

# UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS  
ENDED 29 FEBRUARY 2020

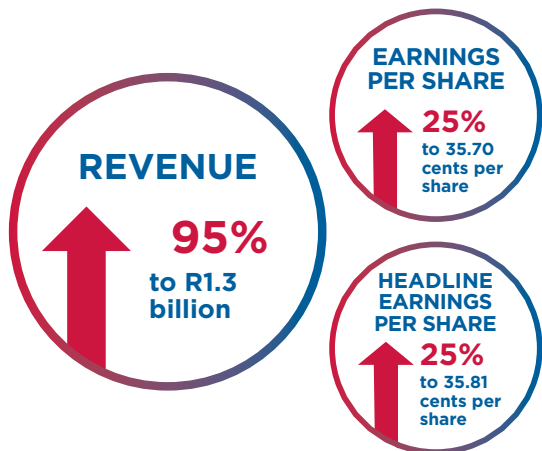




*Building resilience.  
Gearing for growth.*

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

## 2020 Highlights





## Overview of the AYO Group

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

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

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

We believe that to truly propel our economy we need to work together, by establishing and fostering strategic partnerships which includes suppliers, clients, staff, governing bodies and the broader community who remains paramount to everything we do.

As the age-old African proverb goes:

**“If you want to go fast, go alone. If you want to go far, go together.”**

As at 29 February 2020, the AYO Group employs over 1 200 people and has over 500 clients in both the public and private sector with operations located in South Africa, Mauritius, East Africa and the United Kingdom.



## Group financial performance

AYO delivered a strong financial performance for the six months ended 29 February 2020 despite a challenging operating and economic environment, with revenue increasing by 95% to R1.3 billion and headline earnings per share (“HEPS”) increasing by 25% to 35.81 cents per share. The improved financial performance was predominately from significant organic growth, as well as the effect of including the six months results of Sizwe IT Proprietary Limited (“Sizwe”), SGT Solutions Proprietary Limited (“SGT Solutions”), and Global Command and Control Technologies Proprietary Limited (“GCCT”). In the prior period, the Group consolidated the results of Sizwe for two and half months as the effective date of acquisition of Sizwe was 19 December 2018. The trading results of SGT Solutions and GCCT were not included in the prior period as SGT Solutions was acquired on 28 February 2019 and GCCT on 1 March 2019.

In May 2018, an ICT Master Service Agreement was concluded in terms of which AYO would render a host of ICT services to a significant customer effective from 1 July 2018 for a period of seven years. However, on 1 October 2019 this significant customer gave AYO six months’ notice 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. AYO has implemented processes to ensure a successful handover of the contract and also to ensure its own success post this contract.

## Divisional performance

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Software and consulting</b>			
Revenue	<b>27 578</b>	32 490	61 348
Gross profit	<b>11 228</b>	12 943	22 962
EBITDA	<b>3 478</b>	5 213	5 848
Profit before tax	<b>3 504</b>	4 819	5 323

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

Revenue decreased by 15.12% from R32 million to R28 million mainly as a result of ICT cost cutting from a major customer which impacted on the ability of the division to generate additional revenue from the major customer. The division continues to aggressively manage costs and pursue additional clients to ensure that margins and profitability are maintained.

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Security solutions</b>			
Revenue	<b>189 631</b>	141 229	276 304
Gross profit	<b>54 853</b>	57 624	105 957
EBITDA	<b>10 528</b>	13 217	20 786
Profit before tax	<b>10 741</b>	13 362	20 973

The security solutions division deploys customised security systems to organisational clients with its key focus on identity, access management and governance, risk and compliance (“GRC”) management. Revenue increased by 34.27% from R141 million to R190 million. In the prior period this division had a higher proportion of service revenue as compared to hardware sales. Hardware sales have less revenue than service revenue and due to the higher hardware revenue in the current period the gross margins are wider than that of the prior period.

AYO initially owned 57% of this division and concluded an agreement on 16 August 2019 to acquire the remaining equity stake from minority shareholders for a cash consideration of R38.5 million. For the six months ended 29 February 2020 AYO has consolidated 100% of the net profit of this division. The division will continue to pursue a broader pool of clients with its improved empowerment credentials as well as expanding into the rest of Africa.



	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Unified communications</b>			
Revenue	<b>38 821</b>	37 989	73 239
Gross profit	<b>9 989</b>	14 694	24 473
EBITDA	<b>299</b>	1 330	2 123
(Loss)/profit before tax	<b>(476)</b>	1 032	1 144

The unified communications division is a reseller of telecommunications and gaming equipment of globally recognised brands. The key brands that are sold by the division are Plantronics and Konftel. The division managed to secure two additional global brands namely, Jabra and PolyCom from July 2019.

Revenue increased by 2.19% from R38 million to R39 million mainly as a result of increased demand for products from customers as well as additional revenue generated from new brands secured in the current period. The gross profit percentage, however, decreased from 38.68% to 25.73% in the current period as a result of an increase in costs due to the depreciation of the Rand against the Dollar.

AYO initially owned 51% of this division and concluded an agreement on 21 February 2020 to acquire an additional 25% from minority shareholder for a cash consideration of R12 million, to improve its BEE ratings as well as its competitiveness through an increase in market share. AYO now controls 76% of this division.

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Healthcare</b>			
Revenue	<b>53 725</b>	53 134	111 373
Gross profit	<b>16 111</b>	19 060	38 739
EBITDA	<b>3 593</b>	8 025	15 237
Profit before tax	<b>4 812</b>	8 220	15 793

The healthcare division is a specialist provider of optimised and integrated healthcare ICT solutions. The division provides modular and integrated healthcare information systems across all levels in the public and private sector.

Revenue for the division was consistent with the prior period. The division continues to focus on meeting and exceeding its ongoing service level commitments and KPIs with all of its customers.

## Divisional performance *(continued)*

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Tracking solutions</b>			
Revenue	<b>18 851</b>	-	25 355
Gross profit	<b>3 601</b>	-	6 915
EBITDA	<b>(7 113)</b>	-	(7 309)
(Loss) before tax	<b>(10 325)</b>	-	(11 458)

This division was established after the acquisition of GCCT on 1 March 2019. The division is a leading technology provider for enabled awareness solutions both nationally and internationally. The solutions include asset and force tracking across the globe, integrated situational awareness pictures and constructive simulation technology.

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

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Managed services</b>			
Revenue	<b>1 018 453</b>	425 127	1 411 673
Gross profit	<b>216 754</b>	75 796	360 227
EBITDA	<b>18 919</b>	(13 972)	70 728
Profit/(loss) before tax	<b>20 893</b>	(17 929)	53 213

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

Included in this division are the operational results from the contract which AYO secured with a multinational company, as well as the operational results of Sizwe and SGT Solutions.

AYO commenced work on the contract with a multinational company in July 2018. Revenue of R222 million for the six months ended 29 February 2020 was generated in relation to this contract, of which the gross profit amounted to R32 million.

Sizwe offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security solutions to hosting, storage server processing, mobility, data centre, end-user computing and associated consumables. In the prior period, AYO consolidated revenue of R230 million and gross margins of R50 million from Sizwe for the two and a half months from 19 December 2018 to 28 February 2019. In the current period, AYO consolidated revenue of R624 million and gross margins of R110 million from Sizwe for the six months ended 28 February 2020.

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. SGT Solutions also specialises in integrated, leading-edge and comprehensive solutions across the entire spectrum of telecommunications. AYO has consolidated revenue of R173 million and gross profits of R74 million from SGT Solutions for the six months ended 28 February 2020. No revenue and gross profit of SGT Solutions were consolidated in the prior period as SGT Solutions was acquired on 28 February 2019.



# Governance matters

## 1. DIRECTORATE

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

Director	Office	Designation	Date of appointment
H Plaatjes	Chief executive officer	Executive	21 December 2018
IT Bundo	Chief financial officer	Executive	22 January 2019
V Govender	Corporate affairs	Executive	21 December 2018
K Abdulla	Executive deputy chairman	Executive	12 March 2020
Dr WA Mgoqi	Chairman	Non-executive	20 August 2018
AB Amod		Non-executive	26 February 2013
Dr 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
I Amod		Non-executive	22 January 2019

## 2. COMPARATIVE INFORMATION

Several SENS announcements were published during the 2019 financial year. The majority related to allegations against the Company regarding the 2018 interim financial results at the PIC Commission of Inquiry. As a result of the allegations, the JSE requested that the 2018 and 2019 interim financial results be audited. The interim audits were successfully completed. The 2018 audited interim results were published on 27 March 2020 and the 2019 audited interim results were published on 8 April 2020.

According to the JSE Listings Requirements, the Company is not required to audit its interim results. The audit was performed after a special request from the JSE. As there is no normal requirement to audit interim financial statements, the interim results for the six months ended 29 February 2020 are not audited.

## 3. INVESTMENT DECISIONS

Upon the resignation of AM Salie (previous Chief Investment Officer (“CIO”)) from the Board and the Investment Committee on 6 May 2019, this role was taken over on an interim basis until the 12th of March 2020 by IT Bundo, the Chief Financial Officer (“CFO”). The Investment Committee recommends investments for approval to the Board. As IT Bundo assumed both roles (CIO and CFO), AYO entered into the various agreements with corporate finance advisors which would assist in the process of the initial screening, detailed assessments and valuation of potential investments prior to presenting them to the AYO executives and Investment Committee for assessments as to whether or not the investments are in accordance with AYO’s acquisition strategy.

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

Mr K Abdulla was appointed as the executive deputy chairman of AYO on 12 March 2020, and as part of his role, he will be responsible for spearheading and building AYO’s growth through a focussed approach to developing and implementing the group’s acquisition strategy.



