71 029)
Cash flows from financing activities			
Loan from shareholder repaid		(5 000)	-
Proceeds from loans from shareholders loan		-	6 950
Proceeds on share issue		-	4 338 594
Transaction costs related to share issue		-	(78 314)
Dividends paid		(221 108)	(17 646)
Dividends paid to minorities		(2 520)	-
Payments for contingent consideration arrangements		(4 460)	-
Repayment of other financial liabilities		(1 133)	(4 583)
Repayment of loans from group companies		-	(77 424)
Finance lease repayments		(10 254)	(1 384)
Loan received from related party companies		20 330	-
Net cash from financing activities		(224 145)	4 166 193
Total cash movement for the year		(624 532)	4 232 521
Cash at the beginning of the year		4 303 641	71 120
Total cash at the end of the year		3 679 109	4 303 641



Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1. Basis of preparation

The consolidated annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with International Financial Reporting Standards (“IFRS”), SAICA financial reporting guides issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, as amended and the Listings Requirements of the JSE Limited.

The consolidated annual financial statements have been prepared on the historical cost basis, except where otherwise stated and incorporate the principle accounting policies set out below. These accounting policies are consistent with the previous year, except as outlined in note 2.

1.2. Significant judgements and sources of estimation uncertainty used in the preparation of the consolidated annual financial statements

In preparing the consolidated annual financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Estimates and assumptions are based on historical experience and expectation of future events and are reviewed on an ongoing basis. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements.

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

Business combinations

In the calculation of Goodwill arising from a business combination the Group allocates the excess fair value of the consideration transferred, over the net of the fair value of the identifiable assets and liabilities of the acquired entity.

Management made judgements in determining the fair value allocation of the consideration transferred as well as estimates of the useful lives of the intangible assets recognised in the business combination.

Refer to note 41 for more detail.

Subsidiaries consolidated when less than 50% interest is held

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor’s returns. The rights to appoint a majority of directors and key management personnel at the investee, give the company the power to direct the relevant activities of the investee. Although AYO only has a 40% equity interest in Main Street 1653 Proprietary Limited (“Main Street”) and 24% equity interest in GCCT it has been determined that AYO controls Main Street and GCCT respectively in terms of IFRS 10 Consolidated Financial Statements. As per the shareholders agreement AYO has the rights to variable returns from involvement with Main Street and GCCT and it has the ability to use its power over the investee to affect the amount of the returns in Main Street and GCCT. Management applied judgement in assessing the impact of additional rights granted to the parent company in the shareholder’s agreement in respect of it’s investment in Main Street 1653 Proprietary Limited (“Main Street”) and GCCT. Refer to note 41 for more detail.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2. Significant judgements and sources of estimation uncertainty used in the preparation of the consolidated annual financial statements (continued)

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

The directors have concluded that the Group has no significant influence over Bamblela even though it has 32% of the voting rights. This is because the Group has no representation on the board of directors and AYO does not participate in any financial or operating policy decision in Bamblela. The voting rights only provide AYO with limited decision-making powers. Consequently the investment has been accounted for in accordance with IFRS 9 at fair value through profit for loss ("FVTPL").

Property, plant and equipment

The Group estimates the expected useful lives of assets and the expected residual value at the end of its useful life in the determination of the depreciation charge. The expected useful lives and expected residual values of the assets are determined by management when the asset is acquired and then reviewed annually thereafter. The estimation of useful lives is based on management's historical experience with similar assets as well as management's anticipation of future pattern of use of the asset which may impact their life. In addition, the useful life estimates consider the risk of obsolescence due to advances in technology. Refer to note 3 for more details.

Intangible assets

The Group estimates the expected useful lives of licences, customer lists and internally generated software in the determination of the amortisation charge. The expected useful lives of the intangibles are determined by management when the asset is acquired and then reviewed annually thereafter. The estimation of useful lives is based on management's expectations and strategy for the use of the intangible.

Management on an annual basis makes an assessment, as to whether the carrying value of goodwill and other intangible assets with indefinite useful lives are impaired. Management makes judgement in determining the present value of estimated future cash flows of CGUs to determine whether an impairment loss should be recorded in the statement of comprehensive income. Refer to notes 4 and 5 for more details.

Financial assets at amortised cost

The Group assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. Judgement was required in determination of credit loss rates taking into account historical and forward looking information. Refer to notes 8 and 14 for more details.

Put option over non-controlling interest

The Group estimates the fair value of the written put option over non-controlling interest. The estimation is based on a discounted cash flow calculation which are projected financial forecasts of the relevant entities. Management made judgements with regards to inputs into the model in determining the fair value of the written put options. Refer to note 47 for further details.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company 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 and contingent consideration liability. 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 is 4.5%.

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 Company'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%.

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 is 7.57%.

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 Company was in the range of 0.32 and 1.4.

Specific risk premium

A specific risk premium enterprise value was utilised in all valuations. The specific risk premium used was in the range of 1% and 4%.

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.

1.3. Consolidation

Basis of consolidation

The Group's consolidated annual financial statements represent consolidated financial statements and incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company has power over the investee; is exposed or has rights to variable returns from involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. For certain entities, the Group has entered into contractual arrangements which allow the Group to control such entities. When necessary, adjustments are made to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. The financial statements of subsidiaries are prepared for the same reporting period as that of AYO.

All intragroup income and expenses, assets and liabilities, equity and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity.

Non-controlling interests consist of the amount of the non-controlling shareholders' interest at the date of the business combination and their share of changes in equity since the date of the acquisition.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The Group accounts for business combinations using the acquisition method. The consideration transferred in a business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree and the fair value of any contingent consideration arrangements. Subsequent changes to the fair value of the contingent consideration arrangements are recognised in profit or loss. Costs directly attributable to the business combination are expensed as incurred.

Goodwill arising on acquisition is determined as the excess of the consideration transferred, plus non-controlling interest in the acquiree over the net of the fair value of the identifiable assets and liabilities assumed. If, after reassessment, the net of the acquisition-date fair value amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Refer to note 41.

Transactions with non-controlling shareholders are accounted for as equity transactions and included in the statement of changes in equity.

1.4. Property, plant and equipment

Property, plant and equipment is initially measured at cost. The cost of property, plant and equipment comprises of any costs incurred to bring the asset to the location and condition necessary for it to operate as intended by management and costs to construct an item of property, plant and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. If plant and machinery is comprised of major components with different useful lives, these components are depreciated as separate items.

Improvements to leasehold buildings are capitalised and depreciated over the remaining period of the lease to their estimated residual values.

Plant and machinery, furniture and fittings, equipment and motor vehicles are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Leasehold buildings are depreciated on the straight-line basis over the shorter of their lease period and their expected useful lives to their estimated residual value.

Depreciation commences when the asset is available for use and ceases when the asset is derecognised. The depreciation charge for each period is recognised in the statement of comprehensive income. The estimated remaining useful lives, residual values and depreciation methods are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate on a prospective basis.

Land and buildings are recognised based on the revaluation model. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.



1.4. Property, plant and equipment

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

Item	Depreciation method	Useful lives
Buildings	Straight line	50 years
Computer equipment	Straight line	2 to 3 years
Computer software	Straight line	2 to 4 years
Electronic equipment	Straight line	2 to 3 years
Furniture and fixtures	Straight line	2 to 10 years
Leasehold improvements	Straight line	5 to 8 years
Motor vehicles	Straight line	2 to 6 years
Office equipment	Straight line	3 to 5 years
Plant and machinery	Straight line	2 to 6 years

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition are included in the statement of comprehensive income in the period of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the date of the disposal.

1.5. Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost and is subsequently measured at cost less accumulated impairment.

Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to a cash generating unit (“CGU”) or to a group of CGUs. Impairment is determined by assessing the recoverable amount, which is the higher of fair value less costs to sell and value-in-use of the CGU to which the goodwill is allocated. Where the CGU’s recoverable amount is less than its carrying value an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in the statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1.6. Intangible assets

Intangible assets which are separately acquired, and internal software development costs are initially recognised at cost. Intangible assets acquired as part of a business combination are recognised at fair value at the date of acquisition.

Intangible assets with a finite useful life are stated at cost less any accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives are not amortised. The useful lives of the intangible assets are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6. Intangible assets (continued)

The useful lives of items of intangible assets have been assessed as follows:

Item	Useful life
Trade names	10 years
Software development	10 years
Brands	Indefinite
Customer lists	4 - 6 years
eCCR system	3 years
Licences	3 years
Enterprise Master and Consumer Index system	10 years
Distribution rights	Indefinite
Software systems	10 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their continued use. Gains or losses which arise on derecognition are included in the statement of comprehensive income in the period of derecognition. Gains or losses on disposal are calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset at the date of its disposal.

The Group tests intangible assets with an indefinite useful life for impairment annually and whenever there is an indication that the intangible assets might be impaired. Impairment is determined by comparing the recoverable amount of the intangible assets, which is the higher of fair value less costs to sell and value-in-use to its carrying amount. The value-in-use is calculated as the present value of the future cash flows expected to be derived from the intangible assets. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in the statement of comprehensive income.

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.

Management has assessed the useful life of the brands, customer listings and trade names, this assessment/judgement is based 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 and assignment rights have an indefinite useful life, based on the distribution agreement. Further to the assessment, the distribution and assignment rights continue to generate economic benefits for the Group.



1.7. Interest in joint ventures

The results of joint ventures are incorporated in these Group consolidated annual financial statements using the equity method of accounting.

The investment in a joint venture is carried at cost less any accumulated impairment in the consolidated statement of financial position plus the Group's share of the net post-acquisition profit or loss and other comprehensive income, if applicable, of the joint venture.

In the Statement of Comprehensive Income the Group recognises its share of after-tax profits or losses and other comprehensive income. When the Group's share of losses exceeds the Group's interest in the joint venture, the Group discontinues recognising its share of further losses. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits or losses from transactions between Group entities and a joint venture are eliminated to the extent of the Group's interest.

1.8. Financial assets

Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition

On initial recognition, financial assets are classified as financial assets measured at amortised cost or FVTPL. The classification is determined based on the objectives of the business model within which the financial asset is held and the characteristics of its contractual cash flows.

Financial assets are initially recognised at fair value. Trade receivables that are not subject to significant financing components are initially measured at the relevant transaction prices.

Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held with an objective to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest on the amount outstanding.

Financial assets classified as at amortised cost include loans receivable, trade and other receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets are measured at FVTPL at initial recognition if they are acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit making, or, if it is designated in this category to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

For the Group, all financial assets not classified as at amortised cost are measured at fair value through profit or loss.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets (continued)

Subsequent measurement

Financial assets measured at amortised cost are subsequently measured using the effective interest method, reduced by relevant impairment allowances. Interest income and impairment losses on amortised cost financial assets are recognised in profit or loss.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss.

Refer to note 47 for the Group's fair-value measurement methodology regarding financial assets.

The Group derecognises financial assets when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Financial assets are presented as non-current assets, except for those with maturities within 12 months from the statement of financial position date, which are classified as current assets.

Impairment of financial assets

The Group recognises impairment allowances on financial assets measured at amortised cost and accrued income balances. The Group assesses, on a forward-looking basis, the impairment allowances associated with these financial assets and makes use of provision matrices relevant to its various operations in establishing impairment allowances.

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for Trade receivable. The general approach is used for loans receivables and other financial assets measured at amortised cost. The Group measures impairment allowances for trade and other receivables, accrued income balances and loans receivables at an amount equal to the expected credit losses resulting from possible default events over the expected life of the financial asset.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment allowances for financial assets measured at amortised cost and accrued income balances are recognised in profit and loss and accumulated in an allowance account. The gross carrying amount of the financial assets is reduced by the balance of the allowance account and is written off when the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

Refer to note 8 for further details relating to the Group's impairment methodology for financial assets at amortised cost.

Financial instruments – IAS 39 comparative

Initial recognition

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

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.



1.8 Financial assets (continued)

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 (designated and/or held for trading) 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.

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. Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets.

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 re-organisation, 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 uncollectable, 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.

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.

The above accounting policy refers to the 2018 comparative only.

1.9. Financial liabilities

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities are recognised when the Group becomes party to the contractual provisions of the relevant instrument. The Group classifies financial liabilities at amortised cost or at fair value through profit or loss.

The Group's financial liabilities include borrowings, contingent considerations, derivatives, trade and other payables and bank overdrafts.

Trade and other payables, borrowings and bank overdrafts

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Contingent consideration liability

Contingent considerations are initially measured at fair value. They are subsequently measured at fair value through profit or loss.

Written put option over non-controlling interest

The Group applies the principles in IAS 32.23 in relation to written put options entered into by a parent over the shares of a subsidiary.

Consequently, when a non-controlling interest put option is initially issued, a liability is recorded for the present value of the redemption amount (which is estimated if it is not contractually fixed) and the corresponding debit is recorded in equity. The liability is subsequently accounted for in terms of IFRS 9 at fair value through profit or loss.

Financial liabilities are presented as non-current liabilities, except for those which are payable within 12 months from the statement of financial position date, which are classified as current liabilities.

1.10. Income tax

Current tax assets and liabilities

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses

The total of current and deferred taxes is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or a business combination.

The current tax charge is the expected tax payable on the taxable income for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

1.11. Leases



Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. The difference between the actual cash flows per the lease agreement and the amounts on the straight-line basis is recognised as an operating lease liability or asset in the statement of financial position.

1.12. 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 cost.

1.13. Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- Tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14. Share capital

When AYO shares are issued the consideration received is recognised directly in the statement of changes in equity. Transactions costs that are directly attributable to the issue of AYO's shares are recognised directly in the statement of changes in equity.

1.15. Equity-settled share-based payment

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.

1.16. Employee benefits

Retirement benefits

The Group provides retirement benefits to its full-time employees, primarily by means of monthly contributions to defined contribution provident funds. The Group's contributions to retirement funds are recognised as an expense in the period in which employees render the related service.

Employee leave entitlement

The accrual is made for the estimated liability to the employees for annual leave up to the reporting date. The accrual is made for accumulated leave on the cost-to-company basis.

Bonus plans

The Group recognised a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

1.17. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The Group's provisions consist of:

- Commission

This is attributable to the employees who earn commission and is calculated as per the employee contract.

- Project risk and product warranties

In the course of conducting projects and where a probable outflow will occur in the near future the Group raises the provision for such an expenditure.

- Onerous contract

Due to the nature of the Group's business it is exposed to contracts which have to be met at all times therefore provisions have to be provided for.

Refer to note 27 for a detailed description of the provisions.



1.18. Revenue from contracts with customers

The Group's revenue from contracts with customers is derived from:

- A) Sale of hardware and software
 - Revenue from the sale of hardware or communication products
 - Revenue from the sale of software
- B) Installation and support services
 - Revenue from the installation of hardware or software
 - Revenue from professional services
- C) Managed services
 - Revenue from provision of managed information, communication and technology services

Revenue is measured net of value added tax, returns and discounts based on the amount the Group expects to be entitled to in exchange for goods and or services transferred as per the contract with the customer. The Group recognises revenue when specific criteria have been met for each of the Group's activities as described below.

The Group assesses each contract with a customer to determine whether it is a principal or an agent. The Group has assessed that it is the principal in most contracts that it has entered with customers. The Group regards itself as the principal in a transaction where it controls a promised good or service before the good or service is transferred to a customer.

Revenue recognition for the Group's major revenue streams is outlined below.

Sale of hardware and software

Revenue from the sale of hardware, communication products or software is recognised when the hardware or software has been delivered to the customers' location and accepted by the customer. Warranties associated with hardware cannot be purchased separately and they serve as an assurance that the hardware complies with agreed-upon specifications, accordingly warranties are accounted for as provisions.

