

GROUP ANNUAL FINANCIAL STATEMENTS 2021





Contents

Audit and risk committee report	2
Directors' responsibilities and approval	6
Responsibility statement on internal financial controls	7
Company secretary's certification	8
Independent Auditor's report	9
Directors' report	15
Consolidated statement of financial position	24
Consolidated statement of profit or loss and other comprehensive income	25
Consolidated statement of changes in equity	26
Consolidated statement of cash flows	28
Accounting policies	29
Notes to the consolidated annual financial statements	48

Level of assurance

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

Preparers

The consolidated annual financial statements have been prepared by the Group Financial and Reporting Accountant, Livhuwani Rasifudi CA(SA), Group Consolidation and Reporting Manager, Ayanda Vabaza CA(SA) and Group Executive: Finance, Nokukhanya Sithole CA(SA), under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

Published

17 December 2021

Audit and Risk Committee Report

The Audit and Risk Committee (“the Committee”) is pleased to submit this report for the financial year ended 31 August 2021 as recommended by the King Code, the JSE Listings Requirements and the Companies Act.

MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

The Committee consists of independent non-executive directors listed below, all of whom have the requisite business acumen and experience as well as financial skills to fulfil the Committee’s duties.

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

Name	6 November 2020	13 November 2020	3 March 2021	21 May 2021	22 July 2021	24 August 2021
Rosemary Mosia (Chairperson)	✓	✓	✓	✓	✓	✓
Dr Dennis George	✓	✓	✓	✓	✓	✓
Sello Rasethaba	N/A	N/A	N/A	✓	✓	✓
Aziza Amod	✓	✓	✓	✓	✓	✓
Adv Ngoako Ramathlodi	✓	✓	✓	✓	✓	✓

Sello Rasethaba was appointed as an independent non-executive director and member of the Committee on 1 April 2021.

In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Group Executive: Internal Audit, Group Executive: Financial Controls and Systems, Group Executive: Finance and the external auditors attend the meetings of the Committee by invitation.

The external auditors may communicate directly with the Chairperson of the Committee and all of its members throughout the year. The Chairperson of the Committee is also available at the annual general meeting (“AGM”) to answer questions about the Committee’s activities.

ROLE AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Committee is constituted as a statutory committee of the Board. The Committee has terms of reference in place, which regulate both its statutory duties and those duties assigned to it by the Board.

The roles and responsibilities of the Committee include:

- to provide independent oversight of the effectiveness of the Group’s assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function;
- to provide independent oversight of the integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the Group;
- to consider on an annual basis, and satisfy itself of the appropriateness and expertise of the Chief Financial Officer and the finance department;
- to ensure that the Group has established financial reporting procedures and that those procedures are operating;
- to review the effectiveness of the internal audit department;
- to review the quality of the external audit; and
- to review and recommend to the Board for approval the interim results, preliminary results, the annual financial statements and the Integrated Report.

Audit and Risk Committee Report (continued)

KEY FOCUS AREAS IN 2021

The significant areas of focus for the Committee in relation to the 2021 financial year and up to the date of this report included:

- approving an internal audit plan for the Group; and
- reviewing the adequacy of the Group's internal controls and procedures over financial reporting to support the Chief Executive and the Chief Financial Officer's responsibility statement.

EXTERNAL AUDITOR

The Committee recommended the re-appointment of Crowe JHB ("Crowe"), which is member of Crowe Global and Thawt Incorporated ("THAWT") as joint external auditors of the Company and its subsidiaries at the annual general meeting held on 23 February 2021. Mr Gary Kartsounis was appointed as the designated auditor for the 2021 financial reporting period.

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

The Committee approved the level of scope, external audit fees and the extent of non-audit services for the 2021 audit. The Committee approved a non-audit service policy for the Company. The external auditors did not provide any non-audit services during the current year under review.

The Committee evaluated the audit and was satisfied with the performance of the external auditor during the reporting period and with the quality of the external audit procedures.

The Committee considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

KEY AUDIT MATTERS RELATING TO THE 2021 AUDIT

The Committee considered the key audit matters as outlined in the independent auditor's report set out on pages 9 to 14.

These key audit matters were:

- valuation of unlisted shares;
- occurrence of related party transactions and completeness of related party disclosures;
- valuation of intangible assets and goodwill; and
- finance assistance provided to related companies.

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

Audit and Risk Committee Report (continued)

INTERNAL AUDIT

A Group Executive: Internal Audit was appointed on 1 March 2021. The Group Executive: Internal Audit reports directly to the Chair of the Committee and provides the Committee with assurance on the effectiveness of the Group's internal control environment.

During the year under review the Committee:

- reviewed and approved an annual internal audit plan;
- assessed the appropriateness and expertise of the Group Executive: Internal Audit as well as the internal audit department. The Committee resolved to bolster the internal audit department with additional resources;
- received reasonable assurance on the adequacy of the Group's financial reporting procedures;
- considered the internal audit reports on the Group's systems of internal controls, including financial controls, and business risk management; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings.

FINANCIAL REPORTING

The Committee reviews the Group's accounting policies and the annual financial statements to ensure that they are in compliance with International Financial Reporting Standards ("IFRS"), the JSE Listings Requirements and the Companies Act. The Committee has confirmed that the Group has, with consideration to all entities included in the consolidated Group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating to ensure that it has access to all financial information of the group, to allow the group to effectively prepare and report on the financial statements. During the year under review, the Committee:

- considered the appropriateness of the accounting policies adopted;
- considered the accounting treatment of significant transactions;
- reviewed the process implemented by management for the preparation of the annual financial statements and is satisfied that the processes applied in preparing the financial statements were appropriate;
- confirmed the going concern as the basis of preparation of the annual financial statements; and
- ensured that the annual financial statements fairly present the financial position of the Group, the result of operations and cash flows for the financial year ended 31 August 2021.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 August 2021 and is satisfied that they comply in all material respects with

Audit and Risk Committee Report (continued)

the requirements of International Financial Reporting Standard (“IFRS”), the Companies Act, and the JSE Listing Requirements. The annual financial statements fairly present the financial position, changes in equity, results of operations and cash flows of the Group.

The Committee recommended the annual financial statements to the Board for approval.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

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

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

GOING CONCERN

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

CONCLUSION

I would like to thank my fellow committee members, Executive and Non-Executive Directors, the external auditors, invitees and management for their contributions to the Committee during the year.

On behalf of the Audit and Risk Committee.



Rosemary Mosia

Chair of the Audit and Risk Committee

17 December 2021

Directors' responsibilities and approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") financial reporting guides issued by the Accounting Practice committee, the Listings Requirements of the JSE Limited and the Companies Act. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements, set out on pages 24 to 120, are based on appropriate accounting policies which have been consistently applied throughout the Group and which are supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment.

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

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

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

During the period under review, no director had any material interest in any contract which is or was significant in the Company, any of its subsidiaries, associate or joint venture that would cause conflict of interest in the ordinary course of business. Related party transactions with the directors are disclosed in note 45.

The independent external auditors are responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor's report to the shareholders of the Group is set out on pages 9 to 14 of this report.

The consolidated annual financial statements set out on pages 24 to 120, which have been prepared under the supervision of the Group chief financial officer Isaiah Tatenda Bundo CA(SA), on the going-concern basis, were approved by the Board of directors on 10 December 2021. The consolidated annual financial statements are signed on the directors' behalf by:



Wallace Amos Mgoqi
Non-executive chairman
17 December 2021



Howard Plaatjes
Chief executive officer
17 December 2021

Responsibility statement on internal financial controls for the year ended 31 August 2021

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 24 to 120 fairly present, in all material respects, the financial position, financial performance and cash flows of AYO in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to AYO and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective, and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™).

Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and have taken the necessary remedial action.



Howard Platjes
Chief executive officer
17 December 2021



Isaiah Tatenda Bundo
Chief financial officer
17 December 2021

Company Secretary's certification

Mr Wazeer Moosa serves as the Company Secretary. He is not a Director of the Company. His roles and responsibilities are described in the Board charter.

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as the Company Secretary, I hereby confirm in terms of the Companies Act, that for the year ended 31 August 2021, AYO Technology Solutions Limited ("AYO") has lodged with the Companies and Intellectual Property Commission ("CIPC"), all such returns and notices that are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



Per **Wazeer Moosa**
Company Secretary

17 December 2021

Independent Auditor's report

17 December 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AYO Technology Solutions Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated annual financial statements of AYO Technology Solutions Limited and its subsidiaries (the "group") set out on pages 24 to 120 which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AYO Technology Solutions Limited and its subsidiaries as at 31 August 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets	
<p>The carrying value of goodwill as at 31 August 2021, amounted to approximately R144 593 000. Under IFRSs, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use.</p> <p>We considered the valuation of goodwill and intangible assets with indefinite useful lives to be significant to the audit because of the materiality thereof to the Group's Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.</p> <p>The disclosures relating to goodwill and intangible assets with indefinite useful lives are contained in note 1 (accounting policies) as well as notes 5 and 6.</p>	<p>In assessing the valuation of goodwill and intangible assets with indefinite useful lives, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's internal control process for determining the value-in-use of these assets; • Assessed the competence, capabilities and objectivity of the external valuer engaged by management <p>We have made use of an auditors' valuation expert to:</p> <ul style="list-style-type: none"> • Assess the appropriateness of the valuation techniques used; • Assess the arithmetical accuracy of the valuation models; • Evaluate the cash flow projections and the process by which they were developed; • Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions); • Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment <p>We assessed the capabilities, competence, and objectivity of the auditor expert and evaluated the adequacy of work performed by the expert.</p>

Independent Auditor's report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of unlisted financial instruments	
<p>The fair value of investments in unlisted financial instruments classified as “financial assets at fair value through profit or loss” as at 31 August 2021 amounted to approximately R125 141 000.</p> <p>The fair value of financial liabilities classified as “financial liabilities at fair value through profit or loss” comprising options and contingent considerations as at 31 August 2021 amounted to approximately R 19 953 000 and R 24 228 000, respectively.</p> <p>These financial instruments were measured based on unobservable inputs and are classified as “level 3 financial instruments”.</p> <p>As these financial instruments are unlisted and not traded in an active market, management determined the fair values of these financial instruments by using applicable valuation techniques with the assistance from valuation experts.</p> <p>We considered the valuation of unlisted financial instruments to be significant to the audit because of the materiality thereof to the Group's Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.</p> <p>The disclosures relating to investment in unlisted financial instruments are contained in note 1 (accounting policies) and notes 10, 19, 25, 46 (financial disclosures) and 47 (fair value information).</p>	<p>In assessing the fair value of the unlisted financial instruments, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's internal control process for determining the fair values of these instruments; • Assessed the competence, capabilities, and objectivity of the external valuer engaged by management <p>We have made use of an auditors' valuation expert to:</p> <ul style="list-style-type: none"> • Assess the appropriateness of the valuation techniques used; • Assess the arithmetical accuracy of the valuation models; • Evaluate the cash flow projections and the process by which they were developed; • Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions); • Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment <p>We assessed the capabilities, competence, and objectivity of the auditor expert and evaluated the adequacy of work performed by the expert.</p>
Occurrence of related party transactions and completeness of related party disclosure	
<p>There are significant and complex transactions between the company and its subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as well as the occurrence of related party transactions, as disclosed in Note 44 to the financial statements, resulting in this being regarded as a key audit matter.</p>	<p>In assessing the occurrence, and completeness of related party transactions and disclosures, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's internal control process for identifying, authorizing, and recording related party transactions. • Performed procedures to identify related parties • Performed procedures to agree identified related party transactions and balances to supporting evidence. • Performed procedures to agree identified related party transactions and balances to the relevant disclosures in the financial statements • Evaluated the identified related party transactions and balances for compliance with laws and regulations.

Independent Auditor's report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Financial assistance provided to related companies	
<p>At the Group's AGM held on 23 February 2021, the Group did not obtain the requisite number of votes for the special resolution to provide financial assistance and guarantees to its subsidiaries in terms of 45(3)(a)(ii) of the Companies Act. During the financial year the Company granted working capital funding to some of its subsidiaries.</p> <p>In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we have reported such matter to the Independent Regulatory Board for Auditors as a reportable irregularity.</p> <p>The nature of the matter, the importance thereof to the users of the financial statements, the complexity of the transactions and the audit effort required to address the matter were considerations in treating this matter as a key audit matter. Disclosures related to the matter can be found in notes 42 and 49 to the consolidated financial statements.</p>	<p>Our procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Procedures to evaluate the competence, capabilities and objectivity of experts • Procedures to obtain an understanding of the work of experts • Procedures to evaluate the appropriateness of the work of experts • Procedures to identify affected transactions as well as to test the completeness of transactions identified by management as being non-compliant • Procedures to verify the implementation of actions to remedy the identified areas of non-compliance • Obtained managements representations regarding the actions taken to address the areas of non-compliance • Procedures to identify whether any further non-compliance has occurred up to the date of this report

Other Information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "AYO Technology Solutions Limited Group Annual Financial Statements", "AYO Technology Solutions Limited Company Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the document titled "AYO Technology Solutions Limited Integrated Report 2021". The other information does not include the consolidated annual financial statements and our auditor's reports thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

Independent Auditor's report (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Independent Auditor's report (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Crowe JHB & Thawt Inc have been the joint auditors of AYO Technology Solutions Limited and its subsidiaries for two years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in notes 42 and 49 to the consolidated financial statements.



THAWT Incorporated
L Futshane
Partner
Registered Auditor
Monte Vista, Cape Town, 7460
17 December 2021



Crowe JHB
G Kartsounis
Partner
Registered Auditor
Sandown, Johannesburg, 2196
17 December 2021

Directors' report

The Directors have pleasure in submitting their report which forms part of the consolidated annual financial statements for the year ended 31 August 2021.

1. NATURE OF BUSINESS

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

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

2. FINANCIAL RESULTS

The consolidated annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited. The accounting policies have been applied consistently compared to the prior year.

Group financial performance

AYO had an Information, communications and technology (“ICT”) Master Service Agreement (“MSA”) with a significant customer in terms of which AYO would render a host of ICT services to the significant customer. The MSA was for a seven-year period effective from 1 July 2018. The customer terminated the contract with AYO effective 31 July 2020. AYO generated revenue of R418 million on the MSA in the prior financial year.

The managed services division had significant contracts with major customers which came to the end of their term and were not renewed in the current financial period. These contracts generated revenues of R700 million per year.

The non-renewal of the significant contracts in the managed services division and the cancellation of the MSA resulted in the revenue of the Group decreasing by 41% to R1.7 billion as compared to revenue of R2.8 billion in the prior year.

On 16 March 2021 the Group acquired a 100% shareholding in Kathea Communication Solutions Proprietary Limited (“Kathea Communications”) with effective date of 1 March 2021. Kathea Communications is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas. Kathea Communications’ brand offering includes Jabra, Polycom, Plantronics, CTouch, Logitech and Yealink, amongst others. The Group has consolidated revenue of R93 million and profits before tax of R8 million from Kathea Communications for the six months from 1 March 2021 to 31 August 2021.

The Group received compensation of R60 million in the prior year for the cancellation of the MSA contract. This compensation was once off and recognised as income in the prior year which contributed to the prior year’s Group profitability.

The COVID-19 pandemic as well as the poor economic environment has had a negative impact on the current and forecasted financial performance of some of the Group’s investments which in turn led to the Group recognising an increased expected credit loss allowance on loans advanced to some investee companies and trade debtors. The total credit loss allowances recognised in the current financial year amounts to R74 million as compared to an amount of R60 million in the prior financial year.

The Group has a significant cash holding balance of R2.2 billion from which it earns interest income. There was a decrease in the cash holding balance in the current year as funds were utilised for investments and working capital purposes. The decrease in the cash holding balance resulted in interest income decreasing by 32% to R165 million in the current financial year as compared to R242 million in the prior year.

The significant decrease in revenue, interest income and increase in credit loss allowances resulted in the Group incurring a loss before tax of R201 million as compared to a profit before tax of R104 million in the prior year.

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

Directors' report (continued)

3. SHARE CAPITAL

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

4. DIVIDENDS

An interim dividend of 65 cents per share amounting to R224 million was paid to shareholders during the year under review.

Notice is hereby given that a gross final dividend of 30 cents per share has been declared by the Board of AYO out of income reserves in respect of ordinary shares of no-par value for the year ended 31 August 2021.

A dividend withholding tax of 20% or 6 cents per share will be applicable, resulting in a net dividend of 24 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

The issued share capital at the declaration date is 344 123 944 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)	30
Dividend net of dividend withholding tax (cents per share)	24
Announcement date	Tuesday, 30 November 2021
Last day to trade <i>cum</i> dividend	Tuesday, 21 December 2021
Trading ex-dividend commences	Wednesday, 22 December 2021
Record date	Friday, 24 December 2021
Date of payment	Tuesday, 28 December 2021

Share certificates may not be dematerialised between Wednesday, 22 December 2021 and Friday, 24 December 2021, both days inclusive.

Directors' report (continued)

5. 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
Dr. WA Mgoqi	Chairman	Non-executive [#]	20 August 2018
K Abdulla	Deputy executive chairman	Executive	12 March 2020
Prof. LCH Fourie		Non-executive [#]	7 July 2020
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 [#]	1 April 2021
Adv. NA Ramathlodi		Non-executive [#]	7 March 2018

[#] Independent

Mr SM Rasethaba who had resigned as a non-executive director of the company on 11 November 2020 was re-appointed as a non-executive director on 1 April 2021.

Mr I Amod was a non-executive director of the Company from 22 January 2019 and was appointed as an executive director on 1 April 2021. On 23 November 2021, Mr I Amod resigned as a director of the Company.

6. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2021, the Directors of the Company held direct and indirect beneficial interest in 0.8729% (2020: 0.8729%) of its issued ordinary shares, as set out below.

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2021					
A Amod	1 250	-	-	-	0.0004%
I Amod	1 250	-	-	-	0.0004%
D George	-	-	-	3 000 000	0.8718%
K Abdulla	1 250	-	-	-	0.0004%
2020					
A Amod	1 250	-	-	-	0.0004%
I Amod	1 250	-	-	-	0.0004%
D George	-	-	-	3 000 000	0.8718%
K Abdulla	1 250	-	-	-	0.0004%

There has been no changes in Directors' shareholding between the end of the reporting period and the date of this report.

Directors' report (continued)

7. CORPORATE GOVERNANCE

The Directors subscribe to the principles incorporated in the King IV and save as disclosed in the corporate governance review, have complied as far as practical with principles contained therein throughout the reporting period. The Directors recognise the need to conduct the business of the Group with integrity and in accordance with generally accepted corporate practices.

The Board and the Board Committees have reviewed the Group's corporate governance policies and procedures in the current year and no issues were identified.

8. GOING CONCERN

The consolidated annual financial statements have been prepared based on 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.

The Directors have determined the appropriate basis of preparation of the consolidated annual financial statements after considering the Group's significant risks, outstanding legal matters, the current financial performance of the Group, the Group's financial budgets and assessing the solvency and liquidity of the Group taking into account the current financial position and existing cash resources and borrowing facilities.

The financial performance of the Group has not been severely impacted by the Covid-19 pandemic. AYO has been classified as an essential service provider, as such management does not expect significant operational or financial disruptions on the Group because of the corona virus.

The Board has no intention to cease trading, curtail operations or liquidate the Group.

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. The Company has been reconfigured into an investment holding company and will continue to trade as such through the portfolio of investments it holds should the PIC and GEPF be successful in their application. AYO has some subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AYO's previous banker, First National Bank Limited ("FNB") had given the Company notice to close its transactional banking facility with effect from 3 May 2021. The Company did not have any lending facilities with FNB. The Company instituted legal proceedings against FNB for its unprecedented decision to close the Company's transactional banking facility. Pending the hearing of AYO's main application, the interdict was struck off the roll for lack of urgency. AYO has put in place alternative payment solutions which will ensure continuity of its business. Furthermore, AYO is in the process of engaging with other banks for transactional banking services.

The judgements and assumptions described above inherently include material uncertainty on the timing of future cash flows and therefore any significant deviations may cast significant doubt on the Group's ability to continue as a going concern. Whilst there are material uncertainties as described above, the Directors, based on the information available to them, after considering the financial forecasts of the Group and its current financial position are of the opinion that the going concern assumption is appropriate in the preparation of the consolidated annual financial statements.

Directors' report (continued)

9. EVENTS AFTER THE REPORTING PERIOD

On 23 September 2021, AYO subscribed for 30% of ordinary shares in Crealpha Proprietary Limited ("Crealpha") for a nominal amount. As part of the shareholders agreement AYO has also provided Crealpha with a R30 million working capital loan to enable the company's expansion. Crealpha is a cloud data services business that enables the Group to expand its service offering as part of the Group's go-to-market strategy.

On 1 October 2021, AYO subscribed for an additional 30 ordinary shares in 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") for a subscription price of R24 million. AYO now holds a total of 28% of the ordinary shares in issue of 4Plus.

On 11 October 2021, AYO subscribed for 25% of ordinary shares in AOH Enterprises Proprietary Limited ("AOH") for a subscription price of R2 850 000. AOH Enterprises specializes in property technology and allows AYO to be a part of a rising disruptive technology.