## Governance matters *(continued)*

### 4. LITIGATION

On 31 May 2019, AYO received summons issued by the Public Investment Corporation (“PIC”) and the Government Employees Pension Fund (“GEPF”). The summons seeks a declaration that the subscription agreement entered into by the PIC 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 the date of final payment. AYO has instructed its attorneys to oppose the action.

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court. The claim is for the amount of R3 million. AYO is contesting the claim. No provision has been made 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.

### 5. GOING CONCERN

The coronavirus pandemic has resulted in economic and operational conditions that may have cast significant doubt upon AYO’s ability to continue as a going concern. However, the Company and its subsidiaries have been classified as essential services providers, as such management does not expect significant operational or financial disruptions on the subsidiaries as a result of the coronavirus. The directors do not anticipate significant operational disruptions or diminished demand for the Company’s services as result of the pandemic, now or ahead. The directors believe the Company has adequate financial resources to continue in operation for the foreseeable future.

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 Group or cease trading. The going-concern assessment has 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 these interim financial statements.

The interim 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 18.

### 6. DECLARATION OF INTERIM ORDINARY DIVIDEND

Notice is hereby given that a gross interim dividend of 35 cents per share has been declared by the Board of AYO out of income reserves in respect of ordinary shares of no-par value for the six months ended 29 February 2020.

A dividend withholding tax of 20% or 7 cents per share will be applicable, resulting in a net dividend of 28 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

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

The Company’s income tax number is 9389007031.



The salient dates of the dividend distribution are as follows:

Gross dividend (cents per share)	35
Dividend net of dividend withholding tax (cents per share)	28
Announcement date	Tuesday, 26 May 2020
Last day to trade <i>cum</i> dividend	Tuesday, 9 June 2020
Trading <i>ex</i> -dividend commences	Wednesday, 10 June 2020
Record date	Friday, 12 June 2020
Date of payment	Monday, 15 June 2020

Share certificates may not be dematerialised between Wednesday, 10 June 2020 and Friday, 12 June 2020, both days inclusive.

## 7. EVENTS AFTER REPORTING PERIOD

Refer to note 21 for events after reporting period.

## 8. FUTURE PROSPECTS

The effects of COVID-19 are having a significant impact on the technology sector, affecting raw materials supply, disrupting the electronics value chain, and causing an inflationary risk on products.

More positively, the disruption has caused an acceleration of remote working and a rapid focus on evaluating and de-risking the end-to-end value chain. Remote work, online education and social distancing will create demand for products and services delivered by the tech industry.

AYO is exceptionally well-positioned to take advantage of these opportunities with solutions that respond to major questions around safety, privacy, sustainability, and trust:

- remote working - Kalula is experiencing strong demand for communication and telecom equipment;
- cybersecurity - Puleng has tremendous products and skills to deliver critical cybersecurity solutions;
- online learning - Sizwe has the nation-wide infrastructure to roll out e-learning products and services to students;
- laboratory services - HST has the software and skills to manage complex data networks in healthcare facilities;
- crisis management - GCCT has command and control specialist solutions for defence and monitoring social distancing.

Even with that positivity, we will not be able to escape the ravages on the global and local economy. Customers will postpone purchases. Cash flow challenges will test our businesses and may require subsidising during the crisis to confirm readiness in its aftermath.

As companies seek business solutions to address remote work and social distancing, the demand for developer and engineering talent is likely to increase. Retaining top talent will be essential for AYO.

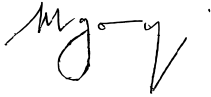
As an ICT investment holding group, AYO is ready with a strong balance sheet to make the right acquisitions. Company valuations are becoming more attractive for investment and the group has targets in mind.

## Governance matters *(continued)*

AYO is actively seeking commercial engagement with one of its significant shareholders, the Public Investment Corporation to ensure continued support for AYO's investment programme.

### 9. APPRECIATION

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



**Dr Wallace Amos Mgoqi**  
*Non-executive chairman*

26 May 2020



**Howard Platjes**  
*Chief executive officer*



# Consolidated statement of financial position

	Notes	Unaudited as at 29 February 2020 R'000	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>902 393</b>	<b>506 820</b>	<b>653 462</b>
Property, plant and equipment	5	81 544	98 301	102 776
Right of use of assets		64 186	-	-
Goodwill		131 152	131 152	131 152
Intangible assets	6	80 097	66 116	79 828
Investments in joint ventures		9 324	33	33
Loans to related party companies	7	114 124	19 544	108 562
Loans receivable		162 103	154 999	156 764
Investments	8	212 766	2 420	24 619
Other financial assets		12 775	9 271	12 355
Finance lease receivables		-	2 039	350
Operating lease asset		-	110	110
Deferred tax		17 131	22 835	36 913
Contract receivable	9	17 191	-	-
<b>Current assets</b>		<b>4 189 272</b>	<b>4 726 724</b>	<b>4 476 137</b>
Inventories	10	164 313	137 285	178 991
Loans to related party companies		-	380	-
Loans receivable		18 247	17 385	17 199
Trade and other receivables	11	629 242	506 858	584 491
Other financial assets		9 197	444 332	12 242
Finance lease receivables		-	1 279	669
Current tax receivable		2 953	2 173	2 329
Cash and cash equivalents	12	3 356 935	3 617 032	3 680 216
Contract receivable	9	8 385	-	-
Assets classified as held for sale		-	1 046	-
<b>Total assets</b>		<b>5 091 665</b>	<b>5 234 590</b>	<b>5 129 599</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Stated capital		4 444 410	4 444 410	4 444 410
Reserves		(39 089)	(3 010)	(30 470)
Retained income		(8 940)	(12 288)	(77 458)
<b>Equity attributable to shareholders of AYO</b>		<b>4 396 381</b>	<b>4 429 112</b>	<b>4 336 482</b>
Non-controlling interests		133 006	127 763	134 392
<b>Total equity</b>		<b>4 529 387</b>	<b>4 556 875</b>	<b>4 470 874</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>		<b>60 839</b>	<b>86 652</b>	<b>63 042</b>
Other financial liabilities		818	-	797
Derivatives		6 722	14 795	3 934
Lease liabilities		32 501	-	-
Finance lease liabilities		-	10 487	2 853
Employee benefit obligation		6 475	3 814	6 665
Deferred income		10 353	19 830	11 244
Contingent considerations liability	13	3 970	37 726	37 549
<b>Current liabilities</b>		<b>501 439</b>	<b>589 903</b>	<b>595 683</b>
Trade and other payables		354 892	473 716	443 836
Loans to related party companies		-	1 028	20 863
Loans from shareholders		-	-	-
Other financial liabilities	14	12 000	-	38 500
Lease liabilities		25 277	-	-
Finance lease liabilities		-	13 406	12 683
Operating lease liability		-	56	-
Deferred income		16 917	13 130	18 589
Current tax payable		11 444	36 925	24 124
Provisions	15	43 713	29 261	26 094
Dividend payable		10 999	13 551	5 093
Contingent considerations liability	13	5 596	5 500	4 795
Bank overdraft	12	20 601	3 330	1 106
Liabilities directly associated with assets classified as held for sale		-	1 106	-
<b>Total liabilities</b>		<b>562 278</b>	<b>677 715</b>	<b>658 725</b>
<b>Total equity and liabilities</b>		<b>5 091 665</b>	<b>5 234 590</b>	<b>5 129 599</b>

# Condensed consolidated statement of profit or loss and comprehensive income

	Notes	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Revenue	2	<b>1 347 059</b>	689 968	1 959 292
Cost of sales		<b>(1 034 524)</b>	(509 852)	(1 400 019)
<b>Gross profit</b>		<b>312 535</b>	<b>180 116</b>	<b>559 273</b>
Other operating income		<b>6 378</b>	2 683	10 046
Other operating gains/(losses)		<b>73 752</b>	15 786	(44 434)
Other operating expenses		<b>(372 641)</b>	(189 490)	(562 230)
Finance income	3	<b>138 679</b>	158 059	322 856
Finance costs	4	<b>(7 635)</b>	(1 394)	(10 918)
Loss from equity-accounted investments		<b>9 291</b>	-	(1 608)
<b>Profit before taxation</b>		<b>160 359</b>	<b>165 760</b>	<b>272 985</b>
Taxation		<b>(35 633)</b>	(54 208)	(91 186)
<b>Profit after taxation</b>		<b>124 726</b>	<b>111 552</b>	<b>181 799</b>
<b>Other comprehensive income:</b>				
<b>Items that will not subsequently be reclassified to profit or loss:</b>				
Gains on property revaluation		-	-	221
<b>Items that will subsequently be reclassified to profit or loss:</b>				
Exchange differences on translating foreign operations		<b>95</b>	(24)	(218)
<b>Other comprehensive income for the period</b>		<b>95</b>	<b>(24)</b>	<b>3</b>
<b>Total comprehensive income for the period</b>		<b>124 821</b>	<b>111 528</b>	<b>181 802</b>
<b>Profit after taxation attributable to:</b>				
Shareholders of AYO		<b>122 837</b>	98 452	150 599
Non-controlling interests		<b>1 889</b>	13 100	31 200
<b>Total profit after taxation</b>		<b>124 726</b>	<b>111 552</b>	<b>181 799</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of AYO		<b>122 932</b>	98 428	150 602
Non-controlling interests		<b>1 889</b>	13 100	31 200
<b>Total comprehensive income</b>		<b>124 821</b>	<b>111 528</b>	<b>181 802</b>
<b>Earnings per share (cents)</b>				
Basic earnings per share (cents)	16	<b>35.70</b>	28.61	43.76