Some contracts with customers include the installation of hardware or software as a deliverable. In most cases, the installation is simple and completed in minimal time (typically installation is complete on the same day as delivery) and is not accounted for as a separate performance obligation.

In cases where the installation can only be completed over a significant period, the installation is accounted for as a separate performance obligation and recognised as described below. In this case, the transaction price is allocated to hardware or software sales based on cost plus expected margin and the balance of the price is allocated to installation services.

Installation and support services

In most cases the contracts for the provision of professional services and installation of hardware or software are comprised of specific milestones (performance obligations) or time and materials required by the customer. The customers obtain immediate use of hardware or software or the output of the service once the service has been completed.

Revenue from installation and support services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spend relative to the total expected labour hours.

Revenue that has been earned but not yet invoiced or for which the Group's right to receive payment is conditional on future performance is presented as accrued income as part of trade and other receivables in the statement of financial position.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Payments which have been received in advance from customers represent an obligation to transfer future goods and/or services and are presented as deferred income in the statement of financial position.

The Group is not party to contracts where the period between the transfer of goods and/or services and payment exceeds one year. Consequently, the Group does not adjust its transaction prices for financing components.

Managed services

Managed services are mainly comprised of provision of managed information, communication and technology, cloud and in-house maintenance services. The Group provides a specified service over a specified period. The specified service would comprise a single series of services that are transferred to the customer over the agreed period.

Revenue from managed services is recognised as the customer simultaneously receives and consumes the benefit of the services provided. Managed services are recognised over time and equally over the life of the managed service.

1.19. Other income

Interest revenue comprises of interest earned on bank accounts and interest earned on loans receivable. Interest revenue is recognised, in profit or loss, using the effective interest rate method.

Dividend income is recognised when the Group's right to receive payment is established.

1.20. Finance costs

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

1.21. Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, 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 statement of financial position date monetary assets and liabilities are translated at the closing exchange rate.

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 during the period or in previous financial statements are recognised in the statement of comprehensive income when they arise.

Cash flows arising from transactions in a foreign currency are recorded 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 the Group's foreign operations are translated into South African Rand using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).



1.22. Earnings per share

Earnings per share is calculated on the weighted average number of shares in issue 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 01/2019 issued by SAICA.

1.23. Dividends

Dividends payable and the related tax are recognised as liabilities in the period in which the dividends are declared.

1.24. Segment 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.

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 or with other Group segments. Segment results are determined before any adjustments for interests.

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 Group's segments comprise the following which is aggregated upon consolidation:

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

Refer to note 48 for the financial detail of how each operating segment has performed during the year under review.

1.25. Group consolidated annual financial statements

The Group's consolidated annual financial statements represent consolidated financial statements and incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Separate annual financial statements have been prepared for the company.

Accounting Policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS

2.1. Standards and interpretations effective and adopted in the current year

IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers became effective for the Group during the current financial year. The adoption of these standards had no impact on the amounts previously reported, hence no restatement of comparative information was required.

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

IFRS 9 – Financial Instruments (“IFRS 9”)

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

Classification, initial recognition and measurement

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

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

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

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

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

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

Financial assets	IAS 39	IFRS 9	31 August	1 September
			2018	2018
			IAS 39	IFRS 9
			'000	'000
Loans to group companies	Loans and receivables	Amortised cost	1 989	1 989
Trade and other receivables	Loans and receivables	Amortised cost	172 962	172 962
Other financial assets	Held for trading	FVTPL	95 717	95 717
Other financial assets	Loans and receivables	Amortised cost	4 464	4 464
Cash and cash equivalents	Loans and receivables	Amortised cost	4 308 698	4 308 698
			4 583 830	4 583 830

Financial liabilities	IAS 39	IFRS 9	31 August	1 September
			2018	2018
			IAS 39	IFRS 9
			'000	'000
Loans from group companies	Amortised cost	Amortised cost	5 001	5 001
Other financial liabilities	Amortised cost	Amortised cost	1 133	1 133
Trade and other payables	Amortised cost	Amortised cost	126 574	126 574
Bank overdraft	Amortised cost	Amortised cost	5 056	5 056
			137 764	137 764

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.1. Standards and interpretations effective and adopted in the current year (continued)

The reclassification into the new measurement categories of IFRS 9 did not have an impact on the Group.

The table below reconciles the loss allowance as reported on 31 August 2018 in accordance with IAS 39 to the ECL as determined under IFRS9 of financial instruments that have been impacted by the adoption of IFRS 9.

Financial assets

Closing balance at 31 August 2018	7 422
IFRS 9 Opening balance	7 422

Impairment of financial instruments

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

For trade receivables the Group applies the IFRS 9 simplified approach to measure the expected credit loss allowance at an amount equal to the effective expected credit losses. This is aided by a provision matrix that is based on historical credit loss experiences for each past due ageing category, adjusted for forward-looking information.

The Group recognises impairment allowances on financial assets measured at amortised cost and accrued income balances. The Group assesses, on a forward-looking basis, the impairment allowances associated with these financial assets and makes use of provision matrices relevant to its various operations in establishing impairment allowances.

The general approach is used for loans receivables and other financial assets measured at amortised cost. The Group measures impairment allowances for trade receivables, accrued income balances and loans receivables at an amount equal to the expected credit losses resulting from possible default events over the expected life of the financial asset.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment allowances for financial assets measured at amortised cost and accrued income balances are recognised in profit and loss and accumulated in an allowance account. The gross carrying amount of the financial assets is reduced by the balance of the allowance account and is written off when the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

Refer to note 8 for further details relating to the Group's impairment methodology for financial assets at amortised cost.

Refer to note 46 for a more detailed explanation of the impairment assessment for the Group.

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

Accounting Policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective (continued)

IFRS 15 – Revenue from Contracts with Customers

The Group has applied IFRS 15 using cumulative effect method without restatement.

Apart from providing additional and more detailed disclosure around revenue recognition, IFRS 15 did not have a significant impact on the Group's existing revenue recognition practices and consolidated annual financial statements. Under IAS 18 the revenue recognition from sale of goods and rendering of services in relation to Group revenue streams, was substantially the same as revenue recognised from contract with customers in accordance with IFRS 15.

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

2.2. Standards and interpretations not yet effective

Standards and interpretations applicable to the Group for the year ending 31 August 2020:

IFRS 16 – Leases (“IFRS 16”)

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

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

The Group expects that the most significant impact of the new standard will result from its current property and other operating sites. On adoption of IFRS 16 operating lease costs excluding short-term and low value (leases) will no longer be recognised as part of operating expenses.

The Group expects to recognise right of use of asset of approximately R14.3 million, lease liability of R15 million as at 1 September 2019.

The Group expects that depreciation will increase by R4.8 million and finance cost to increase by R1.5 million and operating lease expense will decrease by R10 million.

The standard is effective for the Group, for the financial year commencing 1 September 2019. The Group is in the process of assessing the impact of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. The interpretation is effective for the Group, for the financial year commencing 1 September 2019.

The Group is in the process of assessing the impact of this interpretation.

IAS 1 Presentation of Financial Statements

The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendment is effective for the Group, for the financial year commencing 1 September 2020.



The Group is in the process of observing the impact of the amendments.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendment is effective for the Group, for the financial year commencing 1 September 2020.

The Group is in the process of assessing the impact of this interpretation.

IFRS 3 Business combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interest in that business.

Definition of business

The amendments confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. The amendments narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendment for clarifying when an entity obtained control of business that is a joint operation are effective for the Group for the financial year commencing 1 September 2019.

The amendment for the definition of business are effective for the Group, for the financial year commencing 1 September 2021.

The Group is still in the process of assessing the impact of both amendments.

IAS 28 Investments in Associates and Joint Ventures.

Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in associate or joint venture but to which the equity method is not applied.

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

The Group is still in the process of assessing the impact of the clarification.

IFRS 11 Joint Arrangements

Clarification that when an entity obtains joint control of a business that is a joint operation, it is required to remeasure previously held interest in that business.

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

The Group is investigating the impact of these pronouncements and intends to apply them as they become effective, if applicable.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	31 August 2019			31 August 2018		
	Cost/ revaluation '000	Accumulated depreciation '000	Carrying value '000	Cost/ revaluation '000	Accumulated depreciation '000	Carrying value '000
Group						
Land	1 741	-	1 741	-	-	-
Buildings	2 629	(379)	2 250	-	-	-
Plant and machinery	14 227	(12 139)	2 088	1 575	(381)	1 194
Furniture and fixtures	24 924	(16 800)	8 124	2 527	(912)	1 615
Motor vehicles	36 975	(17 720)	19 255	1 356	(1 022)	334
Office equipment	2 333	(1 429)	904	1 613	(1 237)	376
IT equipment	110 133	(44 614)	65 519	7 203	(4 362)	2 841
Computer software	1 601	(1 507)	94	1 374	(1 294)	80
Leasehold improvements	8 278	(5 550)	2 728	1 258	(941)	317
Electronic equipment	1 653	(1 580)	73	1 565	(1 153)	412
Total	204 494	(101 718)	102 776	18 471	(11 302)	7 169

Reconciliation of property, plant and equipment - 2019

Figures in Rand	Opening balance '000	Additions '000	Business combinations '000	Disposals '000	Revaluations '000	Foreign exchange movements '000	Disposal of subsidiary '000	Depreciation '000	Impairment '000	Closing balance '000
Land	-	-	1 814	-	72	-	-	-	(145)	1 741
Buildings	-	-	2 237	-	149	-	-	(36)	(100)	2 250
Leasehold improvements	317	3 074	330	-	-	-	-	(994)	-	2 727
Plant and machinery	1 194	166	1 350	(62)	-	-	-	(560)	-	2 088
Furniture and fittings	1 615	1 304	6 384	(20)	-	-	-	(1 159)	-	8 124
Motor vehicles	334	2 654	22 961	(2 459)	-	-	-	(4 234)	-	19 256
Office equipment	376	571	174	-	-	-	-	(217)	-	904
IT equipment	2 841	23 779	63 061	(10 490)	-	(1)	(41)	(13 630)	-	65 519
Computer software	80	227	-	-	-	-	-	(214)	-	94
Electronic equipment	412	-	88	-	-	-	-	(426)	-	74
Total	7 169	31 775	98 399	(13 032)	221	(1)	(41)	(21 470)	(245)	102 776

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2018

Figures in Rand	Opening balance '000	Additions '000	Disposals '000	Depreciation '000	Closing balance '000
Leasehold improvements	661	243	(335)	(251)	317
Plant and machinery	1 352	-	-	(157)	1 194
Furniture and fittings	415	1 499	(43)	(256)	1 615
Motor vehicles	1 698	-	(981)	(383)	334
Office equipment	94	436	-	(154)	376
Computer equipment	1 621	2 264	(141)	(903)	2 841
Computer software	237	195	-	(352)	80
Electronic equipment	1 040	-	-	(629)	412
Total	7 118	4 637	(1 500)	(3 084)	7 169

Net carrying amounts of leased assets

Figures in Rand	2019 '000	2018 '000
Motor vehicles	9 599	305
IT equipment	6 318	-
Plant and machinery	1 037	1 194
	16 954	1 499

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every three years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value. The Group acquired land and buildings from business combinations in the current period.

The fair value measurements as of 13 June 2019 were performed by Spectrum Valuations & Assets Solutions Proprietary Limited, independent valuers not related to the Group. Spectrum Valuations & Assets Solutions Proprietary Limited are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

Figures in Rand	Fair value 2019 '000	Fair value 2018 '000
Land	1 814	-
Buildings	2 210	-
	4 024	-

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company and its respective subsidiaries.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

4. GOODWILL

Figures in Rand	31 August 2019			31 August 2018		Carrying value '000
	Cost '000	Accumulated impairment '000	Carrying value '000	Cost '000	Accumulated impairment '000	
Goodwill	136 113	(4 957)	131 156	40 205	(4 957)	35 248

Reconciliation of goodwill

Figures in Rand	Opening balance '000	Disposals '000	Impairment '000	Additions through business combinations '000	Total '000
Goodwill - 2019	35 248	-	-	95 908	131 156

Figures in Rand	Opening balance '000	Disposals '000	Impairment '000	Additions through business combinations '000	Carrying value '000
Goodwill - 2018	43 411	(3 205)	(4 957)	-	35 248

Goodwill relates to the Group's interest in Health System Technologies Proprietary Limited, the Software Tech Holdings Proprietary Limited Group, Puleng Technologies Proprietary Limited, Kalula Communications Proprietary Limited, Zaloserve Proprietary Limited and Main Street 1653 Proprietary Limited.

The Group performs an annual valuation for purposes of determining the fair value in 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 Zaloserve Proprietary Limited and Main Street 1653 Proprietary Limited as CGUs.

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. In 2018 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. There was a further decrease in the fair value of Software Tech Holdings Proprietary Limited Group during the year.

In the prior 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.

4. GOODWILL (continued)

Goodwill acquired through business combinations has been allocated to individual CGUs for impairment testing as follows:

The following significant assumptions were used:

Figures in Rand	Carrying amount of goodwill		Significant assumptions used					
	2019 '000	2018 '000	Pre-tax discount rate		Number of forecast years		*Growth rate	
			2019 %	2018 %	2019 Years	2018 Years	2019 %	2018 %
Cash Generating Unit								
Puleng Technologies Proprietary Limited	22 274	22 274	22.85	15.59	5	5	4.5	6.0
Health System Technologies Proprietary Limited	2 157	2 157	17.74	15.67	5	5	4.5	6.0
Kalula Communications Proprietary Limited	8 465	8 465	19.97	16.01	5	5	4.5	6.0
Zaloserve Proprietary Limited	69 135	-	20.67	-	5	-	4.5	-
Main Street 1653 Proprietary Limited	26 773	-	26.70	-	5	-	4.5	-
Software Tech Holdings Subsidiaries	2 352	2 352	31.30	26.00	5	5	4.5	4.5
Carrying amount at the end of period	131 156	35 248						

* The growth rate relates to the terminal growth rate used for the forecast period.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

5. INTANGIBLE ASSETS

Figures in Rand	31 August 2019			31 August 2018		Carrying value '000
	Cost '000	Accumulated amortisation '000	Carrying value '000	Cost '000	Accumulated amortisation '000	
Group						
Software Systems	18 724	(10 834)	7 890	-	-	-
Licenses and computer software	6 840	(4 768)	2 072	2 230	(233)	1 997
Trade names	22 011	(18 590)	3 421	-	-	-
Software development	8 190	(3 489)	4 701	19 823	(13 954)	5 870
Brands	14 573	-	14 573	-	-	-
Distribution and assignment rights	22 479	-	22 479	9 876	-	9 876
Customer list	26 097	(1 405)	24 692	-	-	-
Total	118 914	(39 086)	79 828	31 929	(14 186)	17 743

Reconciliation of intangible assets - Group - 2019

Figures in Rand	Opening balance '000	Additions '000	Additions through business '000	Disposals '000	Amortisation '000	Closing balance '000
Software Systems	1 621	6 694	-	-	(425)	7 890
Licenses and computer software	1 997	1 259	-	(94)	(1 090)	2 072
Trade names	-	4 186	-	-	(765)	3 421
Software development	4 249	452	-	-	-	4 701
Brands	-	-	14 573	-	-	14 573
Distribution and assignment rights	9 876	12 603	-	-	-	22 479
Customer lists	-	-	26 097	-	(1 405)	24 692
	17 743	25 194	40 670	(94)	(3 685)	79 828

Reconciliation of intangible assets - Group - 2018

Figures in Rand	Opening balance '000	Additions '000	Amortisation '000	Closing balance '000
Licenses and computer software	-	2 230	(233)	1 997
Software Systems	1 481	723	(583)	1 621
Software development	1 149	3 100	-	4 249
Distribution and assignment rights	9 876	-	-	9 876
	12 506	6 053	(816)	17 743

5. INTANGIBLE ASSETS (continued)

SOFTWARE SYSTEMS

Software systems include the following:

- 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 eCCR system was internally developed with phase 1 completed in the prior year.