A gross final dividend of 30 cents per share in South African rand has been declared by the Board of Directors in respect of the year ended 31 August 2021.

AYO has a 24% equity interest in Global Command and Control Technologies Proprietary Limited ("GCCT"). AYO controlled GCCT in terms of IFRS 10 Consolidated Financial Statements as it had a majority representation of directors on the board of GCCT. Effective 1 November 2021, AYO no longer controls GCCT as it no longer has majority representation of directors on the board of GCCT. GCCT is now controlled by the majority shareholder, African Equity Empowerment Investments Limited.

On 1 November 2021, AYO concluded an asset for share agreement in which AYO disposed of its 100% shareholding in Puleng Technologies Proprietary Limited ("Puleng") for a consideration of R20 million in exchange for redeemable and cumulative preference shares of the purchaser of R20 million. Puleng is a cyber security company which focuses on the development of efficient Governance, Risk and Compliance (GRC) programmes and providing data centre infrastructure which effectively protects sensitive client data.

On 23 November 2021, Mr I Amod resigned as an executive director of the Company.

Management has assessed 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 Covid-19. As at the date of publication of the financial statements, management consider the ECL as disclosed in note 10 to be appropriate and no further adjustment is required to the annual financial statements.

On 26 November 2021 the Group disposed of the licensing rights of the Naviga software systems to LMLS for a consideration of R22.3 million subject to certain conditions precedent being met. At the time of publication of these results these conditions precedent were not yet met.

On 30 September 2021, the South African President announced that a number of South Africa's lockdown regulations which came about as a result of the global Covid-19 pandemic will be relaxed as the country moves to a level 1 lockdown from 1 October 2021. Management has assessed this as a non-adjusting event after reporting period. The Company has been able to operate during the lockdown period when stricter restrictions were imposed. As at the date of issue of these reviewed provisional condensed financial results, management has assessed that this event currently has a negligible anticipated impact on the operations and financial position of the Company for the foreseeable future.

As at 31 August 2021 AYO had a loan receivable from Sizwe R55 million. On 04 December 2021 AYO entered into an agreement in which LMLS took over the loan with Sizwe in exchange for a loan between AYO and LMLS.

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

Directors' report (continued)

10. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 2 to 5 of these consolidated annual financial statements.

11. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

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

12. COMPANY SECRETARY

The Company Secretary is Mr Wazeer Moosa of:

Postal address:

PO Box 181
Waterfront
Cape Town
8000

Business address:

1st Floor Waterway House North
3 Dock Road
Victoria and Alfred Waterfront
Cape Town
8002

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

- guidance to the Directors in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the Board aware of any law relevant to and/or affecting the Company;
- preparation of Board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all Board, committee and annual general meetings;
- disclosure of corporate actions on SENS announcements and directors' dealings in securities;
- preparation and timely delivery of the Integrated Report and Annual General Meeting notice and proxy to shareholders;
- compliance with JSE Listings Requirements and the Companies Act; and
- updated Board policies, Board charters in compliance with statutory, regulatory and legislative requirements.

All Directors have access to the advice and services of the Company Secretary.

The Board considered the competence, qualifications and experience of the Company Secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the Remuneration Committee of the Company regarding the Company Secretary's qualifications, experience and performance.

Directors' report (continued)

13. INTERESTS IN SUBSIDIARIES

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

14. ACQUISITIONS DURING THE YEAR

On 18 December 2020, AYO subscribed for an additional 18 ordinary no par value shares in 4Plus Technology Venture Fund Africa Proprietary Limited ("4 Plus") for a consideration of R14 million. The additional subscription increased AYO's shareholding in 4 Plus to 24.8%. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications.

On 18 December 2020, AYO subscribed for an additional 15 ordinary shares at no par value in Loot B2B Proprietary Limited ("Loot B2B") for a consideration of R10 million. The additional subscription increased AYO's shareholding in Loot B2B to 34%. Loot B2B specialises in e-commerce.

On 1 March 2021, AYO concluded the acquisition of a 100% shareholding in Kathea Communication Solutions Proprietary Limited ("Kathea Communications") for an upfront consideration of R59.8 million with effective date of 1 March 2021. Communication is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas. Kathea Communication's brand offering includes Jabra, Polycom, Plantronics, CTouch, Logitech and Yealink, amongst others.

On 28 April 2021, AYO subscribed for a further 100 cumulative, redeemable preference shares of no par value in Loot B2B for a consideration of R10 million. At 31 August 2021, AYO holds 250 cumulative, redeemable preferences shares of no par in Loot B2B.

On 4 July 2021, AYO subscribed for 20% of the issued share capital in Louisyahna Creations Proprietary Limited ("Louisyahna") for a consideration of R2 million. Louisyahna is a company which specialises in property technology.

For more details refer to note 9, 10 and 39 of these consolidated annual financial statements.

15. LIQUIDITY AND SOLVENCY

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

16. AUDITORS

Thawt Inc. ("THAWT") and Crowe JHB ("CROWE"), which is a member of Crowe Global ("CROWE Global") were appointed as the Company and its subsidiaries joint external auditors at the annual general meeting held on 23 February 2021.

Directors' report (continued)

17. SPECIAL RESOLUTIONS

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only resolutions passed at AGM on 23 February 2021 are as follows:

- The approval of the Non-Executive Directors' remuneration, the effect of which was to approve the annual remuneration of Non-Executive Directors for the period from 1 September 2020 to 31 August 2021.
- The approval of the general authority to re-purchase the Company's shares, the effect of which was to authorise the Company and or its subsidiaries to re-purchase its own securities.

18. LITIGATION

On 31 May 2019 AYO received 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. The Company has since been reconfigured into an investment holding company and will continue to trade as such through the portfolio of investments it holds should the PIC and GEPF be successful in their application. AYO has some subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

The State Information Technology Agency ("SITA") brought an application in the Eastern Cape high court for an order to interdict the Eastern Cape Department of Education ("ECDOE") from continuing with a contract that the ECDOE has with Sizwe Africa IT Group Proprietary Limited ("Sizwe") for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape high court granted the order for the interdict. The ECDOE, supported by Sizwe are appealing the ruling.

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, together with costs. 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.

There is a claim for approximately R6 600 847.91 from Volt (Pty) Ltd (hereinafter "the Volt Claim"), in which the Claimant (Volt) alleges that the aforesaid amounts constitutes alleged overpayments made to Afrozaar Proprietary Limited under the auspices of two service contracts previously concluded between the respective parties. There is also a claim in respect of Afrozaar Proprietary Limited for approximately R5 636 925.40 from BSA Software Services Inc (hereinafter "the BSA Claim"), in which copyright infringement is alleged due use of available software on applications not otherwise authorised under developers licence agreement. For the claims against Afrozaar Proprietary Limited, prospects of success of the Volt claim are difficult to anticipate at this point as the claimant has not fully expanded on its claim nor responded to our submission or observations, therefore the claim the merits are unclear. For the BSA claim the prospects of success are difficult as the matter is new and the information was only provided in the week of publishing for review.

Directors' report (continued)

19. FINANCIAL ASSISTANCE TO SUBSIDIARIES

At the Group's AGM held on 23 February 2021, the Group did not obtain the requisite number of votes for the special resolution to provide financial assistance and guarantees to its subsidiaries in terms of 45(3)(a)(ii) of the Companies Act. During the financial year the Company granted working capital funding to some of its subsidiaries to ensure the continued operation of the subsidiaries and to maintain their value to the Company.

As the funding was not in accordance with section 45(3)(a)(ii) of the Companies Act, a reportable irregularity was identified by the Group's Independent External Auditors and reported to the Independent Regulatory Board of Auditors. At the date of publication of these consolidated annual financial statements, the reportable irregularity had been resolved and no longer exists.

20. LEVEL OF ASSURANCE

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

21. PREPARER

These consolidated annual financial statements were prepared by the Group Financial and Reporting Accountant, Livhuwani Rasifudi CA(SA), Group Consolidation and Reporting Manager, Ayanda Vabaza CA(SA) and Group Executive: Finance, Nokukhanya Sithole CA(SA) under the supervision of the Group chief financial officer, Isaiah Tatenda Bundo CA(SA).

22. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with IFRS 10 – Consolidated Financial Statements. A copy of the consolidated annual financial statements is available on the Company's website at www.ayotsl.com.

PUBLISHED

17 December 2021

Consolidated statement of financial position

as at 31 August 2021

	Notes	31 August 2021 R'000	31 August 2020 R'000
Assets			
Non-current assets		990 573	805 533
Property, plant and equipment	3	50 792	91 110
Right-of-use of assets	4	117 209	35 292
Goodwill	5	144 593	131 152
Intangible assets	6	157 636	82 783
Investments in equity-accounted joint ventures	7	43 502	18 963
Loans to related party companies	8	222 252	120 165
Other loans receivable	9	84 356	192 411
Investments at fair value through profit or loss	10	125 141	62 921
Other financial assets	11	-	1 000
Finance lease receivables	12	22 854	25 189
Deferred tax assets	13	22 238	44 547
Current assets		3 176 223	4 183 370
Inventories	14	148 875	142 364
Loans to related party companies	8	38 542	65 898
Other loans receivable	9	168 661	12 670
Trade and other receivables	15	487 512	692 926
Other financial assets	11	146 904	23 228
Finance lease receivables	12	13 474	18 052
Current tax receivable		8 533	3 061
Cash and cash equivalents	16	2 163 722	3 225 171
Non-current assets held for sale and assets of disposal groups		59 790	-
Total assets		4 226 586	4 988 903
Equity and liabilities			
Equity			
Stated capital	17	4 444 410	4 444 410
Reserves	18	(31 581)	(39 847)
Retained income		(938 353)	(227 111)
Equity attributable to shareholders of AYO		3 474 476	4 177 452
Non-controlling interests		125 651	118 640
Total equity		3 600 127	4 296 092
Liabilities			
Non-current liabilities		116 102	30 903
Derivatives financial liability	19	19 953	7 587
Lease liabilities	20	90 673	16 190
Employee benefit obligation		5 476	6 375
Deferred income	21	-	751
Current liabilities		486 704	661 908
Trade and other payables	22	312 312	523 665
Loans from related party companies	23	10 601	-
Other financial liabilities		2 136	887
Lease liabilities	20	34 979	24 395
Deferred income	21	33 252	47 889
Current tax payable		7 349	11 628
Provisions	24	33 502	35 541
Dividend payable		28 344	9 382
Contingent consideration liabilities	25	24 228	5 097
Bank overdraft	16	1	3 424
Liabilities directly associated with assets classified as held for sale		23 653	-
Total liabilities		626 459	692 811
Total equity and liabilities		4 226 586	4 988 903

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 August 2021

	Notes	2021 R'000	2020 R'000
Revenue	26	1 699 492	2 885 214
Cost of sales	27	(1 252 890)	(2 259 858)
Gross profit		446 602	625 356
Other operating income	28	10 873	68 569
Other operating gains/(losses)	29	33 798	(82 562)
Other operating expenses	30	(783 024)	(692 846)
Movement in expected credit losses		(84 422)	(59 827)
Finance income	31	164 639	241 794
Finance costs		(13 529)	(17 429)
Profit from equity-accounted investments		24 539	20 571
(Loss)/profit before taxation		(200 524)	103 626
Taxation	32	(57 579)	(70 846)
(Loss)/profit before taxation		(258 103)	32 780
Other comprehensive income:			
Items that will be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		3 776	(834)
Income tax relating to items that will not be reclassified		-	-
Total items that will not be subsequently reclassified to profit or loss		3 776	(834)
Other comprehensive income for the year net of tax		3 776	(834)
Total comprehensive (loss)/income for the year		(254 327)	31 946
Profit after taxation attributable to:			
Shareholders of AYO		(259 146)	21 343
Non-controlling interests		1 043	11 437
Total (loss)/profit after taxation		(258 103)	32 780
Total comprehensive (loss)/income attributable to:			
Shareholders of AYO		(255 370)	20 509
Non-controlling interests		1 043	11 437
Total comprehensive (loss)/income		(254 327)	31 946
Earnings per share (cents)			
Basic earnings/(losses) per share (cents)	33	(75.31)	6.20
Diluted earnings/(losses) per share (cents)	33	(75.31)	6.20

Consolidated statement of changes in equity

for the year ended 31 August 2021

	Stated capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Revaluation reserve R'000
Balance at 1 September 2019	4 270 965	173 445	4 444 410	(250)	221
Adoption of IFRS 16 on 1 September 2019	-	-	-	-	-
Restated balance on 1 September 2019	4 270 965	173 445	4 444 410	(250)	221
Total comprehensive income for the year	-	-	-	(663)	-
Profit for the year	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(663)	-
Acquisition of additional shares in subsidiary	-	-	-	-	-
Dividends	36	-	-	-	-
Change in ownership - disposal of subsidiary	40	-	-	-	-
Changes in ownership - acquisition of minorities	-	-	-	-	-
Balance at 1 September 2020	4 270 965	173 445	4 444 410	(913)	221
Total comprehensive income for the year	-	-	-	3 118	-
Profit for the year	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	3 118	-
Dividends	36	-	-	-	-
Acquisition of shares in subsidiary	50	-	-	-	-
Change in ownership - reduction in shareholding of subsidiary	40	-	-	-	-
Balance at 31 August 2021	4 270 965	173 445	4 444 410	2 205	221

NCI put options reserve R'000	Share-based payment reserve R'000	Changes in ownership reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to shareholders of AYO R'000	Non-controlling interests R'000	Total equity R'000
(14 795)	11 809	(27 455)	(30 470)	(77 457)	4 336 482	134 392	4 470 874
-	-	-	-	1 012	1 012	(10)	1 002
(14 795)	11 809	(27 455)	(30 470)	(76 445)	4 337 494	134 382	4 471 876
-	-	-	(663)	21 343	20 680	11 437	32 117
-	-	-	-	21 343	21 343	11 437	32 780
-	-	-	(663)	-	(663)	-	(663)
-	-	-	-	3 495	3 495	(3 958)	(463)
-	-	-	-	(175 505)	(175 503)	(2 721)	(178 226)
-	-	-	-	-	-	(17 213)	(17 213)
-	-	(8 714)	(8 714)	-	(8 714)	(3 286)	(12 000)
(14 795)	11 809	(36 169)	(39 847)	(227 112)	4 177 452	118 641	4 296 091
-	-	-	3 118	(259 145)	(256 027)	3 559	(252 467)
-	-	-	-	(259 145)	(259 145)	3 559	(255 586)
-	-	-	3 118	-	3 118	-	3 119
-	-	-	-	(452 096)	(452 096)	(6 801)	(458 897)
-	-	2 515	-	-	-	-	-
-	-	5 148	5 148	-	5 148	10 252	15 400
(14 795)	11 809	(31 021)	(31 581)	(938 353)	3 474 477	125 651	3 600 127

Consolidated statement of cash flows

for the year ended 31 August 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash receipts from customers		1 904 906	2 494 984
Cash paid to suppliers and employees		(2 189 038)	(2 467 054)
Cash generated/(utilised) in operations	34	(284 132)	27 930
Finance income		126 687	201 654
Finance costs		(12 929)	(16 354)
Dividend income		1 848	-
Tax paid	35	(64 387)	(91 986)
Net cash from operating activities		(232 913)	121 244
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(25 595)	(23 281)
Proceeds from the disposal of property, plant and equipment		5 584	4 971
Acquisition of intangible assets		(32 509)	(11 484)
Proceeds from disposal of intangible assets		1 777	59
Purchase of additional shares from minority interests		-	(12 000)
Acquisition of subsidiaries net of cash acquired		(55 447)	(187)
Loans advanced to related party companies		(94 150)	(58 350)
Loans to related parties repaid		52 050	-
Other loans advanced		(117 388)	(70 747)
Purchases of investments at fair value through profit or loss		(26 000)	(107 985)
Amounts advanced to acquire other financial assets		(110 518)	(13 030)
Amounts repaid from other financial assets		16 378	12 805
Funds withdrawn in Trust		295 521	-
Funds advanced in Trusts		(273 942)	-
Finance lease receipts		9 555	6 447
Net cash to investing activities		(354 684)	(272 782)
Cash flows from financing activities			
Dividends paid	36	(433 405)	(168 693)
Dividends paid to minorities		(3 732)	(2 722)
Payments of contingent consideration arrangements		(5 500)	(38 625)
Other financial liabilities loans received		1 006	-
Repayments of other financial liabilities		(11 488)	(38 825)
Loans received from related party companies		10 000	-
Repayment of loans from related parties		-	(21 252)
Lease liabilities repayments		(26 583)	(35 430)
Payment of long service awards		(727)	(277)
Net cash to financing activities		(470 429)	(305 824)
Total cash movement for the period		(1 058 026)	(457 362)
Cash at the beginning of the period		3 221 748	3 679 110
Total cash at the end of the period		2 163 722	3 221 748

Accounting policies

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated annual financial statements have been prepared on the going-concern basis in accordance with, and in compliance with IFRS, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, and the Listings Requirements of the JSE Limited.

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

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

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

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

Business combinations

The Group acquired 100% shareholding of Kathea Communications. This resulted in AYO having control over Kathea Communication (have control to inputs, process and outputs). The Group applied the acquisition method in accounting for Kathea Communication. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

The acquisition resulted in Goodwill and deferred tax being incurred on initial recognition.

The fair value of the acquired assets and liabilities are based on the market participants.

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in a business combination. Furthermore, the fair value of the contingent consideration is also dependent on the outcome of required variables such as future profitability.

Refer to note 39 for more details.

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. Although AYO only has a 40% equity interest in Main Street 1653 Proprietary Limited ("Main Street"), 43% equity interest in Software Tech Holdings Proprietary Limited ("Software Tech") and 24% equity interest in Global Command and Control Technologies Proprietary Limited ("GCCT") it has been determined that AYO controls Main Street, Software Tech and GCCT respectively in terms of IFRS 10 Consolidated Financial Statements due to i) The Group has the rights to appoint a majority of directors and key management personnel of the listed subsidiaries and

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) AYO has majority seats on the board of directors of to the investee. As per the shareholder's agreement, AYO has the right to variable returns from involvement with Main Street, Software Tech and GCCT and it has the ability to use its power over the investee to affect the amount of the returns in Main Street, Software Tech 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, Software Tech and GCCT.

Entities in which the Group disposed of its shares to less than 50% voting rights but does have control.

During the current year under review management disposed of 5.5% shareholding in Zaloserve Proprietary Limited ("Zaloserve"). The Company now holds 49.5% shareholding in Zaloserve.

Management signed a voting pool agreement with one of the shareholders with an interest of 4.5% in Zaloserve to vote in favour of the Group for three years.

Management has concluded that the Group continues to have control of Zaloserve as it still 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.

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

The directors have concluded that the Group has no significant influence over Bamblela Capital Proprietary Limited ("Bamblela") and 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") and Loot B2B Proprietary Limited ("Loot B2B") even though it has 32% of the voting rights in Bambelela, 25% in 4Plus and 30% in Loot B2B. This is because the Group has no representation on the Board of directors of Bambelela, 4Plus and Loot B2B and the Group does not participate in any financial or operating policy decision in Bambelela, 4Plus and Loot B2B. The voting rights only provide AYO with limited decision-making powers. Consequently, the investment has been accounted for in accordance with IFRS 9 at fair value through profit for loss ("FVTPL").

Property, plant and equipment

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

Refer to note 3 for more details.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Intangible assets

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

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

Refer to notes 5 and 6 for more details.

Financial assets at amortised cost

The Group assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. Judgement was required in determination of credit loss rates considering historical and forward-looking information.

Refer to notes 9 and 15 for more details.

Put option over non-controlling interest

The Group estimates the fair value of the written put option over non-controlling interest. The estimation is based on a discounted cash flow calculation which is based on the projected financial forecasts of the relevant entities. Management made judgements with regard to inputs into the model in determining the fair value of the written put options. Refer to note 19 for further details.

Fair value estimation

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

Terminal value growth rates

When calculating the terminal value, the Group assumes a long-term growth rate. A growth rate is assumed for each subsidiary company after taking into account industry reports on projected growth rates for the sector in which the subsidiary company falls under.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Terminal values

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

Discount rates

Free cash flows are discounted at the subsidiary company's weighted average cost of capital (WACC), being the weighted cost of equity as determined using the capital asset pricing model (CAPM) and the weighted after-tax cost of debt and/or any other non-equity form of financing. The discount rates used are between 17.68% and 24%.

Risk-free rate

The risk-free rate utilised is the yield on 10-year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no 10-year SA bonds are in issue, the nearest long-term SA bond rate is used. The risk-free rate used is 9.69%.

Beta

The equally weighted average of the relevant industry betas are used. The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the Group's recent market price. The beta used was in the range of 0.49 and 1.03.

Specific risk premium

A specific risk premium was applied in all valuations. The specific risk premium used was in the range of 1% and 6%.

Value of equity

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

Refer to the fair value note 47 for further details of the inputs used.