## Condensed consolidated statement of changes in equity

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Balance at the beginning of the period</b>	<b>4 470 874</b>	<b>4 468 980</b>	<b>4 468 980</b>
Total comprehensive income attributable to shareholders of AYO	<b>122 837</b>	98 428	150 599
Total comprehensive income attributable to non-controlling interests	<b>1 899</b>	13 100	31 200
Dividends paid	<b>(55 059)</b>	-	(223 681)
Dividends paid to non-controlling interests	-	(103 237)	(3 730)
Disposal of subsidiary	-	-	11
Change in accounting policy - IFRS16	<b>751</b>	-	-
Revaluation reserve	-	-	221
Foreign currency translation reserve	<b>95</b>	(24)	(218)
Non-controlling interest put option reserve	-	(14 795)	(14 795)
Changes in ownership reserve	<b>(8 714)</b>	-	(27 455)
Movement in retained income - changes in ownership	-	-	3 114
Non-controlling interests arising out of acquisition	-	94 423	101 172
Movement in non-controlling interests - disposal of subsidiary	-	-	(384)
Movement in non-controlling interest - changes in ownership	<b>(3 286)</b>	-	(14 160)
<b>Balance at the end of the period</b>	<b>4 529 387</b>	<b>4 556 875</b>	<b>4 470 874</b>
	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Comprising of:</b>			
Stated capital	<b>4 444 410</b>	4 444 410	4 444 410
Reserves	<b>(39 089)</b>	(3 010)	(30 470)
Retained income	<b>(8 940)</b>	(12 288)	(77 458)
Non-controlling interests	<b>133 006</b>	127 763	134 392
<b>Total equity</b>	<b>4 529 387</b>	<b>4 556 875</b>	<b>4 470 874</b>

## Condensed consolidated statement of cash flows

Notes	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Cash utilised in operations</b>	<b>(113 374)</b>	<b>(40 746)</b>	<b>(50 320)</b>
Finance income	108 762	153 001	285 644
Finance costs	(7 635)	(1 394)	(6 466)
Dividend income	-	-	3 021
Tax paid	(33 468)	(66 979)	(117 794)
<b>Net cash from operating activities</b>	<b>(45 715)</b>	<b>43 882</b>	<b>114 085</b>
<b>Cash flows from investing activities</b>			
Net additions to property, plant and equipment	(4 841)	(5 648)	(17 350)
Net additions to intangible assets	(4 388)	(10 241)	(19 844)
Proceeds from disposal of subsidiary	-	-	1 203
Acquisition of subsidiaries, net of cash acquired	(187)	(89 236)	(112 306)
Loans advanced to related party companies	-	(379)	(103 547)
Other loans advanced	-	(185 714)	(169 670)
Purchase of investments at fair value	(107 985)	-	(90 659)
Net inflow from purchases and disposals of financial assets	2 489	(324 883)	91 860
Funds held in Trust	-	(25 000)	(101 294)
Finance lease receipts	-	-	7 135
<b>Net cash to investing activities</b>	<b>(114 552)</b>	<b>(641 102)</b>	<b>(514 472)</b>
<b>Cash flows from financing activities</b>			
Net proceeds or repayment of contract liabilities	(24 271)	-	-
Net proceeds or repayment of other financial liabilities and leases	(51 352)	1 807	(11 387)
Loans from related parties repaid	(21 252)	-	-
Loans received from related party companies	-	858	20 330
Repayment of loans from shareholders	-	(5 698)	(5 000)
Payments for contingent consideration arrangements	(39 000)	-	(4 460)
Dividends paid	(46 633)	(89 686)	(223 628)
<b>Net cash to financing activities</b>	<b>(182 508)</b>	<b>(92 719)</b>	<b>(224 145)</b>
<b>Total cash movement for the period</b>	<b>(342 776)</b>	<b>(689 939)</b>	<b>(624 532)</b>
Cash at the beginning of the period	3 679 110	4 303 642	4 303 641
<b>Total cash at the end of the period</b>	<b>3 336 334</b>	<b>3 613 703</b>	<b>3 679 109</b>



## Accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 29 February 2020 have been prepared in accordance with the JSE Limited Listings Requirements (“Listings Requirements”) for condensed financial statements and the requirements of the Companies Act 71 of 2008 as amended (“Companies Act”). The Listings Requirements require financial reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they as a minimum contain the information required by IAS 34 “Interim Financial Reporting”. The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated annual financial statements except for the new and revised IFRS standards as detailed below.

These unaudited condensed interim financial statements for the six months ended 29 February 2020 have been prepared under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

### New IFRS standards that became effective during the interim period

#### IFRS 16 - Leases

IFRS 16 sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 Leases along with three interpretations which are IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AYO adopted IFRS 16 Leases retrospectively from 1 September 2019 but did not restate comparatives as permitted under the modified transition approach in the standard. The cumulative effects of the adjustments arising from the new leasing rules have been recognised in the opening retained income on 1 September 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which were previously classified as operating leases under the principles of IAS 17 excluding low-value leases or those leases with a remaining lease term of less than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 September 2019. The weighted average incremental borrowing rate used to measure the lease liabilities on 1 September 2019 was 10.83%. For leases previously classified as finance lease, the right of use asset and lease liability were measured on the date of initial application as the same amounts as under IAS 17 at 1 September 2019.

#### Impact on transition

##### Lease liability

The following is a reconciliation of the total operating lease liabilities as at 31 August 2019, as disclosed in the prior year annual financial statements, to the lease liability recognised on 1 September 2019:

	<b>R’000</b>
Operating lease liabilities as at 31 August 2019 before discounting	19 630
Discounted using the incremental borrowing rate of 10,83%	17 015
<b>Reconciliation items:</b>	
Finance lease obligation reclassified to lease liability	52 475
Short-term leases recognised to income statement	(1 388)
<b>Lease liabilities recognised as at 1 September 2019 under IFRS 16</b>	<b>68 102</b>



# Accounting policies and basis of preparation

*(continued)*

## **Right-of-use asset**

The associated right-of-use assets for motor vehicles and property was measured on a modified retrospective basis. The right-of-use assets was measured at an amount equal to the lease liability.

The impact of the change in the accounting policy on the statement of financial position on 1 September 2019 was an increase in right-of-use assets of R68 million, increase in lease liabilities of R68 million and an increase in retained earnings of R0.8 million.

## **Practical expedients applied on adoption of IFRS 16**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The use of hindsight in determining the lease term for agreements with options to extend or terminate the lease.
- The accounting for leases with a remaining lease term of less than 12 months as at 1 September 2019 as short-term leases.
- The initial direct cost was excluded in the measurement of the right-of-use asset at 1 September 2019.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise mostly of IT equipment.

## **Impact for the period**

The group recognised right of use asset of R64,2 million and lease liability of R57,8 million at February 2020. Included in the statement of comprehensive income is depreciation of R28,8 million and interest expense of R3,0 million.

## **Reporting entity**

The unaudited condensed consolidated interim financial statements for the six months ended 29 February 2020 comprises of the Company, its subsidiaries, and joint ventures.

## **Use of judgements and estimates**

In preparing the unaudited condensed consolidated interim financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the amounts represented in the unaudited condensed consolidated interim 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 condensed consolidated interim financial statements.

Significant judgements made by management that could have a significant effect on the carrying amounts recognised in the condensed interim 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.

**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 its investment in Main Street and GCCT.

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

The directors have concluded that the Group has no significant influence over Bamblelela 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 Bamblelela. 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").

**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.

**Leases*****Determining the incremental borrowing rate***

The interest rate implicit in leases is not available, therefore the Group uses the relevant incremental borrowing rate (IBR) to measure its lease liabilities. The IBR is estimated to be the interest rate that the Group would pay to borrow the amount required to purchase an asset of a similar value to the right-of-use asset, over a similar term and with similar security.

The IBR, therefore, is considered to be the best estimate of the incremental rate and requires management's judgement as there are no observable rates available.

**Fair value measurement of investments**

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



# Notes to the condensed consolidated financial statements

## 2. REVENUE

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Sale of goods	<b>685 106</b>	334 206	679 139
Rendering of services	<b>661 953</b>	355 762	1 280 153
	<b>1 347 059</b>	<b>689 968</b>	<b>1 959 292</b>

### Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

<b>Sale of goods</b>	<b>685 106</b>	<b>334 206</b>	<b>679 139</b>
<b>Rendering of services</b>			
Fees earned	<b>449 145</b>	1 451	259 159
Services revenue	<b>212 808</b>	354 311	1 020 994
	<b>661 953</b>	<b>355 762</b>	<b>1 280 153</b>
<b>Total revenue recognition contracts with customers</b>	<b>1 347 059</b>	<b>689 968</b>	<b>1 959 292</b>

### Revenue disaggregated by primary geographical markets is as follows:- 29 February 2020

	South Africa R'000	Rest of Africa R'000	Europe R'000	Total R'000
Software and consulting	<b>64 154</b>	<b>1 854</b>	<b>2 809</b>	<b>68 817</b>
Security solutions	<b>145 922</b>	<b>2 117</b>	<b>784</b>	<b>148 823</b>
Unified communications	<b>204 841</b>	<b>5 960</b>	<b>465</b>	<b>211 266</b>
Healthcare	<b>53 868</b>	-	-	<b>53 868</b>
Tracking	<b>18 282</b>	<b>338</b>	<b>231</b>	<b>18 851</b>
Managed services	<b>845 434</b>	-	-	<b>845 434</b>
<b>Total</b>	<b>1 332 501</b>	<b>10 269</b>	<b>4 289</b>	<b>1 347 059</b>