The product went live on 1 March 2019. Phase 2A which began in October 2016 was completed on October 2017 and is now in use. The team started preparing for Phase 2B of the project in 2018. The team is now working on Phase 2B. Management has assessed that the ECCR system has a useful life of three years.

- 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. This programme was available for use in May 2019 and has a useful life of 10 years.

- ENTERPRISE CONSUMER PRICE INDEX SYSTEM (EMCI SYSTEM)

The EMCI is intended as the master, authoritative source of consumer identity and demographic data for healthcare providers in South Africa, and will issue a Unique Health Identifier (UHI) which will be used as the standard to access/consolidate the patient's records across the private care settings, whilst cross-referencing to individual MRNs at source systems.

There are no research and development expenses recognised as an expense in the current year.

COMPUTER SOFTWARE AND 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.

TRADE NAMES

The trade name intangible arose from the longevity of trading in the market, hence the Group recognises it. The remaining useful lives as at 31 August 2019 was four years.

SOFTWARE DEVELOPMENT

Software development relates to two different programs currently being developed: The first is the Health Information System Technology Refresh. This is a technology refresh and modernisation of the existing Health System platform. The second is the Free Bed Enquiry system which allows ambulances to assess the availability of beds at hospitals.

Costs of R738 985 were capitalised to software development during the 2019 financial year. Amortisation of the software will commence once the programmes are available for use.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

5. INTANGIBLE ASSETS (continued)

BRANDS

The acquired brands relate to the underlying companies distinct service offerings apart from other similar offerors. In assessing the brand the Group has been taken into account the key components which include brand identity, brand loyalty and brand awareness and therefore ascribing a monetary value to the brand. This intangible asset has an indefinite useful life and was allocated to the Zaloserve Proprietary Limited (“Zaloserve”) CGU. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using forecast cash flows. The recoverable amount is sensitive to the extrapolated growth rates, future cash flow projections and discount rates used for the value-in-use calculation in order to calculate the recoverable amount of the asset. Such assumptions are relevant to goodwill as well as intangible assets such as brands which have indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed in note 4.

DISTRIBUTION AND ASSIGNMENT RIGHTS

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

There is no limit on the number of times 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 and was allocated to the Kalula Communications Proprietary Limited CGU. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using forecast cash flows. The recoverable amount is sensitive to the extrapolated growth rates, future cash flow projections and discount rates used for the value-in-use calculation in order to calculate the recoverable amount of the asset. Such assumptions are relevant to goodwill as well as intangible assets such as distribution and assignment rights which have indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed in note 4.

Assignment rights were acquired by the way of cession, delegation and assignment during the year from CATS.

CUSTOMER LISTS

Customer lists relates to customer relationships with Zaloserve and Main Street.

IMPAIRMENT ASSESSMENT OF INTANGIBLES

The amortisation method, useful lives and residual values are reviewed by management at each reporting date and adjusted if appropriate.

The useful life of the software systems was assessed by management at the reporting date. Based on a certain contract the terms of the service contract to which the intangible asset relates, a notice period of one 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.

The assessment of brands, distributions rights and intellectual property indefinite useful lives involves historical experience, marketing considerations and the nature of the industry the companies operates in.

Management have concluded that brands, distribution rights and intellectual property have indefinite useful lives as there is no foreseeable limit to the period over which the mentioned assets is expected to generate cash inflows for the Group.

The brand’s distribution on right’s and intellectual property continue to generate economic benefit for the Group.

6. INVESTMENTS IN JOINT VENTURES

The following table lists the joint ventures in the Group

Figures in Rand		Ownership interest		Carrying amount	
		2019 %	2018 %	2019 R000	2018 R000
Name of company	Held by				
Exaro HST Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	33	33
Digital Health Africa Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	-	-
Tamlalor Proprietary Limited	AYO Technology Solutions Limited	50	-	-	-
				33	33

Exaro HST Limited (“Exaro”)

Exaro HST Limited is jointly-controlled in West Africa and is currently not operational. The investment in the joint venture is measured using the equity method.

Digital Health Africa Proprietary Limited (“Digital Health Africa”)

Digital Health Africa Proprietary Limited is a jointly controlled entity and is not operational. This investment was acquired in 2016. We have decided to recognise in the current year as it meets the criteria of a Joint Venture according to IFRS 11.

Tamlalor Proprietary Limited (“Tamlalor”)

Tamlalor is a jointly controlled entity which has been formed to invest in disruptive financial services technology as part of AYO’s (go to market) strategy. Tamlalor is jointly managed by AYO, Bамbelela and Vunani Capital.

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint venture.

Profit/Loss from equity accounted investments

R1.6 million of loss from equity accounted investment is included in Group statement of comprehensive income.

Summarised financial information of material joint venture

Figures in Rand	Tamlalor Proprietary Limited		Exaro HST Proprietary Limited	
	2019 '000	2018 '000	2019 '000	2018 '000
Summarised statement of comprehensive income				
Interest income	2 639	-	-	-
Other operating expenses	(1 221)	-	-	(343)
Interest expense	(4 635)	-	-	-
Loss before tax	(3 217)	-	-	(343)
Total comprehensive loss	(3 217)	-	-	(343)
Share of total comprehensive loss	(1 608)	-	-	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

6. INVESTMENTS IN JOINT VENTURES (continued)

Figures in Rand	Tamlalor Proprietary Limited		Exaro HST Proprietary Limited	
	2019 '000	2018 '000	2019 '000	2018 '000
Summarised statement of financial position				
Assets				
Non-current				
Investment	9 550	-	-	-
Property, plant and equipment	-	-	-	908
Current				
Cash and cash equivalents	91 556	-	-	20
Trade receivables	312	-	-	-
Total current assets	91 868	-	-	20
Total assets	101 418	-	-	928
Liabilities				
Non-current				
Loan from Group Companies	104 635	-	-	-
Total non-current liabilities	104 635	-	-	-
Current				
Trade payables	-	-	-	4 342
Total current liabilities	-	-	-	4 342
Total liabilities	104 635	-	-	4 342
Total net assets	(3 217)	-	-	(3 414)
Share of net assets	(1 608)	-	-	(1 707)

The summarised financial information presented above reflects the full financial position and results of the joint venture companies.

7. LOANS TO RELATED PARTY COMPANIES

Figures in Rand	2019 '000	2018 '000
Joint ventures		
Digital Health Africa Proprietary Limited The loan is unsecured, bears no interest and has no repayment terms.	168	168
Tamlalor Proprietary Limited The loan is unsecured, bears interest at prime and repayable on 28 March 2024. AYO has subordinated, for the benefit of other creditors, so much of their claim against Tamlalor as this would enable the claims of such other creditors to be paid in full.	103 027	-
	103 195	168
Major Shareholder		
African Equity Empowerment Investments Limited The loan is unsecured and interest is charged at the prime overdraft rate. There are no fixed terms of repayment, however, the company has been granted an unconditional right to defer payment for over 12 months.	5 367	1 820
Other related entities		
Sekunjalo Health & Commodities Proprietary Limited The loan was unsecured, had no fixed repayment terms and bore no interest. In the current year, the loan was written off as there was no expectation of repayment.	-	1
Total	108 562	1 989
Split between non-current and current portions		
Non-current assets	108 562	1 989
Current liabilities	-	-
	108 562	1 989

Refer to note 8 for the detail on the estimated credit losses (ECL).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

8. LOANS RECEIVABLE

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Figures in Rand	2019 '000	2018 '000
Volt Business Solutions Proprietary Limited	11 535	-
The loan is unsecured and bears interest at a rate of prime plus 2%. 50% of the balance is repayable on 1 January 2020 and the remaining balance due on 1 January 2024. This loan is for working capital purposes.		
Cortex Logic Proprietary Limited	11 432	-
The loan is unsecured, has no fixed repayment terms and bears interest at a rate of prime plus 2%.		
Cumulative preference shares	150 996	-
On 28 September 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bamebelela for consideration of R145 million.		
	173 963	-
Split between non-current and current portions		
Non-current assets	156 764	-
Current assets	17 199	-
	173 963	-

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

The loans are advanced to the related party companies for capital investment or working capital needs. The risk of default is based on the success of the related party companies trading. No loans are past due and only Tamlalor was impaired due to the equity method loss recognised. A loan with Futuretell Proprietary Limited of R3.5 million was fully written off due to doubt of recoverability of the loan as a result of the entities poor financial performance in the current year. In all cases, the group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due. There has been a significant increase in credit risk since initial recognition. In determining the amount of expected credit losses, the group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate. There has not been any default in the past. As at the reporting date, credit risk has not increased significantly since initial recognition (stage 1) and therefore a 12 month ECL has been determined. Management determine the credit rating grades of each loan at the end of the reporting period.

The general approach is used for loans receivables and other financial assets measured at amortised cost.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

8. LOANS RECEIVABLE (continued)

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

Allowance for expected credit losses on loans receivable

Figures in Rand	Notes	Stage 1 Performing		Stage 2 Under-performing		Stage 3 Non-performing		Total	
		2019 '000	2018 '000	2019 '000	2018 '000	2019 '000	2018 '000	2019 '000	2018 '000
Gross amount		192 178	6 803	108 351	-	-	-	300 529	6 803
Loans receivables	8	173 963	350	3 716	-	-	-	177 679	350
Loans to related party companies	7	5 535	1 989	104 635	-	-	-	110 170	1 989
Other financial assets	10	12 680	4 464	-	-	-	-	12 680	4 464
Expected credit loss rate		0%	0%	4.91%	0%	0%	0%	0%	0%
Loss allowance		-	-	(5 324)	-	-	-	(5 324)	-
Carrying value of loans with expected credit losses		192 178	6 803	103 027	-	-	-	295 205	6 803

The group calculates the impairment allowance for expected credit losses (“ECLs”) on each receivable separately for loan receivables by the assessing probability of default rate depending on the expected future performance of the debtor. In assessing the expected future performance of the debtor, the expected economic growth rate in South Africa as well as the inflation rate, are taken into account.

A significant increase in credit risk occurs when the group considers the risk of default occurring to have increased based on the specific facts and circumstances of debtors, but a default event has not yet occurred.

The group may also consider a financial asset to be credit impaired, even if not in default, when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the group.

Movement in expected credit loss of loans to group companies and loans receivable is as follows:

Figures in Rand	2019 '000	2018 '000
Loss allowance as at 1 September calculated under IAS 39 and IFRS 9	-	-
Expected credit loss allowance recognised during the year	(5 324)	-
Receivables written off during the year	-	-
Loss allowance as at 31 August	(5 324)	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

9. INVESTMENTS

The company holds the following investments which have been designated at fair value through profit or loss:

Name of company	Ownership interest	2018 %	Carrying amount	2018 R'000
	2019 %		2019 R'000	
Bambelela Capital Proprietary Limited (“Bambelela”) On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela (previously Vunani Group Proprietary Limited). Bambelela holds a 49% shareholding in Vunani Limited a diversified financial services group.	32	-	16 182	-
K2018010234 (South Africa) Proprietary Limited (“K2018”) On 8 March 2019, AYO subscribed for 18.7% of the issued share capital in K2018. K2018 specialises in e-commerce.	18.7	-	2 850	-
4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”) On 2 April 2019, AYO subscribed for 9.3% of the issued share capital in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications.	9.3	-	5 587	-
			24 619	-
Reconciliation of investments			2019 R'000	2018 R'000
Opening balance			-	-
Acquisitions			91 541	-
Changes in fair values			(66 922)	-
Closing balance			24 619	-

The carrying value of the investment in K2018 has been fair valued down by an amount of R12.1 million based on the proportionate net asset value of the investment. The carrying value of the investment in 4Plus has been fair valued down by an amount of R70 million based on an experts valuation. The carrying value of the investment in Bambelela has been fair valued up by an amount of R16.1 million.

Fair value information

Refer to note 47 for details on the fair value information of the investments.

10. OTHER FINANCIAL ASSETS

Figures in Rand	31 August 2019 '000	31 August 2018 '000
At fair value through profit or loss - designated		
Cadiz Life Investment Enterprise Development Fund	10 234	6 890
The fund is an innovative new investment whereby corporate clients can earn the required Enterprise development points in terms of the DTI scorecard and at the same time earn real returns from the once-off investment. The investment matures 31 July 2023.		
3 Laws Capital Proprietary Limited	-	88 827
The amount was repaid during the year.		
Nesa Capital Fund	188	-
Funds held with Nesa Capital through its Enterprise Development Fund which provides growth and expansionary capital to SMMEs. The amount presented is at fair value		
Total	10 422	95 717
At fair value through profit or loss		
Forward exchange contract	-	68
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.		
Foreign exchange contract	1 495	-
The Group elected not to designate any foreign exchange contract as cash flow hedge.		
Total	1 495	100

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

10. OTHER FINANCIAL ASSETS (continued)

Figures in Rand	31 August 2019 '000	31 August 2018 '000
Loans and receivables at amortised cost		
Ikeganya Support Services Proprietary Limited	1 983	-
The loan is unsecured, bears no interest and is repayable over two equal instalments of R991 556 commencing 30 June 2019.		
Staff Loans	1 534	799
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 committed service term.		
Ragna CC	30	30
The above loan is unsecured, bears no interest and has no fixed repayment terms.		
Supplier Development Loan	5 500	3 635
The above loans were provided as part of the Group's enterprise supplier development process. The loans are interest free and receivable as follows:		
- R3 500 000 by no later than 30 November 2019		
- R2 000 000 by no later than 31 August 2020		
Uhula ICT Proprietary Limited	1 700	-
The loan is unsecured, bears no interest and is repayable within the next 12 months.		
Sizwe Connect Proprietary Limited Investment	1 933	-
The loan is unsecured, bears no interest and is repayable in six equal installments of R321 973 commencing 28 February 2021.		
	12 680	4 464
Total other financial assets	24 597	100 280
Split between non-current and current portions		
Non-current assets	12 355	6 890
Current assets	12 242	93 390

Refer to note 8: loans receivables for information regarding ECL assessment.

The Group has not reclassified any financial assets from amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Fair values information

Financial assets at fair value through profit or loss are carried at fair value, which is therefore equal to their carrying amounts. The fair values of investments not listed or quoted are determined using the discounted cash flow analysis.

Fair values are determined annually at reporting date.

Refer to note 47 for detail on assumptions and methods used to determine fair values for unlisted investments.

11. FINANCE LEASE RECEIVABLES

Figures in Rand	2019 '000	2018 '000
Gross investment in the lease due	1 331	-
- within one year	892	-
- in second to fifth year inclusive	439	-
Less: Unearned finance income	(312)	-
	1 019	-
Present value of minimum lease payments due		
- within one year	669	-
- in second to fifth year inclusive	350	-
	1 019	-
Split between non-current and current portion		
Non-current assets	350	-
Current assets	669	-
	1 019	-

The average lease terms are three to five years and the average effective lending rate was 22%. The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for equipment, which includes laptops, printers, tablets and CCTV equipment.