Recognition of deferred tax asset

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved budgets from all the subsidiaries. The subsidiaries and AYO company are expected to generate taxable income in the future. The losses can therefore be carried forward and have no expiry date.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write-down is included in cost of sales.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Consolidation

Basis of consolidation

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

Control is achieved when the Group when all the requirement of IFRS 3 are met. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

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

1.4 Property, plant and equipment

Property, plant and equipment is recognised as an asset if and only if:

- it is probable that the future economic benefits associated with item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost except for those acquired through business combination which are initially recognised at fair value. The cost of property, plant and equipment comprises of any costs incurred to bring the asset to the location and condition necessary for it to operate as intended by management and costs to construct an item of property, plant and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation and impairment.

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	50 years
IT equipment	Straight-line	2 to 3 years
Computer software	Straight-line	2 to 4 years
Electronic equipment	Straight-line	2 to 3 years
Furniture and fixture	Straight-line	2 to 10 years
Leasehold improvements	Straight-line	5 to 8 years
Motor vehicles	Straight-line	2 to 6 years
Office equipment	Straight-line	3 to 5 years
Plant and machinery	Straight-line	2 to 6 years

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

1.5 Goodwill

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

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest on the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition.

1.6 Intangible assets

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

Intangible assets with a finite useful life are stated at cost less any accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives are not amortised. A change in the useful life assessment from indefinite to finite is made on a prospective basis.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Item	Useful life
Trade names	10 years
Brands	Indefinite
Customer lists	4 – 6 years
Licences and computer software	3 years
Distribution and assignment rights	indefinite
Software system	1 – 10 years
Software development	1 – 10 years

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

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

Amortisation is calculated on intangible assets using the straight-line method over their useful lives. The amortisation method and useful lives are reviewed at each reporting date and if the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate on a prospective basis.

1.7 Interest in joint venture

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets

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

Initial recognition

On initial recognition, financial assets are classified as financial assets measured at amortised cost or Fair value through profit or loss ("FVTPL"). The classification is determined based on the objectives of the business model within which the financial asset is held and the characteristics of its contractual cash flow.

Trade receivables that are not subject to significant financing components are initially measured at the relevant transaction prices.

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

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

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

Subsequent measurement

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

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

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

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

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

Impairment of financial assets

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

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for trade receivable and finance lease receivables. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses the impairment of trade receivables and finance lease receivables on a collective basis, as they possess shared credit risk characteristics they have been grouped based on the days past due.

Refer to Note 14 for a detailed analysis of how the impairment requirements of IFRS 9 are applied for trade receivables.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets (continued)

The Group applies the IFRS 9 general approach to measure the expected credit losses for loans receivable, lease receivables, loans to related parties and other financial assets measured at amortised cost. The measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Refer to Note 9 for a detailed analysis of how the impairment requirements of IFRS 9 are applied for loans receivable and other financial assets.

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

Indicators that there is no reasonable expectation of recovery include (i) negative operating cashflows of the counterparty; (ii) trading losses incurred by the counterparty; (iii) the counterparty being in a net liability position and (iv) ceasing enforcement activity.

The Group still seeks to recover amounts that are legally owed, but which have been partially written off due to no reasonable expectation of full recovery.

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

1.9 Financial liabilities

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

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

Trade and other payables, other financial liabilities and bank overdraft

Trade and other payables, other financial liabilities and bank overdraft are initially measured at fair value, and, where applicable, adjusted for transaction costs.

They are subsequently measured at amortised cost using the effective interest method.

Contingent consideration liability

Contingent considerations liabilities are initially measured at fair value.

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

Written put option over non-controlling interest

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Tax

Deferred tax assets and liabilities

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

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

Current tax assets and liabilities

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

Tax expenses

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

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

1.11 Leases

Group as a Lessee

The Group accounted for leases by recognising the right-of-use asset and lease liability at initial application except for:

- low value assets leases; and
- short-term leases.

The Group has elected to account for short-term leases and low value assets using the practical expedient. The payments relating to these are recognised as an expense in the statement of profit or loss on a straight-line basis.

A lease agreement of which the underlying asset value is R30 000 or less will be considered a low-value asset lease.

The Group considers whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply the definition, the group assesses whether the contract meets key evaluations which are:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified assets throughout the period of use.

The Group assess whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Leases (continued)

Right-of-use assets

At lease commencement date, the Group recognised a right-of-use asset on the statement of financial position. The asset is measured at cost which is made up of initial measurement of lease liability, any lease payments made, initial direct cost and estimates of dismantling and removing of the underlying asset.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment.

The Group depreciates the underlying asset over the shorter of the assets useful life and the lease term on a straight-line. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Right-of-use assets' lease term are presented in the following table:

Items	Method used	Lease term
Buildings	Straight-line	2 - 10 years
Motor vehicles	Straight-line	2 - 6 years
Plant and equipment	Straight-line	3 years

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments, that are not paid as at that date. The lease payments are discounted using the interest implicit rate if that rate is readily available or the Group uses the incremental borrowing rate.

The lease payments include fixed payments.

Lease liability is subsequently measured by reducing the liability by lease payments and increasing it by interest expenses. The liability is also remeasured for any reassessment or modification of the lease.

When there is remeasurement, the corresponding adjustment is reflected in the measurement of the right-of-use asset. If the right-of-use asset is at zero profit/loss is recognised.

Group as Lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income. Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Leases (continued)

Finance leases

Amounts due from lessees are recognised from commencement date at an amount equal to the Group net investment in the lease. They are presented as lease receivables on the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives payable.
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Group recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognised on finance leases is included in finance income in profit or loss. The group applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value, except for those acquired through business combination which are initially recognised at fair value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Group.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.14 Share capital

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

1.15 Equity settled share-based payment

The grant date fair value of equity-settled share-based payment arrangements granted is recognised as an expense, with a corresponding increase in equity. The grant date fair value of the share-based payment is determined using the discounted cash flow valuation technique.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Employee benefits

Retirement benefits

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

Employee leave entitlement

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

Bonus plans

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

1.17 Provisions, contingent assets and contingent liabilities

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

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

Refer to note 24 for a detailed description of the provisions.

The Group discloses contingent assets and contingent liabilities. Refer to note 25 for more details.

1.18 Non-Current assets held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a non-current asset held for sale or its remeasurement to fair value less costs to sell is recognised in profit or loss.

1.19 Revenue from contracts with customers

The Group revenue from contracts with customers is derived from:

- A) Sale of hardware and software
 - Revenue from the sale of hardware or communication products
 - Revenue from the sale of software
- B) Installation and support services
 - Revenue from the installation of hardware or software
 - Revenue from professional services
- C) Managed services
 - Management fee income

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Revenue from contracts with customers (continued)

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

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

Sale of hardware and software

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

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

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

Installation and support services

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

Revenue from installation and support services is recognised over time in the accounting period in which the services are rendered. Revenue is measured on an input basis. The Group has fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. As the customer receives and uses the benefits simultaneously, the recognition of revenue based on the actual services rendered provides a faithful depiction of the transfer of goods and services.

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

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

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

Managed services

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 Cost of sale

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the Group's right to recover products from customers where customers exercise their right of return under the Group return policy.

1.21 Translation of foreign currencies

Foreign currency transactions

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

At the statement of financial position date monetary assets and liabilities are translated at the closing exchange rate.

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

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

Foreign operations

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Earnings per share

Earnings per share are calculated on the weighted average number of shares in issue in respect of the year and is based on profit attributable to ordinary shareholders. The group did not have diluted earnings per share, which resulted in earnings per share being equivalent to diluted earnings per share. Headline earnings per share are calculated in terms of the requirements set out in Circular 01/2021 issued by SAICA.

1.23 Dividends

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

1.24 Segment reporting

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

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

Segment assets and liabilities comprise the operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's statement of financial position.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period, namely, property, plant and equipment, and intangible assets other than goodwill.

The Group's segments comprise the following:

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

The segments have been identified based on their products and services.

Refer to note 47 for the financial detail of how each operating segment has performed during the year under review.

Accounting policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS

During the period, the Group implemented the amendments to IAS 1: 'Presentation of financial statements', IAS 8: 'Accounting policies, changes in accounting estimates and errors' (amendment in the definition of material) and IFRS 3 'Business combinations' (amendment in the definition of a business). The amendments to IFRS 9, IAS 39 and IFRS 7 relating to the measurement and disclosure of financial instruments were also applied. The application of the aforementioned amendments has had no material impact on the financial statements.

2.1 Standards and interpretations not yet effective

Management is in the process of assessing the impact of these standards, interpretations and amendments on the results of the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

Standards and interpretations applicable to the Group for the year ended 31 August 2022

IFRS 3 Business combinations

Reference to the Conceptual Framework:

The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The effective date of the amendment for the Group is for financial years commencing on 1 September 2022.

IFRS 7 Financial instruments disclosures

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

IFRS 9 Financial instruments

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

IAS 1 Presentation of financial statements

Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. The amendment is effective for the Group, for the financial year commencing 1 September 2023.

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. The amendment is effective for the Group, for the financial year commencing 1 September 2023.

Accounting policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.1 Standards and interpretations not yet effective (continued)

IAS 8 Accounting policies, changes in accounting estimates and errors

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged. The amendment is effective for the Group, for the financial year commencing 1 September 2023.

IAS 16 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for the Group, for the financial year commencing 1 September 2022.

IAS 37 Provisions, Contingent liabilities and contingent assets

The amendments specify which costs should be included in an entity’s assessment of whether a contract will be loss-making.

The amendment is effective for the Group, for the financial year commencing 1 September 2022.

IAS 39 Financial instruments: recognition and measurement

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

Notes to the consolidated annual financial statements

for the year ended 31 August 2021

3. PROPERTY, PLANT AND EQUIPMENT

	31 August 2021			31 August 2020		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land	1 741	-	1 741	1 741	-	1 741
Buildings	2 629	(484)	2 145	2 627	(433)	2 194
Plant and machinery	10 110	(8 544)	1 566	11 693	(10 330)	1 363
Furniture and fixtures	19 280	(12 697)	6 583	22 446	(15 272)	7 174
Motor vehicles	16 158	(7 914)	8 244	26 794	(16 553)	10 241
Office equipment	2 281	(1 456)	825	2 489	(1 089)	1 400
IT equipment	79 754	(50 771)	28 983	113 070	(48 351)	64 719
Computer software	703	(703)	-	1 645	(1 601)	44
Leasehold improvements	6 644	(6 364)	280	9 485	(7 800)	1 685
Electronic equipment	2 137	(1 712)	425	2 164	(1 615)	549
Total	141 437	(90 645)	50 792	194 154	(103 044)	91 110

Reconciliation of property, plant and equipment - 2021

	Opening balance R'000	Additions R'000	Business combina- tions R'000	Disposals R'000	Revalua- tions R'000	Deprecia- tion R'000	Impairment R'000	Transfers R'000	Closing balance R'000
Land	1 741	-	-	-	-	-	-	-	1 741
Buildings	2 194	-	-	-	-	(49)	-	-	2 145
Plant and machinery	1 363	703	-	(44)	-	(456)	-	-	1 566
Furniture and fixtures	7 174	902	251	(267)	-	(1 477)	-	-	6 583
Motor vehicles	10 241	19 504	-	(17 706)	-	(3 795)	-	-	8 244
Office equipment	1 400	373	-	(80)	-	(893)	-	25	825
IT equipment	64 719	4 023	404	(2 457)	-	(15 986)	(26 257)	4 536	28 982
Computer software	44	-	-	-	-	(44)	-	-	-
Leasehold improvements	1 685	89	36	(387)	-	(1 142)	-	-	281
Electronic equipment	549	-	-	-	-	(124)	-	-	425
Total	91 110	25 594	691	(20 941)	-	(23 966)	(26 257)	*4561	50 792

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – 2020

	Opening balance R'000	Additions R'000	Business combinations R'000	Disposals R'000	Sale of subsidiary R'000	Depreciation R'000	Impairment R'000	Closing balance R'000
Land	1 741	-	-	-	-	-	-	1 741
Buildings	2 250	-	-	-	-	(56)	-	2 194
Plant and machinery	2 088	139	-	-	-	(864)	-	1 363
Furniture and fixtures	8 124	1 020	-	(207)	(56)	(1 707)	-	7 174
Motor vehicles	19 256	1 387	-	(4 497)	(805)	(5 031)	(69)	10 241
Office equipment	904	520	-	(14)	-	(10)	-	1 400
IT equipment	65 519	19 380	35	(4 827)	(4 427)	(10 961)	-	64 719
Computer software	94	44	-	-	-	(94)	-	44
Leasehold improvements	2 727	281	-	-	-	(1 323)	-	1 685
Electronic equipment	74	510	-	-	-	(35)	-	549
Total	102 777	23 281	35	(9 545)	(5 288)	(20 081)	(69)	91 110

* This relates to IT equipment and Office equipment in trade stock that is held in backup for clients when it is needed. As it is held longer than 12 months it was then transferred to PPE. Thus, the stock value of those Items has to be transferred to PPE and depreciated.

Impairment of PPE

Impairment indicators were identified relating to IT equipment held by the group for use in servicing its customers. Difficult market conditions and the expiry of certain maintenance contracts resulted in an impairment charge being recognised for IT equipment which could no longer be used. An impairment charge of R26 154 916 was recorded loss for the year.

The recoverable amount is nil, which represents fair value less cost to sale. The equipment was for a specific contract which came to an end therefore there is no value in use. The equipment is old and there is no active market for it, Sizwe could not sell it hence a value of nil.

Net carrying amounts of leased assets

	2021 R'000	2020 R'000
Motor vehicles	405	4 530
Plant and machinery	818	1 003
Leased inventory	92	281
Leasehold improvements	78	78
IT equipment	267	(9 685)
	1 660	(3 793)

Revaluations

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Fair value 2021 R'000	Fair value 2020 R'000
Land	1 741	1 741
Buildings	2 145	2 194
	3 886	3 935

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

The carrying value of the revalued assets under the cost model would have been:

	2021 R'000	2020 R'000
Land	1 669	1 669
Buildings	1 996	2 045
	3 665	3 714

Property, plant and equipment encumbered as security

Property, plant and equipment are not pledged as security for liabilities.

4. RIGHT-OF-USE ASSETS

Reconciliation of Right-of-use assets - 2021

	Plant and equipment R'000	Buildings R'000	Motor vehicles R'000	Total R'000
Opening balance	42	30 187	5 063	35 292
Business combination	-	2 451	-	2 451
Effect of modification of lease term	-	6 096	-	6 096
Additions - new leases entered into	-	108 280	4 365	112 645
Transferred to held for sale	-	-	-	-
Disposals	-	(7 637)	(208)	(7 845)
Depreciation	(42)	(27 483)	(3 905)	(31 430)
Balance at 31 August 2021	-	111 894	5 315	117 209

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

4. RIGHT-OF-USE ASSETS (continued)

Reconciliation of Right-of-use assets - 2020

	Plant and equipment R'000	Buildings R'000	Motor vehicles R'000	Total R'000
IFRS 16 - Initial recognition 1 September 2019	64	62 388	11 863	74 315
Reclassification of existing finance leases under IFRS 16	-	650	-	650
Additions - new leases entered into	-	2 981	501	3 482
Disposal of subsidiary	-	(845)	-	(845)
Depreciation	(22)	(34 987)	(7 301)	(42 310)
Balance at 31 August 2021	42	30 187	5 063	35 292

The Group leases various office buildings, motor vehicles and equipment. The lease contracts have an average period of two to ten years.

The Group's lease agreements do not have any purchase options.

For additional information refer to note 20.

5. GOODWILL

	31 August 2021			31 August 2020		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Goodwill	150 199	(5 606)	144 593	136 758	(5 606)	131 152

Reconciliation of goodwill

	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Reclass to non-current asset held for sale R'000	Total R'000
	Goodwill - 2021	131 152	(19 602)	35 715	(2 672)
	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Total R'000	
Goodwill - 2020	131 152	(645)	645	131 152	

The Group performs an annual valuation for purposes of determining the fair value of its investments. The valuation is the basis for valuing the goodwill which is allocated to Health System Technologies Proprietary Limited, the Software Tech Holdings Proprietary Limited Group, Kalula Communications Proprietary Limited, Kathea Communication Solutions Proprietary Limited, Zaloserve Proprietary Limited and Main Street 1653 Proprietary Limited as CGUs.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

5. GOODWILL (continued)

The value of the CGU to which the goodwill was allocated has been determined based on the value-in-use calculations using cash flow projections.

In the prior year, there was a goodwill of R644 862 recognised on the acquisition of NSX Solutions Consulting Proprietary Limited (“NSX”). The goodwill of R644 862 was subsequently impaired as the carrying value was more than the recoverable amount of the CGU. NSX lost all of its customer contracts as it was not able to continue with normal operations due to the national lockdown and as a result the Goodwill recognised on the acquisition of NSX was impaired.

In the current year, goodwill of R35 715 392 was recognised for the acquisition of Kathea Communications. Refer to note 38.

On 23 August 2021, management made the decision to dispose of Puleng Technologies Proprietary Limited and the CGU has been classified as non-current asset held for sale. An impairment of R19.6 million was recognised prior to held for sale reclass of the investment. This resulted in goodwill of R2.7 million being reclassified to non-current assets held for sale. Refer to note 37.

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

	Carrying amount of goodwill		Significant assumptions used					
	2021 R'000	2020 R'000	Pre-tax discount rate		Number of forecast years		Growth rate	
			2021 %	2020 %	2021 Years	2020 Years	2021 %	2020 %
Cash-Generating Units								
*Puleng Technologies Proprietary Limited	-	22 274	20.08%	16.01	-	5	4.50	4.13
Health System Technologies Proprietary Limited	2 157	2 157	21.65%	18.60	5	5	4.50	4.50
Kalula Communications Proprietary Limited	8 465	8 465	17.85%	15.45	5	5	4.50	4.30
Zaloserve Proprietary Limited	69 135	69 135	17.68%	16.63	6	6	4.50	4.13
Main Street 1653 Proprietary Limited	26 773	26 773	18.90%	18.21	5	5	4.50	3.20
Software Tech Holdings Subsidiaries	2 348	2 348	23.33%	22.85	5	5	4.50	4.13
Kathea Communication Proprietary Limited	35 715	-	18.53%	-	5	-	4.50	-
Carrying amount at the end of period	144 593	131 152						

The growth rate relates to the terminal growth rate used for the forecasted period.

Key inputs used in measuring the value of CGUs are based on managements past experience as well as economic data obtained from StatSA.

* On 31 August 2021, management decide to dispose of Puleng Technologies Proprietary Limited. The goodwill of R22.3 million was reclassified to non-current assets held for sale. As the valuation of the investment decreased by 76%, goodwill allocated to this CGU is impairment in line with the loss of value.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

6. INTANGIBLES ASSETS

	31 August 2021				31 August 2020			
	Cost	Accumulated	Accumulated	Carrying	Cost	Accumulat-	Accumulat-	Carrying
	R'000	amortisation	impairment	value	R'000	ed	ed	value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Software systems	21 331	(11 947)	-	9 384	20 204	(11 142)	-	9 062
Licenses and computer software	38 412	(8 557)	(922)	28 933	14 270	(6 132)	(922)	7 216
Trade names	7 603	(5 702)	-	1 901	22 011	(19 350)	-	2 661
Development of software and other intangible assets	12 233	(4 060)	-	8 173	10 755	(3 603)	-	7 152
Brands	31 277	(1 780)	(1 744)	27 753	14 573	-	(1 744)	12 829
Distribution and assignment rights	71 175	(7 484)	-	63 691	23 592	-	-	23 592
Customer list	22 810	(5 009)	-	17 801	26 097	(5 826)	-	20 271
	204 841	(44 539)	(2 666)	157 636	131 502	(46 053)	(2 666)	82 783

Reconciliation of intangible assets - 2021

	Opening	Additions	Additions	Disposals	Amortisation	Foreign	Closing
	balance		through				
	R'000	R'000	business	R'000	R'000	gains/losses	R'000
	R'000	R'000	combinations	R'000	R'000	R'000	R'000
Software systems	9 062	1 128	-	-	(806)	-	9 384
Licenses and computer software	7 216	29 905	-	(1 777)	(6 411)	-	28 933
Trade names	2 661	-	-	-	(760)	-	1 901
Development of software and other intangible assets	7 152	*1 477	-	-	(457)	-	8 172
Brands	12 829	-	11 850	-	-	-	24 679
Distribution and assignment rights	23 592	-	50 162	-	(5 016)	(1 973)	66 765
Customer list	20 271	-	-	-	(2 469)	-	17 802
Total	82 783	32 510	62 012	(1 777)	(15 919)	(1 973)	157 636

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

6. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2020

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Amortisation R'000	Impairment R'000	Foreign exchange gains/losses R'000	Closing balance R'000
Software systems	7 890	1 480	-	-	(308)	-	-	9 062
Licenses and computer software	2 072	7 440	48	(58)	(1 364)	(922)	-	7 216
Trade names	3 421	-	-	-	(760)	-	-	2 661
Development of software and other intangible assets	4 701	2 565	-	-	(114)	-	-	7 152
Brands	14 573	-	-	-	-	(1 744)	-	12 829
Distribution and assignment rights	22 479	-	-	-	-	-	1 113	23 592
Customer list	24 692	-	-	-	(4 421)	-	-	20 271
Total	79 828	11 485	48	(58)	(6 967)	(2 666)	1 113	82 783

* The amount of R1.4 million only relates to the internally generated intangibles.