	Revenue recognised over time R'000	Revenue recognised at a point in time R'000	Total R'000
<b>Revenue disaggregated by pattern of revenue recognition is as follows:- 29 February 2020</b>			
Software and consulting related	<b>91 845</b>	<b>61 403</b>	<b>153 248</b>
Security solutions related	<b>35 912</b>	<b>101 199</b>	<b>137 111</b>
Communication products and hardware related	-	<b>38 028</b>	<b>38 828</b>
Project related services	<b>450 862</b>	<b>567 810</b>	<b>1 018 672</b>
<b>Total</b>	<b>578 619</b>	<b>768 440</b>	<b>1 347 059</b>



### 3. FINANCE INCOME

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Bank and cash	<b>122 804</b>	153 001	280 464
Interest – Group companies	<b>271</b>	93	518
Loans receivable	<b>6 717</b>	389	7 055
Cumulative preference shares –Bambelela	<b>4 990</b>	-	10 996
Funds in Trust	<b>3 612</b>	-	2 152
Other financial assets	<b>285</b>	4 576	21 671
	<b>138 679</b>	<b>158 059</b>	<b>322 856</b>

### 4. FINANCE COSTS

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Bank	<b>382</b>	-	465
South African Revenue Service	<b>-</b>	-	4 157
Finance leases	<b>-</b>	-	349
Lease liabilities	<b>2 241</b>	-	-
Vendor financing programme	<b>3 159</b>	-	2 869
Shareholder loan	<b>1 853</b>	1 394	3 078
	<b>7 635</b>	<b>1 394</b>	<b>10 918</b>

### 5. PROPERTY, PLANT AND EQUIPMENT

The decrease in property, plant and equipment comes primarily as a result of the transfer of assets from property, plant and equipment to the right of use asset on the statement of financial position with the implementation of IFRS 16.

# Notes to the condensed consolidated financial statements *(continued)*

## 6. INTANGIBLE ASSETS

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
Opening balance	<b>79 828</b>	17 743	17 743
Additions	<b>4 388</b>	10 240	25 194
Additions through business combinations			
– Brands	–	12 830	14 573
– Customer lists	–	26 097	26 097
– Computer software	<b>48</b>	–	–
Foreign exchange	<b>310</b>	–	–
Disposals	–	–	(94)
Amortisation	<b>(4 477)</b>	(794)	(3 685)
<b>Closing balance</b>	<b>80 097</b>	<b>66 116</b>	<b>79 828</b>

## 7. LOAN TO RELATED PARTY COMPANIES

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Digital Health Africa Proprietary Limited</b>	<b>168</b>	168	168
The loan is unsecured, bears no interest, has no repayment terms and will not be recalled within 12 months			
<b>African Equity Empowerment Investments Limited (“AEEI”)</b>	<b>5 639</b>	5 099	5 367
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.			
<b>Sekunjalo Technology Group Proprietary Limited</b>	–	24	–
The loan was unsecured and bore no interest and was repayable on demand.			
<b>African Equity Empowerment Investments</b>	–	14 277	–



## 7. LOAN TO RELATED PARTY COMPANIES (CONTINUED)

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<p>The loan bore interest at prime rate plus 2% and was repayable on 28 February 2024. This amount was owed in respect of the purchase of a business by GCCT from SAAB Grintek Defence Proprietary Limited. The amount owed was ceded by AEEI to GCCT upon the finalisation of the purchase of a business from SAAB Grintek Defence Proprietary Limited. Upon the finalisation of the purchase of the business from SAAB Grintek Defence Proprietary Limited on 1 March 2019, GCCT owed this loan balance to the Group. The Group obtained control over GCCT from 1 March 2019 and as from that date this loan is eliminated on consolidation.</p>			
<p><b>Sekunjalo Health and Commodities Proprietary Limited</b></p> <p>The loan was unsecured, bore no interest and was repayable on demand.</p>	-	1	-
<p><b>Leboa IT Proprietary Limited</b></p> <p>The loan was unsecured, bore no interest and was repayable on demand.</p>	-	355	-
<p><b>Tamlalor Proprietary Limited (“Tamlalor”)</b></p> <p>The loan is unsecured, bears interest at prime and is repayable on 28 March 2024.</p>	<b>108 317</b>	-	103 027
<p>The loan is unsecured, bears no interest and repayable on demand and will not be recalled in 12 months</p>			
	<b>114 124</b>	<b>19 924</b>	<b>108 562</b>
<b>Split between non-current and current portions:</b>			
Non-current assets	<b>114 124</b>	19 544	108 562
Current assets	-	380	-
<b>Closing balance</b>	<b>114 124</b>	<b>19 924</b>	<b>108 562</b>

# Notes to the condensed consolidated financial statements *(continued)*

## 8. INVESTMENTS

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Investments comprises of:</b>			
<b>Bambelela Capital Proprietary Limited ("Bambelela")</b>	<b>96 344</b>	2 420	16 182
K2018010234 (South Africa) Proprietary Limited ("K2018")	<b>2 850</b>	-	2 850
4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus")	<b>113 572</b>	-	5 587
<b>Closing balance</b>	<b>212 766</b>	<b>2 420</b>	<b>24 619</b>
<b>Bambelela Capital Proprietary Limited ("Bambelela")</b>			
On 28 September 2018, AYO purchased 32% of the issued shares in Bambelela for a nominal amount. The 32% shareholding does not represent a significant influence over the entity. The investment has been accounted for as an investment.			
<b>K2018010234 (South Africa) Proprietary Limited ("K2018")</b>			
On 8 March 2019, AYO subscribed for 18.7% of the issued share capital in K2018. K2018 specialises in e-commerce.			
<b>4 Plus Technology Venture Fund Africa Proprietary Limited ("4 Plus Technology Venture Fund")</b>			
On 2 April 2019, AYO subscribed for 9.3% of the issued share capital in 4Plus. On 5 October 2019 AYO subscribed for a further 5% and in December 2019 for a further 5% of the issued share capital in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications.			
<b>Reconciliation of investments</b>			
Opening balance	<b>24 619</b>	-	-
Additions	<b>107 985</b>	-	91 541
Changes in fair values	<b>80 162</b>	2 420	(66 922)
<b>Closing balance</b>	<b>212 766</b>	<b>2 420</b>	<b>24 619</b>



## 9. CONTRACT RECEIVABLE

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
Opening balance	-	-	-
Transferred from finance leases	<b>1 019</b>	-	-
New agreement	<b>26 540</b>	-	-
Receipts	<b>(1 983)</b>	-	-
<b>Closing balance</b>	<b>25 576</b>	-	-
<b>Split between non-current and current portions:</b>			
Non-current assets	<b>17 191</b>	-	-
Current assets	<b>8 385</b>	-	-
<b>Closing balance</b>	<b>25 576</b>	-	-

The Group entered into contract receivable agreements to finance the leasing of IT equipment including laptops.

The average lending rate is between 9.75% and 12% and contracts have a term of 36 months

## 10. INVENTORIES

Finished goods	<b>61 385</b>	40 592	66 604
Work in progress	<b>120 920</b>	96 693	116 669
Inventory written down to net realisable value	<b>(17 992)</b>	-	(4 282)
<b>Closing balance</b>	<b>164 313</b>	<b>137 285</b>	<b>178 991</b>

The inventory write down to net realisable value relates primarily to the write down of work in progress stock held for an onerous contract.

## Notes to the condensed consolidated financial statements *(continued)*

### 11. TRADE AND OTHER RECEIVABLES

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
Trade receivables	<b>455 601</b>	431 439	376 366
Loss allowance	<b>(15 642)</b>	(12 958)	(9 107)
<b>Trade receivables at amortised cost</b>	<b>439 959</b>	<b>418 481</b>	<b>367 259</b>
Deposits	<b>13 443</b>	3 199	28 563
Accrued income	<b>26 608</b>	24 506	30 790
Funds held in Trust	<b>110 662</b>	25 000	110 336
Related party receivables	<b>781</b>	-	11 950
Sundry customers	<b>-</b>	-	4 070
Claims receivable	<b>1 226</b>	-	-
<b>Non-financial instruments</b>			
Value-added income tax	<b>4 609</b>	-	11 560
Prepayments	<b>39 716</b>	43 084	28 970
Provision for impairment of prepayments	<b>(9 041)</b>	(9 041)	(9 041)
Sundry customers	<b>1 279</b>	1 629	-
Operating lease receivables	<b>-</b>	-	34
<b>Closing balance</b>	<b>629 242</b>	<b>506 858</b>	<b>584 491</b>

### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

Cash on hand	<b>159</b>	97	154
Bank balances	<b>3 356 776</b>	3 616 935	3 680 062
Bank overdraft	<b>(20 601)</b>	(3 330)	(1 106)
<b>Closing balance</b>	<b>3 336 334</b>	<b>3 613 702</b>	<b>3 679 110</b>

### 13. CONTINGENT CONSIDERATION LIABILITY

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. This liability was settled in the current period. On 28 February 2020 AYO concluded an agreement with the previous shareholders of SGT Solutions to settle the contingent consideration arrangement for an amount of R33.5 million.

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.



## 14. OTHER FINANCIAL LIABILITIES

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
Opening balance	38 500	-	-
Loan - Computer Aided Telephony System	818	-	-
NCI shareholders - Puleng	-	-	38 500
NCI shareholders - Kalula	12 000	-	-
Payment to NCI shareholders - Puleng	(38 500)	-	-
<b>Closing balance</b>	<b>12 818</b>	<b>-</b>	<b>38 500</b>

### NCI shareholders - Puleng

AYO entered into an agreement to purchase the remaining 43% of Puleng from minority NCI shareholders for a consideration of R38.5 million. The amount owed was settled in the current interim period.