12. DEFERRED TAX

Figures in Rand	2019 '000	2018 '000
Deferred tax asset	58 424	6 773
Deferred tax liability	(21 511)	(3 063)
Total net deferred tax (liability) asset	36 913	3 710
Deferred tax liability		
Property, plant and equipment	(6 809)	(90)
Intangible assets	(9 607)	(2 757)
Fair value adjustments on investments	-	(10)
Finance lease assets	(4 131)	-
Prepaid expenses	(964)	(206)
Total	(21 511)	(3 063)
Deferred tax asset		
Provisions	16 463	4 700
Allowance for credit losses	1 905	1 428
Income received in advance	8 231	116
Fair value adjustments on investments	14 772	-
Operating lease assets	252	2
Finance lease liabilities	4 392	-
Deferred tax balances from temporary differences other than unused tax losses	46 015	6 246
Tax losses available for set-off against future taxable income	12 409	527
Total	58 424	6 773

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

12. DEFERRED TAX (continued)

Figures in Rand	2019 '000	2018 '000
Reconciliation of deferred tax asset (liability)		
Balance at the beginning of the year	3 710	10 034
Tax loss available for set-off against future taxable income	11 882	(8 711)
Accelerated capital allowances of property, plant and equipment	(6 719)	(109)
Taxable temporary differences movement on intangible assets	(6 850)	346
Fair value adjustments on investments	14 782	(10)
Finance lease assets	(4 131)	-
Prepaid expenses	(758)	526
Provisions	11 761	1 663
Allowance for credit losses	477	180
Income received in advance	8 115	(211)
Operating lease assets	252	-
Finance lease liabilities	4 392	-
Operating lease liability	-	2
Balance at the end of the year	36 913	3 710

13. INVENTORIES

Figures in Rand	2019 '000	2018 '000
Finished goods	66 604	5 682
Work in progress	116 669	6 696
	183 273	12 378
Inventories write downs	(4 282)	-
	178 991	12 378

R4.2 million of inventory was written off in the current year. The carrying value of inventory R178 991 000 is carried at net realisable value.

Figures in Rand	2019 '000	2018 '000
14. TRADE AND OTHER RECEIVABLES		
Financial Instruments:		
Trade receivables	376 366	143 184
Loss allowance	(9 107)	(7 422)
Trade receivables at amortised cost		
Deposits	28 563	1 360
Accrued income	30 790	35 840
Funds held in trust	110 336	-
Related party receivables	11 950	-
Sundry customers	4 070	3 997
Non-financial instruments:		
Operating lease receivable	34	-
Value added income tax expense	11 560	4 827
Prepayments	28 970	1 436
Provisions for prepayment	(9 041)	-
Total	584 491	183 222

Accrued and sundry income

Accrued income relates to income recognised in the Group, the majority being interest accrued on the money market account; dividend income and revenue earned but not yet invoiced. Sundry income relates to maintenance jobs done at or near the reporting date but not yet invoiced. These were subsequently invoiced after the reporting date and recognised as trade receivables.

Funds held in trust

These are monies held in a trust fund to be utilised for the ongoing legal matters.

Provisions for prepayment

Due to the uncertainty of the going concern and business operations of a related party who was prepaid to provide a service, management raised a provision against the prepayment.

Credit quality of trade and other receivables

71% of the Group's trade receivables stems from managed services. 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 based on their recent payment history of the debtors.

9% 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.

15% 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. The insurance company responsible for the underwriting of the insurance receivables has a credit rating of AA+.

5% of the Group's trade receivables stem from sales within the Healthcare, Software Support and Tracking segments. 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 few customers, however, these are blue chip customers and there have been low defaults in the past.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

14. TRADE AND OTHER RECEIVABLES (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

Figures in Rand	2019 '000	2018 '000
Financial instruments	552 968	172 962
Non-financial instruments	31 523	10 260
	584 491	183 222

Expected credit loss allowance

The carrying amount of trade receivables and other receivables approximates the fair value.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables.

The Group measures the lifetime expected credit loss allowance for trade receivables by applying a provision matrix as permitted by IFRS9 and presented below. Trade receivables are categorised based on specific characteristics, for example geographical area and business type. The provision matrices have been developed by making use of judgement and past default experience of debtors but also incorporates forward-looking information such as the likelihood of default by the debtor and industry growth rate as at the reporting date. Macroeconomic factors affecting customers' ability to settle the amounts outstanding include the ongoing energy crisis in South Africa, the GDP in South Africa, inflation rate and growth rate. The estimation techniques have been applied for the first time in the current financial period, as a result of the adoption of IFRS9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2019 was determined as follows:

Figures in Rand	Gross amount '000	Expected credit loss rate	Lifetime expected credit loss '000	Carrying amount '000
Current	222 107	2.34%	(5 261)	216 846
Past due 30 to 60 days	67 739	2.49%	(1 689)	66 050
Past due 60 to 90 days	32 173	2.49%	(802)	31 371
Past due 90 days and older	54 347	2.49%	(1 355)	52 992
	376 366	-	(9 107)	367 259
Total gross amount of trade receivables	376 366	-	-	-
Total allowance for credit losses	(9 107)	-	-	-
	367 259	-	-	-

14. TRADE AND OTHER RECEIVABLES (continued)

Figures in Rand	2019 '000	2018 '000
Reconciliation of expected credit loss		
Loss allowance opening balance	7 352	5 674
Additional allowances charged to profit or loss	1 755	2 068
Allowances reversed through profit or loss	-	(390)
Closing balance	9 107	7 352

Fair value of trade and other receivables

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

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised of:

Cash on hand	154	11
Bank balances	3 680 062	4 308 687
Bank overdraft	(1 106)	(5 056)
Total	3 679 110	4 303 642

The Group has the following facilities in place:

ABSA Bank Limited (“Absa”)

AYO has a bank overdraft facility with Absa 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.

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

The following facilities are also held with Absa:

- Primary Lending to the value of R5 000 000
- Term Loan to the value of R5 800 000
- Credit card to the value of R202 000
- Forward Exchange Contract (Nominal Value) to the value of R10 000 000
- Foreign Exchange Settlement to the value of R5 000 000

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

15. CASH AND CASH EQUIVALENTS (continued)

FirstRand Bank Limited (“FNB”)

Puleng Technologies Proprietary Limited has the following facilities with FNB:

- Working Capital to the value of R2 500 000
- Forward Exchange Contracts to the value of R5 000 000

The above facilities with FNB are secured by:

- Cession of debtors. The current year debtors balance is R33 208 993.
- Unlimited suretyship by the non-controlling shareholders of Puleng.

Sizwe Africa IT Group Proprietary Limited has the following facilities with FNB:

- Overdraft facility on current business account of R75 000 000

The above Sizwe Africa IT Group Proprietary Limited for Puleng Technologies Proprietary Limited with FNB are secured by:

- Debtors book of Sizwe.
- Debtors book of Mantella Trading 634 Proprietary Limited.
- Mustek Limited of R30 000 000.

Nedbank Limited (“Nedbank”)

Kalula Communications Proprietary Limited has the following facilities with Nedbank Limited:

- Overdraft facility to the value of R7 000 000
- Vehicle-and-asset finance facility to the value of R597 890

The above facilities with Nedbank are secured as follows:

- Limited surety signed by A. S. Brown to the value of R8 000 000
- Limited surety signed by Communications Products Proprietary Limited to the value of R5 300 000
- Limited surety signed by Biton Music Productions Proprietary Limited to the value of R7 500 000

Sasfin Limited (“Sasfin”)

Vehicle-and asset facility of R83 331

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. Absa Bank provides the majority of banking services used by the Group. Refer to the table below for credit rating in the long-term and short-term respectively.



15. CASH AND CASH EQUIVALENTS (continued)

Figures in Rand	2019 '000	2018 '000
Bank balances are held with		
Absa Bank Limited - Baa3	2 735 145	4 268 950
Investec Bank Limited - Baa3	265 308	-
Nedbank Limited - Baa3	9 965	2 431
Standard Bank of South Africa Limited - Baa3	86 398	2 938
First National Bank Limited - Baa3	51 098	29 312
HSBC Bank Limited	761	-
Bank of China Limited	501 213	-
Albaraka Bank Limited	28 958	-
Cash on hand	154	-
Other	110	11
Total	3 679 110	4 303 642

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 46.

Bank guarantee

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

16. SHARE CAPITAL

Figures in Rand	2019 '000	2018 '000
Authorised		
2 000 000 000 Ordinary shares of no par value	-	-
Issued		
344 125 194 (2018: 344 125 194) Ordinary shares	4 349 280	4 339 444
Share premium	173 444	183 280
Share issue costs	(78 314)	(78 314)
	4 444 410	4 444 410

In the current year, the company reallocated R9 835 077 from share premium to the share capital account.

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

17. 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 five years from the issue date. The fair value of the shares at the date of issuance was R1.87, which was 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.

NCI put option reserve

The NCI put option reserve arose in respect of the accounting for the written put options entered into by the Company over the non-controlling interest shares of Main Street and GCCT respectively. At a Group level these derivatives are considered to be options over own equity.

In accordance with the requirements of IAS 32.23, at date of issuance of the options the Group recorded a liability for the present value of the redemption amount and the corresponding debit was recorded in an equity reserve because the risks and rewards in respect of the put option share remain with the NCI shareholders.

Figures in Rand	2019 '000	2018 '000
Share-based payment reserve	11 809	11 809
Foreign currency translation reserve	(250)	(32)
Revaluation reserve	221	-
Changes in ownership reserve	(27 455)	-
Written NCI put option reserve	(14 795)	-
	(30 470)	11 777

18. DERIVATIVES

Figures in Rand	2019 '000	2018 '000
Opening balance	-	-
Additions	14 795	-
Fair value adjustments	(10 861)	-
Closing balance	3 934	-

Written put-options over non-controlling interests:

As per the share sale agreements, AYO has written a put option which gives AEEI the right to sell AYO its 60% shareholding in Main Street and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Main Street and GCCT. These options have been fair valued at year-end and the gain of R10 million has been disclosed in other operating gains.

19. FINANCE LEASE LIABILITIES

Figures in Rand	2019 '000	2018 '000
Minimum lease payments due		
- within one year	14 449	394
- in second to fifth year inclusive	3 462	731
	17 911	1 125
Less: future finance charges	(2 375)	(161)
Present value of minimum lease payments	15 536	964
Present value of minimum lease payments due		
- within one year	12 683	389
- in second to fifth year inclusive	2 853	575
	15 536	964
Split between non-current and current portions		
Non-current liabilities	2 853	575
Current liabilities	12 683	389
	15 536	964

The average lease term is between two to five years and the average effective borrowing rate is between 11% and 24%. 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. Refer to note 3 for the carrying amount of assets relating to finance lease liabilities.

Notes to the consolidated annual financial statements (continued)

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20. EMPLOYEE BENEFIT OBLIGATION

Figures in Rand	2019 '000	2018 '000
Long-term employee benefit obligation		
SGT Solutions Proprietary Limited rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Employees receive a bonus of 50% of their monthly pensionable salary after 10 years' service, 75% after 15 years' service, 125% after 25 years' of service. Simeka Consultants and Actuaries calculated the value of the employer's liability towards qualifying employees as at 31 December 2019.		
The movement in the long-term employee benefit obligation is as follows:		
Balance at the beginning of the year	-	-
Additions arising from business combination	5 770	-
Benefits paid	(35)	-
Net expenses recognised in the profit or loss	930	-
	6 665	-
The principle actuarial assumptions were as follows: Assumptions used on last valuation on 1 January 2019.		
Valuation rates:		
Discount rates	9.26 %	-
Inflation rate	6.08 %	-
Future salary increases*	7.08 %	-
Real rate (approximate)#	2.18 %	-

* The above salary increases exclude merit increases which are between 0.5% and 5.5% depending on the age group of the current employees.

The difference between the discount rate and the future salary increase implies an approximate real return without merit increases.

Retirement

A normal retirement age of 63 was assumed for employees. No provision was made for retirement before or after the normal retirement age.

21. DEFERRED INCOME

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

Figures in Rand	2019 '000	2018 '000
Reconciliation		
Additions acquired through business combination	31 120	-
Additions	6 715	-
Reversals through the profit and loss	(8 002)	-
	29 833	-
Split between non-current and current portion		
Non-current liabilities	11 244	-
Current liabilities	18 589	-
	29 833	-

Refer to note 28 for IFRS 15 disclosures.

22. CONTINGENT CONSIDERATION LIABILITY

	2019 '000	2018 '000
Opening balance - Puleng Technologies Proprietary Limited		
Additions	4 256	-
	4 256	-
Contingent consideration arrangements entered into	43 226	-
Zaloserve Proprietary Limited	13 343	-
SGT Solutions Proprietary Limited	29 883	-
Amount due for payment	(5 500)	
Settlements	(4 460)	-
Fair value adjustments	4 822	-
Closing balance	42 344	-
<p>The contingent consideration arrangement for Zaloserve requires AYO to pay the former owners of Zaloserve for achieving certain earn-out targets for the 2019, 2020 and 2021 financial years, up to a maximum undiscounted amount of R5.5 million for each financial year.</p> <p>The contingent consideration arrangement for SGT Solutions requires Main Street to pay the former owners of SGT Solutions for achieving certain earn-out targets for the 2020 and 2021 financial years, up to a maximum undiscounted amount of R20 million for each financial year.</p> <p>The fair value of the contingent consideration arrangements was calculated as the present value of the future expected cash flows. The calculation was based on the assumption that the earn-out targets will be met based on the best available forecast information at acquisition date and were discounted at the weighted average cost of capital of the relevant subsidiary.</p>		
Split between non-current and current portion		
Non-current liability	37 549	-
Current liability	4 795	-
Total	42 344	-

23. TRADE AND OTHER PAYABLES

	2019 '000	2018 '000
Trade payables	324 342	111 982
Leave pay and other accruals	99 645	14 592
SARS - PAYE, UIF and SDL	13 310	1 954
Amounts received in advance	1 979	1 145
Value added taxation	4 560	3 252
	443 836	132 925

Fair value of trade and other payables

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

24. LOANS FROM RELATED PARTY COMPANIES

Figures in Rand	2019 '000	2018 '000
Holding company		
African Equity Empowerment Investments Limited This loan was provided to GCCT by AEEI. The loan bears interest at prime plus 2% and is repayable within 12 months from signature date.	20 863	-
Fellow subsidiaries		
Sekunjalo Technology Solutions Group Proprietary Limited The loan is unsecured and interest is charged at the prime overdraft rate There are no fixed terms of repayment, however, the company has been granted an unconditional right to defer payment for 12 months.	797	-
Split between non-current and current portions		
Non-current liabilities	797	-
Current liabilities	20 863	762
	21 660	762

Refer to note 40 Changes in liabilities arising from financing activities for details of the movement in loans from Group companies during the reporting period.

25. LOANS FROM SHAREHOLDERS

African Equity Empowerment Investments Limited The loan was unsecured with no fixed terms of repayment. Interest was charged at prime plus 3%. The loan was repaid during the year under review.	-	5 001
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Refer to note 40 Changes in liabilities arising from financing activities for details of the movement in loans from shareholders during the reporting period.

26. OTHER FINANCIAL LIABILITIES

Loans from a director of a subsidiary. The loan is unsecured, interest free and repayable on demand.	-	1 130
SAEBEX Proprietary Limited The loan is unsecured, bears no interest and has no fixed repayment terms.	-	3
NCI shareholders Amount payable to previous NCI shareholders of Puleng. AYO entered into an agreement to purchase the remaining 43% of Puleng from minority NCI shareholders for a consideration of R38.5 million.	38 500	-
	38 500	1 133

27. PROVISIONS

Reconciliation of provisions

Figures in Rand	Opening balance '000	Additions '000	Utilised during the year '000	Reversed during the year '000	Derecognised '000	Total '000
Reconciliation of provisions - 2019						
Commission	303	533	(303)	-	-	533
Partner reward incentive program	204	-	(204)	-	-	-
Leave pay	4 710	-	-	(4 710)	-	-
Bonuses	5 917	39 949	(29 960)	(263)	-	15 643
Onerous contract	-	5 680	-	-	-	5 680
Project and product warranties and product risk	-	4 058	(96)	(220)	-	3 742
Provisions for marketing and promotions	-	526	(30)	-	-	496
Provision for warranty costs	4 256	-	-	(4 256)	-	-
Total	15 390	50 746	(30 593)	(9 449)	-	26 094
Reconciliation of provisions - 2018						
Commission	298	5	-	-	-	303
Partner reward program	447	29	(272)	-	-	204
Leave pay	2 697	3 514	(1 245)	(256)	-	4 710
Bonuses	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

Commission

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

Partner reward program

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

Bonuses

The Group recognises a liability and an expense for bonuses based on a formula that takes into account the monthly salary earned by the employees. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation, the amount can be measured reliably and the Directors are of the opinion that it is probable that such bonuses will be paid as experienced in prior years.