SOFTWARE SYSTEMS

Software systems include the following:

- Billing system

Based on the terms of the service contract to which the billing system relates, the useful life is 10 years and the notice period of the service contract is one year. The billing system has a value of R70 977 which its value in the secondary market had the service contract terminated at the reporting date.

- Electronic Continuity of Care Record System (“eCCR”) system

The eCCR system was completed and implemented in October 2019.

Management has reassessed the useful life of the intangible asset and have now determined it to be 10 years. In the prior year the useful life was assessed to be three years. The adjustment to amortisation has been made prospectively.

- Health Benefit Protocol and Plan Management System (“HBPPM”)

The HBPPM system is a software that enables the sharing of patient information and care paths between the health insurance agency and healthcare providers in an accurate and reliable manner which supports better patient outcomes through guided information capture and standards-based data management and interoperability. This programme was available for use in May 2019 and has a useful life of 10 years.

- Enterprise Consumer Price Index System (“EMCI”)

The EMCI system is intended as the master, authoritative source of consumer identity and demographic data for healthcare providers in South Africa, and will issue a Unique Health Identifier (UHI) which will be used as the standard to access/consolidate the patient's records across the private care settings, whilst cross-referencing to individual MRNs at source systems. Further development - phase 2 is being done on EMCI. Implementation date is planned for June 2022.

Free bed enquiry system

The free bed inquiry system allows ambulances to access the availability of beds at hospitals. The development of this system was completed and implemented in May 2020. Management has assessed the useful life of the intangible to be 10 years.

The above software systems have been internally developed by the health care segment.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

6. INTANGIBLE ASSETS (continued)

LICENCES

Licences are comprised of a Service Now licence and Finnivo reporting license. Service Now is a service management software which was purchased in the 2018 financial year to service a major customer of AYO. The contract with the major customer was cancelled in the prior financial year as the Group did not expect to receive any future economic benefits from the Service Now licence and a balance of R0.5 million relating to the Service Now license was therefore fully impaired. Finnivo reporting license is a financial management reporting tool.

COMPUTER SOFTWARE

Computer Software is comprised of the Naviga system which is a content management and engagement platform. Management has assessed the useful life of the intangible asset from 3 years to 2 years.

During the year, the estimated total useful lives for licences and computer software at SGT subsidiary were revised. The net effect of the changes in the current financial period was an increase in depreciation expense of R161 904.76.

The remaining useful lives for these assets as at 31 August 2021 is 10 months. Assuming the assets are held until the end of their estimated use lives, depreciation in the future years will be increased by R404 761.9 for the period ending 31 August 2022.

BRANDS

These intangible assets were acquired through business combination.

The acquired brands relate to the underlying companies distinct service offerings apart from other similar offerors. In assessing the brand the Group has taken into account the key components which include brand identity, brand loyalty and brand awareness and therefore ascribing a monetary value to the brand. This intangible asset has been assessed to have an indefinite useful life based on the lack of legal, contractual or economic factors that would limit its useful life and was allocated to the Zaloserve Proprietary Limited (“Zaloserve”) and Kathea Communications CGU. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using forecast cash flows. The recoverable amount is sensitive to the extrapolated growth rates, future cash flow projections and discount rates used for the value-in-use calculation in order to calculate the recoverable amount of the asset. Such assumptions are relevant to goodwill as well as intangible assets such as brands which have indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed in note 5.

DISTRIBUTION AND ASSIGNMENT RIGHTS

The distribution rights arose from the business combinations for Kalula Communications Proprietary Limited (“Kalula”) and Kathea Communications. An additional distributorship right was acquired in the 2019 financial year by AYO International Holdings Proprietary Limited (“AIH”). This distribution rights regulates the purchase of Plantronics products by AIH for resale by the Group.

There is no limit on the number of times the above distribution rights can be renewed and based on historical information no distribution rights have been revoked. Additionally, the distribution rights are expected to be renewed without any cost and therefore have an indefinite useful life. This intangible asset has an indefinite useful life and was allocated to the Kalula and Kathea Communications CGU. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using forecast cash flows. The recoverable amount is sensitive to the extrapolated growth rates, future cash flow projections and discount rates used for the value-in-use calculation in order to calculate the recoverable amount of the asset. Such assumptions are relevant to goodwill as well as intangible assets such as distribution and assignment rights which have indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed in note 5.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

6. INTANGIBLE ASSETS (continued)

CUSTOMER LISTS

Customer lists were acquired through a business combination.

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

IMPAIRMENT ASSESSMENT OF INTANGIBLES

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

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

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

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

The brands and distribution rights continue to generate economic benefit for the Group.

There was intellectual property recognised as an intangible asset in subsidiary GCCT with a carrying amount of R1.8 million. This intangible asset was impaired in the prior year due to the poor trading performance of GCCT. The intangible asset has a recoverable amount of nil which represents its fair value less cost to sell. This intangible asset was included in the tracking solution segment.

AYO had a licence (service Now) a service agreement tool which was purchased in the 2018 financial year to service a major customer of AYO. The contract with the customer was cancelled in the prior financial year and an amount of R0.5 million relating to the Service Now licence was impaired. This intangible asset has a recoverable amount of nil which represents its value in use. This intangible asset was included in the managed services segment.

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES

The following table lists the joint ventures in the Group:

Name of company	Held by	Ownership interest		Carrying amount	
		2021 %	2020 %	2021 R'000	2020 R'000
Exaro HST Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	-	-
Digital Health Africa Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	-	-
Vunani Fintech Fund Proprietary Limited	AYO Technology Solutions Limited	50	50	43 502	18 963
Total				43 502	18 963

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES (continued)

Exaro HST Limited (“Exaro”)

Exaro HST Limited is jointly-controlled entity based in West Africa and is currently not operational. The investment in the joint venture is measured using the equity method. The investment amount was impaired to nil in the prior year.

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

Digital Health Africa Proprietary Limited is a jointly controlled entity based in South Africa and is not operational. The investment was impaired to nil in the prior year.

Vunani Fintech Fund Proprietary Limited (“Vunani Fintech Fund”)

Vunani Fintech Fund Proprietary Limited is a jointly controlled entity which was formed to invest in disruptive financial services technology as part of AYO’s (go to market) strategy. Vunani Fintech Fund is jointly managed by AYO, Bambelela and Vunani Capital.

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint ventures.

Profit from equity accounted investments

R24.5 million (2020: profits of R20.6 million) of profit from equity accounted investment is included in Group statement of profit or loss.

Summarised financial information of material joint venture

	Vunani Fintech Fund	
	2021 R’000	2020 R’000
Summarised statement of profit or loss		
Other operating gains	80 600	62 586
Other operating expenses	(3 285)	(3 044)
Finance income	267	2 062
Finance costs	(12 522)	(9 659)
Profit before tax	65 060	51 945
Taxation	(15 981)	(14 019)
Profit after tax	49 079	37 926
Share of profit after tax	24 539	18 963
Reversal of prior year impairment of loan to joint venture	-	1 608
Profit from equity-accounted investments	24 539	20 571

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES (continued)

	2021 R'000	2020 R'000
Summarised statement of financial position		
Assets		
Non-current assets		
Loans to group companies	3 251	2 029
Investments at fair value through profit or loss	326 496	158 184
Total non-current assets	329 747	160 213
Current assets		
Cash and cash equivalents	462	3 076
Trade and other receivables	-	6
Total current assets	462	3 082
Total assets	330 209	163 295
Liabilities		
Non-current liabilities		
Loan from shareholder	215 965	114 294
Deferred tax liability	30 000	14 019
Total non-current liabilities	245 965	128 313
Current liabilities		
Trade and other payables	456	274
Total current liabilities	456	274
Total liabilities	246 421	128 587
Total net assets	83 788	34 708
Share of net assets	41 894	17 354
Share of net assets of joint ventures	24 539	17 354
Reversal of prior year impairment	-	1 608
	24 539	18 963

The summarised information presented above reflects the full financial statements and results of the joint venture company.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

8. LOANS TO RELATED PARTY COMPANIES

	2021 R'000	2020 R'000
African Equity Empowerment Investments Limited (“AEEI”) The loan is unsecured, bears interest at prime plus 2% and the loan is repayable on 31 August 2022.	8 862	10 973
AEEI - Loan 1 The loan is unsecured, bears interest at the prime rate and is repayable by 31 August 2022.	6 287	5 872
AEEI - Loan 2 The loan is unsecured and interest is charged at prime overdraft rate. There are no fixed terms of repayment, however, AEEI has been granted an unconditional right to defer payment for at least 12 months.	5 123	5 884
Bowwood and Main No 180 Proprietary Limited (“Bowwood”) The loan is unsecured and bears interest at the prime overdraft rate, compounded monthly. The loan was repayable in a single instalment by the issue of ordinary shares by the Borrower, in terms of a subscription agreement, to SGT Solutions. The subscription agreement was not concluded and the loan capital was repaid on 27 May 2021. The loan balance at 31 August 2021 consists of the accumulated interest of R3 687 076 which was repaid subsequent to 31 August 2021.	3 687	49 041
Vunani Fintech Fund Proprietary Limited - Loan 1 The loan is unsecured, bears interest at the prime rate and the loan is repayable on 28 March 2024.	122 556	114 293
Vunani Fintech Fund Proprietary Limited - Loan 2 The loan is unsecured, bears interest at the prime plus 2%. R35 million of the loan is repayable on 14 October 2025, R15 million is repayable on 19 April 2026 and R39.2 million is repayable on 1 June 2026.	93 409	-
Zaloserve Management Proprietary Limited (“ZM”) The loan bears interest at prime rate and is repayable from distributions received by ZM from its shareholding in Zaloserve. The loan is secured by a pledge and cession of shares by ZM.	15 584	-
Isakhiwo Group International Proprietary Limited The loan bears interest at the prime rate and is repayable from distributions received by the shareholder from time to time.	5 286	-
	260 793	186 063
Split between non-current and current portions:		
Non-current assets	222 252	120 165
Current assets	38 542	65 898
Total	260 794	186 063

Current interest rates are variable and average 7% (2020: 7%). The carrying amount of loans to related parties is considered to be a reasonable approximation of the fair value as interest is charged at market rates.

Refer to note 9 for the detail on the estimated credit losses (ECL).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

9. OTHER LOANS RECEIVABLE

	2021 R'000	2020 R'000
Volt Africa Proprietary Limited The loan is unsecured and bears interest at a rate of prime plus 2%. The loan is repayable on 31 August 2022.	7 314	-
Cortex Logic Proprietary Limited The loan is unsecured, bears interest at the prime rate plus 2%. R5 million of the balance was repayable on 30 November 2020 with the remaining balance payable on 28 February 2021. The repayments were not received and the loan has been fully impaired in the current financial year. The loan has been handed over to the attorneys for recovery proceedings.	-	12 670
Cumulative preference shares – Bamebelela Capital Proprietary Limited (“Bamebelela”) In December 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bamebelela for a consideration of R145 million. The preference shares are redeemable on 31 March 2022. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at variable prime rate multiplied by adjustment rate at 72%.	161 162	160 932
Cumulative preference shares – 4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”) On 9 April 2020, AYO subscribed for 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for a consideration of R15 million and on 4 May 2020, AYO subscribed for a further 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for a consideration of R15 million. At 31 August 2021, AYO holds 3 000 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus. The preference shares are redeemable on 9 April 2027 and 4 May 2027 respectively. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at prime rate plus 2%.	37 399	31 479
Last Mile Logistics Africa Proprietary Limited (“Last Mile”) The loan is secured by trade debtors, bank accounts and loans receivable of Last Mile. Interest is charged at the prime rate. The loan is repayable on 30 November 2023.	28 406	-
LML Shared Solutions Proprietary Limited (“LMLS”) – Loan 1 The loan bears interest at the prime rate and is repayable on 31 July 2024. The loan is secured by motor vehicles with a book value of R18 million.	17 996	-
Louisyahna Creations Proprietary Limited (“Louisyahna”) The loan is unsecured and bears no interest. It is repayable over 48 months monthly payments of R15 420, which end on 1 August 2025.	740	-
	253 017	205 081
Split between non-current and current portions:		
Non-current assets	84 356	192 411
Current assets	168 661	12 670
Total	253 017	205 081

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

9. OTHER LOANS RECEIVABLE (continued)

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

The general approach is used for other loans receivables, loans to related party companies and other financial assets measured at amortised cost.

Stages definitions:

Stage 1 - The counter party is making contractual payments within the stipulated period. No default has occurred in the past.

Stage 2 - The counter party is making contractual payments but has defaulted on some payments in the past.

Stage 3 - The counter party has not made any contractual payments and has defaulted on contractual obligation.

Other Loans receivable:

Other loans receivable includes borrowings to entities that are non-related to the Group. It also includes redeemable cumulative preference shares. The loans are unsecured with the exception of the loans to Last Mile Logistics Africa Proprietary Limited ("Last Mile") and LML Shared Solutions Proprietary Limited. All the other loans receivables measured at amortised cost are considered to have low credit risk as the counter parties have not defaulted on any payments and have good financial performance, and the expected loss allowance is based on the 12 months expected credit loss. Forecasting was done in relation to each entity's peers and these yielded a positive outlook. The other loans receivables did not default of any payments, the entities financial performance is adequate which resulted in significantly low probability of default, no ECL was recognised. Some of the loans receivable had a significant increase on the credit risk which resulted in expected credit losses been recognised by the Group. Comparable companies and their betas were used in the forecasting of the entities performance. The market related risk premium and debt to equity ratio were used in forecasting company performance as well as terminal growth rate between 3.5% and 5.5% were used in the sensitivity analysis. The below loans receivable were impaired due to significant doubt on the recoverability of the debt.

Last Mile

In the prior year, AYO advanced a loan of R25.4 million to Last Mile which was fully impaired due to doubt over the recoverability of the loan as a result of the entity's poor performance in the prior year. In the current year there were loan advances of R72 million to Last Mile of which R45.2 million was impaired after taking into account the projected cash flows of the entity.

Cortex

No loan repayments were received on this loan and the loan was handed over to attorneys for recovery procedures. The full loan balance of R13.2 million was impaired in the current financial year.

Futuretell Proprietary Limited ("Futuretell")

A loan balance of R3.7 million with Futuretell was fully impaired in the 2019 financial year due to doubt of recoverability of the loan as a result of the entity's poor performance. This loan has been handed over to the lawyers for recovery procedures.

LMLS

There is an impairment of R10 million due to doubt over recoverability of the loan.

Loans to related party companies:

The loans are advanced to the related party companies for capital investment or working capital needs. The risk of default is based on the success of the related party companies trading.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

9. OTHER LOANS RECEIVABLE (continued)

On 14 April 2020, AYO subscribed for 150 cumulative, redeemable, non-participating convertible preference shares of no par value in Loot B2B Proprietary Limited (“Loot B2B”) for a consideration of R15 million. On 28 April 2021, Ayo subscribed for a further 100 cumulative, redeemable, non-participating convertible preference shares of no par value in Loot B2B for a consideration of R10 million. The preference shares are redeemable on 14 April 2027. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at prime rate plus 2%.

The preference share loan was fully impaired in the prior year due to doubt over recoverability of the loan as result of the entity’s poor performance. The outstanding balance as at 31 August 2021 on this loan was R12.2 million. The preference shares loan was fully impaired in the prior year. The outstanding balance on the loan at 31 August 2020 was R15.9 million.

The loss allowance as at 31 August 2021 and 31 August 2020 was determined as follows:

	Notes	Stage 1		Stage 2		Stage 3		Total	
		Performing		Under-performing		Non-performing			
		2021	2020	2021	2020	2021	2020	2021	2020
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross amount		489 334	404 521	158 160	54 954	16 960	3 716	664 454	463 191
Other loans receivable	9	217 296	205 081	129 898	54 786	16 960	3 716	364 154	263 583
Loans to related party companies	8	260 794	186 063	28 262	168	-	-	289 056	186 231
Other financial assets	11	11 244	13 377	-	-	-	-	11 244	13 377
Expected credit loss rate		0%	0%	61.0%	100.0%	100.0%	100.0%		
Lifetime expected credit loss		-	-	(122 439)	(54 954)	(16 960)	(3 716)	(139 399)	(58 670)
Carrying value of loans with expected credit losses		489 334	404 521	35 721	-	-	-	525 055	404 521

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

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

9. OTHER LOANS RECEIVABLE (continued)

In the current year the loss rates for non-performing loans was considered to be 100% as economic indicators point to depressed future economic growth which is expected to negatively affect the trading performance and cashflows of the debtors.

Movement in expected credit loss of other loans receivable, loans to related party companies and the other financial assets is as follows:

	2021 R'000	2020 R'000
Opening balance	(58 670)	(5 324)
Expected credit loss allowance on other loans receivable	(80 728)	(54 786)
Expected credit loss reversal on loans to related party companies	-	1 608
Expected credit loss allowance on loans to related party companies	-	(168)
Loss allowance as at 31 August	(139 398)	(58 670)

The loss allowance increased significantly in the current year due to new loans provided in the current year to Last Mile and Loot B2B.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Name of company	Ownership interest 2021 %	Ownership interest 2020 %	Carrying amount 2021 R'000	Carrying amount 2020 R'000
	Bambelela Capital Proprietary Limited (“Bambelela”) On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela. Bambelela holds a 49% shareholding in Vunani Limited a diversified financial services group.	32	32	91 408
Last Mile Logistics Africa Proprietary Limited (“Last Mile”) On 1 May 2020, AYO subscribed for 20% of the issued share capital in Last Mile. Last Mile is a company with interests in the logistics sector.	20	-	11 915	-
4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”) On 2 April 2019, AYO subscribed for 9.3% of the issued share capital in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications. On 5 October 2019, AYO subscribed for a further 5% of the issued share capital in 4Plus and on 16 December 2019 for a further 8% of the issued share capital in 4Plus. On the 18 December 2020 AYO subscribed for a further 2% of the issued share capital in 4Plus. As at 31 August 2021, AYO has a total shareholding of 24% in 4Plus.	24	22	19 818	31 782
Louisyahna Creations Proprietary Limited (“Louisyahna”) On 4 July 2021, AYO subscribed for 20% of the issued share capital in Louisyahna. Louisyahna is a company which operates in property technology.	20	-	2 000	-
Closing balance			125 141	62 921

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2021 R'000	2020 R'000
Reconciliation of investments		
Opening balance	62 921	24 619
Additions - 4Plus	14 000	107 985
Additions - Loot B2B	10 000	-
Additions - Louisyahna	2 000	-
Changes in fair values	36 220	(69 683)
Closing balance	125 141	62 921

Investment in Loot B2B

In the broader group, there is a company, Loot Online which has a successful marketplace in the B2C environment. AYO made the investment in Loot B2B with the intention of developing a B2B marketplace leveraging off the experience and expertise of Loot Online. The B2B marketplace connects SMMEs and links the demands to the supplies. It eliminates the unnecessary steps businesses must take while finding suppliers and buyers thus increasing efficiency for the platform users. This provides other opportunities that technologies such as Blockchain, crypto currency amongst others which can be integrated into the whole system in the future, so the customer base will not be limited to doing business only in South Africa.

On 8 March 2019, AYO subscribed for 18.7% of the share capita in Loot B2B for a consideration of R15 million. On 18 December 2020, AYO subscribed for a further 10.87% of the issued share capital in Loot B2B for a consideration of R10 million.

There was a fair value loss on the investment in the current year of R10 million because of COVID-19 impacted the company's development of the platform as well as the delay in the launch of the marketplace.

Investment in 4Plus

4 Plus is an investment holding company that has an equity stake in: Volt Africa (a company that is involved in software development particularly in advertising tech), Loot (an ecommerce platform), Independent Online ("IOL") (an online newspaper) and Africa Community Media ("ACM") (a company that publishes community newspapers). AYO aims to create an eco-system through its investment in Loot B2B, 4 Plus and the Vunani Fintech Fund. AYO believes that there is a great opportunity for e-commerce businesses particularly those that will cater to the SMME market (in terms of B2B and B2C) and those that also would capture the township economy. The e-commerce platform available in 4 Plus through its equity stake in Loot will enable the creation of an e-commerce platform for a B2B market in LootB2B, the Group aims to utilise the payment systems that are available in the Vunani Fintech Fund on this platform. Volt will be utilised to drive internet traffic towards the e-commerce platform. IOL and ACM will provide the content and link advertisers to the e-commerce platform. Last Mile Logistics will be utilised to effect delivery of goods purchased on the platform.

On 18 December 2020, AYO subscribed for a further 2% of the issued share capital of 4 Plus for a consideration of R14 million.