### NCI shareholders - Kalula

On 21 February 2020 AYO concluded an agreement to purchase additional 25% of shares in Kalula from minority NCI shareholders for a consideration of R12 million.

## 15. PROVISIONS

	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Provisions are comprised of:</b>			
Commission	-	124	533
Partner reward programme	-	687	-
Bonuses	17 376	17 652	15 643
Onerous contract	12 640	5 043	5 680
Project and product warranties and product risk	4 797	5 755	3 742
Marketing and promotions	300	-	496
Retrenchment cost	8 600	-	-
<b>Closing balance</b>	<b>43 713</b>	<b>29 261</b>	<b>26 094</b>
<b>Reconciliation of provisions</b>			
Opening balance	26 094	15 390	15 390
Additions	30 669	27 623	50 746
Utilised during the period	(11 606)	(3 141)	(30 593)
Reversed	(1 444)	(10 611)	(9 449)
<b>Closing balance</b>	<b>43 713</b>	<b>29 261</b>	<b>26 094</b>



# Notes to the condensed consolidated financial statements *(continued)*

## 16. EARNINGS PER SHARE

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares.			
<b>Basic and diluted earnings per share (cents)</b>	<b>35.70</b>	28.61	43.76
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:			
<b>Earnings attributable to owners of AYO</b>	<b>122 837</b>	98 452	150 599
<b>Weighted average number of shares (000)</b>	<b>344 124</b>	344 124	344 124
There are no dilutive options and other dilutive potential ordinary shares, therefore, basic and diluted earnings per share are the same.			
<b>Headline earnings per share</b>			
Headline earnings is determined as follows:			
Earnings attributable to owners of AYO	<b>122 837</b>	98 452	150 599
<b>Adjusted for:</b>			
Profit on sale of property, plant and equipment	<b>(250)</b>	(119)	(352)
Profit on disposal of associate	-	(52)	-
Profit on disposal of subsidiary	-	-	(764)
Impairment of property, plant and equipment	-	-	176
Gain on bargain of purchase	-	-	(301)
Goodwill impairment	<b>645</b>	-	-
<b>Headline earnings</b>	<b>123 232</b>	<b>98 281</b>	<b>149 358</b>
Weighted average number of shares (000)	<b>344 124</b>	344 124	344 124
Headline earnings per share (cents)	<b>35.81</b>	28.56	43.40



## 17. BUSINESS COMBINATIONS

### Acquisition of NSX Solutions Consulting Proprietary Limited (“NSX”)

AYO completed the acquisition of a 100% shareholding in NSX Solutions Consulting Proprietary Limited (“NSX”) on 17 October 2019 for a consideration of R500 000. A loan of R850 000 was extended to NSX Experts. NSX is a company which provides cloud computing solutions.

The fair values of the identifiable assets and liabilities acquired are shown below:

<b>Assets acquired and liabilities assumed</b>	<b>R’000</b>
Property, plant and equipment	35
Intangible assets	48
Trade and other receivables	30
Loans receivable	119
Current tax receivable	3
Value added tax receivable	2
Cash and cash equivalents	313
Deferred income	(29)
Loans payable	(347)
Trade and other payables	(319)
<b>Total identifiable assets and liabilities</b>	<b>(145)</b>
Goodwill	645
<b>Total purchase consideration</b>	<b>500</b>
<b>Consideration paid</b>	
Cash	500
<b>Total purchase consideration</b>	<b>500</b>
<b>Net cash outflow on acquisition date</b>	
Cash consideration paid	(500)
Cash acquired	313
<b>Net cash outflow</b>	<b>(187)</b>

### 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.

### 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:

	<b>R’000</b>
Revenue	430
Profit after tax	236



# Notes to the condensed consolidated financial statements *(continued)*

## 18. CONTINGENCIES

### Litigation

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

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

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court. The claim is for the amount of R3 million. AYO is contesting the claim. No provision has been made in respect of this matter as it has not yet been heard before the courts.

### Options

The share sale agreements give AYO the option to sell its 40% shareholding in Main Street and its 24% shareholding in GCCT to AEEI at a price defined by a formula in the share sale agreements (“AYO put options”). The AYO put option for Main Street has been valued at R2 million as at 29 February 2020 and the AYO put option for GCCT has been valued at R21 million as at 29 February 2020. The options are exercisable between two to four years from the date of purchase of Main Street and GCCT. As at 29 February 2020, the minimum period of two years from date of purchase had not elapsed. The asset is not recognised as the recognition criteria of an asset is not met, due to the inflow of economic benefits not being probable.

## 19. RELATED PARTIES

The Group entered into various transactions with related parties in the ordinary course of business.

Significant related party transactions entered into include:

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

ANA Creative Agency was contracted in the prior period 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 prior period. 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.



## 19. RELATED PARTIES (CONTINUED)

### **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 prior period for a marketing and advertising campaign that AYO placed with Independent News and Media to promote AYO's brand in the market.

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

Tripos is a travel agent company which is a subsidiary of AEEI. Various companies in the Group, including AYO, use Tripos 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 Tripos comprise the cost of the travel, the accommodation and Tripos' professional fees. Tripos 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.

<b>Entity name</b>	<b>Relationship</b>
African Equity Empowerment Investments Limited	Holding company
AYO International Holdings Proprietary Limited	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
Headset Solutions Africa Proprietary Limited	Subsidiary
SGT Solutions Proprietary Limited	Subsidiary
Sizwe Asset Finance 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
Orleans Cosmetics Proprietary Limited	Fellow subsidiary
Exaro HST Proprietary Limited	Joint venture
Tamlalor Proprietary Limited	Joint venture

# Notes to the condensed consolidated financial statements *(continued)*

## 19. RELATED PARTIES (CONTINUED)

<b>Entity name</b>	<b>Relationship</b>
Digital Health Africa Proprietary Limited	Joint venture
Biton Music Productions Proprietary Limited	Common shareholding
Mustek Limited	Common shareholding
Tintantrade Proprietary Limited	Common shareholding
Win-a-Way Investments Proprietary Limited	Common shareholding
Vunani Group 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*
Sagarmatha Technologies Limited	Common shareholding*
Sekunjalo Capital Proprietary Limited	Common shareholding*
Sekunjalo Health and Commodities Proprietary Limited	Common shareholding*
Sekunjalo Technology Group Proprietary Limited	Common shareholding*
SekPharma Proprietary Limited	Common shareholding*
Imagine Awards	Common shareholding*
Sekunjalo Properties Proprietary Limited	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Investment Holdings Proprietary Limited	Common shareholding*
Tripos Tourism Investments Proprietary Limited	Common shareholding*
Directors	Refer to Governance matters
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 AEEI.



## 19. RELATED PARTIES (CONTINUED)

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Related party transactions include the following</b>			
<b>Sales to related parties</b>			
African Equity Empowerment Investments Limited	-	-	824
African News Agency Proprietary Limited	-	110	-
Blank Page Publishing Proprietary Limited	-	-	325
BT Communications Services South Africa Proprietary Limited	-	1 306	1 633
K2018010234 (South Africa) Proprietary Limited	-	-	532
Kalula Communications Proprietary Limited	-	-	212
Mustek Limited	-	13	13
Premier Fishing SA Proprietary Limited	-	-	380
Sagarmatha Technologies Limited	-	1 508	1 099
SekPharma Proprietary Limited	-	52	-
Sizwe Asset Finance Proprietary Limited	<b>126 944</b>	389 404	389 404
Tintantrade Proprietary Limited	-	-	106
Win-a-Way Investments Proprietary Limited	<b>665</b>	28	28
<b>Purchases of information technology management services from related parties</b>			
African Equity Empowerment Investments Limited	-	1 650	-
African News Agency Proprietary Limited	-	-	9 307
BT Communications Services South Africa Proprietary Limited	<b>149 529</b>	145 866	302 358
espAfrika Proprietary Limited	-	3 956	-
Health System Technologies Proprietary Limited	-	118	280
Independent Newspapers Proprietary Limited	-	7 928	13 955
Kalula Communications Proprietary Limited	<b>793</b>	92	812
Mustek Limited	<b>8 184</b>	22 718	22 718
Orleans Cosmetics Proprietary Limited	-	207	-
Premier Fishing SA Proprietary Limited	-	-	208
Sizwe Asset Finance Proprietary Limited	<b>48 386</b>	98 856	98 856
Sizwe IT Africa Proprietary Limited	<b>6 736</b>	507	1 154
Titantrade Proprietary Limited	-	106	-
Tripos Tourist Investments Proprietary Limited	-	-	29
Vunani Group Proprietary Limited	-	9 888	-
<b>Human resources services fees paid to related parties</b>			
Premier Fishing SA Proprietary Limited	-	133	-