Provision for leave pay

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.

Provision for warranty costs

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 to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 '000	2018 '000		
28. REVENUE				
Revenue from contracts with customers				
Sale of goods	679 139	97 244		
Rendering of services	1 280 153	541 649		
	1 959 292	638 893		
Disaggregation of revenue from contracts with customers				
The Group disaggregates revenue from customers as follows:				
Sale of goods	679 139	97 244		
Rendering of services				
Fees earned	259 159	18 761		
Services revenue	1 020 994	522 888		
	1 280 153	541 649		
Total revenue from contracts with customers	1 959 292	638 893		
Timing of revenue recognition by revenue pattern				
At a point in time				
Software- and consulting-related	87 630	152 759		
Security services solutions-related	133 413	131 591		
Communication Products and hardware-related	133 726	-		
Project-related services	552 496	-		
	907 265	284 350		
Over-time				
Software- and consulting-related	180 567	171 035		
Security services solutions-related	73 041	53 041		
Communication Products- and hardware-related	2 014	75 552		
Project-related services	796 405	54 915		
	1 052 027	354 543		
Total revenue from contracts with customers	1 959 292	638 893		
Group revenue disaggregated presented per segment by primary geographical markets is as follows:				
2019	South Africa	Rest of Africa	Europe	Total
Figures in Rand	'000	'000	'000	'000
Software and consulting	58 427	-	1 461	59 888
Security solutions	261 913	2 599	14 085	278 597
Unified communications	65 993	7 247	-	73 240
Health care	111 372	-	-	111 372
Tracking solutions	25 090	265	-	25 355
Managed services	1 406 434	4 388	18	1 410 840
	1 929 229	14 499	15 564	1 959 292
Unsatisfied long-term warranties and maintenance contracts				
Transaction price allocated to long-term contracts	28 531	-	-	-

Management expects that 61% of transaction price allocated to the unsatisfied contracts as at period ending 31 August 2019 will be recognised as revenue in the next year end, 31 August 2020. The remaining 39% will be recognised in the period ending 31 August 2021.

Figures in Rand	2019 '000	2018 '000
29. OTHER OPERATING INCOME		
Administration and management fees received	88	-
Other income	110	-
Commissions received	290	-
Corporate service fees	4 407	-
Fees earned	3 902	-
Other rental income	238	-
Profit on sale of investment in associate	62	1 490
Profit on sale of property, plant and equipment	-	11
Recovery of credit losses	949	-
Sundry income	-	1 792
	10 046	3 293

30. OTHER OPERATING GAINS/(LOSSES)

Figures in Rand	2019 '000	2018 '000
Gains/(losses) on disposals, scrappings and settlements		
Property, plant and equipment	454	-
Disposal of business	1 345	(4 662)
Gain on bargain of purchase	418	-
	2 217	(4 662)
Foreign exchange gains/(losses)		
Net foreign exchange gains/(losses)	853	(2 659)
Fair value gains/(losses)		
Contingent considerations	(4 822)	-
Financial assets designated as at fair value through profit or loss	(53 544)	-
NCI written put option	10 860	-
	(47 506)	-
Total other operating gains/(losses)	(44 434)	(7 321)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 '000	2018 '000
31. MATERIAL NON-OPERATING ITEMS		
Goodwill impairment	-	4 957
Listing costs expensed	-	6 831
Equity-settled share-based payment	-	11 809
	-	23 597

Goodwill impairment: Refer to note 4

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

Equity-settled share-based payment: Refer to note 17

32. OTHER OPERATING ITEMS		
Employee costs	288 336	98 689
Warranty expense	-	4 239
Other operating expenses	273 894	96 608
	562 230	199 536

Employee costs and other operating expenses increased significantly during the year mainly as a result of the inclusion of the results of Sizwe, SGT Solutions and GCCT as well as increase in operational capacity of AYO in anticipation of obtaining new contracts. 49% of the total increase in employee costs and 36% of the total increase in other operating expenses for the period is as a result of these business combination transactions.

Figures in Rand	2019 '000	2018 '000
33. FINANCE INCOME		
Bank and cash	280 463	226 488
Interest - Group companies	518	466
Loans receivable	7 055	-
Cumulative preference shares - Bambelela	10 996	-
Funds in Trust	2 152	-
Other financial assets	21 671	-
Total	322 856	226 954

Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

34. FINANCE COSTS

Figures in Rand	2019 '000	2018 '000
Bank	465	103
South African Revenue Service	4 157	81
Finance leases	349	193
Vendor financing programme	2 869	-
Shareholder loan	3 078	1 377
Total	10 918	1 754

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 '000	2018 '000
35. INCOME TAX EXPENSE		
Major components of the tax expense		
South African normal taxation	97 534	42 017
Under provision - prior periods	769	-
Foreign normal taxation	15	23
Total current tax expense	98 318	42 040
Deferred tax expense		
Benefit of unrecognised tax loss or tax credit or temporary difference used to reduce deferred tax expense	180	9 229
Deferred tax arising on originating and reversing temporary differences	(8 486)	(3 229)
Arising from prior period adjustments	1 174	-
Total deferred tax expense	(7 132)	6 000
Total tax expense	91 186	48 040
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	272 985	195 996
Tax at the applicable tax rate of 28% (2018: 28%)	76 436	54 879
Tax effect of adjustments on taxable income		
Impairment loss	1 040	-
Donations	554	26
Legal fees	2 307	600
Fines and penalties	3	2 231
Prior period under provision of current tax	399	3
Loss from associate	(450)	368
Tax losses utilised	(16)	(15 737)
Foreign income tax	10	23
Capital gains	2 954	-
Learnerships	-	(132)
Prior period over provision of deferred tax	(317)	-
Other unreconciled movements in temporary difference	-	135
Equity-settled share-based payment	-	3 307
Listing fees	-	1 828
Expected credit losses	244	-
Consulting fees	2 115	82
Dividend income exempt from tax	(1 342)	-
Interest on late payment of tax	5	-
Expenses in respect of exempt income	(2 053)	427
Fair value and accounting adjustments	8 707	-
Advertising costs - Capital in nature	560	-
Non-deductible expenditure	30	-
	91 186	48 040

Figures in Rand	2019 '000		2018 '000	
36. EARNINGS PER SHARE				
Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares.				
Basic and diluted earnings per share (cents)				
	43.76		47.20	
There are no dilutive options and other dilutive potential ordinary shares, therefore, basic and diluted earnings per share are the same.				
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:				
Earnings attributable to shareholders of AYO	150 599		144 285	
Weighted average number of shares ('000)	344 124		305 700	
Net asset value per share				
Net asset value per share (cents)	1 299		1 300	
	Gross of tax	Net of tax	Gross of tax	Net of tax
Headline earnings per share				
Headline earning is determined as follows:				
Earnings attributable to owners of AYO	150 599		144 286	
Adjusted for:				
Profit on sale of property, plant and equipment	(489)	(352)	13	(9)
Profit on disposal of associate	-	-	(1 491)	(1 074)
(Profit)/loss on disposal of subsidiary	(1 061)	(764)	1 985	1 429
Impairment of property, plant and equipment	244	176	-	-
Goodwill impairment	-	-	4 284	3 084
Gain on bargain of purchase	(418)	(301)	-	-
Headline earnings	149 358		147 715	
Weighted average number of shares ('000)	344 124		305 700	
Headline earnings per share (cents)	43.40		48.32	

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 '000	2018 '000
37. CASH USED IN OPERATIONS		
Profit before tax	272 565	195 997
Adjustments for:		
Depreciation and amortisation	25 125	3 901
Share of loss from equity-accounted investments	1 608	-
Profit on sale of investment in associate	-	(1 490)
Losses on foreign exchange	-	235
Loss on sale of property, plant and equipment	-	989
Finance income	(322 856)	(226 954)
Finance costs	10 918	1 754
Fair value (gains)/losses	47 531	(2)
Impairment loss	6 987	4 957
Tax penalty	-	7 676
Loss on sale of investment	(455)	4 643
Equity-settled share-based payment	-	11 809
Movements in operating lease assets and accruals	(34)	(35)
Movements in provisions	(6 834)	5 390
Changes in working capital		
Inventories	(7 424)	(2 675)
Trade and other receivables	(60 350)	(91 650)
Trade and other payables	(19 194)	26 845
Deferred income	2 091	(322)
Cash utilised in operations	(50 320)	(58 930)
38. TAX PAID		
Tax payable balance at the beginning of the year	(40 974)	(7 988)
Current tax for the year recognised in profit or loss	(98 318)	(42 040)
Tax penalty	-	(7 682)
Balance at the end of the year	21 498	40 974
Tax paid	(117 794)	(16 736)
39. DIVIDENDS PAID		
Dividends paid	(221 108)	(17 646)
Dividends paid	(221 108)	(17 646)

A maiden interim dividend of 35 cents per share amounting to R120 million was paid to shareholders during the year under review.

A final dividend of 16 cents per share was approved by the board of directors on 20 December 2019 in South African rand in respect of the year ended 31 August 2019. The dividend was paid on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 13 January 2020.

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Other financial liabilities	1 133	6 826	32 471	39 297	(1 133)	39 297
Other payables	1 842	-	235 095	235 095	(223 627)	13 310
Finance lease liabilities	964	24 826	-	24 826	(10 254)	15 536
Loans from related party companies	-	-	533	533	20 330	20 863
Loans from shareholders	4 993	-	8	8	(5 001)	-
Contingent liabilities	-	43 227	3 577	46 804	(4 460)	42 344
Derivatives	-	-	3 934	3 934	-	3 934
Total	8 932	74 879	275 618	350 497	(224 145)	135 284

Reconciliation of liabilities arising from financing activities - 2018

	Opening balance R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Borrowings	5 742	(26)	-	(26)	(4 583)	1 133
Finance lease liabilities	2 347	-	-	-	(1 384)	964
Loans from group companies	80 597	-	(3 180)	(3 180)	(72 424)	4 993
Other payables	-	-	-	-	1 842	1 842
Total	88 686	(26)	(3 180)	(3 206)	(76 548)	8 932

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

41. BUSINESS COMBINATIONS

Acquisition of Zaloserve Proprietary Limited (“Zaloserve”)

AYO acquired a 55% equity interest in Zaloserve Proprietary Limited (“Zaloserve”) on 19 December 2018 for a consideration of R165 million after obtaining approval from the Competition Commission. The effective date in terms of the agreement was 1 November 2018 however in terms of IFRS 3 Business Combinations the date of acquisition has been determined as 19 December 2018 as a result of the significant conditions precedents being met. Zaloserve is an investment holding company that holds a 100% shareholding in Opiwize Proprietary Limited which in turn holds a 100% shareholding in Sizwe.

Sizwe offers various ICT services to its customers including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security to hosting, storage server processing mobility, data centre, end-user computing and associated consumables.

Acquisition of Main Street 1653 Proprietary Limited (“Main Street”)

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

SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi-technology telecommunication systems for mobile broadband and converged solutions through partnerships with its customers and technology providers.

The Company specialises in integrated leading-edge and comprehensive solutions across the entire spectrum of telecommunications. SGT Solutions has been operating in South Africa for the past 14 years.

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

On 1 March 2019 the Group acquired a 24% equity shareholding interest in GCCT. Although AYO only has a 24% equity interest it has been determined that AYO controls GCCT in terms of IFRS 10 Consolidated Financial Statements. AYO has the power to direct the relevant activities of GCCT by virtue of the rights arising from its voting rights, combined with the rights arising from the shareholders’ agreement to appoint the majority of the directors of the board.

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

41. BUSINESS COMBINATIONS (continued)

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

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

Non-controlling interests

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

Goodwill

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

41. BUSINESS COMBINATIONS (continued)

Contingent considerations

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

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

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

Acquisition related costs

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

Impact of the acquisitions on the Group results

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

Figures in Rand	Zaloserve '000	Main Street '000	GCCT '000	Total '000
Revenue	766 368	219 517	25 355	1 011 240
Profit/(loss) after tax	30 821	19 546	(6 323)	44 044

Revenue and profits of the acquirees' since acquisitions which would have been included in the AYO Group results had the business combinations taken place at the beginning of the 2019 financial year: These values are based on best estimate as it is impractical to include these actual values from 1 September 2018.

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

42. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries

Figures in Rand	2019 Acacia Cloud Solutions Proprietary Limited '000	2018 World Wide Creative Proprietary Limited '000
Property, plant and equipment	41	442
Financial assets	-	4
Goodwill	-	3 205
Deferred tax asset	41	323
Trade and other receivables	1 435	2 343
Operating lease asset	-	30
Current tax receivable (payable)	(33)	6
Cash and cash equivalents	(50)	314
Trade and other payables	(1 520)	(974)
Provisions	-	(359)
Operating lease liability	-	(174)
Financial liabilities	-	(26)
Non-controlling interests	(56)	(483)
Total net assets sold	(142)	4 651
Consideration received	1 203	1
Gain/(loss) on sale of subsidiary	1 061	(4 650)
Net cash outflow on disposal		
Cash consideration paid	51	1
Services to be rendered	581	-
Profit on joint service	571	-
Net cash outflow	1 203	1

On 30 June 2019, Afrozaar Proprietary Limited disposed of its interest in Acacia Cloud Solutions Proprietary Limited for a consideration of R1 203 125. The net assets of Acacia Cloud Solutions Proprietary Limited were as stated below on the date of disposal.

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 net assets of World Wide Creative Proprietary Limited were as stated below on the date of disposal.

The profit/(loss) on disposal is included in the operating gains/(losses) in the Statement of Comprehensive Income.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 '000	2018 '000
43. COMMITMENTS AND CONTINGENCIES		
Operating lease commitments		
Minimum lease payments due		
- within one year	10 087	6 314
- in second to fifth year inclusive	9 005	13 358
- later than five years	538	1 936
	19 630	21 608

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Litigation

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

AYO has instructed its attorneys to oppose the action.

No provision has been raised in respect of this matter as it has not yet been heard before the courts.

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

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

No provision has been raised in respect of this matter as it has not yet been heard before the courts.