Fair value information

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

11. OTHER FINANCIAL ASSETS

Other financial assets are comprised of:	2021 R'000	2020 R'000
At fair value through profit or loss		
Cadiz Life Investment Enterprise Development Fund The fund is an innovative new investment whereby corporate clients can earn the required Enterprise development points in terms of the DTI scorecard for B-BBEE compliance and at the same time earn real returns from the once-off investment. AYO withdrew funds of R8.7 million from Cadiz on 6 September 2020.	1 005	9 702
Vunani Securities Proprietary Limited (“Vunani Securities”) AYO invested funds of R113.7 million in the stock market through Vunani securities. Fair value gains of R3.2 millions were recognised on the portfolio for the year ended 31 August 2021.	116 983	-
Foreign exchange contracts	802	70
Numus Capital Proprietary Limited (“Numus”) Numus is a boutique asset management company. AYO invested funds of R18 million in the stock market through Numus. Fair value losses of R1.6 million were recognised on the portfolio for the year ended 31 August 2021.	17 411	1 080
Total for fair value through profit or loss	136 201	10 852
Loans and receivables at amortised cost		
Supplier development loan The loans were provided as part of the Group’s enterprise supplier development process. The loans are interest free and receivable as follows: - R1 000 000 by no later than 31 August 2021 Repayment terms on the outstanding balance has been extended to no later than 31 August 2022	972	1 159
Staff loans The loans bear no interest, are dependent on service terms committed and are repayable on demand should the employee leave the employment of the company earlier than the committed service term.	3 713	1 979
Breakage fee receivable AYO paid a breakage fee of R1 250 000 and R250 000 respectively, in terms of the offer to purchase agreement with the shareholders of Kathea Communications and Kathea Energy. The breakage fee together with any interest accrued shall be deducted from the purchase consideration in the event that a definitive sale of shares agreement is entered into between AYO and the shareholders of Kathea Communications and Kathea Energy and becomes unconditional in all respects. If the definitive sale of shares agreement is not entered for any reason whatsoever except as a result of AYO not negotiating in good faith, the breakage fee together with any interest accrued is repayable to AYO. At 31 August 2021, the definitive sale of shares agreement for Kathea Communications was concluded and the fee was repaid. The definitive sale of share agreement for Kathea Energy was not yet concluded, therefore the breakage fee has been recognised as a receivable.	250	1 500
Thamani Technology and Solutions Proprietary Limited The loan was unsecured, bears no interest and was repayable by 31 August 2021.	-	3 701
Mantella Trading 634 Proprietary Limited The loan is unsecured, interest free and has no fixed repayment dates.	4 021	2 507
Uhula ICT Proprietary Limited (“Uhula”) The loan was unsecured, bears no interest and is repayable within the next 12 months.	1 700	1 700
Intitium Venture Solution Proprietary Limited The loan was unsecured, interest free and has no fixed repayment dates.	-	280
The IT Alchemist Proprietary Limited The loan was unsecured, interest free and has no fixed repayment dates.	-	520
Ragna CC The loan is unsecured, bears no interest and has no fixed repayment terms.	47	30
	10 703	13 376
Total other financial assets	146 904	24 228

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

11. OTHER FINANCIAL ASSETS (continued)

Other financial assets are comprised of:	2021 R'000	2020 R'000
Split between non-current and current portions:		
Non-current assets	-	1 000
Current assets	146 904	23 228
Total	146 904	24 228

Refer to note 9: Other loans receivable for information regarding ECL assessment.

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

Fair values information

Other financial assets are held at fair value through profit or loss. The fair values of investments not listed or quoted are determined using the discounted cash flow analysis.

Fair values are determined annually at reporting date.

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

12. FINANCE LEASE RECEIVABLES

	2021 R'000	2020 R'000
Gross investment in the lease due	42 019	52 321
- within one year	23 957	23 021
- in second to fifth year inclusive	18 062	29 300
Less: Unearned finance income	(5 691)	(9 080)
	36 328	43 241
Present value of minimum lease payments due		
- within one year	13 474	18 052
- in second to fifth year inclusive	22 854	25 189
Split between non-current and current portion	36 328	43 241
Non-current assets	22 854	25 189
Current assets	13 474	18 052
	36 328	43 241

The average lease terms are three to five years and the average effective lending rate was 22% (2020: 22%). The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for equipment, which includes laptops, printers, tablets and CCTV equipment.

There has been no expected credit loss recognised in the current and prior year as the counterparties have shown good history of payments, have not defaulted on any of the contractual payments and are not expected to default in the future.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

13. DEFERRED TAX

	2021 R'000	2020 R'000
Deferred tax liability	(76 004)	(30 275)
Deferred tax asset	98 242	74 822
Total net deferred tax asset	22 238	44 547
Deferred tax liability		
Property, plant and equipment	(5 151)	(11 467)
Right of use assets	(43 472)	(6 102)
Intangible assets	(27 381)	(10 524)
Prepaid expenses	-	(2 182)
Total	(76 004)	(30 275)
Deferred tax asset		
Provisions	19 188	23 813
Allowance for credit losses	3 672	2 038
Prepaid expenses	76	-
Income received in advance	3 289	6 308
Fair value adjustments on investments	16 835	30 400
Lease liabilities	46 029	6 956
Finance lease liabilities	-	90
Deferred tax balances from temporary differences other than unused tax losses	89 089	69 605
Tax losses available for set-off against future taxable income	9 153	5 217
Total	98 242	74 822
	2021 R'000	2020 R'000
Reconciliation of deferred tax asset/(liability)		
Balance at the beginning of the year	44 547	36 913
Business combinations	1 372	-
Allowance for credit losses	1 299	133
Provisions	(9 739)	7 350
Tax losses available for set off against future taxable income	5 868	(7 192)
Accelerated capital allowances of property, plant and equipment	6 304	(4 658)
Taxable temporary differences movement on intangible assets	(15 613)	(917)
Prepaid expenses	2 487	(1 218)
Fair value adjustment on investments	(13 583)	15 628
Operating lease asset	-	(252)
Finance lease assets	-	4 131
Finance lease liabilities	-	(4 302)
Lease liabilities	34 223	6 956
Income received in advance	(2 045)	(1 923)
Right of use assets	(32 882)	(6 102)
Balance at the end of the year	22 238	44 547

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

14. INVENTORIES

	2021 R'000	2020 R'000
Finished goods	72 346	51 374
Consumables	6 019	2 578
Work in progress	78 875	100 271
Total	157 240	154 223
Inventory written down to net realisable value	(8 365)	(11 859)
Net carrying amount	148 875	142 364

2021: R8 million (2020: R12 million) of inventory was written off in the current year. The carrying value of inventory R149 million (2020: R142) is carried at net realisable value.

The inventory write down to net realisable value relates primarily to the write down of work in progress stock held for an onerous contract. This write down is in cost of sales. Refer to note 27 for more detail.

15. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Financial Instruments:		
Trade receivables	337 721	475 986
Loss allowance	(10 441)	(13 178)
Trade receivables at amortised cost	327 280	462 808
Deposits	18 460	14 108
Accrued income	2 194	6 150
Funds held in Trust	81 953	111 423
Related party receivables	14 428	12 058
Provision for impairment of related party receivables	(13 831)	(10 249)
Sundry customers	6 097	1 743
Contract termination receivable	-	68 903
Non-financial instruments		
Value added taxation	23 156	506
Prepayments	36 816	34 517
Provision for impairment of prepayments	(9 041)	(9 041)
Total	487 512	692 926

Accrued income and sundry customers

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

15. TRADE AND OTHER RECEIVABLES (continued)

Contract termination receivable

The receivable relates to compensation for the cancellation of a contract with a major customer.

The compensation was received in the current financial period.

Funds held in trust

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

Provisions for prepayment

Due to the uncertainty of the going concern and business operations of a related party who was prepaid to provide a service, management raised a provision against the prepayment in the 2019 financial year.

Provisions for impairment of related party receivables

A provision for impairment was recognised for related party receivables due to doubt over recoverability of the receivables as a result of poor forecasted trading performance of the related parties.

Credit quality of trade and other receivables

83% (2020: 78%) of the Group's trade receivables stems from the managed services segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are classified as current based on their recent payment history of the debtors.

In the current year the trade receivables from security solution division was part of the reclassification of non current assets held for sale. In 2020 the Group security solution segment was 6%. The credit risk for this segment has been assessed as low by the divisional management based on the ageing of the receivables (majority of the receivables are classified as current) and the recent payment history.

12% (2020: 4%) of the Group's trade receivables stem from sales within the Unified communications segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are less than 60 days overdue and the segment currently has insurance on receivables. The insurance company responsible for the underwriting of the insurance receivables has a credit rating of AA+.

6% (2020: 12%) of the Group's trade receivables stem from sales within the Healthcare, Software and consulting and Tracking solutions segments. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is high as sales are to few customers and there have been low defaults in the past.

Categorisation of trade and other receivables

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

	2021 R'000	2020 R'000
Financial instruments	436 581	666 944
Non-financial instruments	50 931	25 982
	487 512	692 926

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

15. TRADE AND OTHER RECEIVABLES (continued)

Expected credit loss allowance

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

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

The Group measures the lifetime expected credit loss allowance for trade receivables by applying a provision matrix as permitted by IFRS 9 and presented below. Trade receivables are categorised based on specific characteristics, for example geographical area and business type. The provision matrices have been developed by making use of judgement and past default experience of debtors but also incorporates forward-looking information such as the likelihood of default by the debtor and industry growth rate as at the reporting date. Macroeconomic factors affecting customers' ability to settle the amounts outstanding include the Covid-19 pandemic, the GDP in South Africa, inflation rate and growth rate.

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2021 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	145 944	0.43%	(631)	145 313
Past due 30 to 60 days	55 695	2.51%	(1 399)	54 296
Past due 60 to 90 days	33 785	2.53%	(854)	32 931
Past due 90 days and older	102 297	7.39%	(7 557)	94 740
	337 721	-	(10 441)	327 280

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2020 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	292 708	0.64%	(1 898)	290 810
Past due 30 to 60 days	72 221	1.68%	(1 215)	71 006
Past due 60 to 90 days	33 433	3.21%	(1 072)	32 361
Past due 90 days and older	77 624	11.59%	(8 993)	68 631
	475 986	-	(13 178)	462 808

The expected loss rates per aging category was based on historical default rates of the trade debtors.

The loss rates for trade debtors in 60+ days increased in the current year as the economic uncertainty brought by the COVID-19 pandemic has resulted in expected poor trading performance of the debtors and may impact the debtors ability to settle the amounts owing.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

15. TRADE AND OTHER RECEIVABLES (continued)

	2021 R'000	2020 R'000
Reconciliation of expected credit loss		
Loss allowance opening balance	13 178	9 107
Net movement charged to profit or loss	(2 738)	4 071
Closing balance	10 440	13 178

The decrease in expected credit loss is as a result of decreases in trade debtors balances in the current year. Zaloserve trade receivables balance decreased by R70 million and Department of Education debtors book was not included when calculating expected credit losses in the current financial year.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying value due to their short-term nature, therefore there is no significant impact on the discounting.

For more information on credit risk refer to note 46.

16. CASH AND CASH EQUIVALENTS

	2021 R'000	2020 R'000
Cash and cash equivalents consists of:		
Cash on hand	107	171
Bank balances	2 163 616	3 225 000
Bank overdraft	(1)	(3 424)
Total	2 163 722	3 221 747

The Group has the following facilities in place:

Nedbank Limited (“Nedbank”)

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

- Overdraft facility to the value of R7 million
- Vehicle-and-asset finance facility to the value of R271 218
- A medium-term loan facility which was settled during the year.

The above facilities with Nedbank are secured as follows:

- Limited surety signed by A. S. Brown who is the CEO and a shareholder of Kalula Communications Proprietary Limited to the value of R8 million
- Limited surety signed by Communications Products Proprietary Limited which is a company that AS Brown has shareholding in to the value of R5.3 million
- Limited surety signed by Biton Music Productions Proprietary Limited which is a company that AS Brown has shareholding in to the value of R7.5 million
- A first, second and third covering mortgage bonds over erf 14290 Somerset West by Biton Music Productions Proprietary Limited, reflected as a mortgagor, and Nedbank, reflected as mortgagee of R3 million, R4 million and R500 000 respectively.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

16. CASH AND CASH EQUIVALENTS (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Standard Bank and Nedbank provides the majority of banking services used by the Group. Refer to the table below for credit rating in long-term in terms of Moody's Investors Service ("Moody's").

	2021 R'000	2020 R'000
Bank balances are held with		
Absa Bank Limited - Ba2	-	1 339 035
Ninety One Fund Managers SA (RF) Proprietary Limited - Baa3	853 782	219 174
Bank of China Limited - A1	-	1 355 382
Nedbank Limited - Ba2	71 139	78 415
Standard Bank of South Africa Limited - Ba2	1 170 711	98 023
*First National Bank Limited - BB	51 544	129 054
HSBC Bank Limited	744	-
Albaraka Bank Limited	12 803	2 383
Cash on hand	107	171
AfrAsia Bank Limited	2 892	110
Total	2 163 722	3 221 747

* First National Bank Limited is not rated by Moody's. It has been rated using Fitch Ratings Inc.

17. STATED CAPITAL

	2021 R'000	2020 R'000
Authorised		
2 000 000 000 Ordinary shares of no par value	-	-
Issued		
344 123 944 (2020: 344 123 944) Ordinary shares	4 349 280	4 349 280
Share premium	173 444	173 444
Share issue costs	(78 314)	(78 314)
Closing balance	4 444 410	4 444 410

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

The ordinary shares have the right to vote at annual general meetings and elect the board of directors.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

18. RESERVES

Share-based payment reserve

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

Translation of foreign operations

An exchange loss arose on translation of the foreign investments held by the Software Tech Holdings Group and AYO. The exchange loss was recognised in the statement of comprehensive income with the contra recognised directly in equity

NCI put option reserve

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

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

	2021	2020
	R'000	R'000
Share-based payment reserve	11 809	11 809
Foreign currency translation reserve	2 206	(913)
Revaluation reserve	221	221
Changes in ownership reserve	(31 022)	(36 169)
Written NCI put option reserve	(14 795)	(14 795)
	(31 581)	(39 847)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

19. DERIVATIVES FINANCIAL LIABILITY

	2021 R'000	2020 R'000
Opening balance	7 587	3 934
Fair value adjustments	12 366	3 653
Closing balance	19 953	7 587

Written put-options over non-controlling interests:

As per the share sale agreements, AYO has a written option which gives AEEI the right to sell to AYO its 60% shareholding in Main Street and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Main Street and GCCT. Mainstreet was acquired on 9 February 2019 and GCCT was acquired on 1 March 2019. These options have been fairly valued at year-end and the fair value loss of 12.3 million (2020: 3.7 million) has been disclosed in other operating gains/losses.

Refer to note 41 for additional information.

20. LEASE LIABILITY

	2021 R'000	2020 R'000
Maturity analysis		
Less than one year	37 046	24 395
One to five years	78 321	16 190
More than five years	28 695	-
Less : Future finance charges	(18 410)	-
Total lease liability	125 652	40 585
Non-current liabilities	90 673	16 190
Current liabilities	34 979	24 395
	125 652	40 585
Amounts recognised in profit or loss		
Interest on lease liability	9 192	6 122
Depreciation on the right of use assets	31 430	42 310
Expenses relating to short-term leases	-	3 285
Income from sub-leasing of right-of-use assets	823	-
Total	40 622	51 717

The Group does not have any low-asset value agreement.

The average lease term was 3 - 10 years and the average incremental borrowing rate was 8.5% (2020: 10%).

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Lease payments not recognised as liability

The Group has elected not to recognise a lease liability for short-term leases and for leases with low value assets

Payments for those leases are expensed on a straight-line basis in statement of profit or loss.

The lease liability increased in the current financial year due to new leases entered into and an addition from the business combination.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

21. DEFERRED INCOME

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

	2021 R'000	2020 R'000
Reconciliation		
Opening balance	48 640	29 833
Additions through business combination	992	-
Additions	40 795	86 939
Revenue recognised on delivery of goods or services previously paid for	(57 175)	(68 132)
Closing balance	33 252	48 640
Split between non-current and current portions:		
Non-current liabilities	-	751
Current liabilities	33 252	47 889
Total	33 252	48 640

The deferred income balance are from subsidiary companies, Zaloserve, Software Tech, Kathea, SGT Solutions and GCCT.

Revenue relating to support services is recognised over time. The customer sometimes pay up-front in full for these services, resulting in a contract liability being recognised for revenue relating to the maintenance services at the time of the initial sales transaction. The liability is recognised as revenue over the support period. Contract liabilities also relating to contracts represent balances which are due to customers under installation contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage completion method.

Refer to note 26 for IFRS 15 disclosures.

22. TRADE AND OTHER PAYABLES

	2021 R'000	2020 R'000
Financial instruments:		
Trade payables	146 414	221 026
Contract termination payable*	-	42 989
Non-financial instruments:		
Leave pay and other accruals	161 421	233 262
Amounts received in advance	541	1 909
Value added taxation	3 936	24 479
Total	312 312	523 665

* In the prior year, the contract termination cost was payable to a sub-contractor of AYO in an MSA contract with a significant customer as a result of us early terminating the sub-contract agreement. The contract termination receivable was the compensation receivable by AYO as a result of the early termination of the MSA contract by the significant customer. Ayo has paid the compensation in the current financial year.

Fair value of trade and other payables

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

23. LOANS FROM RELATED PARTY COMPANIES

	2021 R'000	2020 R'000
Fellow shareholders of a subsidiary		
Mustek Limited	10 601	-
This loan was provided by Mustek Limited to Sizwe Africa IT Group Proprietary Limited. The loan is unsecured, bears interest at prime and is repayable by 27 November 2021.		
Split between non-current and current portions:		
Non-current liabilities	-	-
Current liabilities	10 601	-
Total	10 601	-

24. PROVISIONS

Reconciliation of provisions

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions - 2021					
Commission and incentive programme	682	9 957	(7 075)	(1 242)	2 323
Bonuses	13 780	19 184	(8 551)	(10 618)	13 795
Onerous contract	14 226	1 738	(6 047)	(6 273)	3 645
Project and product warranties and product risk	6 638	8 619	(1 715)	(63)	13 479
Provisions for marketing and promotions	215	260	(214)	-	261
Total	35 541	39 758	(23 601)	(18 195)	33 502

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions - 2020					
Commission	533	682	(533)	-	682
Bonuses	15 643	26 487	(28 350)	-	13 780
Onerous contract	5 680	9 595	-	(1 049)	14 226
Project and product warranties and product risk	3 742	3 829	(222)	(711)	6 638
Provisions for marketing and promotions	496	97	(378)	-	215
Total	26 094	40 690	(29 483)	(1 760)	35 541

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

24. PROVISIONS (continued)

Commission

The provision for commission is recognised for sales commission recognised in Kalula and is estimated based on monthly revenue at a rate of 2.5%. A provision has been recognised due to the uncertainty over the timing for the payment of the commission.

Bonuses

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

Provision for onerous contracts

A provision has been recognised by SGT Solutions for estimated costs to complete the remaining work on SAPS Eastern Cape Cetra project.

Provision for project, product warranties and risk

A provision is recognised in SGT Solutions for expected warranty claims on products sold during the previous 12 months based on the past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and will have been incurred within one year of the statement of financial position date. Assumptions used to calculate the provision are based on the current sales levels and historical information on products returned.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

25. CONTINGENT CONSIDERATION LIABILITIES

	2021 R'000	2020 R'000
Opening balance	5 097	42 344
Contingent consideration arrangements entered into	24 228	-
Kathea Communications	24 228	-
Amount due for payment	(553)	-
Settlements	-	(38 625)
Fair value adjustments	(4 544)	1 378
Closing balance	24 228	5 097
<p>The contingent consideration arrangement for Zaloserve required 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 Zaloserve ended during the current financial year. The earn-out target for the 2021 financial year was not achieved by Zaloserve and a fair value gain of R4.5 million was recognised in the statement of profit or loss in relation to the zaloserve contingent consideration arrangement. The contingent consideration liability was written off in full in the current year.</p> <p>The contingent consideration arrangement for Kathea Communications requires Ayo to pay the former owners of Kathea Communications an advanced earn-out amount of R15 million on 15 November 2021 and an additional amount of R15 million for achieving certain earn-out targets for the 2022 for the 2023 financial year of Kathea Communications.</p> <p>The fair value of the contingent consideration arrangements were calculated as the present value of the future expected cash flows. The calculation was based on the assumption that the earn-out targets will be met based on the best available forecast information at acquisition date and were discounted at the weighted average cost of capital of the relevant subsidiary.</p>		
Split between non-current and current portions:		
Non-current liabilities	-	-
Current liabilities	24 228	5 097
Total	24 228	5 097

For fair value information refer to note 47.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

26. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 R'000	2020 R'000
Revenue from contracts with customers		
Sale of goods	1 051 740	1 434 156
Rendering of services	647 752	1 451 058
	1 699 492	2 885 214
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods	1 051 740	1 434 156
Fees earned	346 030	1 167 238
Service revenue	301 722	283 820
Total revenue from rendering of services	647 752	1 451 058
Total revenue recognition contracts with customers	1 699 492	2 885 214
Timing of revenue recognition by revenue pattern		
At a point in time		
Software- and consulting-related	70 263	170 424
Security services solutions-related	113 041	155 965
Communication Products and hardware-related	278 263	104 173
Project-related services	541 022	1 176 012
	1 002 589	1 606 574
Over-time		
Software- and consulting-related	37 811	148 611
Security services solutions-related	54 558	84 714
Communication Products- and hardware-related	95 445	359 440
Project-related services	509 089	685 875
	696 904	1 278 640
	1 699 492	2 885 214

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

26. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Revenue disaggregated by primary geographical markets is as follows: 2021	South Africa R'000	Rest of Africa R'000	Europe R'000	USA R'000	Total R'000
Software and consulting	33 205	-	10 402	-	43 607
Security solutions	207 112	5 326	13 501	646	226 585
Unified communications	178 410	11 753	-	-	190 163
Health care	89 932	-	-	-	89 932
Tracking solutions	48 545	62 012	506	-	111 063
Managed services	1 028 880	9 262	-	-	1 038 142
Total	1 586 084	88 353	24 409	646	1 699 492

Revenue disaggregated by primary geographical markets is as follows: 2020	South Africa R'000	Rest of Africa R'000	Europe R'000	USA R'000	Total R'000
Software and consulting	53 411	-	3 543	-	56 954
Security solutions	310 678	7 747	25 653	803	344 881
Unified communications	82 544	8 250	-	-	90 794
Health care	119 903	348	-	-	120 251
Tracking solutions	61 116	28 018	231	-	89 365
Managed services	2 173 029	9 937	3	-	2 182 969
Total	2 800 681	54 300	29 430	803	2 885 214

Unsatisfied long-term warranties and maintenance contracts	South Africa R'000	Rest of Africa R'000
Transaction price allocated to long-term contracts	33 252	38 189

Management expects that 100% of transaction price allocated to the unsatisfied contracts as at period ended 31 August 2021 will be recognised as revenue in the period ended, 31 August 2022.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

27. COST OF SALES

Comprised of:	2021 R'000	2020 R'000
Sale of goods	731 415	1 302 864
Rendering of services	424 399	827 997
Employee costs	95 072	124 442
Depreciation and amortisation	2 004	4 555
	1 252 890	2 259 858

28. OTHER OPERATING INCOME

	2021 R'000	2020 R'000
Other income	10 873	8 654
Compensation on cancellation of contract*	-	59 915
	10 873	68 569

*In the prior year the income related to compensation received from the cancellation of an MSA contract with a major customer in the prior financial year.