# Notes to the condensed consolidated financial statements *(continued)*

## 19. RELATED PARTIES (CONTINUED)

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Related party transactions include the following</b>			
<b>Advertising and marketing expenses paid to related parties</b>			
African News Agency Proprietary Limited	<b>1 334</b>	10 740	5 376
espAfrika Proprietary Limited	<b>7 000</b>	656	10 249
Independent News and Media Proprietary Limited	<b>318</b>	9 107	15 134
Orleans Cosmetics Proprietary Limited	-	-	207
<b>Consulting fees paid to related parties</b>			
Clifford van der Venter (Non-exec director Premier Fishing & Brands Limited)	-	74	74
<b>Accrued Income</b>			
Health System Technologies Proprietary Limited	<b>3 300</b>	3 200	-
<b>Corporate service fees received from related parties</b>			
Independent News and Media Proprietary Limited	<b>3 054</b>	-	3 175
<b>Corporate finance service fees paid to related parties</b>			
African Equity Empowerment Investments Limited	<b>2 800</b>	-	-
<b>Management fees paid to related parties</b>			
African Equity Empowerment Investments Limited	<b>3 780</b>	3 208	7 560
<b>Management fees received from related parties</b>			
3 Laws Capital Proprietary Limited	-	6 243	6 243
Health System Technologies Proprietary Limited	<b>1 666</b>	2 205	4 434
Kalula Communications Proprietary Limited	-	858	663
<b>Travel agency fees paid to related parties</b>			
Health System Technologies Proprietary Limited	-	-	23
Tripos Travel Proprietary Limited	<b>3 126</b>	1 546	5 939
<b>Commission received from related party</b>			
Health Systems Technologies Proprietary Limited	-	2 152	-
<b>Rental expenses paid to related parties</b>			
Biton Music Productions Proprietary Limited	-	417	-
Health System Technologies Proprietary Limited	-	31	31
Prodirect Investments 112 Proprietary Limited	<b>1 410</b>	1 364	1 705
Sekunjalo Properties Proprietary Limited	<b>496</b>	1 000	1 369
Win-a-Way Investments Proprietary Limited	<b>1 890</b>	3 833	3 833



## 19. RELATED PARTIES (CONTINUED)

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Related party transactions include the following</b>			
<b>Interest received from related parties</b>			
3 Laws Capital Proprietary Limited	-	7 977	7 977
African Equity Empowerment Investments Limited	-	508	-
AYO International Holdings Proprietary Limited	<b>248</b>	-	353
Bambelela Capital Proprietary Limited	<b>4 990</b>	5 391	10 996
Global Command and Control Technologies Proprietary Limited	<b>4 538</b>	-	1 991
Headset Solutions Africa Proprietary Limited	-	-	91
Kalula Communications Proprietary Limited	<b>401</b>	184	500
Main Street 1653 Proprietary Limited	<b>1 949</b>	-	1 957
SGT Solutions Proprietary Limited	<b>1 594</b>	-	1 518
Tamlalor Proprietary Limited	<b>5 290</b>	-	4 605
Sizwe Africa IT Group Proprietary Limited	<b>501</b>	-	-
Volt Business Solutions Proprietary Limited	<b>700</b>	-	935
NSX Solutions Consulting Proprietary Limited	<b>29</b>	-	-
<b>Interest paid to related parties</b>			
African Equity Empowerment Investments Limited	-	-	2 045
<b>Dividends declared by related parties</b>			
Puleng Technologies Proprietary Limited	-	-	7 676
<b>Sundry income earned from/Sundry expenses (paid to) related parties</b>			
Global Command and Control Technologies Proprietary Limited	-	-	(990)
Kalula Communications Proprietary Limited	-	-	108
Win-a-Way Investments Proprietary Limited	-	-	620
<b>Conferences, Meetings and Seminars paid to/ (received from)</b>			
Independent Newspaper Proprietary Limited	-	904	904
<b>Professional service fees paid to related parties</b>			
African News Agency Proprietary Limited	-	-	6
Health System Technologies Proprietary Limited	-	12	12
Premier Fishing SA Proprietary Limited	-	103	103
Vunani Capital Proprietary Limited	-	-	9 888
<b>ICT Related Expenses</b>			
Premier Fishing Proprietary Limited	-	21	-
BT Communications Proprietary Limited	-	43	-

# Notes to the condensed consolidated financial statements *(continued)*

## 19. RELATED PARTIES (CONTINUED)

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Related party transactions include the following</b>			
<b>Entertainment paid to related parties</b>			
Health Systems Technology Proprietary Limited	-	2	2
Imagine Awards (Surve Philanthropies)	-	413	413
Sekunjalo Edu Jazz Awards	-	3	3
<b>Licenses paid to related parties</b>			
Health System Technologies Proprietary Limited	-	1	70
Staff welfare			
Dr. Wallace Mgoqi	-	-	1
Health Systems Technologies Proprietary Limited	-	1	1
Vanessa Govender	-	-	32
<b>Bank Charges</b>			
African Equity Empowerment Investments Limited	-	1	-
<b>Other expenses</b>			
Dr Wallace Mgoqi	-	-	20
Health Systems Proprietary Limited	-	-	9
Premier Fishing SA Proprietary Limited	-	-	35
Prodirect Investments 112 Proprietary Limited	12	-	14
Win-A-Way Investments Proprietary Limited	<b>305</b>	620	-
<b>Donations</b>			
Dr Wallace Mgoqi	-	-	20
Independent Media Proprietary Limited	-	-	255
Sello Rasethaba	-	-	30
<b>Legal fees</b>			
African Equity Empowerment Investments Limited	-	-	11
<b>Subscriptions paid to related parties</b>			
Sekunjalo Investment Holdings Proprietary Limited	<b>445</b>	1 538	1 538
Sello Rasethaba	-	3	3
<b>Leasing Charges</b>			
Sizwe Africa IT Group Proprietary Limited	<b>51</b>	1	25
<b>Levies</b>			
Independent Media Proprietary Limited	-	64	72
<b>Printing and Stationery</b>			
Health System Technologies Proprietary Limited	-	2	-
Sizwe Africa IT Group Proprietary Limited	-	1	17



## 19. RELATED PARTIES (CONTINUED)

<b>Related party transactions include the following</b>	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Trade receivables from related parties</b>			
4Plus Technology Venture Fund Africa Proprietary Limited	-	-	529
BT Communications Services South Africa Proprietary Limited	25	1 270	-
Exaro HST Proprietary Limited	-	5 354	-
Global Command and Control Technologies Proprietary Limited	776	-	1 040
Health Systems Technologies Proprietary Limited	1 260	4 236	479
Kalula Communications Proprietary Limited	1 513	1 114	1 114
Premier Fishing SA Proprietary Limited	-	12	399
Sargamatha Technologies Limited	-	-	1 346
SekPharma Proprietary Limited	-	401	-
Win-A-Way Investments Proprietary Limited	764	-	-
Sekunjalo Investment Holdings Proprietary Limited	2 226	-	1 281
Sizwe Asset Finance Proprietary Limited	5 043	5 006	5 006
<b>Contract asset receivable</b>			
Sizwe IT Africa Group Proprietary Limited	25 156	-	-
<b>Other receivables</b>			
African Equity Empowerment Investments Limited	723	-	723
Health System Technologies Proprietary Limited	6 500	-	4 232
Independent News and Media Proprietary Limited	3 651	-	3 651
Puleng Technologies Proprietary Limited	-	-	4 176
SGT Solutions Proprietary Limited	-	441	-
<b>Preference shares</b>			
Bambelela Capital Proprietary Limited	155 986	149 576	150 996

## Notes to the condensed consolidated financial statements *(continued)*

### 19. RELATED PARTIES (CONTINUED)

	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Related party transactions include the following</b>			
<b>Trade payables to related parties</b>			
African Equity Empowerment Investments Limited	-	28	-
African News Agency Proprietary Limited	175	175	175
BT Communications Services South Africa Proprietary Limited	21 802	63 838	27 360
espAfrika Proprietary Limited	55	-	-
Health System Technologies Proprietary Limited	-	-	79
Independent News and Media Proprietary Limited	-	38	6 931
Kalula Communications Proprietary Limited	913	29	-
Mustek Limited	1 827	1 015	1 015
Premfresh Seafoods Proprietary Limited	121	121	121
Premier Fishing SA Proprietary Limited	-	46	11
Sello Rasethaba	-	35	-
Sizwe Africa IT Group Proprietary Limited	2 769	582	56
Sizwe Asset Finance Proprietary Limited	18	14 223	14 223
Tripos Tourist Investments Proprietary Limited	-	90	25
Vunani Corporate Finance	-	7 475	-
<b>Loans receivable from related parties</b>			
African Equity Empowerment Investments Limited	-	5 098	5 367
Anthony Brown	-	143	-
AYO International Holdings Proprietary Limited	12 602	-	12 353
C Snyman	-	164	-
Digital Health Africa Proprietary Limited	168	168	168
Global Command and Control Technologies Proprietary Limited	107 391	14 277	61 642
Headset Solutions Africa Proprietary Limited	873	4 018	879
Headset Solutions Africa Proprietary Limited (Impairments)	-	(4 018)	-
Kalula Communications Proprietary Limited	47 764	3 812	15 353
Main Street 1653 Proprietary Limited	33 915	60 000	31 957
RA Cheary	-	42	-
Ragna CC	-	30	-
Sekunjalo Technology Group Proprietary Limited	-	25	-
SGT Solutions Proprietary Limited	33 121	-	31 518
Tamlalor Proprietary Limited	109 925	-	104 605
Volt Business Solutions Proprietary Limited	12 235	10 847	11 535
NSX Solutions Consulting Proprietary Limited	879	-	-



## 19. RELATED PARTIES (CONTINUED)

<b>Related party transactions include the following</b>	<b>Unaudited six months ended 29 February 2020 R'000</b>	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
<b>Loans payable to related parties</b>			
African Equity Empowerment Investments Limited	-	-	20 863
<b>Options</b>			
African Equity Empowerment Investments	<b>14 795</b>	14 795	14 795
African Equity Empowerment Investments (Fair value adjustment)	<b>(8 073)</b>	(10 860)	(10 861)
<b>Provisions</b>			
Puleng Technologies Proprietary Limited	-	3 029	203
Zaloserve Proprietary Limited	<b>9 470</b>	13 535	-
<b>Prepayments</b>			
African Equity Empowerment Investments Limited	<b>5 000</b>	-	-
African News Agency Proprietary Limited	<b>10 450</b>	9 511	10 450
espAfrika Proprietary Limited	-	3 956	-
Independent News Proprietary Limited	<b>9 041</b>	9 041	9 041
Independent News Proprietary Limited (impairment)	<b>(9 041)</b>	(9 041)	(9 041)
Vunani Corporate Finance	<b>1 294</b>	7 888	-