44. RELATED PARTIES

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

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding Company
AYO International Holdings	Subsidiary
Zaloserve Proprietary Limited	Subsidiary
Global Command and Control Technologies Proprietary Limited	Subsidiary
Kalula Communications Proprietary Limited	Subsidiary
Main Street 1653 Proprietary Limited	Subsidiary
Health System Technologies Proprietary Limited	Subsidiary
Sizwe Africa IT Group Proprietary Limited	Subsidiary
Puleng Technologies Proprietary Limited	Subsidiary
Afrinat Proprietary Limited	Fellow subsidiary
espAfrika Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripos Travel Proprietary Limited	Fellow subsidiary
Exaro HST Proprietary Limited	Joint venture
Tamlalor Proprietary Limited	Joint venture
Digital Health Africa Proprietary Limited	Joint venture
Biton Music Productions Proprietary Limited	Common shareholding
3 Laws Capital Proprietary Limited	Common shareholding*
African News Agency Proprietary Limited	Common shareholding*
BT Communications Services South Africa Proprietary Limited	Common shareholding*
Independent News and Media Proprietary Limited	Common shareholding*
KimCo Trust	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Capital Proprietary Limited	Common shareholding*
Sekunjalo Health and Commodities Proprietary Limited	Common shareholding*
Sekunjalo Technology Group Proprietary Limited	Common shareholding*
Imagine Awards	Common shareholding*
Premfresh Seafoods Proprietary Limited	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Investment Holdings	Common shareholding*
Tripos Tourist Investments Proprietary Limited	Common shareholding*
Headset Solutions Africa Proprietary Limited	Common shareholding
SGT Solutions Proprietary Limited	Common shareholding
Bambelela Proprietary Limited	Investment ¹
K2018010234 (South Africa) Proprietary Limited	Investment
Volt Business Solutions Proprietary Limited	Investment ¹
4Plus Technology Venture Fund Africa Proprietary Limited	Investment ¹
Directors	Refer to director's report
Dr Wallace Mgoqi	Director
Sello Rasethaba	Director
Vanessa Govender	Director
Salim Young	Former director
Clifford van der Venter	Director of fellow subsidiary

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

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

Notes to the consolidated annual financial statements (continued)

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44. RELATED PARTIES (continued)

Significant related party transactions entered into include;

African News Agency Proprietary Limited (“ANA”)

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

espAfrika Proprietary Limited (“espAfrika”)

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

3 Laws Capital Proprietary Limited (“3 Laws”)

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

African Equity Empowerment Investment Limited (“AEEI”)

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

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

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

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

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

Tripes Tourist Investments Proprietary Limited (“Tripes”)

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

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

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

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

44. RELATED PARTIES (continued)

Figures in Rand	2019 R'000	2018 R'000
Related party transactions include the following:		
Sales to related parties		
African Equity Empowerment Investments Limited	824	76
BT Communications Services South Africa Proprietary Limited	1 633	-
Kalula Communications Proprietary Limited	212	-
Premier Fishing SA Proprietary Limited	380	282
Sagarmatha Technologies Limited	1 099	-
K2018010234 (South Africa) Proprietary Limited	532	-
Blank Page Publishing Proprietary Limited	325	-
Sizwe Asset Finance Proprietary Limited	389 404	-
Win-a-Way Investments Proprietary Limited	28	-
Tintantrade Proprietary Limited	106	-
Mustek Limited	13	-
Management fees received from related parties		
Health System Technologies Proprietary Limited	4 434	-
Kalula Communications Proprietary Limited	663	-
Commission received from related parties		
Health System Technologies Proprietary Limited	3 245	-
Purchases of information technology management services from related parties		
African News Agency Proprietary Limited	9 307	-
Health System Technologies Proprietary Limited	280	-
Kalula Communications Proprietary Limited	812	-
BT Communications Services South Africa	302 358	37 633
Independent Newspapers Proprietary Limited	13 955	-
Sizwe IT Africa Proprietary Limited	1 154	-
Premier Fishing SA Proprietary Limited	208	-
Tripos Tourist Investments Proprietary Limited	29	-
Sizwe Asset Finance Proprietary Limited	98 856	-
Mustek Limited	22 718	-
Human resources services fees paid to related parties		
Premier Fishing SA Proprietary Limited	-	194
Advertising and marketing expenses paid to related parties		
African Equity Empowerment Investments Limited	-	346
African News Agency Proprietary Limited	5 376	-
Independent News and Media Proprietary Limited	15 134	335
espAfrika Proprietary Limited	10 249	3 051
Orleans Cosmetics Proprietary Limited	207	-
Consulting fees paid to related parties		
Sekunjalo Capital Proprietary Limited	-	400
Salim Young	-	341
Clifford van der Venter (Non-exec director Premier Fishing & Brands Limited)	74	-
Corporate finance service fees paid to related parties		
African Equity Empowerment Investments Limited	-	57 700
Administration fees (received from)/paid to related parties		
African Equity Empowerment Investments Limited	7 560	7 203
3 Laws Capital Proprietary Limited	(6 243)	1 263
Corporate service fees received from related parties		
Independent News and Media Proprietary Limited	3 175	-

Notes to the consolidated annual financial statements (continued)

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44. RELATED PARTIES (continued)

Figures in Rand	2019 R'000	2018 R'000
Related party transactions include the following (continued):		
Travel agency fees paid to related parties		
Tripos Travel Proprietary Limited	5 939	1 047
Health System Technologies Proprietary Limited	23	-
Recoveries from related parties		
Afrinat Proprietary Limited	-	2 136
Rental expenses paid to related parties		
Biton Music Productions Proprietary Limited	-	1 006
Prodirect Investments 112 Proprietary Limited	1 705	-
Sekunjalo Properties Proprietary Limited	1 369	-
Health System Technologies Proprietary Limited	31	-
Win-a-Way Investments Proprietary Limited	3 833	-
Interest received from/(paid) related parties		
African Equity Empowerment Investments Limited	(2 045)	466
3 Laws Capital Proprietary Limited	7 977	18 827
Bambelela Proprietary Limited	10 996	-
AYO International Holdings Proprietary Limited	353	-
Global Command and Control Technologies Proprietary Limited	1 991	-
Headset Solutions Africa Proprietary Limited	91	-
Kalula Communications Proprietary Limited	500	-
Main Street 1653 Proprietary Limited	1 957	-
SGT Solutions Proprietary Limited	1 518	-
Tamlalor Proprietary Limited	4 605	-
Volt Business Solutions Proprietary Limited	935	-
Sundry income earned from/Sundry expenses (paid to) related parties		
Global Command and Control Technologies Proprietary Limited	(990)	-
Kalula Communications Proprietary Limited	108	-
Win-a-Way Investments Proprietary Limited	620	-
Conferences, Meetings and Seminars paid to/(received from) related parties		
Independent Newspaper Proprietary Limited	904	-
Dividend declared by related parties		
Puleng Technologies Proprietary Limited	7 676	-
Professional service fees paid to related parties		
Premier Fishing SA Proprietary Limited	103	-
African News Agency Proprietary Limited	6	-
Vunani Capital Proprietary Limited ¹	9 888	-
Health System Technologies Proprietary Limited	12	-
Entertainment paid to related parties		
Imagine Awards (Surve Philanthropies)	413	-
Sekunjalo Edu Jazz Awards	3	-
Health Systems Technology Proprietary Limited	2	-
Licenses paid to related parties		
Health System Technologies Proprietary Limited	70	-



44. RELATED PARTIES (continued)

Figures in Rand	2019 R'000	2018 R'000
Related party transactions include the following (continued):		
Staff welfare		
Health Systems Technologies Proprietary Limited	1	-
Dr. Wallace Mgoqi	1	-
Vanessa Govender	32	-
Other expenses		
Premier Fishing SA Proprietary Limited	35	-
Health Systems Proprietary Limited	9	-
Prodirect Investments 112 Proprietary Limited	14	-
Donations		
Dr Wallace Mgoqi	20	-
Sello Rasethaba	30	-
Independent Media Proprietary Limited	255	-
Legal fees		
African Equity Empowerment Investments Limited	11	-
Subscriptions paid to related parties		
Sekunjalo Investment Holdings Proprietary Limited	1 538	-
Sello Rasethaba	3	-
Leasing Charges		
Sizwe Africa IT Group Proprietary Limited	25	-
Levies		
Independent Media Proprietary Limited	72	-
Printing and Stationery		
Sizwe Africa IT Group Proprietary Limited	17	-
Warranty Expense		
Puleng Technologies Proprietary Limited	203	-
Related party balances include the following:		
Prepayments		
African News Agency Proprietary Limited	10 450	-
Independent News Proprietary Limited	9 041	-
Independent News Proprietary Limited (impairment)	(9 041)	-
Trade receivables from related parties		
Afrinat Proprietary Limited	-	25
Exaro HST Proprietary Limited	-	5 354
4Plus Technology Venture Fund Africa Proprietary Limited	529	-
Global Command and Control Technologies Proprietary Limited	1 040	-
Kalula Communications Proprietary Limited	1 114	-
Premier Fishing SA Proprietary Limited	399	-
Sargamatha Technologies Limited	1 346	-
Sizwe Asset Finance Proprietary Limited	5 006	-
Sekunjalo Investment Holdings Proprietary Limited	1 281	-
Health Systems Technologies Proprietary Limited	479	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

Figures in Rand	2019 R'000	2018 R'000
Related party balances include the following: (continued)		
Other receivables		
African Equity Empowerment Investments Limited	723	-
Independent News and Media Proprietary Limited	3 651	-
Health System Technologies Proprietary Limited	4 232	-
African Equity Empowerment Investments Limited	723	-
Puleng Technologies Proprietary Limited	4 176	-
Investments		
3 Laws Capital Proprietary Limited	-	88 827
4Plus Technology Proprietary Limited	75 660	-
4Plus Technology Proprietary Limited (impairment)	(70 073)	-
Bambelela Proprietary Limited	16 182	-
K2018010234 (South Africa) Proprietary Limited	15 881	-
K2018010234 (South Africa) Proprietary Limited	(12 150)	-
Tamlalor Proprietary Limited (loss from equity-accounted investment)	(1 608)	-
Preference shares		
Bambelela Proprietary Limited	150 996	-
Trade payables to related parties		
African Equity Empowerment Investments Limited	-	4 314
African News Agency Proprietary Limited	175	-
BT Communications Services South Africa Proprietary Limited	27 360	37 158
Independent News and Media Proprietary Limited	6 931	-
Premier Fishing SA Proprietary Limited	11	29
Health System Technologies Proprietary Limited	79	-
Premfresh Seafoods Proprietary Limited	121	-
Sizwe Africa IT Group Proprietary Limited	56	-
Tripos Tourist Investments Proprietary Limited	25	-
Mustek Limited	1 015	-
Sizwe Asset Finance Proprietary Limited	14 223	-
Loans receivable from related parties		
African Equity Empowerment Investments Limited	5 367	1 820
Sekunjalo Health and Commodities Proprietary Limited	-	1
Digital Health Africa Proprietary Limited	168	168
AYO International Holdings Proprietary Limited	12 353	-
Global Command and Control Technologies Proprietary Limited	61 642	-
Headset Solutions Africa Proprietary Limited	879	-
Kalula Communications Proprietary Limited	15 353	-
Main Street 1653 Proprietary Limited	31 957	-
SGT Solutions Proprietary Limited	31 518	-
Tamlalor Proprietary Limited	104 605	-
Volt Business Solutions Proprietary Limited	11 535	-
Loans payable to related parties		
African Equity Empowerment Investments Limited	20 863	5 000
Sekunjalo Technology Group Proprietary Limited	-	1
KimCo Trust	-	615
Funds placed with related parties for management		
3 Laws Capital Proprietary Limited	-	88 827
Options		
African Equity Empowerment Investments	14 795	-
African Equity Empowerment Investments (Fair value adjustment)	(10 861)	-

44. RELATED PARTIES (continued)

Bank guarantee

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

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

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

45. DIRECTORS' EMOLUMENTS

Figures in Rand	AYO Group						Other Group company remuneration R'000	Total R'000
	Emoluments R'000	Other benefits* R'000	Pension paid or receivable R'000	Bonus R'000	Directors' fees R'000	Total R'000		
2019								
H Plaatjes*	2 292	306	78	-	-	2 676	-	2 676
IT Bundo*	1 643	105	-	-	-	1 748	1 125	2 873
V Govender*	1 693	276	-	-	-	1 969	-	1 969
AM Salie*	836	54	-	-	-	890	1 414	2 304
A B Amod^	-	-	-	-	842	842	832	1 674
N Gamielien*	1 378	163	-	960	-	2 501	-	2 501
G W Madzonga^	-	-	-	-	-	-	-	-
S Young#	-	-	-	-	217	217	-	217
T M Ntsasa^	-	-	-	-	-	-	-	-
M F Khoza^	-	-	-	-	-	-	-	-
Dr W Mgoqi#	-	-	-	-	675	675	-	675
Dr D George#	-	-	-	-	371	371	-	371
R Mosia#	-	-	-	-	315	315	-	315
S Rasethaba#	-	-	-	-	277	277	-	277
N Ramathlodi#	-	-	-	-	239	239	227	466
I Amod^	-	-	-	-	89	89	-	89
CF Hendricks#	-	-	-	-	-	-	1 557	1 577
TT Hove#	-	1	-	-	50	51	-	51
	7 842	905	78	960	3 075	12 860	5 155	18 035

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

45. DIRECTORS' EMOLUMENTS (continued)

Figures in Rand	Emoluments R'000	Pension paid or receivable R'000	Bonus R'000	Directors' fees R'000	Total R'000
2018					
C F Hendricks [^]	-	-	-	-	-
K Abdulla [^]	-	-	-	-	-
A B Amod [^]	-	-	-	-	-
N Gamielien [*]	1 917	41	-	-	1 958
G W Madzonga [^]	-	-	-	-	-
K AW Hardy [*]	2 500	395	2 000	-	4 895
S Nodwele [*]	1 716	163	320	-	2 199
S Young [#]	-	-	-	486	486
T M Ntsasa [^]	-	-	-	-	-
M F Khoza [^]	-	-	-	-	-
Dr W Mgoqi [#]	-	-	-	-	-
Dr D George [#]	-	-	-	-	-
R Mosia [#]	-	-	-	-	-
S Rasethaba [#]	-	-	-	-	-
N Ramathlodi [#]	-	-	-	101	101
	6 133	599	2 320	587	9 639

* Executive Directors

[^] Non-executive Directors

[#] Independent Non-Executive Directors

* Other benefits comprise travel allowance and medical benefits

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

T Bundo was remunerated by Premier an amount of R1 125 000. Such remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

AB Amod was remunerated by AYO R337 500 (2018: R0), AEEI in amount of R212 379 (2018: R216 287) and by Premier an amount of R193 000 (2018: R635 682). AEEI and Premier remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

S Young was remunerated by AEEI in amount of Rnil (2018: R369 504) and by Premier an amount of Rnil (2018: R 182 544). Such remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

R Mosia was remunerated by Premier an amount of R314 000 (2018: R 182 544). Such remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

N Ramathlodi was remunerated by AEEI in amount of Rnil (2018: R107 506) and by Premier an amount of R473 000 (2018: R76 149). Such remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

45. DIRECTORS' EMOLUMENTS (continued)

Direct and indirect interest of the Directors

During the year, the directors held in aggregate a direct beneficial interest of 2 500 (2018: 5 000) and an indirect non-beneficial interest of 11 063 304 (2018: nil) in the company's shares, equivalent to 3.2008% (2018: 0.0015%) of the issued share capital.

Figures in Rand	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2019					
I Amod	1 250	-	-	-	0.0004%
AB Amod	1 250	-	-	-	0.0004%
S Young	2 500	-	-	-	0.0007%
D George	-	-	-	11 063 304	3.2000%
	5 000	-	-	11 063 304	3.2015%
2018					
K Abdulla	1 250	-	-	-	0.0004%
AB Amod	1 250	-	-	-	0.0004%
S Young	2 500	-	-	-	0.0007%
	5 000	-	-	-	0.0015%

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

46. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to several financial risks. The Group has trade receivables, cash and cash equivalents, investments and loans receivable which give rise to credit risk and interest rate risk. The Group has trade payables, financial lease liabilities, bank overdraft, financial guarantees and contingent consideration liabilities give rise to liquidity risk and interest rate risk. The Group also has trade receivables and trade payables denominated in foreign currencies which give rise to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that an entity in the Group will encounter difficulty in meeting obligations as they become due. The Group manages liquidity risk by ensuring that there are enough available cash resources and obtaining credit facilities from banks to ensure that the Group has adequate cash to settle its commitments when they become due.