29. OTHER OPERATING GAINS/(LOSSES)

	2021 R'000	2020 R'000
Loss on sale of business	-	(6 627)
Fair value gains/(losses) on investments designated as at fair value through profit or loss	50 010	(70 228)
Fair value loss on NCI written put option	(12 366)	(3 653)
Net foreign exchange losses	(9 920)	(1 801)
Fair value gains/(losses) on contingent considerations	4 544	(1 378)
Profit on sale of property, plant and equipment	1 200	1 326
Fair value losses on investments in joint venture	-	(201)
Profit on early termination of lease	330	-
	33 798	(82 562)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

30. OTHER OPERATING EXPENSES

Major items included in other operating expenses:	2021 R'000	2020 R'000
Employee costs	430 853	445 338
Depreciation and amortisation	65 169	73 767
Impairment expenses	45 756	28 789
Contract termination costs	-	37 382
Consulting fees	52 387	-
Other operating expenses	188 859	107 570
	783 024	692 846

31. FINANCE INCOME

	2021 R'000	2020 R'000
Bank and cash	96 100	203 079
Interest - Related party companies	3 136	1 732
Loans receivable	43 160	13 555
Cumulative preference shares - Bambelela	8 163	9 936
Cumulative preference shares - 4Plus interest	5 921	1 478
Cumulative preference shares - Loot B2B interest	2 208	886
Funds in Trust	5 479	6 404
Other financial assets	472	4 724
	164 639	241 794

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

32. INCOME TAX EXPENSE

	2021 R'000	2020 R'000
Major components of the tax expense		
South African normal taxation	53 366	78 516
Under provision – prior periods	56	-
Foreign normal taxation	-	371
Total current tax expense	53 422	78 887
Deferred tax expense		
Deferred tax arising on originating and reversing temporary differences	4 442	(8 041)
Arising from prior period adjustments	(285)	-
Total deferred tax expense	4 157	(8 041)
Total tax expense	57 579	70 846
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	(200 524)	103 626
Tax at the applicable tax rate of 28% (2020: 28%)	(56 147)	29 015
Tax effect of adjustments on taxable income		
Impairment loss	25 385	23 982
Donations	795	292
Legal fees	4 956	1 530
Fines and penalties	978	2 058
Prior period under provision of current tax	-	(243)
Tax losses utilised	(94)	240
Learnerships	(680)	(2 728)
Expected credit losses	(1 479)	(121)
Consulting fees	5 118	2 171
Dividend income exempt from tax	(518)	(1 764)
Interest on late payment of tax	-	914
Fair value and accounting adjustments	11 032	20 622
Profit from equity accounted joint venture	(5 969)	(5 310)
Foreign exchange gains	(157)	(133)
Interest income exempt from tax	(2 286)	(2 782)
Interest expense on lease liabilities	1 255	278
Non-deductible expenditure	75 389	2 825
	57 579	70 846

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

33. EARNINGS PER SHARE

	2021 R'000		2020 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.				
Basic and diluted (loss)/earnings per share (cents)		(75.31)		6.20
There are no diluted options and other diluted potential ordinary shares, therefore, basic and diluted (loss)/earnings are the same.				
The (losses)/earnings and weighted average number of ordinary shares used in the calculation of basic and diluted (losses)/earnings per share are as follows:				
(Losses)/earnings attributable to shareholders of AYO		(259 146)		21 343
Weighted average number of shares (000)		344 124		344 124
Net asset value per share				
Net asset value per share (cents)		1 046		1 248
	Gross of tax	Net of tax	Gross of tax	Net of tax
Headline earnings per share				
Headline loss/earnings is determined as follows:				
(Loss)/earnings attributable to shareholders of AYO		(259 146)		21 343
Adjusted for:				
Profit on sale of property, plant and equipment	(1 200)	(864)	(1 326)	(955)
Loss on disposal of subsidiary	-	-	6 627	4 771
Impairment of intangibles and property, plant and equipment	26 257	18 905	2 735	1 969
Goodwill impairment	19 602	19 602	644	464
Headline earnings		(221 503)		27 592
Weighted average number of shares (000)		344 124		344 124
Headline (loss)/earnings per share (cents)		(64.37)		8.02

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

34. CASH GENERATED BY OPERATIONS

	2021 R'000	2020 R'000
Profit before tax	(200 524)	103 626
Adjustments for:		
Depreciation and amortisation	71 513	69 276
Profit on sale of property, plant and equipment	(1 200)	(1 336)
Share of (profit)/loss from equity – accounted joint venture	(24 539)	(18 963)
Dividend income	-	-
Finance income	(164 639)	(241 794)
Finance cost	13 529	17 429
Fair value gains (losses)	(33 317)	75 269
Inventory write down to net realisable value	8 366	11 858
Foreign exchange gains (losses)	11 893	(1 114)
Impairment losses	126 587	74 904
Loss on sale of subsidiary	-	6 627
Funds in Trust legal expenses	-	5 316
Lease modification adjustment	(331)	-
Movements in provisions	(4 330)	9 447
Employee benefit expenses	173	-
Expected credit losses on trade receivables	(2 737)	-
Changes in working capital		
Inventories	10 006	43 431
Trade and other receivables	149 358	(218 258)
Trade and other payables	(227 588)	73 433
Deferred income	(16 351)	18 778
Cash utilised in operations	(284 132)	27 931

35. TAX PAID

	2021 R'000	2020 R'000
Tax payable balance at the beginning of the year	(8 566)	(21 498)
Business combinations	911	3
Current tax for the year recognised in profit or loss	(55 548)	(79 058)
Balance at the end of the year	(1 184)	8 566
Tax paid	(64 387)	(91 987)

36. DIVIDENDS PAID

	2021 R'000	2020 R'000
Dividends declared	447 361	175 503
Dividends paid	(429 405)	(168 694)

An interim dividend of 65 cents per share amounting to R224 million was paid to shareholders during the year under review.

A final dividend of 30 cents per share was approved by the board of directors on 24 November 2021 in respect of the year ended 31 August 2021. The dividend is payable on 20 December 2021 to shareholders recorded in the share register of the company of the business on 17 December 2021.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – 2021

	Opening balance R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Other financial liabilities	887	-	(106)	(106)	1 355	2 136
Lease liabilities	40 585	-	111 650	111 650	(26 583)	125 652
Loans from related party companies	-	-	601	601	10 000	10 601
Contingent liabilities	5 097	-	24 631	24 631	(5 500)	24 228
Derivative financial liabilities	7 587	-	12 366	12 366	-	19 953
Total	54 156	-	149 142	149 142	(20 728)	182 570

Reconciliation of liabilities arising from financing activities – 2020

	Opening balance R'000	Initially recognised (IFRS 16) R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Other financial liabilities	39 297	-	347	68	415	(38 825)	887
Other payables	13 310	-	-	-	-	(13 310)	-
Finance lease liabilities	15 536	(15 536)	-	-	(15 536)	-	-
Lease liabilities	-	76 652	-	(637)	76 015	(35 430)	40 585
Loans from related party companies	20 863	-	-	389	389	(21 252)	-
Contingent liabilities	42 344	-	-	1 378	1 378	(38 625)	5 097
Derivative financial liabilities	3 934	-	-	3 653	3 653	-	7 587
Total	135 284	61 116	347	4 851	66 314	(147 442)	54 156

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

38. NON-CURRENT ASSETS HELD FOR SALE

The management of AYO decided to dispose of the investment in Puleng on 23 August 2021. Puleng's assets and liabilities were therefore reclassified to non-current assets held for sale on 23 August 2021. Puleng was categorised as part of securities segment.

The sale was subsequent to year end but before the date of publication of the results. As at year end a potential buyer was identified and at the time of preparing the financial statements negotiations were advanced with the sale finalised before the publication date of the financials

The following assets and liabilities were reclassified as held for sale as at 31 August 2021:

Assets classified as held for sale	R'000
Property, plant and equipment	430
Right of use asset	2 037
Deferred tax	842
Trade and other receivables	54 835
Other financial assets	640
Cash and cash equivalent	1 006
Total assets of asset held for sale	59 790
Liabilities directly associated with assets classified as held for sale	
Lease liabilities	1 921
Trade and other payables	21 475
Taxation	257
Total liabilities of liabilities held for sale	23 653
Cash flow statement	R'000
Cash flows from operating activities	
Cash receipts from customers	211 887
Cash paid to suppliers and employees	(237 447)
Cash generated/(utilised) in operations	(25 559)
Finance income	247
Finance costs	(263)
Tax paid	(2 511)
Net cash from operating activities	(28 087)
Cash flows from investing activities	
Acquisition of property, plant and equipment	(208)
Proceeds from the disposal of property, plant and equipment	48
Amounts repaid from other financial assets	160
Funds advanced in Trusts	(6 880)
Net cash to investing activities	(6 881)
Cash flows from financing activities	
Lease liabilities repayments	(219)
Net cash to financing activities	(219)
Total cash movement for the period	(35 186)
Cash at the beginning of the period	36 193
Total cash at the end of the period	1 006

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

39. BUSINESS COMBINATIONS

Acquisition of Kathea Communication Solutions Proprietary Limited (“Kathea Communication”)

In 16 March 2021, the Group completed the acquisition of a 100% equity interest in Kathea Communication Solutions Proprietary Limited (“Kathea Communications”) for a consideration of R59.8 million and undiscounted contingent consideration of R30 million with an effective date of 1 March 2021. Kathea Communications is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas. Kathea Communication was acquired in order to enhance the Group’s unified communications segment.

In the prior year, the Group completed the acquisition of a 100% shareholding in NSX Solutions Consulting Proprietary Limited (“NSX”) for a consideration of R500 000.

The valuations methods have been disclosed in the accounting policies note on fair value estimation. For key inputs used, refer to note 46. fair values of the identifiable assets and liabilities acquired are shown below:

Assets acquired and liabilities assumed	Notes	KATHEA 2021 R’000	NSX 2020 R’000
Property, plant and equipment		691	35
Right of use asset		2 451	-
Intangible assets		62 012	48
Loans receivable		-	119
Deferred tax asset		(12 673)	-
Finance lease receivables		2 095	-
Inventories		18 077	-
Trade and other receivables		21 622	30
Current tax receivable		-	3
Value added tax receivable		-	2
Cash and cash equivalents		5 778	313
Deferred income		-	(29)
Other financial liabilities		(11 488)	(347)
Lease liabilities		(2 576)	-
Current tax payable		(911)	-
Trade and other payables		(28 993)	(319)
Provisions		(2 291)	-
Dividend receivable		(4 000)	-
Bank overdraft		(1 490)	-
Total identifiable assets and liabilities		48 304	(145)
Goodwill	5	35 715	645
Total purchase consideration		84 019	500

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

39. BUSINESS COMBINATIONS (continued)

Assets acquired and liabilities assumed	Notes	KATHEA 2021 R'000	NSX 2020 R'000
Consideration paid			
Cash	48	59 791	500
Contingent consideration	24	24 228	-
Total purchase consideration		84 019	500
Net cash outflow on acquisition date			
Cash consideration paid		(59 791)	(500)
Cash acquired		4 288	313
Net cash outflow		(55 503)	(187)

Goodwill

AYO being a technology investment company with the key focus on communications, the acquisition of Kathea Communications is set to see overall growth as a result of anticipated synergies and economies of scale. This growth in the Group and in the market share has been reflected in the goodwill. This goodwill is not tax deductible.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to R21.6 million, with a gross contractual amount of R20.2 million. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to R0.2 million.

Impact of the acquisitions on the Group results

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

	R'000	R'000
Revenue	92 897	626
Profit/(loss) after tax	5 453	(197)

Revenue and profits of the acquirees which would have been included in the AYO Group results had the business combinations taken place at the beginning of the 2021 and 2020 financial year:

	R'000	R'000
Revenue	169 289	692
Profit/(Loss) after tax	8 849	(268)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

40. DISPOSAL OF SUBSIDIARY

On the prior year Zaloserve Proprietary Limited Group disposed 40% of its interest in Mantella Trading 634 Proprietary Limited (“Mantella”) for a consideration of R6 million. The company was sold as it no longer fits the Group’s long-term strategy. The net assets of Mantella were as stated below on the date of disposal:

Mantella Trading 634 Proprietary Limited

Property, plant and equipment	5 288
Right of use of assets	845
Other financial assets	188
Deferred tax assets	851
Inventories	18 663
Trade and other receivables	14 116
Cash and cash equivalents	512
Other financial liabilities	(1 128)
Trade and other payables	(6 076)
Loans from related party companies	(2 507)
Current tax payable	(1 293)
Non-controlling interest	(17 676)
Total net assets sold	11 784
Consideration received	(6 000)
loss on sale of subsidiaries	5 784
Net cash outflow on disposal	
Cash sold	512

There were no disposals in the current year.

41. COMMITMENTS AND CONTINGENCIES

	2021 R'000	2020 R'000
Operating lease commitments		
Minimum lease payments due		
- within one year	-	2 969
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	2 969

Operating lease payments shown relate to short-term and low value assets. Such leases are for rental of premises and office equipment. No contingent rent is payable. There were no operating lease commitments in the current year.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

39. BUSINESS COMBINATIONS (continued)

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. AYO has been reconfigured into an investment holding company and will continue to trade as such through portfolio of it holds should the PIC and GEPF be successful in their application. Certain subsidiaries of AYO have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

The State Information Technology Agency (“SITA”) brought an application in the Eastern Cape high court for an order to interdict the Eastern Cape Department of Education (“ECDOE”) from continuing with a contract that the ECDOE has with Sizwe Africa IT Group Proprietary Limited (“Sizwe”) for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape high court granted the order for the interdict. The ECDOE, supported by Sizwe are appealing the ruling.

There is a pending defamation claim by Magda Wierzycka against AYO and six others in the Western Cape High Court. The claim is for the amount of R3 million, together with costs. 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.

There is a claim for approximately R6 600 847.91 from Volt (Pty) Ltd (hereinafter “the Volt Claim”), in which the Claimant (Volt) alleges that the aforesaid amounts constitutes alleged overpayments made to Afrozaar Proprietary Limited under the auspices of two service contracts previously concluded between the respective parties. There is also a claim in respect of Afrozaar Proprietary Limited for approximately R5 636 925.40 from BSA Software Services Inc (hereinafter “the BSA Claim”), in which copyright infringement is alleged due use of available software on applications not otherwise authorised under developers licence agreement.

Based on legal advice it is highly probable that AYO will be successful in the cases that the matters are heard at court therefore no provision recognised. For the claims against Afrozaar Proprietary Limited, prospects of success of the Volt claim are difficult to anticipate at this point as the claimant has not fully expanded on its claim nor responded to our submission or observations, therefore the claim the merits are unclear. For the BSA claim the prospects of success are difficult as the matter is new and the information was only provided in the week of publishing for review.

Options

The share sale agreements for Mainstreet and GCCT 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 Rnil as at 31 August 2021, (2020: Rnil) and the AYO put option for GCCT has been valued at nil as at 31 August 2021 (2020: nil) . The options are exercisable between two to four years from the date of purchase of Main Street and GCCT. 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

42. FINANCIAL ASSISTANCE TO SUBSIDIARIES

At the Group's AGM held on 23 February 2021, the Group did not obtain the requisite number of votes for the special resolution to provide financial assistance and guarantees to its subsidiaries in terms of 45(3)(a)(ii) of the Companies Act. During the financial year, the Company granted working capital funding to some of its subsidiaries to ensure the continued operation of the subsidiaries and to maintain their value to the Company.

As the funding was not in accordance with section 45(3)(a)(ii) of the Companies Act, a reportable irregularity was identified by the Group's Independent External Auditors and reported to the Independent Regulatory Board of Auditors. At the date of publication of these consolidated annual financial statements, the reportable irregularity had been resolved and no longer exists.

43. GOING CONCERN

The consolidated annual financial statements have been prepared based on 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.

The Directors have determined the appropriate basis of preparation of the consolidated annual financial statements after considering the Group's significant risks, outstanding legal matters, the current financial performance of the Group, the Group's financial budgets and assessing the solvency and liquidity of the Group taking into account the current financial position and existing cash resources and borrowing facilities.

The financial performance of the Group has not been severely impacted by the Covid-19 pandemic. AYO has been classified as an essential service provider, as such management does not expect significant operational or financial disruptions on the Group because of the corona virus. There has been no major changes to the restrictions level in South Africa since the announcement of the Omicron variant. Our businesses have been able to operate as they did before the discovery of the Omicron variant.

The Board has no intention to cease trading, curtail operations or liquidate the Group.

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. The Company has been reconfigured into an investment holding company and will continue to trade as such through the portfolio of investments it holds should the PIC and GEPF be successful in their application. AYO has some subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AYO's previous banker, First National Bank Limited ("FNB") had given the Company notice to close its transactional banking facility with effect from 3 May 2021. The Company did not have any lending facilities with FNB. The Company instituted legal proceedings against FNB for its unprecedented decision to close the Company's transactional banking facility. Pending the hearing of AYO's main application, the interdict was struck off the roll for lack of urgency. AYO has put in place alternative payment solutions which will ensure continuity of its business. Furthermore, AYO is in the process of engaging with other banks for transactional banking services.