# Notes to the condensed consolidated financial statements *(continued)*

## 20. 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
<b>Financial assets</b>		
Other financial assets – not designated at fair value through profit/(loss)		Level 2
Other financial assets – designated at fair value through profit/(loss)		Level 2
Trade receivables		Level 3 <sup>1</sup>
Cash and cash equivalents		Level 1 <sup>2</sup>
Foreign exchange contract		Level 1 <sup>1</sup>
Investments at fair value through profit/(loss)		Level 3
<b>Financial liabilities</b>		
Other financial liabilities		Level 3 <sup>1</sup>
Trade payables		Level 3 <sup>2</sup>
Bank overdraft		Level 1
Contingent consideration liability		Level 3
Derivatives – Put options over non-controlling interests		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.*



## 20. FAIR VALUE INFORMATION (CONTINUED)

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

	Fair value at 29 February 2020 R'000	Fair value at 28 February 2019 R'000	Fair value at 31 August 2019 R'000	Valuation method	Fair value hierarchy
<b>Financial assets</b>					
<b>Investments at fair value through profit/(loss)</b>					
Bambelela Capital Proprietary Limited	96 344	2 420	16 182	Percentage of net assets value	Level 3
K2018010234 (South Africa) Proprietary Limited	2 850	-	2 850	Percentage of net assets value	Level 3
4Plus Technology Venture Fund Africa Proprietary Limited	113 571	-	5 587	Discounted cash flow	Level 3
<b>Total investments at fair value through profit/(loss)</b>	<b>212 765</b>	<b>2 420</b>	<b>24 619</b>		
<b>Other financial assets - designated at fair value through profit/(loss)</b>					
Cadiz Investment Enterprise Development Fund	10 172	7 152	10 234	Investor statement	Level 2
3 Laws Capital Proprietary Limited	-	20 561	-	Investor statement	Level 2
Oasis Proprietary Limited	-	418 169	-	Investor statement	Level 2
Nesa Capital Fund	188	188	188	Investor statement	Level 2
SGB Securities Proprietary Limited	3 011	-	-	Investor statement	Level 2
<b>Total other financial assets - designated at fair value through profit/(loss)</b>	<b>13 371</b>	<b>446 070</b>	<b>10 422</b>		
<b>Financial liabilities</b>					
Written put options over non-controlling interests	6 722	14 795	3 934	Discounted cash flow	Level 3
Contingent consideration liabilities	9 566	43 226	42 344	Discounted cash flow	Level 3
<b>Total financial liabilities</b>	<b>16 288</b>	<b>58 021</b>	<b>46 278</b>		

## Notes to the condensed consolidated financial statements *(continued)*

### 20. FAIR VALUE INFORMATION (CONTINUED)

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

28 February 2020	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Gains/ (losses) in profit or loss R'000	Closing balance R'000
<b>Financial assets</b>					
<b>Investments at fair value through profit/(loss)</b>					
Bambelela Capital Proprietary Limited	16 182	-	-	80 162	96 344
K2018010234 (South Africa) Proprietary Limited	2 850	-	-	-	2 850
4Plus Technology Venture Fund Africa Proprietary Limited	5 587	107 984	-	-	113 571
<b>Total investments at fair value through profit/(loss)</b>	<b>24 619</b>	<b>107 984</b>	<b>-</b>	<b>80 162</b>	<b>212 765</b>
<b>Other financial assets - designated at fair value through profit/(loss)</b>					
Cadiz Investment Enterprise Development Fund	10 190	-	-	(18)	10 172
Nesa Capital Fund	188	-	-	-	188
SGB Securities Proprietary Limited	-	3 000	(1)	12	3 011
<b>Total other financial assets - designated at fair value through profit/(loss)</b>	<b>10 378</b>	<b>3 000</b>	<b>(1)</b>	<b>(6)</b>	<b>13 371</b>
<b>Financial liabilities</b>					
Written put options over non-controlling interests	3 934	-	-	2 788	6 722
Contingent consideration liabilities	42 344	-	(33 500)	722	9 566



## 20. FAIR VALUE INFORMATION (CONTINUED)

28 February 2019	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Gains/ (losses) in profit or loss R'000	Closing balance R'000
<b>Financial assets</b>					
<b>Investments at fair value through profit/(loss)</b>					
Bambelela Capital Proprietary Limited	-	-	-	2 420	2 420
<b>Other financial assets - designated at fair value through profit/(loss)</b>					
Cadiz Investment Enterprise Development Fund	6 890	-	-	262	7 152
3 Laws Capital Proprietary Limited	88 827	401 734	(470 000)	-	20 561
Oasis Proprietary Limited	-	405 307	-	12 862	418 169
Nesa Capital Fund	-	188	-	-	188
<b>Total other financial assets - designated at fair value through profit/(loss)</b>	<b>95 717</b>	<b>807 229</b>	<b>(470 000)</b>	<b>13 124</b>	<b>446 070</b>
<b>Financial liabilities</b>					
Written put options over non-controlling interests	-	14 795	-	-	14 795
Contingent consideration liabilities	-	43 226	-	-	43 226

# Notes to the condensed consolidated financial statements *(continued)*

## 20. FAIR VALUE INFORMATION (CONTINUED)

31 August 2019	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Gains/ (losses) in profit or loss R'000	Closing balance R'000
<b>Financial assets</b>					
<b>Investments at fair value through profit/(loss)</b>					
Bambelela Capital Proprietary Limited	-	-	-	16 182	16 182
K2018010234 (South Africa) Proprietary Limited	-	15 000	-	(12 150)	2 850
4Plus Technology Venture Fund Africa Proprietary Limited	-	75 660	-	(70 073)	5 587
<b>Total investments at fair value through profit/(loss)</b>	<b>-</b>	<b>90 660</b>	<b>-</b>	<b>(66 041)</b>	<b>24 619</b>
<b>Other financial assets - designated at fair value through profit/(loss)</b>					
Cadiz Investment Enterprise Development Fund	6 890	3 216	-	84	10 190
3 Laws Capital Proprietary Limited	88 827	401 734	(490 561)	-	-
Oasis Proprietary Limited	-	409 801	(422 201)	12 400	-
Nesa Capital Fund	-	188	-	-	188
<b>Total other financial assets - designated at fair value through profit/(loss)</b>	<b>95 717</b>	<b>814 939</b>	<b>(912 762)</b>	<b>12 484</b>	<b>10 378</b>
<b>Financial liabilities</b>					
Written put options over non-controlling interests	-	14 795	-	(10 861)	3 934
Contingent consideration liabilities	-	47 782	(9 960)	4 822	42 644



## 20. 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	1
Weighted average cost of capital	10% - 15.82%
Specific risk premium	7% - 8%
Debt-equity ratio	20%
Terminal growth rate	4.5%
Risk free rate	8.22%

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:

	Weighted average cost of capital	
	Increase	Decrease
<b>Contingent consideration liability</b>	1%	1%
Zaloserve Proprietary Limited ('000)	64	(65)
	Risk free rate	
	Increase	Decrease
<b>Written NCI put options</b>	1%	1%
Mainstreet Group ('000)	-	-
Global Command and Control Technologies Proprietary Limited ('000)	153	(159)
	Share price	
	Increase	Decrease
<b>Investments</b>	10%	10%
Bambelela Capital Proprietary Limited ('000)	16 459	(16 126)
	Weighted average cost of capital	
	Increase	Decrease
<b>Investments</b>	10%	10%
4 Plus Technology Venture Fund Africa Proprietary Limited ('000)	3 254	(3 124)

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

# Notes to the condensed consolidated financial statements *(continued)*

## 21. EVENTS AFTER THE REPORTING PERIOD

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

In order to expand and diversify its investments, the Company invested R50 million with SBG Securities Proprietary Limited. The funds with SBG Securities Proprietary Limited will be utilised to invest in listed shares on the Johannesburg Stock Exchange.

On 2 April 2020 AYO subscribed for 3 000 cumulative redeemable preference shares of no par value in 4Plus Technology Venture Fund Africa Proprietary Limited for consideration of R30 million. In line with the agreement, the preference shares are to be acquired in two tranches, each tranche will be for 1 500 preference shares at a subscription price of R15 million. As at the report date AYO has subscribed for 3 000 preference shares at a cost of R30 million. The preference shares are redeemable on 31 March 2027. Interest is accrued at prime rate plus 2%. 4Plus Technology Venture Fund Africa Proprietary Limited has the right to voluntary redeem all or part of the cumulative redeemable preference shares at any time. The preference shares give the Company the rights to receive distributions from 4Plus in priority to holders of any other shares in 4Plus. The scheduled dividend dates are 30 June and 31 December each annum commencing on 30 June 2020. Such dividend shall be calculated according to a formula set out in the agreement. Additional dividends may be declared by 4Plus in addition to scheduled dividends. The preference shares are convertible into ordinary shares in 4Plus at the option of the Company after five years from subscription date. Should the preference shares be converted, the Company will be entitled to 20% of issued ordinary share capital in 4Plus at the time of conversion.