The group has undrawn overdraft facilities with ABSA, FNB, Nedbank and Sasfin, refer to cash and cash equivalent note disclosure (note 15) for further breakdown of all the undrawn facilities.

The Group's overdraft facilities are renewable on a yearly basis at various dates during the calendar year.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group. The amounts disclosed are the remaining undiscounted contractual cash outflows and therefore differ with the carrying amounts or fair value.

Figures in Rand	Within one year '000	One to two years '000	Two to three years '000	More than three years '000	Total '000
At 31 August 2019					
Other financial liabilities	38 500	797	-	-	39 297
Finance lease liabilities	12 683	2 853	-	-	15 536
Trade payables	439 511	-	-	-	439 511
Contingent considerations	10 295	37 549	-	-	47 844
Loans from group companies	20 863	-	-	-	20 863
Derivative	-	-	-	3 934	3 934
Total	521 852	41 199	-	3 934	566 985
At 31 August 2018					
Other financial liabilities	1 133	-	-	-	1 133
Finance lease liabilities	389	575	-	-	964
Trade payables	132 927	-	-	-	132 927
Contingent considerations	4 256	-	-	-	4 256
Loans from shareholders	5 001	-	-	-	5 001
Total	143 706	575	-	-	144 281



46. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk consists mainly of trade receivables, cash and cash equivalents and loans and other receivables.

Trade receivables are comprised of a widespread customer base.

The Group funds subsidiary companies based on working capital requirements, management assesses the cash flow forecast and budgets to determine repayments.

On a continuous basis, management monitors the performance of each customer against their credit limit to ensure that no credit limits are exceeded. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Generally, the Group does not require collateral or other securities for trade receivables.

The Group only deposits cash with major banks that have a good reputation and a high-quality credit standing and limits exposure to any one counterparty.

The Group assesses the trading performance of counterparties before making advances. Advances are made on the strength of the counterparty's trading performance and forecast cash flows. Loans and other receivables are carefully monitored for impairment.

Impairment of financial assets

The group has the following financial assets that are subject to expected credit loss model:

1. Trade receivables – refer to note 14
2. Loans to group companies – refer to note 7
3. Loans receivables – refer to note 8
4. Cash and cash equivalent – the identified impairment is immaterial

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

Figures in Rand	At 31 August 2019 '000	At 31 August 2018 '000
Financial asset		
Loans receivable	173 963	1 989
Other financial assets	24 597	100 280
Trade and other receivables	552 968	183 222
Finance lease receivables	1 019	–
Cash and cash equivalents	3 679 110	4 308 698
Loans to group companies	108 562	–
Total	4 540 219	4 594 189

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

46. FINANCIAL RISK MANAGEMENT (continued)

The exposure to credit risk for trade receivables by geographic region as at 31 August 2019 was as follows:

Figures in Rand	At 31 August 2019 '000	At 31 August 2018 '000
Geographic region		
South Africa	580 883	8 476
Rest of Africa	3 437	-
Europe	171	190
Total	584 491	8 666

The exposure to credit risk for trade receivables by sector as at 31 August 2019 was as follows:

Figures in Rand	At 31 August 2019 '000	At 31 August 2018 '000
Sector		
Private or public companies	452 941	80 763
Government institutes	131 550	23 219
Total	584 491	103 982

Currency risk

The Group is exposed to foreign exchange risk arising from currency exposures with respect to the US Dollar and the British Pound. Foreign exchange risk arises from recognised trade receivables balances and trade payable balances.

Group companies manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using forward contracts.

At the reporting date, only US Dollar balances existed and these were remeasured based on closing spot rate.

Foreign currency balances

The Group had the following foreign currency denominated assets and liabilities at the reporting date:

Geographic region - USD	At 31 August 2019 US Dollar \$'000	At 31 August 2018 US Dollar \$'000
Trade debtors	-	13
Trade payables	18	1 188

46. FINANCIAL RISK MANAGEMENT (continued)

Exchange rates used for conversion of foreign items were:

	US Dollar
At 31 August 2019	15.319
At 31 August 2018	14.459

The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

Foreign currency sensitivity analysis

The following table shows the impact on the Group's profit after tax if there was a 10% weakening in the rand against the US dollar. For a 10% stronger rand there would be an equal and opposite impact on profit after taxation. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at financial year-end for a 10% weaker rand, with all other variables held constant.

Figures in Rand	2019 '000	2018 '000
Increase in profit after tax		
US dollar	-	1 223
Euro	-	-

Interest rate risk

Floating rate instruments expose the Group to cash flow interest risk. The Group does not have financial instruments with fixed interest rates.

Our debt is comprised of loans that have interest rates which are linked to the prime rate. The current debt is not significant, and the Group has not hedged against changes in the prime rate.

In respect of financial assets, the Group invests cash at floating rates of interest and cash reserves are maintained in short-term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders.

Interest rate sensitivity analysis

The following table shows the impact on the Group's profit before tax if interest rates were 1% higher or lower as at the reporting date. The sensitivity analysis includes the financial assets and financial liabilities balances with variable interest rates at financial year-end, with all other variables held constant.

Figures in Rand	2019 '000	2018 '000
Impact on profit before tax		
Increase of 1%	3 163	2 270
Decrease of 1%	(3 163)	(2 270)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

47. FAIR VALUE INFORMATION

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

Fair value hierarchy

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

- **Level 1** Quoted unadjusted prices in active markets for identical assets or liabilities.
- **Level 2** Inputs other than quoted prices (included in level 1) that are observable for the asset or liability (directly or indirectly).
- **Level 3** Inputs for the asset or liability that are unobservable.

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

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

Financial instrument	Notes	Fair value hierarchy
Non-Financial Assets		
Intangible assets acquired through business combinations	5	Level 3
Financial assets		
Other financial assets – not designated at fair value through profit/(loss)	10	Level 2
Other financial assets – designated at fair value through profit/(loss)	10	Level 2 ³
Trade receivables	14	Level 3 ¹
Cash and cash equivalents	15	Level 1 ²
Foreign exchange contract	10	Level 1 ¹
Investments at fair value through profit/(loss)	9	Level 3
Financial liabilities		
Other financial liabilities	26	Level 3 ¹
Trade payables	23	Level 3 ²
Bank overdraft	26	Level 1
Contingent consideration liability	22	Level 3
Derivatives – Put options over non-controlling interests	18	Level 3

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

² The carrying value of cash is considered to reflect its fair value.

³ A level 2 asset, Oasis Proprietary Limited, was acquired in the current year and disposed of before the financial year-end

47. FAIR VALUE INFORMATION (continued)

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

Figures in Rand	Notes	Fair value at 31 August 2019 '000	Fair value at 31 August 2018 '000	Valuation method	Fair value hierarchy
Non-financial Assets					
Intangible assets acquired through business combinations					
Brands	5	14 573	-	Relief from royalties and excess earnings method	Level 3
Customers lists	5	24 692	-	Relief from royalties and excess earnings method	Level 3
Total intangible assets acquired through business combinations		39 265	-		Level 3
Financial Assets					
Investments at fair value through profit/(loss)					
Bambelela Capital Proprietary Limited	9	16 182	-	Percentage of net assets value	Level 3
K2018010234 (South Africa) Proprietary Limited	9	2 850	-	Percentage of net assets value	Level 3
4Plus Technology Venture Fund Africa Proprietary Limited	9	5 587	-	Discounted cash flow	Level 3
Total investments at fair value through profit/(loss)		24 619	-		Level 3
Other financial assets designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	10	10 234	6 890	Investor statement	Level 2
3 Laws Capital Proprietary Limited Investment	10	-	88 827	Investor statement	Level 2
Nesa Capital Fund	10	188	-	Investor statement	Level 2
Total other financial assets designated at fair value through profit/(loss)		10 422	95 717		
Financial liabilities					
Financial derivatives					
Total put options over non-controlling interests	18	(3 934)	-	Discounted cash flow	Level 3
Contingencies					
Total contingent consideration liabilities	22	(42 344)	(4 256)	Discounted cash flow	Level 3

Notes to the consolidated annual financial statements (continued)

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47. FAIR VALUE INFORMATION (continued)

Reconciliation of assets and liabilities measured at level 2 and 3

Figures in Rand	Note	Opening balance '000	Additions '000	Settle-ments/ disposals '000	Gains/ (losses) in profit/ (loss) '000	Gains/ (losses) in other income '000	Closing balance '000
2019							
Non-financial Assets							
Intangible assets acquired through business combinations							
Brands	5	-	14 573	-	-	-	14 573
Customers lists	5	-	26 097	-	(1 405)	-	24 692
Total intangible assets acquired through business combinations		-	40 670	-	(1 405)	-	39 265
Financial Assets							
Investments at fair value through profit/(loss)							
Bambelela Capital Proprietary Limited	9	-	-	-	16 182	-	16 182
K2018010234 (South Africa) Proprietary Limited	9	-	15 000	-	(12 150)	-	2 850
4Plus Technology Venture Fund Africa Proprietary Limited	9	-	75 660	-	(70 073)	-	5 587
Total investments at fair value through profit/(loss)		-	90 660	-	(66 041)	-	24 613
Other financial assets designated at fair value through profit/(loss)							
Oasis Proprietary Limited	10	-	409 801	(422 201)	12 400	-	-
Cadiz Investment Enterprise Development Fund	10	6 890	3 216	-	84	-	10 190
3 Laws Capital Proprietary Limited Investment	10	88 827	401 734	(490 562)	-	-	-
Nesa Capital Fund	10	-	188	-	-	-	188
Total other financial assets designated at fair value through profit/(loss)		95 717	814 940	(912 763)	12 484	-	10 378
Financial liabilities							
Financial derivatives							
Total put options over non-controlling interests	18	-	(14 795)	-	10 861	-	(3 934)
Contingencies							
Total contingent consideration liabilities	22	-	(47 482)	9 960	(4 822)	-	(42 344)
2018							
Financial assets							
Other financial assets designated at fair value through profit/(loss)							
Cadiz Investment Enterprise Development Fund	10	747	6 141	-	2	-	6 890
3 Laws Capital Proprietary Limited Investment	10	-	488 827	(400 000)	-	-	88 827
Total other financial assets designated at fair value through profit/(loss)		747	494 968	(400 000)	2	-	95 717

47. FAIR VALUE INFORMATION (continued)

The fair value adjustments are recognised directly in profit or loss. The fair value of investments, NCI put liability and contingent consideration liabilities is calculated using discounted cash flow. Key inputs used in measuring fair value of investments include projected financial forecasts, terminal growth rate and discount rate are indicated below.

Cost of debt	10%
Beta	0.32 - 1.4
Weighted average cost of capital	14.2% - 24.4%
Specific risk premium	1% - 4%
Debt-equity ratio	0% - 30%
Terminal growth rate	4.5%
Risk free rate	7.26% - 8.6%

Key inputs used in measuring fair value of contingent consideration liabilities include current forecasts of the extent to which management believe performance criteria will be met, discount rates reflecting the time value of money and contractually specified earn-out payments. The potential effect of using reasonably possible alternative assumptions in the valuation, based on a change in the most significant input by 1% while holding all other variables constant, is shown in the following table:

Investments in subsidiaries	Change	Movement
		Increase '000
Figures in Rand		
Cost of debt	1%	(5 680)
Beta	0.1	(32 794)
Weighted average cost of capital	1%	(57 645)
Specific risk premium	1%	(36 931)
Debt-equity ratio	10%	35 299
Terminal growth rate	1%	47 097

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

	Cost of debt	Beta	Weighted average cost of capital	Specific risk premium	Debt-equity ratio	Terminal growth rate
	Increase	Increase	Increase	Increase	Increase	Increase
	1%	0.1	1%	1%	10%	1%
Puleng Technologies Proprietary Limited	(2 165)	(6 842)	(12 257)	(10 305)	11 288	9 494
Kalula Communication Proprietary Limited	(899)	(2 018)	(3 853)	(3 083)	2 567	3 668
Main Street Group	-	(1 729)	(2 607)	(2 607)	2 973	2 154
Software Tech Holdings Proprietary Limited	-	(104)	(170)	(170)	306	100
Zaloserve Proprietary Limited	(2 577)	(6 978)	(14 456)	(11 333)	10 245	10 386
Global Command and Control Technologies Proprietary Limited	(39)	(302)	(539)	(491)	549	376
Health System Technologies Proprietary Limited	-	(14 821)	(23 763)	(8 942)	7 371	20 919
	(5 680)	(32 794)	(57 645)	(36 931)	35 299	47 097

Notes to the consolidated annual financial statements (continued)

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47. FAIR VALUE INFORMATION (continued)

Contingent consideration liability

	Weighted average cost of capital	
	Increase	Decrease
	1%	1%
Sizwe Proprietary Limited ('000)	159	(164)
Main Street Group ('000)	155	(159)
	314	(323)

NCI put options

	Risk free rate	
	Increase	Decrease
	1%	1%
Main Street Group ('000)	(1 677)	1 741
Global Command and Control Technologies Proprietary Limited ('000)	(214)	224
	(1 891)	1 965

Equity Investments

	Share price	
	Increase	Decrease
	10%	10%
Bambelela Capital Proprietary Limited ('000)	6 443	(6 443)

The value of Bambelela is driven by the Vunani Limited share price as all other inputs are fairly constant and predictable therefore a sensitivity analysis has been performed by increasing and decreasing the Vunani Limited share price by 10%.

	Weighted average cost of capital	
	Increase	Decrease
	10%	10%
4Plus Technology Venture Fund Africa Proprietary Limited ('000)	6 206	4 975

Valuation processes applied by the Group

The fair value calculations are performed by Vunani corporate finance and reviewed by the Group's finance department and operations team on a yearly basis. The valuation reports are discussed with the investment committee and board of directors in accordance with the Group's reporting policies.

48. SEGMENTAL ANALYSIS

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

Geographical Information

The operations of the Group are mainly domiciled in South Africa. A total of 1% (2018: 2%) of external revenue is attributable to foreign sales mainly to African Countries, India and Europe 0% (2018: 2%).

Major Customers

29% (2018: 18%) 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.