The judgements and assumptions described above inherently include material uncertainty on the timing of future cash flows and therefore any significant deviations may cast significant doubt on the Group's ability to continue as a going concern. Whilst there are material uncertainties as described above, the Directors, based on the information available to them, after considering the financial forecasts of the Group and its current financial position are of the opinion that the going-concern assumption is appropriate in the preparation of the consolidated annual financial statements.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES

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

Significant related party transactions entered into include:

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding company
Digital Health Africa Proprietary Limited	Joint venture company of a subsidiary
Vunani Fintech Fund Proprietary Limited	Joint venture company
Afrinat Proprietary Limited	Fellow subsidiary
Bowwood and Main No.180 Proprietary Limited	Fellow subsidiary
espAfrika Proprietary Limited	Fellow subsidiary
Orleans Cosmetics Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripos Tourism Investments Proprietary Limited	Fellow subsidiary
Tripos Travel Proprietary Limited	Fellow subsidiary
Mustek Limited	Company with similar directors to Sizwe and prescribed officers
Sizwe Asset Finance Proprietary Limited	Company with similar directors to Sizwe and prescribed officers
Titantrade 306 Proprietary Limited	Company with similar directors to Sizwe and prescribed officers
Win-A-Way Investments 15 Proprietary Limited	Company with similar directors to Sizwe and prescribed officers
BT Communications Services South Africa Proprietary Limited	Associate of holding company
African News Agency Proprietary Limited	Common shareholding
Independent Newspaper Proprietary Limited	Common shareholding
Independent News and Media Proprietary Limited	Common shareholding
Loot Online Proprietary Limited	Common shareholding
Prodirect Investments 112 Proprietary Limited	Common shareholding
Sekunjalo Investments Holdings Proprietary Limited	Common shareholding
Sekunjalo Properties Proprietary Limited	Common shareholding
Vunani Corporate Finance Proprietary Limited	Common shareholding
Omnicare Family Healthcare Centre	Common director
Collateral Trading Proprietary Limited	Common director
4Plus Technology Venture Fund Africa Proprietary Limited	Investment
Bambelela Capital Proprietary Limited	Investment
Loot B2B Proprietary Limited	Investment
Volt Africa Proprietary Limited	Investment
Zaloserve Management Proprietary Limited	Company who's owners are members of key management for Zaloserve
Directors	Refer to director's report

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

Related party transactions include the following:	2021 R'000	2020 R'000
Sales to related parties		
BT Communications Services South Africa Proprietary Limited	-	15
Mustek Limited	55	338
Sizwe Asset Finance Proprietary Limited	6 422	526 078
Titantrade 306 Proprietary Limited	-	974
Win-A-Way Investments 15 Proprietary Limited	-	668
African Equity Empowerment Investments Limited	9	55
Premier Fishing SA Proprietary Limited	-	32
AS Brown	19	41
Purchases of hardware and managed services from related parties		
BT Communications Services South Africa Proprietary Limited	5 459	275 882
Tripos Tourism Investments Proprietary Limited	20	6
Mustek Limited	12 307	32 236
Sizwe Asset Finance Proprietary Limited	66 608	90 581
Premier Fishing SA Proprietary Limited	-	275
African Equity Empowerment Investments Limited	1	3
Dr FM Surve	2	-
Dividend income from related parties		
Bambelela Capital Proprietary Limited – cumulative redeemable preference shares	635	-
Dividend paid to related parties		
Saratoga Private Equity Proprietary Limited	2 762	-
A. Robinson	485	-
M. Gebhardt	485	-
Corporate service income from related parties		
African Equity Empowerment Investments Limited	21	680
Independent Newspaper Proprietary Limited	2 609	3 105
African News Agency Proprietary Limited	387	-
espAfrika Proprietary Limited	67	-
Loot Online Proprietary Limited	504	-
Volt Africa Proprietary Limited	290	-
Tripos Travel Proprietary Limited	29	-
Recoveries from (expenses) to related parties		
Loot Online Proprietary Limited	105	-
Volt Africa Proprietary Limited	2 514	-
Fair value gains (losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(25 964)	(81 790)
Bambelela Capital Proprietary Limited	60 269	14 957
Loot B2B Proprietary Limited	(10 000)	(2 850)
Last Mile Logistics Africa Proprietary Limited	11 915	-
Fair value gains (losses) on derivate financial assets with related parties		
African Equity Empowerment Investments Limited (Main Street and GCCT Call option)	(16 149)	15 368
Administration and management fees expense to related parties		
African Equity Empowerment Investments Limited	7 560	7 560
Communication Product Proprietary Limited	-	45
Sekunjalo Properties Proprietary Limited	1 308	2 088
Springbok Consulting Close Corporation	851	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

Related party transactions include the following:	2021 R'000	2020 R'000
Advertising and marketing expenses to related parties		
African News Agency Proprietary Limited	214	1 334
Independent News and Media Proprietary Limited	292	493
Volt Africa Proprietary Limited	62	-
AS Brown	25	-
Cleaning expenses to related parties		
Prodirect Investments 112 Proprietary Limited	40	28
Consulting fees to related parties		
African Equity Empowerment Investments Limited	23	-
Contract termination costs to related parties		
BT Communications Services South Africa Proprietary Limited	-	37 382
Staff welfare expenses to related parties		
Omnicare Family Healthcare Centre	2 640	-
Donations to related parties		
Loot B2B Proprietary Limited	19	-
Afrinat Proprietary Limited	3	-
Vunani Fintech Fund Proprietary Limited	90	-
Collateral Trading Proprietary Limited	70	-
Sponsorship fees paid to related parties		
espAfrika Proprietary Limited	3 000	-
Socio-economic development expense to related parties		
Sekunjalo Development Foundation	2 000	-
Entertainment expenses to related parties		
Loot Online Proprietary Limited	380	-
Orleans Cosmetics Proprietary Limited	178	-
Collateral Trading Proprietary Limited	24	-
Impairment expenses in respect of related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	-	529
espAfrika Proprietary Limited	-	7 000
Independent News and Media Proprietary Limited	3 582	7 583
Orleans Cosmetics Proprietary Limited	-	207
Sekunjalo Investments Holdings Proprietary Limited	-	1 930
Loot B2B Proprietary Limited	12 208	15 886
Payroll processing fees to related parties		
Premier Fishing SA Proprietary Limited	90	405
Independent News and Media Proprietary Limited	113	-
Protective equipment purchased from related parties		
Afrinat Proprietary Limited	-	2 800
Collateral Trading Proprietary Limited	80	-
Office Equipment purchased from related parties		
Loot Online Proprietary Limited	28	-
Computer Equipment sold to related parties		
Loot Online Proprietary Limited	475	-
Office expenses paid to related parties		
Loot Online Proprietary Limited	2	-
Printing and stationary expenses to related parties		
Loot Online Proprietary Limited	22	10

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

	2021 R'000	2020 R'000
Related party transactions include the following:		
Rental expenses to related parties		
Prodirect Investments 112 Proprietary Limited	4 650	3 377
Win-A-Way Investments 15 Proprietary Limited	-	3 825
Biton Music Productions Proprietary Limited	984	925
Subscriptions expenses to related parties		
Sekunjalo Investments Holdings Proprietary Limited	1 647	2 671
Professional services fees paid related parties		
Vunani Corporate Finance Proprietary Limited	7 514	-
African Equity Empowerment Investments Limited	1 650	219
Volt Africa Proprietary Limited	12	-
Sundry expenses to related parties		
Win-A-Way Investments 15 Proprietary Limited	-	704
Travel expenses paid to related parties		
Tripos Travel Proprietary Limited	2 057	3 150
Security expenses paid to related parties		
Biton Music Productions Proprietary Limited	54	-
Information, communication and technology expenses paid to related parties		
Independent News and Media Proprietary Limited	13	-
Loot Online Proprietary Limited	312	-
Interest received from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	5 921	1 478
African Equity Empowerment Investments Limited	593	1 146
Bambelela Capital Proprietary Limited - cumulative redeemable preference shares	8 163	9 936
Loot B2B Proprietary Limited	2 208	886
Vunani Fintech Fund Proprietary Limited	11 557	9 659
Bowwood and Mains No.180 Proprietary Limited	2 647	1 040
Volt Africa Proprietary Limited	614	1 384
Zaloserve Management Proprietary Limited	184	-
Isakhiwo Group International Proprietary Limited	161	-
Interest paid to related parties		
African Equity Empowerment Investments Limited	-	604
Mustek Limited	601	-
	2021 R'000	2020 R'000
Related party balances include the following:		
Loans receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited - cumulative redeemable preference shares	37 399	31 478
African Equity Empowerment Investments Limited	20 271	22 729
Bambelela Capital Proprietary Limited - cumulative redeemable preference shares	161 162	160 933
Loot B2B Proprietary Limited - cumulative redeemable preference shares	28 093	15 886
Vunani Fintech Fund Proprietary Limited	215 966	114 294
Volt Africa Proprietary Limited	20 838	13 524
Digital Health Africa Proprietary Limited	-	168
Bowwood and Main No.180 Proprietary Limited	3 687	49 040
Isakhiwo Group International Proprietary Limited	5 286	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

	2021 R'000	2020 R'000
Related party balances include the following:		
Zaloserve Management Proprietary Limited	15 584	-
Saratoga Private Equity Proprietary Limited	18	-
Accumulated impairment on loans receivable from related parties		
Loot B2B Proprietary Limited	(28 093)	(15 886)
Volt Africa Proprietary Limited	(13 524)	(13 524)
Digital Health Africa Proprietary Limited	-	(168)
Loans payable to related parties		
Mustek Limited	10 601	-
Investments in related parties at cost		
4Plus Technology Venture Fund Africa Proprietary Limited	197 230	183 230
Bambelela Capital Proprietary Limited	16 182	16 182
Loot B2B Proprietary Limited	25 000	15 000
Accumulated fair value gains (losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(177 411)	(151 448)
Bambelela Capital Proprietary Limited	75 226	31 139
Loot B2B Proprietary Limited	(25 000)	(15 000)
Last Mile Logistics Africa Proprietary Limited	11 915	-
Carrying amounts of investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	19 819	31 782
Bambelela Capital Proprietary Limited	91 408	31 139
Last Mile Logistics Africa Proprietary Limited	11 915	-
Options		
African Equity Empowerment Investments Limited	7 587	3 934
Fair Value adjustment	12 366	3 653
Trade receivables from related parties		
Independent News and Media Proprietary Limited	6 887	3 570
Premier Fishing SA Proprietary Limited	-	1
Mustek Limited	-	63
Sizwe Asset Finance Proprietary Limited	84 148	30
Titantrade 306 Proprietary Limited	-	3
Win-A-Way Investments 15 Proprietary Limited	-	4
African Equity Empowerment Investments Limited	12	81
Tripos Travel Proprietary Limited	17	-
Sargamatha Technologies Proprietary Limited	-	430

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

	2021 R'000	2020 R'000
Related party balances include the following:		
AS Brown	-	48
Volt Africa Proprietary Limited	2 286	-
Loot Online Proprietary Limited	1 246	-
African News Agency Proprietary Limited	445	-
espAfrika Proprietary Limited	77	-
Other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	529	529
African Equity Empowerment Investments Limited	-	782
Orleans Cosmetics Proprietary Limited	207	207
Independent News and Media Proprietary Limited	5 571	5 571
Sekunjalo Investments Holdings Proprietary Limited	1 930	1 930
Prodirect Investments 112 Proprietary Limited	-	470
Accumulated impairment on other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(529)	(529)
Orleans Cosmetics Proprietary Limited	(207)	(207)
Independent News and Media Proprietary Limited	(11 166)	(7 583)
Sekunjalo Investments Holdings Proprietary Limited	(1 930)	(1 930)
Prepayments to related parties		
African News Agency Proprietary Limited	10 700	10 700
Independent News and Media Proprietary Limited	9 041	9 041
Sekunjalo Investments Holdings Proprietary Limited	-	890
espAfrika Proprietary Limited	-	7 000
Accumulated impairment on prepayments to related parties		
Independent News and Media Proprietary Limited	(9 041)	(9 041)
Rental deposit to related party		
Prodirect Investments 112 Proprietary Limited	4 253	470
Lease liability payable to related parties		
Sekunjalo Properties Proprietary Limited	1 205	2 585
Trade payables to related parties		
African Equity Empowerment Investments Limited	3 915	1 702
Loot Online Proprietary Limited	75	-
BT Communications Services South Africa Proprietary Limited	-	3 664

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

44. RELATED PARTIES (continued)

	2021 R'000	2020 R'000
Related party balances include the following:		
Volt Africa Proprietary Limited	14	-
Tripos Travel Proprietary Limited	377	43
Premier Fishing SA Proprietary Limited	-	830
Mustek Limited	944	15 143
Sizwe Asset Finance Proprietary Limited	17 108	17
Contract termination costs payable to related parties		
BT Communications Services South Africa Proprietary Limited	-	42 989
Other payables to related parties		
Vunani Corporate Finance Proprietary Limited	1 725	1 000

See note 16 for surety on cash and cash equivalent given by related parties.

See note 8 for terms and conditions on loans to related party companies.

See note 9 for terms and conditions on other loans receivables.

See note 23 for terms and conditions on loans from related party companies.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

45. DIRECTORS' EMOLUMENTS

	AYO Group										Other Group Company remuneration	
	Basic salary R'000	Other benefits* R'000	Pension or provident fund contribution or receivable R'000	Bonus R'000	Sign on Bonus R'000	Short-term incentive R'000	Long-term incentive R'000	Directors' fees R'000	Consulting fees R'000	Total R'000	Directors' fees R'000	Total R'000
2021												
H Plaatjes*	3 929	163	705	385	-	8 940	2 470	-	-	16 591	-	16 591
IT Bundo*	3 447	174	412	325	-	5 825	2 113	-	-	12 296	-	12 296
V Govender*	2 904	105	469	280	-	5 240	1 820	-	-	10 819	-	10 819
Khalid Abdulla	4 335	91	583	409	-	4 000	-	-	-	9 417	-	9 417
I Amod*	1 500	56	-	-	4 000	-	-	322	800	6 677	299	6 976
AB Amod^	-	-	-	-	-	-	-	788	900	1 688	1 562	3 250
Dr W Mgoqi#	-	-	-	-	-	-	-	1 181	100	1 281	-	1 281
Dr D George#	-	-	-	-	-	-	-	866	100	966	-	966
R Mosia#	-	-	-	-	-	-	-	709	100	809	260	1 069
S Rasethaba#	-	-	-	-	-	-	-	285	160	445	-	445
N Ramathlodi#	-	-	-	-	-	-	-	394	100	494	249	743
Prof Dr LCH Fourie#	-	-	-	-	-	-	-	394	100	494	-	494
	16 116	589	2 169	1 399	4 000	24 005	6 403	4 938	2 360	61 977	2 370	64 347

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

45. DIRECTORS' EMOLUMENTS (continued)

Figures in Rand	AYO Group										Other Group Company remuneration R'000	Total R'000	
	Basic salary R'000	Other benefits* R'000	Pension or provident fund contribution receivable R'000	Bonus R'000	Sign on Bonus R'000	Short-term incentive R'000	Long-term incentive R'000	Directors' fees R'000	Consulting fees R'000	Total R'000			
2020													
H Plaatjes*	3 486	-	318	321	-	3 000	1 100	-	-	8 225	-	8 225	
IT Bundo*	2 857	43	262	268	-	2 500	1 000	-	-	6 930	-	6 930	
V Govender*	2 579	-	197	235	-	1 800	600	-	-	5 411	-	5 411	
Khalid Abdulla	1 935	33	93	-	4 000	-	-	-	-	6 061	2 358	8 419	
AB Amod^	-	-	-	-	-	-	-	750	100	850	794	1 644	
Dr W Mgoqi#	-	-	-	-	-	-	-	1 125	100	1 225	-	1 225	
Dr D George#	-	-	-	-	-	-	-	825	100	925	-	925	
R Mosia#	-	-	-	-	-	-	-	600	100	700	207	907	
S Rasethaba#	-	-	-	-	-	-	-	450	100	550	-	550	
N Ramathlodi#	-	-	-	-	-	-	-	300	100	400	458	858	
Prof Dr LCH Fourie#	-	-	-	-	-	-	-	50	-	50	-	50	
I Amod^	-	-	-	-	-	-	-	525	100	625	413	1 038	
	10 857	76	870	824	4 000	7 300	2 700	4 625	700	31 952	4 230	36 182	

* Executive Directors

^ Non-Executive Directors

Independent Non-Executive Directors

* Other benefits comprise travel allowance and medical benefits

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

AB Amod was remunerated by AEEI an amount of R682 496 (2020: R206 510), by Premier an amount of R399 692 (2020: R587 169) and by Health Systems Technologies Limited ("HST") an amount of R480 000 (2020: Rnil). AEEI, HST and Premier remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

K Abdulla was remunerated by AEEI an amount of R2 358 000 in the prior year. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

R Mosia was remunerated by Premier an amount of R260 204 (2020: R206 510). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

N Ramathlodi was remunerated by AEEI an amount of Rnil (2020: R251 093) and by Premier an amount of R249 361 (2020: R206 510). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

I Amod was remunerated an amount of R172 083 (2020: R206 510) by AEEI and an amount of R126 487 (2020: R206 510) by Premier. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

45. DIRECTORS' EMOLUMENTS (continued)

Direct and indirect interest of the directors

As at 31 August 2021, the directors of the Company held in aggregate a direct beneficial interest of 3 750 (2020: 3 750) and an indirect non-beneficial interest of 3 000 000 (2020: 3 000 000) in the Company's shares, equivalent to 0.8729% (2020: 0.8729%) of the issued share capital.

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2021					
I Amod	1 250	-	-	-	0.0004%
AB Amod	1 250	-	-	-	0.0004%
S Young	1 250	-	-	-	0.0004%
D George	-	-	-	3 000 000	0.8718%
	3 750	-	-	3 000 000	0.8729%
2020					
I Amod	1 250	-	-	-	0.0004%
AB Amod	1 250	-	-	-	0.0004%
S Young	1 250	-	-	-	0.0004%
D George	-	-	-	3 000 000	0.8718%
	3 750	-	-	3 000 000	0.8729%

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT

The overall responsibility for the establishment and oversight of the risk management framework rests with the board of directors. The board of directors, through the audit and risk committee is responsible for the development and monitoring of the risk management process of the Group. The Group's risk management is predominantly controlled by the Group's risk officer who identified, evaluated risks with input from the Group's executives under policies approved by the board of directors.

The Group's activities expose it to several financial risks. The table below summarises the Group's exposure to financial risk and how they are managed.

Risk	Exposure arising from	Measurement	Management
Liquidity risk	Trade payables, lease obligations, contingent consideration arrangements, derivative financial liabilities, and guarantees	Cash flow forecasts	Available cash resources, borrowing facilities.
Credit risk	Trade receivables, loans receivable, finance lease receivable and cash and cash equivalents	Credit ratings for banks and aging analysis	Credit evaluation, securities, use of credit limits, diversification of bank deposits
Market risk - Foreign currency rates	Loans at variable rates of interest	Sensitivity analysis	Not applicable
Market risk - Foreign currency rates	Trade debtors, cash and cash equivalents and trade payables denominated in foreign currency	Sensitivity analysis	Use of forward contracts
Market risk - share prices	Investments in equity shares	Sensitivity analysis	Diversification of investment portfolio

Liquidity risk

Liquidity risk is the risk that an entity within the Group might not be able to meet its financial obligations when they fall due. Liquidity risk for the Group arises from trade payables, lease obligations, contingent consideration arrangements, written put options, other financial liabilities and guarantees.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT (continued)

Risk management

The Group manages liquidity risk by maintaining sufficient cash resources and obtaining adequate amounts of credit facilities from banks to ensure that the Group has adequate funding to settle its commitments when they are due. The entities within the Group perform a rolling monthly forecast of projected cash inflows and cash outflows. Net cash requirements are compared to available cash resources to determine if there any shortfalls. As at the reporting date the forecast cash flows show that the available cash resources are expected to be sufficient over the forecast period of 12 months from the reporting date.

As at the reporting date the entities in the Group had access to undrawn borrowing facilities with the following banks:

Facility	Bank	2021 R'000	2020 R'000
Overdrafts (expiring within one year)	Absa	-	5 000
Overdrafts (expiring within one year)	Nedbank	7 000	7 000

The overdraft facilities are renewable on a yearly basis at various dates during the calendar year. The bank overdraft facilities may be drawn at any time.

Maturity profiles of financial liabilities

The table below summarises the maturity profile of the financial liabilities of the Group. The amounts disclosed in the table are the remaining undiscounted contractual cash outflows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within one year R'000	Between one to five years R'000	More than five years R'000	Total R'000	Carrying amount R'000
As at 31 August 2021					
Other financial liabilities	2 136	-	-	2 136	2 136
Derivative financial liability	-	19 953	-	19 953	19 953
Lease liabilities	37 046	78 321	28 695	144 062	144 062
Trade payables	312 312	-	-	312 312	312 312
Contingent consideration liabilities	24 228	-	-	24 228	24 228
Loans to related party	10 601	-	-	10 601	10 601
Total	386 323	98 274	28 695	513 292	513 292

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT (continued)

	Within one year R'000	Between one to five years R'000	More than five years R'000	Total R'000	Carrying amount R'000
As at 31 August 2020					
Other financial liabilities	887	-	-	887	887
Lease liabilities	24 984	17 743	2 328	45 055	45 055
Trade payables	264 015	-	-	264 015	264 015
Contingent consideration liabilities	-	5 097	-	5 097	5 097
Bank overdraft	3 424	-	-	3 424	3 424
Derivative financial liability	-	-	7 587	7 587	7 587
Total	293 310	22 840	9 915	326 065	326 065

Credit risk

Credit risk is the risk that an entity within the Group incurs a financial loss resulting from a borrower failing to repay a loan, advance or meet contractual obligations. Credit risk for the Group arises from trade receivables, finance receivables, cash and cash equivalents, and contractual cash flows of loans and other financial assets carried at amortised cost.

Risk management

The Group advances loans to related party companies and joint venture companies based on working capital requirements. Management assesses the cash flow forecast, budgets, the borrowing entity's statement of financial position and forecast financial performance before a loan is granted. Loans are granted to companies which have a positive cash flow forecast, history of trading profitably and have a profitable financial performance forecast.

If customers are independently rated, these ratings are used to determine the credit limit granted to the customer. If there is no independent rating, executive management assesses the credit quality of the customer by considering its financial position, past experience and other factors to determine the credit limit granted to the customer.

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

Trade receivables are comprised of a widespread customer base. The Group revenue is derived primarily from private sector with 40% coming from the public sector. However, the Group trade receivables are accounting almost 50% from government debtors.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT (continued)

Security

For some loans receivable the Group may obtain security in the form of guarantees or the respective company's assets, which can be called upon if the counterparty is in default under the terms of the agreement.