On 6 April 2020, the Company entered into an agreement with K2018010234 (South Africa) Proprietary limited ("K2018") whereby the Company subscribed for 300 cumulative redeemable preference shares of no par value in K2018 for a consideration of R30 million. In line with the agreement, the preference shares are to be acquired in two tranches, each tranche will be for 150 preference shares at a subscription price of R15 million. As at the report date the Company has subscribed for 300 preference shares at a cost of R30 million. The preference shares are redeemable on 31 March 2027. Interest is accrued at prime rate plus 2%. K2018 has the right to voluntary redeem all or part of the cumulative redeemable preference shares at any time. The preference shares give the Company the rights to receive distributions from K2018 in priority to holders of any other shares in K2018. The scheduled dividend dates are 30 June and 31 December each annum commencing on 30 June 2020. Such dividend shall be calculated according to a formula set out in the agreement. Additional dividends may be declared by K2018 in addition to scheduled dividends. The preference shares are convertible into ordinary shares in K2018 at the option of the Company after five years from subscription date. Should the preference shares be converted, the Company will be entitled to 20% of issued ordinary share capital in K2018 at the time of conversion.

On 4 May AYO appointed Thawt Inc. ("THAWT") and Crowe JHB ("CROWE") which is a member of Crowe Global ("CROWE Global") as the Company's joint external auditors with effect from 30 April 2020. The audit opinion will be signed by CROWE until such time that THAWT has been accredited by the JSE. Thereafter, the audit opinion will be jointly signed.



## 21. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On 21 February, 2020 AYO concluded an agreement to acquire an additional 25% shareholding from the non controlling shareholder of Kalula for a cash consideration of R12 million, this brings AYO's total shareholding in Kalula to 76%. On 8 May 2020, the Company settled the liability of R12 million owed to the non-controlling shareholder of Kalula for the purchase of an additional 28% shareholding.

A gross interim dividend of 35 cents per share was approved by the board of directors on 15 May 2020 in South African rand in respect of the six months ended 29 February 2020.

The South African President announced a directive for a 21-day national lockdown to help slow the spread of the coronavirus in South Africa. The national lockdown of all non-essential businesses and services was effective from midnight Thursday, 26 March 2020 and a two-week extension was announced to continue the lockdown until midnight on Thursday, 30 April 2020. As at reporting date, South Africa remains in lockdown at level 4. Management has assessed this as a non-adjusting event after reporting period. As at the date of this report, management has assessed that this event currently does not have a severe impact on the operations and financial position of the Group for the foreseeable future. The Group is an essential service provider and has been able to operate during the lockdown period. At this stage, the impact on our business and results is limited, however, the full financial and operational impact of the corona virus on the Group is currently being assessed. We have taken a number of measures to monitor and prevent the impact of the coronavirus which will ensure we continue to focus on the safety and health of our employees and securing the supply of materials and services that are essential to our business processes.

Management have made an assessment of the impact of the current economic conditions as well as the projected inflation and gross domestic product on the expected credit loss allowances ("ECL") for loans receivables and trade receivables as a result of the corona virus. As at the date of this report management consider the ECL to be appropriate and no further adjustment is required to the interim financial statements.

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 annual financial statements.



## Condensed 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.

	Segmental revenue			Segmental profit		
	Unaudited six months ended	Audited six months ended	Audited year ended	Unaudited six months ended	Audited six months ended	Audited year ended
	29 February 2020 R'000	28 February 2019 R'000	31 August 2019 R'000	29 February 2020 R'000	28 February 2019 R'000	31 August 2019 R'000
Software and consulting	27 578	32 490	61 348	11 228	12 943	22 962
Security solutions	189 631	141 229	276 304	54 853	57 624	105 957
Unified communications	38 821	37 989	73 239	9 989	14 694	24 473
Health care	53 725	53 134	111 373	16 111	19 060	38 739
Tracking solutions	18 851	-	25 355	3 601	-	6 915
Managed services	1 018 453	425 126	1 411 673	216 753	75 796	360 227
<b>Total</b>	<b>1 347 059</b>	<b>689 968</b>	<b>1 959 292</b>	<b>312 535</b>	<b>180 116</b>	<b>559 273</b>
Administration and support services				(372 641)	(189 490)	(562 230)
Other operating income				6 378	2 683	10 046
Other operating gains/(losses)				73 752	15 786	(44 434)
Finance income				138 678	158 059	322 856
Finance costs				(7 635)	(1 394)	(10 918)
Loss on equity accounted investment				9 291	-	(1 608)
<b>Total revenue and profit before taxation</b>	<b>1 347 059</b>	<b>689 968</b>	<b>1 959 292</b>	<b>160 358</b>	<b>165 761</b>	<b>272 985</b>



	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Segmental assets</b>			
Software and consulting	<b>18 729</b>	22 710	22 017
Security solutions	<b>64 285</b>	60 985	83 099
Unified communications	<b>71 482</b>	25 492	48 022
Health care	<b>57 221</b>	78 046	350 355
Tracking solutions	<b>92 640</b>	-	85 343
Managed services	<b>4 770 177</b>	5 024 522	4 503 850
<b>Total segmental assets</b>	<b>5 074 534</b>	<b>5 211 755</b>	<b>6 298 081</b>
Unallocated*	<b>17 131</b>	22 835	36 913
<b>Total consolidated assets</b>	<b>5 091 665</b>	<b>5 234 590</b>	<b>5 129 599</b>
	<b>Unaudited as at 29 February 2020 R'000</b>	Audited as at 28 February 2019 R'000	Audited as at 31 August 2019 R'000
<b>Segmental liabilities</b>			
Segmental liabilities			
Software and consulting	<b>11 395</b>	8 014	8 592
Security solutions	<b>40 650</b>	37 516	65 965
Unified communications	<b>100 011</b>	17 099	56 909
Health care	<b>26 765</b>	29 471	29 973
Tracking solutions	<b>135 762</b>	-	96 801
Managed services	<b>247 695</b>	585 615	400 485
Total segmental liabilities	<b>562 278</b>	677 715	840 087
Total consolidated liabilities	<b>562 278</b>	677 715	658 725

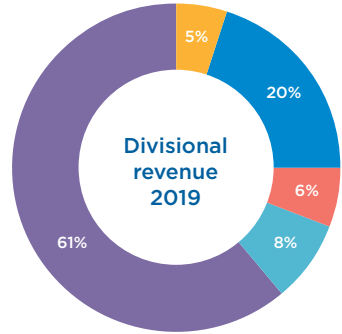
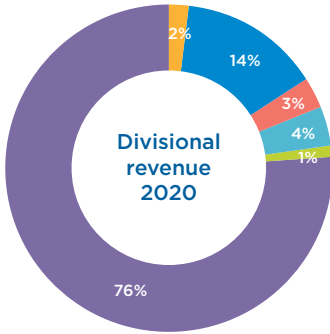
\*For the purpose of monitoring segment performance and resources allocations between segments, all assets and liabilities are allocated to reportable segments other than deferred tax assets and liabilities.

## Condensed segmental analysis *(continued)*

	Depreciation and amortisation			Additions to property, plant, equipment and intangible assets		
	Unaudited six months ended 29 February 2020 R'000	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000	Unaudited six months ended 29 February 2020 R'000	Audited six months ended 28 February 2019 R'000	Audited year ended 31 August 2019 R'000
Software and consulting	122	399	983	65	197	437
Security solutions	231	270	444	811	181	332
Unified communications	197	216	409	836	5 688	58
Health care	742	601	742	2 250	4 603	7 953
Tracking solutions	1 172	-	943	15	-	9 015
Managed services	17 064	5 914	21 604	6 600	136 332	163 900
<b>Total</b>	<b>19 528</b>	<b>7 400</b>	<b>25 125</b>	<b>10 577</b>	<b>147 001</b>	<b>181 695</b>

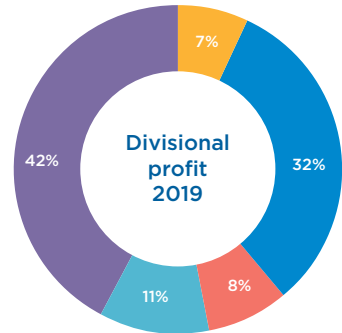
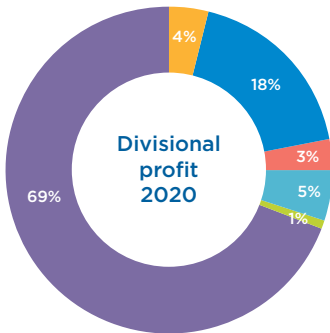


# Divisional performance



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

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



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

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



## Corporate information

<b>Directors:</b>	Wallace Mgoqi (Chairman)*#, Khalid Abdulla (Executive deputy chairman)^, Howard Platjies (Chief executive officer)^, Isaiah Tatenda Bundo (Chief financial officer)^, Vanessa Govender (Corporate affairs director)^, Rosemary Mosia*#, Aziza Amod*, Sello Rasethaba*#, Dennis George*#, Ngoako Ramatlhodi*# and Ismet Amod*  <i>* Non-executive # Independent</i> <i>^ Executive</i>
<b>Registered office:</b>	2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925
<b>Company secretary:</b>	Wazeer Moosa 2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925 Email: wazeer.moosa@ayotosl.com
<b>Auditors:</b>	Thawt Inc. 3 Monte Vista Blvd Monte Vista, Cape Town, 7460  Crowe JHB 3 Sandown Valley Crescent Sandown Sandton, 2031
<b>Transfer secretaries:</b>	Link Market Services South Africa Proprietary Limited Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001
<b>Joint sponsor:</b>	Vunani Proprietary Limited 151 Katherine Street, Vunani Office Park, Sandown, 2196
<b>Joint sponsor:</b>	Merchantec Capital 13th Floor, Illovo Point, 68 Melville Rd, Illovo, Sandton, 2196



## Glossary of terms and acronyms

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







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