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

Figures in Rand	Segmental finance income		Segmental finance expense		Segmental taxation	
	2019 '000	2018 '000	2019 '000	2018 '000	2019 '000	2018 '000
Software and consulting	350	257	(112)	(28)	(1 642)	(1 348)
Security solutions	648	1 419	-	-	(5 695)	(4 707)
Unified communications	1 303	42	(508)	(267)	(608)	85
Health care	1 847	1 202	(179)	(83)	(4 870)	(4 010)
Tracking solutions	1 204	-	(1 551)	-	(2 653)	-
Managed services	317 504	224 034	(8 568)	(1 375)	(75 718)	(38 060)
Total	322 856	226 954	(10 918)	(1 753)	(91 186)	(48 040)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

48. SEGMENTAL ANALYSIS (continued)

Figures in Rand	2019 '000	2018 '000
Segmental assets		
Software and consulting	22 017	20 719
Security solutions	83 099	73 793
Unified communications	48 022	22 304
Health care	350 355	63 860
Tracking solutions	85 343	-
Managed services	5 709 245	4 486 746
Total segmental assets	6 298 081	4 667 422
Eliminations	(1 205 395)	-
Unallocated*	36 913	3 710
Total consolidated assets	5 129 599	4 671 132
Segmental liabilities		
Software and consulting	8 592	8 715
Security solutions	65 965	58 059
Unified communications	56 909	16 937
Healthcare	29 973	16 898
Tracking solutions	96 801	-
Managed services	581 847	101 543
Total segmental liabilities	840 087	202 152
Eliminations	(181 362)	-
Total consolidated liabilities	658 725	202 152

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

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



49. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

50. INVESTMENTS IN SUBSIDIARIES

The following table lists the entities which are controlled directly by AYO:

Figures in Rand	Share holding 2019 %	Share holding 2018 %	Carrying amount 2019 '000	Carrying amount 2018 '000
Name of company				
AYO International Holdings Proprietary Limited	100	-	1	-
Global Command and Control Technologies Proprietary Limited	24	-	1 919	-
Kalula Communications Proprietary Limited	51	51	37 934	36 928
Main Street 1653 Proprietary Limited	40	-	35 003	-
Puleng Technologies Proprietary Limited	100	57	187 100	88 552
Sekunjalo Medical Services Proprietary Limited	100	100	258 980	284 137
Software Tech Holdings Proprietary Limited	42.59	42.59	4 849	5 357
Zaloserve Proprietary Limited	55	-	163 902	-
			689 688	414 974
Subsidiaries for which control was lost during the year				
The group lost control of Acacia Cloud Solutions Proprietary Limited on 30 June 2019.			1 898	-
In the prior year the group lost control of World Wide Creative Proprietary limited on 31 August 2018.			-	4 650
Gains on disposal of subsidiary				
The gain (loss) has been included in other operating gains in comprehensive income				

Subsidiaries in which AYO holds less than 50% share holding

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

Figures in Rand	2019 '000	2018 '000
Reconciliation of investments in subsidiaries		
Opening balance	414 974	477 646
Acquisitions	200 346	-
Changes in fair values	74 368	(62 672)
Closing balance	689 688	414 974

50. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with material non-controlling interest

The following information is provided for subsidiaries with non-controlling interest which are material to the reporting company. The summarised financial information is provided prior to inter-company elimination.

Subsidiary	Country of incorporation	Ownership held by non-controlling interest	
		2019	2018
Software Tech Holdings Proprietary Limited	RSA	57%	57%
Kalula Communications Proprietary Limited	RSA	49%	49%
Zaloserve Proprietary Limited	RSA	45%	0%
Global Command and Control Technologies Proprietary Limited	RSA	76%	0%
Main Street 1653 Proprietary Limited	RSA	60%	0%
Puleng Technologies Proprietary Limited	RSA	-	43%

The country of incorporation and the principal place of business are the same in all cases, except for AYO International Holdings Proprietary Limited, which operates primarily in Mauritius.

Refer note 41 for details on acquisitions.

Notes to the consolidated annual financial statements (continued)

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50. INVESTMENTS IN SUBSIDIARIES (continued)

Figures in Rand	Non-current assets '000	Current assets '000	Total assets '000	Non-current liabilities '000	Current liabilities '000	Total liabilities '000	Carrying amount of non-controlling interest '000
Summarised statement of financial position							
2019							
Software Tech Holdings Proprietary Limited	4 183	19 132	23 315	-	8 592	8 592	(3 171)
Kalula Communications Proprietary Limited	4 239	31 463	35 702	11 587	23 501	35 088	-
Zaloserve Proprietary Limited	97 944	319 973	417 917	13 771	210 821	224 592	(102 800)
Main Street 1653 Proprietary Limited	82 221	184 586	266 807	96 320	111 274	207 594	(51 801)
Global Command and Control Technologies Proprietary Limited	11 402	76 594	87 996	20 464	76 338	96 802	(12 166)
Total	199 989	631 748	831 737	142 142	430 526	572 668	169 938

Figures in Rand	Revenue '000	Profit/(loss) before tax '000	Tax expense '000	Profit/Loss after tax '000	Other comprehensive income '000	Total comprehensive income '000	Profit/(loss) allocated to non-controlling interest '000
Summarised statement of profit or loss and other comprehensive income							
2019							
Software Tech Holdings Proprietary Limited	61 348	4 876	(1 642)	3 234	(24)	3 210	1 039
Kalula Communications Proprietary Limited	71 830	(4 434)	1 287	(3 147)	-	(3 147)	(1 650)
Zaloserve Proprietary Limited	748 951	49 357	(9 680)	39 677	221	39 898	12 703
Main Street 1653 Proprietary Limited	219 517	27 188	(8 638)	18 549	-	18 549	11 129
Global Command and Control Technologies Proprietary Limited	25 355	(11 459)	2 653	(8 807)	-	(8 807)	(6 692)
Total	1 127 001	65 528	(16 020)	49 506	197	49 703	16 529

50. INVESTMENTS IN SUBSIDIARIES (continued)

Figures in Rand	Cash flow from operating activities '000	Cash flow from investing activities '000	Cash flow from financing activities '000	Net increase/ (decrease) '000	Dividends paid to non- controlling interest '000
Summarised statement of cash flow					
2019					
Software Tech Holdings Proprietary Limited	4 034	(451)	(556)	3 028	(266)
Kalula Communications Proprietary Limited	(3 173)	(6 112)	13 882	4 597	-
Zaloserve Proprietary Limited	(35 469)	(17 696)	(11 209)	(64 374)	(1 200)
Main Street 1653 Proprietary Limited	4 142	(22 651)	57 769	39 260	-
Global Command and Control Technologies Proprietary Limited	(40 107)	(12 114)	82 504	30 283	-
Total	(70 573)	(59 024)	142 390	12 794	(1 466)

Figures in Rand	Non-current assets '000	Current assets '000	Total assets '000	Non-current liabilities '000	Current liabilities '000	Total liabilities '000	Carrying amount of non- controlling interest '000
Summarised statement of financial position							
2018							
Software Tech Holdings Proprietary Limited	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	108 819	116 928	1 579	86 710	88 289	20 203

Notes to the consolidated annual financial statements (continued)

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50. INVESTMENTS IN SUBSIDIARIES (continued)

	Revenue '000	Profit/Loss before tax '000	Tax expense '000	Profit/Loss after tax '000	Other compre- hensive income '000	Total compre- hensive income '000	Profit/loss allocated to non- controlling interest '000
Figures in Rand							
Summarised statement of profit or loss and other comprehensive income							
2018							
Software Tech Holdings Proprietary Limited	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

	Cash flow from operating activities '000	Cash flow from investing activities '000	Cash flow from financing activities '000	Net increase/ (decrease) '000	Dividends paid to non- controlling interest '000
Figures in Rand					
Summarised statement of cash flow					
2018					
Software Tech Holdings Proprietary Limited	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)

51. FINANCIAL INSTRUMENTS

An analysis of the group's assets and liabilities, classified by financial instrument, is set out below. Financial instrument classifications in the prior period are in accordance with IAS 39.

Figures in Rand	Notes	Amortised cost '000	Fair value through profit or loss '000	Non-financial instruments '000	Total '000
2019					
ASSETS					
Non-current assets		267 259	35 074	351 129	653 462
Property, plant and equipment	3	-	-	102 776	102 776
Goodwill	4	-	-	131 152	131 152
Intangible assets	5	-	-	79 828	79 828
Investment in joint ventures	6	-	33	-	33
Loans to related party companies	7	108 562	-	-	108 562
Loans receivable	8	156 764	-	-	156 764
Investments	9	-	24 619	-	24 619
Other financial assets	10	1 933	10 422	-	12 355
Finance lease receivables	11	-	-	350	350
Operating lease asset		-	-	110	110
Deferred tax	12	-	-	36 913	36 913
Current assets		4 261 130	-	215 007	4 476 137
Inventories	13	-	-	178 991	178 991
Loans receivable	8	17 199	-	-	17 199
Trade and other receivables	14	552 968	-	31 523	584 491
Other financial assets	10	10 747	-	1 495	12 242
Finance lease receivables	11	-	-	669	669
Current tax receivable		-	-	2 329	2 329
Cash and cash equivalents	15	3 680 216	-	-	3 680 216
TOTAL ASSETS		4 528 389	35 074	566 136	5 129 599

Notes to the consolidated annual financial statements (continued)

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51. FINANCIAL INSTRUMENTS (continued)

Figures in Rand	Notes	Amortised cost '000	Fair value through profit or loss '000	Non-financial instruments '000	Total '000
EQUITY AND LIABILITIES					
Equity					
Stated capital	16	-	-	4 444 410	4 444 410
Reserves	17	-	-	(30 470)	(30 470)
Retained income		-	-	(77 458)	(77 458)
Equity attributable to shareholders of AYO		-	-	4 336 482	4 336 482
Non-controlling interests		-	-	134 392	134 392
Total equity		-	-	4 470 874	4 470 874
LIABILITIES					
Non-current liabilities					
		7 462	41 483	14 097	63 042
Other financial liabilities		797	-	-	797
Derivatives	18	-	3 934	-	3 934
Financial lease liabilities	19	-	-	2 853	2 853
Employee benefit obligations	20	6 665	-	-	6 665
Deferred income	21	-	-	11 244	11 244
Contingent consideration liability	22	-	37 549	-	37 549
Current liabilities		389 904	4 795	200 984	595 683
Trade and other payables	23	324 342	-	119 494	443 836
Loans from related party companies	24	20 863	-	-	20 863
Other financial liabilities	26	38 500	-	-	38 500
Finance lease liabilities	19	-	-	12 683	12 683
Deferred income	21	-	-	18 589	18 589
Current tax payable		-	-	24 124	24 124
Provisions	27	-	-	26 094	26 094
Dividend payable		5 093	-	-	5 093
Contingent consideration liability	22	-	4 795	-	4 795
Bank overdraft	15	1 106	-	-	1 106
Total liabilities		397 366	46 278	215 081	658 725
TOTAL EQUITY AND LIABILITIES		397 366	46 278	4 685 955	5 129 599

51. FINANCIAL INSTRUMENTS (continued)

Figures in Rand	Notes	Loans and receivables '000	Fair value through profit or loss '000	Non-financial instruments '000	Total '000
2018					
ASSETS					
Non-current assets					
		1 989	6 923	63 870	72 782
Property, plant and equipment	3	-	-	7 169	7 169
Goodwill	4	-	-	35 248	35 248
Intangible assets	5	-	-	17 743	17 743
Investment in joint ventures	6	-	33	-	33
Loans to related party companies	7	1 989	-	-	1 989
Other financial assets	10	-	6 890	-	6 890
Deferred tax	12	-	-	3 710	3 710
Current assets		4 449 023	88 827	60 500	4 598 350
Inventories	13	-	-	12 378	12 378
Other financial assets	10	4 563	88 827	-	93 390
Trade and other receivables	14	135 762	-	47 460	183 222
Current tax receivable		-	-	662	662
Cash and cash equivalents	15	4 308 698	-	-	4 308 698
TOTAL ASSETS		4 451 012	95 750	124 370	4 671 132
EQUITY AND LIABILITIES					
Equity					
Stated capital	16	-	-	4 444 410	4 444 410
Reserves	17	-	-	11 777	11 777
Retained income		-	-	(7 501)	(7 501)
Equity attributable to shareholders of AYO		-	-	4 448 686	4 448 686
Non-controlling interests		-	-	20 294	20 294
Total equity		-	-	4 468 980	4 468 980
LIABILITIES					
Non-current liabilities					
Other financial liabilities		575	-	-	575
Current liabilities		123 172	4 256	74 149	201 577
Trade and other payables	23	111 982	-	20 943	132 925
Loans from shareholders	25	5 001	-	-	5 001
Other financial liabilities	26	1 133	-	-	1 133
Finance lease liabilities	19	-	-	389	389
Operating lease liabilities		-	-	47	47
Current tax payable		-	-	41 636	41 636
Provisions	27	-	-	11 134	11 134
Contingent considerations	22	-	4 256	-	4 256
Bank overdraft	15	5 056	-	-	5 056
Total liabilities		123 747	4 256	74 149	202 152
TOTAL EQUITY AND LIABILITIES		123 747	4 256	4 543 129	4 671 132

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2019

52. CHANGES TO THE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Revised of Annual Group Financial Statements

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

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

A supplement to the Group annual financial statements which details the changes to the notes to the annual financial statements is available on the Company website, www.ayotsl.com.

The Group annual financial statements issued on 31 January 2020 are available on the company website, www.ayotsl.com.

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

Note 1 – Significant accounting policies

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

Note 2 – New Standards and Interpretations

Updated the amounts for financial assets and financial liabilities disclosed according to the classification to IFRS 9 measurement categories from 1 September 2018 on pages 42 to 45 of the financial statements.

Note 3 – Property, plant and equipment

The disclosure for revaluations on page 47 was updated to state that the fair value measurement for land and buildings was performed as of 13 June 2019 instead of the previously disclosed date of 31 August 2019.

Updated the total amount disclosed for fair value of land and buildings in the disclosure note to R4,024,000 instead of the previously disclosed amount of R24,324,000 on page 47.

Note 7 – Loans to related party companies

The disclosure for the loan to Tamlalor Proprietary Limited (“Tamalalor”) on page 55 was updated to state that the loan is repayable on 28 March 2024 instead of the previously disclosed date of 1 March 2024.

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

Note 8 – Loans receivable

For the disclosure of allowance for credit losses, on the 2019 column for stage1 – performing on page 56 to 57, updated the amount disclosed for other financial assets to R12,680,000 from the previously disclosed amount of R24,467,000. This resulted in the change in gross amounts and total amounts disclosed in the note for 2019.

Note 14 – Trade and other receivables

For the disclosure of categorisation of trade and other receivables on the 2019 column on page 64, we updated the amount disclosed for financial instruments to R522,968,000 from the previously disclosed amount of R539,891,000. We updated the amount disclosed for non-financial instruments to R31,523,000 from the previously disclosed amount of R44,600,000. The total amount remained the same.

52. CHANGES TO THE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 16 – Share Capital

Sentence relating to the reclassification of the share premium amount, was removed on page 68.

Note 22 – Contingent consideration liability

In the note disclosure on page 71 it was previously stated that the contingent consideration arrangement for SGT Solutions requires AYO to pay the former owners of SGT Solutions for achieving certain earn out targets. The note disclosure has been updated to state that the contingent consideration arrangement for SGT Solutions requires Main Street to pay the former owners of SGT Solutions for achieving certain earn out targets.

Note 28 – Revenue

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

Note 40 – Changes in liabilities arising from financing activities

For the 2019 column, updated the numbers disclosed for other financial liabilities, other payables and contingent considerations on page 81. This resulted in the change in total amounts disclosed for 2019 on the note.

Note 44 – Related parties

The related party note on pages 87 to 92 was updated with additional transactions and balances to provide additional information for users.

Note 46 – Financial risk management

For the disclosure of financial assets exposed to credit risk on the 2019 column on page 97, we updated the amount disclosed for other financial assets to R24,597,000 from the previously disclosed amount of R24,467,000. We updated the amount disclosed for trade and other receivables to R552,968,000 from the previously disclosed amount of R584,491,000. We updated the amount disclosed for cash and cash equivalents to R3,679,110,000 from the previously disclosed amount of R3,680,216,000. This resulted in the change in total amount disclosed for 2019 on the note.

Changes to interest rate sensitivity analysis were made on page 99. These include change in narrative from 0.5% to 1%, profit after tax changed to profit before tax and the calculated amount changed to 1%.

Note 47 – Fair value information

Updated the table on page 100 to include the fair value hierarchies for Investments, Foreign exchange contracts, Derivatives, Contingent consideration liability and NCI put option.

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

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

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

Note 50 – Investments in subsidiaries

Updated the shareholding for Puleng Technologies Proprietary Limited to state that AYO owns 100% instead of the previously disclosed ownership of 57% on page 108 and 109.

Updated the amounts disclosed for 2019 on the tables – summarised statement of financial position and summarised statement of profit and loss and other comprehensive income on page 110.

Updated the amounts disclosed on the table – summarised statement of cash flow on page 111.

Note 51 – Financial instruments

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

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