Impairment of financial assets

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

- Trade receivables – refer to note 15
- Loans to related party companies, Other loans receivables and Other financial assets – refer to note 8 and 9

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss on cash and cash equivalents.

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

	2021 R'000	2020 R'000
Financial asset		
Other loans receivable	253 017	205 081
Other financial assets	146 904	24 228
Trade and other receivables	487 512	666 944
Cash and cash equivalents	2 163 722	3 221 747
Loans to related party companies	260 794	186 063
Total	3 311 949	4 304 063

The exposure to credit risk for trade receivables by geographic region as at 31 August 2021 was as follows:

	2021 R'000	2020 R'000
Geographic region		
South Africa	478 388	465 079
Rest of Africa	9 084	7 246
Europe	40	3 661
Total	487 512	472 325

The exposure to credit risk for trade receivables by sector as at 31 August 2021 was as follows:

	2021 R'000	2020 R'000
Sector		
Private	250 990	192 521
Government institutions	236 522	283 465
Total	487 512	475 986

Cash flow interest rate risk

The Group's main interest rate risk arises from loans with variable rates, which expose the Group to cash flow interest rate risk.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT (continued)

Risk management

The Group's loan receivables are comprised of loans that have interest rates which are linked to the prime rate. The Group has not hedged against changes in the prime rate.

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

Interest risk sensitivity analysis

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and loans receivable because of changes in interest rates. The following table shows the impact on the Group's profit before tax if interest rates were 3% (2020: 3%) higher or lower as at the reporting date. The sensitivity analysis includes the financial assets and financial liabilities balances with variable interest rates at financial year-end, with all other variables held constant.

	2021 R'000	2020 R'000
Impact on profit before tax		
Interest rate - increase by 3% (2020: 3%)	(4 939)	(7 254)
Interest rate - decrease by 3% (2020: 3%)	4 939	7 254

Cash flow foreign currency risk

The Group's foreign exchange risk arises from cash and cash equivalents, trade debtors and trade creditors denominated in foreign currency at reporting date.

Risk management

The entities in the Group manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using forward contracts.

Foreign currency balances

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

	2021 USD'000	2020 USD'000
Cash and cash equivalents	2 893	1 987
Trade debtors	249	1 440
Trade payables	2 178	1 952
	2021 EURO'000	2020 EURO'000
Cash and cash equivalents	-	1
Trade payables	-	151
	2021 POUND'000	2020 POUND'000
Cash and cash equivalents	37	131
Trade debtors	25	64

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

46. FINANCIAL RISK MANAGEMENT (continued)

Exchange rates used for the conversation of foreign currency denominated assets and liabilities at the reporting date were:

	2021	2020
United States Dollar	14.67	16.95
EURO	-	19.74
British Pound	20.03	22.44

Foreign currency sensitivity analysis

Profit or loss is sensitive to higher/lower foreign exchange gains because of changes in conversation rates. The following table shows the impact on the Group's profit before tax if the Rand weakened against the US dollar by 10% (2020: 6%), Euro by 10% and British Pound by 13% (2020: 13%) as at the reporting date. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at financial year-end for a weaker rand, with all other variables held constant.

	2021 R'000	2020 R'000
Increase in profit after tax		
USD exchange rate - increase by 6% (2020: 10%)	27	5 045
USD exchange rate - strengthens by 6% (2020: 10%)	(27)	(5 045)
	2021 R'000	2020 R'000
Increase in profit after tax		
EURO exchange rate - increase by 10%	-	(296)
EURO exchange rate - strengthens by 10%	-	296
	2021 R'000	2020 R'000
Increase in profit after tax		
POUND exchange rate - increase by 13%	-	576
POUND exchange rate - strengthens by 13%	-	(576)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

47. FAIR VALUE INFORMATION

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:

	Notes	Fair value hierarchy
Financial assets		
Other financial assets – not designated at fair value through profit/(loss)	11	Level 2
Other financial assets – designated at fair value through profit/(loss)	11	Level 2
Other financial assets – designated at fair value through profit/(loss)	11	Level 1
Trade receivables	15	Level 3 ¹
Cash and cash equivalents	16	Level 1 ²
Foreign exchange contract	11	Level 1 ¹
Investments at fair value through profit/(loss)	10	Level 3
Financial liabilities		
Other financial liabilities	19	Level 3 ¹
Trade payables	24	Level 3 ¹
Bank overdraft	16	Level 1
Contingent consideration liability	25	Level 3
Derivatives – Put options over non-controlling interests	20	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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

47. FAIR VALUE INFORMATION (continued)

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

	Fair value at 31 August 2021 R'000	Fair value at 31 August 2020 R'000	Valuation method	Fair value hierarchy
Financial assets				
Investments at fair value through profit/(loss)				
Bambelela Capital Proprietary Limited	91 408	31 139	*Percentage of net assets value	Level 3
4Plus Technology Venture Fund Africa Proprietary Limited	19 818	31 782	Discounted cash flow	Level 3
Last Mile Logistics Africa Proprietary Limited	11 915	-	Discounted cash flow	Level 3
Louisyahna Creations Proprietary Limited	2 000	-	Discounted cash flow	Level 3
Total investments at fair value through profit/(loss)	125 141	62 921		
Other financial assets - designated at fair value through profit/(loss)				
Cadiz Investment Enterprise Development Fund	1 005	9 702	^Investor statement	Level 2
Numus Capital Proprietary Limited	17 411	1 080	^Investor statement	Level 1
Vunani Securities Proprietary Limited	116 983	-	^Investor statement	Level 1
Total other financial assets - designated at fair value through profit/(loss)	135 399	10 782		
Financial liabilities				
Written put options over non-controlling interests	19 953	7 587	Binominal option pricing model	Level 3
Contingent consideration liabilities	24 228	5 097	Discounted cash flow	Level 3
Total financial liabilities	44 181	12 684		

* The value is determined by identifying the net assets of the relevant entity and multiplying the percentage shareholding held.

^ The value is based on the value of the portfolio as indicated in the investor statement.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

47. FAIR VALUE INFORMATION (continued)

Reconciliation of assets and liabilities measured at level 2 and 3

	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Transfers R'000	Closing balance R'000
31 August 2021						
Financial assets						
Investments at fair value through profit/(loss)						
Bambelela Capital Proprietary Limited	31 139	-	-	60 269	-	91 408
Loot B2B Proprietary Limited	-	10 000	-	(10 000)	-	-
4Plus Technology Venture Fund Africa Proprietary Limited	31 782	14 000	-	(25 964)	-	19 818
Last Mile Logistics Africa Proprietary Limited	-	-	-	11 915	-	11 915
Louisyahna Creations Proprietary Limited	-	2 000	-	-	-	2 000
Total investments at fair value through profit/(loss)	62 921	26 000	-	36 220	-	125 141
Other financial assets - designated at fair value through profit/(loss)						
Cadiz Investment Enterprise Development Fund	9 702	1 005	(9 702)	-	-	1 005
Numus Capital Proprietary Limited	-	17 411	-	-	-	17 411
Vunani Securities Proprietary Limited	-	116 983	-	-	-	116 983
Total other financial assets - designated at fair value through profit/(loss)	9 702	135 399	(9 702)	-	-	135 399
Financial liabilities						
Written put options over non-controlling interests	7 587	-	-	12 366	-	19 953
Contingent consideration liabilities	5 097	24 228	-	(4 544)	(553)	24 228
Total financial liabilities	12 684	24 228	-	7 822	(553)	44 181

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

47. FAIR VALUE INFORMATION (continued)

	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Closing balance R'000
31 August 2020					
Financial assets					
Investments at fair value through profit/(loss)					
Bambelela Capital Proprietary Limited	16 182	-	-	14 957	31 139
Loot B2B Proprietary Limited	2 850	-	-	(2 850)	-
4Plus Technology Venture Fund Africa Proprietary Limited	5 587	107 985	-	(81 790)	31 782
Total investments at fair value through profit/(loss)	24 619	107 985	-	(69 683)	62 921
Other financial assets - designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	10 234	-	-	(532)	9 702
Oasis Proprietary Limited	-	-	-	-	-
Nesa Capital Fund	188	-	(188)	-	-
Total other financial assets - designated at fair value through profit/(loss)	10 422	-	(188)	(532)	9 702
Financial liabilities					
Written put options over non-controlling interests	3 934	-	-	3 653	7 587
Contingent consideration liabilities	42 344	-	(38 625)	1 378	5 097
Total financial liabilities	46 278	-	(38 625)	5 031	12 684
				2021	2020
Cost of debt				5.11%	7% - 7.8%
Beta				0.51 - 1.62	0.44 - 1.4
Weighted average cost of capital				17.76% - 24%	15.45% - 22.85%
Specific risk premium				1% - 6%	1% - 6%
Debt-equity ratio				6% - 41%	0% - 50%
Terminal growth rate				4.50%	3.2% - 4.5%
Risk free rate				9.69%	7.35% - 7.38%

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

47. FAIR VALUE INFORMATION (continued)

Key inputs used in measuring fair value of investments and 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 below:

	Weighted average cost of capital	
	Increase	Decrease
Contingent consideration liability	10%	10%
Kathea Communications Proprietary Limited (R'000)	2 017	(2 410)
	Risk free rate	
	Increase	Decrease
	1%	1%
Written NCI put options		
Mainstreet Group ('000)	497	(507)
Global Command and Control Technologies Proprietary Limited (R'000)	(102)	104
	395	(403)
	Share price	
	Increase	Decrease
	10%	10%
Investments		
Bambelela Capital Proprietary Limited (R'000)	42 463	(42 463)

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

	Weighted average cost of capital	
	Increase	Decrease
	1%	1%
Investments		
4 Plus Technology Venture Fund Africa Proprietary Limited (R'000)	85 211	(48 563)
Last Mile Logistics Africa Proprietary Limited (R'000)	11 603	(13 142)
	96 814	(61 705)

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 consolidated annual financial statements (continued)

for the year ended 31 August 2021

48. SEGMENTAL ANALYSIS

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

Geographical information

The operations of the Group are mainly domiciled in South Africa. A total of 6% (2020: 3%) of external revenue is attributable to foreign sales mainly to African countries, India and Europe.

Major customers

40% (2020: 29%) of the Group's revenue is derived from the public sector, mainly in the Western Cape, and is derived from the health care segment and managed services segment. The balance relates to sales to the private sector.

	Segmental revenue		Segmental gross profit			
	2021 R'000	2020 R'000	2021 R'000	2020 R'000		
Software and consulting	43 607	56 954	9 310	20 840		
Security solutions	226 585	344 881	80 704	111 729		
Unified communications	190 163	90 793	51 519	27 423		
Health care	89 932	120 251	35 498	39 190		
Tracking solutions	111 063	89 365	29 708	29 541		
Managed services	1 038 142	2 182 970	239 862	396 633		
Total	1 699 492	2 885 214	446 602	625 356		
Administration and support services			(783 024)	(692 846)		
Other operating income			(84 421)	68 569		
Other operating gains/(losses)			10 873	(82 562)		
Movement in credit loss allowances			33 798	(59 827)		
Finance income			164 639	241 794		
Finance costs			(13 529)	(17 429)		
Profit on equity accounted investment			24 539	20 571		
Total revenue and profit before taxation	1 699 492	2 885 214	(200 523)	103 626		
	Segmental finance income		Segmental finance costs		Segmental taxation	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Software and consulting	67	248	(123)	(103)	(1 743)	(1 870)
Security solutions	247	412	(263)	(37)	156	(6 225)
Unified communications	563	1 728	(703)	(1 720)	(2 890)	(2 413)
Health care	1 442	2 081	(203)	(158)	(3 351)	(5 303)
Tracking solutions	1 398	2 022	(691)	(1 497)	2 750	1 064
Managed services	160 922	235 303	(11 546)	(13 915)	(52 502)	(56 099)
Total	164 639	241 794	(13 529)	(17 430)	(57 579)	(70 846)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

48. SEGMENTAL ANALYSIS (continued)

Segmental assets	2021 R'000	2020 R'000
Software and consulting	14 633	28 611
Security solutions	59 790	68 760
Unified communications	132 986	97 166
Health care	89 594	92 229
Tracking solutions	87 249	90 905
Managed services	3 820 097	4 566 686
Total segmental assets	4 204 349	4 944 357
Unallocated*	22 237	44 546
Total consolidated assets	4 226 586	4 988 903

Segmental liabilities	2021 R'000	2020 R'000
Software and consulting	9 880	12 937
Security solutions	23 596	34 540
Unified communications	57 303	31 227
Health care	8 802	24 358
Tracking solutions	12 654	13 826
Managed services	521 573	575 924
Total segmental liabilities	633 808	692 812
Unallocated*	(7 349)	-
Total consolidated liabilities	626 459	692 812

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

	Depreciation and amortisation		Additions to property, plant, equipment, right-of-use of assets and intangible assets	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Software and consulting	1 033	865	2 977	1 999
Security solutions	-	518	-	-
Unified communications	6 759	1 222	63 921	1 177
Health care	3 920	2 115	6 556	7 953
Tracking solutions	7 229	6 284	97	1 705
Managed services	52 374	62 763	162 352	22 015
Total	71 315	73 767	235 903	34 849

Non-current assets held for sale

Management made the decision to dispose of the investment in Puleng which falls into the Security Solutions division. This investment has been classified as held for sale as at 31 August 2021.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

49. EVENTS AFTER THE REPORTING PERIOD

On 23 September 2021, AYO subscribed for 30% of ordinary shares in Crealpha Proprietary Limited (“Crealpha”) for a nominal amount. As part of the shareholders agreement AYO has also provided Crealpha with a R30 million working capital loan to enable the company’s expansion. Crealpha is a cloud data services business that enables the Group to expand its service offering as part of the Group’s go-to-market strategy.

On 1 October 2021, AYO subscribed for an additional 30 ordinary shares in 4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”) for a subscription price of R24 million. AYO now holds a total of 28% of the ordinary shares in issue of 4Plus.

On 11 October 2021, AYO subscribed for 25% of ordinary shares in AOH Enterprises Proprietary Limited (“AOH”) for a subscription price of R2 850 000. AOH Enterprises specializes in property technology and allows AYO to be a part of a rising disruptive technology.

A gross final dividend of 30 cents per share in South African rand has been declared by the Board of Directors in respect of the year ended 31 August 2021. Refer to the directors’ report for more information.

AYO has a 24% equity interest in Global Command and Control Technologies Proprietary Limited (“GCCT”). AYO controlled GCCT in terms of IFRS 10 Consolidated Financial Statements as it had a majority representation of directors on the board of GCCT. Effective 1 November 2021, AYO no longer controls GCCT as it no longer has majority representation of directors on the board of GCCT. GCCT is now controlled by the majority shareholder, African Equity Empowerment Investments Limited. Based on 2022 financial year budget this result in a loss of revenue of R102 million that would have been consolidated had AYO maintained control of GCCT.

On 1 November 2021, AYO concluded an asset for share agreement in which AYO disposed of its 100% shareholding in Puleng Technologies Proprietary Limited (“Puleng”) for a consideration of R20 million in exchange for redeemable and cumulative preference shares of the purchaser of R20 million. Puleng is a cyber security company which focuses on the development of efficient Governance, Risk and Compliance (GRC) programmes and providing data centre infrastructure which effectively protects sensitive client data.

On 23 November 2021, Mr I Amod resigned as an executive director of the Company.

Management has assessed 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 Covid-19. As at the date of publication of the financial statements, management consider the ECL as disclosed in note 10 to be appropriate and no further adjustment is required to the annual financial statements.

On 26 November 2021, the Group disposed of the licensing rights of the Naviga software systems to LMLS for a consideration of R22.3 million subject to certain conditions precedent being met. At the time of publication of these results these conditions precedent were not yet met.

As at 31 August 2021 AYO had a loan receivable from Sizwe R55 million. On 04 December 2021 AYO entered into an agreement in which LMLS took over the loan with Sizwe in exchange for a loan between AYO and LMLS.

On 30 September 2021, the South African President announced that a number of South Africa’s lockdown regulations which came about as a result of the global Covid-19 pandemic will be relaxed as the country moves to a level 1 lockdown from 1 October 2021. Management has assessed this as a non-adjusting event after reporting period. The Company has been able to operate during the lockdown period when stricter restrictions were imposed. As at the date of issue of these reviewed provisional condensed financial results, management has assessed that this event currently has a negligible anticipated impact on the operations and financial position of the Company for the foreseeable future. There has been no major changes to the restrictions level in South Africa since the Omicron. Our businesses have been able to operate as they did before the discovery of the Omicron variant.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

50. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Share holding 2021 %	Share holding 2020 %	Carrying amount 2021 R'000	Carrying amount 2020 R'000
AYO International Holdings Proprietary Limited	100	100	-	-
Global Command and Control Technologies Proprietary Limited	24	24	3 940	-
Kalula Communications Proprietary Limited	76	76	22 087	4 062
Main Street 1653 Proprietary Limited	40	40	19 577	29 691
Puleng Technologies Proprietary Limited	100	100	-	170 289
Sekunjalo Medical Services Proprietary Limited	100	100	83 486	76 576
Software Tech Holdings Proprietary Limited	42.59	42.59	5 706	3 202
Zaloserve Proprietary Limited	49.5	55	100 913	176 232
NSX Solutions Consulting Proprietary Limited	100	100	-	-
Kathea Communication Solutions Proprietary Limited	100	-	86 401	-
			322 110	460 052

The Group lost control of Mantella 634 Trading Proprietary Limited on 31 August 2020.

Gains/(loss) on disposal of subsidiary
The gain/(loss) on disposal of subsidiary has been included in other operating gains in the statement of profit or loss.

	2021 R'000	2020 R'000
Reconciliation of investments in subsidiaries		
Opening balance	460 052	689 688
Acquisitions	59 791	12 500
Disposal	(17 623)	-
Reclassification to non-current assets held for sale	(19 792)	-
Changes in fair values	(160 318)	(242 136)
Closing balance	322 110	460 052

Subsidiaries with material non-controlling interest

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

Subsidiary	Country of incorporation	Ownership held by non-controlling interest	
		2021	2020
Software Tech Holdings Proprietary Limited	RSA	57%	57%
Kalula Communications Proprietary Limited	RSA	24%	24%
Zaloserve Proprietary Limited	RSA	50.5%	45%
Global Command and Control Technologies Proprietary Limited	RSA	76%	76%
Main Street 1653 Proprietary Limited	RSA	60%	60%

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

50. INVESTMENTS IN SUBSIDIARIES (continued)

The country of incorporation and the principal place of business for all subsidiaries are the same in all cases. In the prior year, Headsets Solutions Africa Proprietary Limited had been erroneously included as a subsidiary, however, AYO has no control over it.

Refer note 39 for details on acquisitions.

	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Summarised statement of financial position for entities with non-controlling interest 2021							
Software Tech Holdings Proprietary Limited	5 747	8 886	14 633	1 555	9 070	10 625	2 725
Kalula Communications Proprietary Limited	5 253	60 165	65 418	41 039	26 717	67 757	(72)
Zaloserve Proprietary Limited	99 935	389 622	489 557	43 321	258 341	301 662	108 022
Main Street 1653 Proprietary Limited	57 216	170 715	227 931	89 394	89 245	178 639	38 307
Global Command and Control Technologies Proprietary Limited	9 457	77 792	87 249	54 536	57 443	111 979	(18 239)
	177 608	707 180	884 788	229 845	440 816	670 662	130 743

	Revenue R'000	Profit/(loss) before tax R'000	Tax expense R'000	Profit/loss after tax R'000	Other comprehensive income R'000	Total comprehensive income R'000	Profit/(loss) allocated to non-controlling interest R'000
Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest 2021							
Software Tech Holdings Proprietary Limited	43 607	408	(1 743)	(1 335)	(33)	(1 368)	(797)
Kalula Communications Proprietary Limited	97 665	2 623	(750)	1 873	-	1 873	450
Zaloserve Proprietary Limited	715 711	(31 557)	8 851	(22 707)	-	(22 707)	(11 467)
Main Street 1653 Proprietary Limited	326 262	37 030	(12 671)	24 359	-	24 359	18 630
Global Command and Control Technologies Proprietary Limited	111 063	(10 701)	2 750	(7 951)	-	(7 951)	(4 573)
	1 294 309	(2 197)	(3 564)	(5 761)	(33)	(5 794)	2 243

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

50. INVESTMENTS IN SUBSIDIARIES (continued)

	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/(decrease) R'000	Dividends paid to non-controlling interest R'000
Summarised statement of cash flow for entities with non-controlling interest 2021					
Software Tech Holdings Proprietary Limited	(675)	(193)	(9 009)	(9 877)	(5 794)
Kalula Communications Proprietary Limited	3 104	(26 322)	2 565	(20 653)	-
Zaloserve Proprietary Limited	(46 003)	(10 088)	33 334	(22 757)	-
Main Street 1653 Proprietary Limited	24 114	46 908	(63 257)	7 765	-
Global Command and Control Technologies Proprietary Limited	28 506	1 179	(6 828)	22 857	-
	9 046	11 484	(43 195)	(22 665)	(5 794)

	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Summarised statement of financial position for entities with non-controlling interest 2020							
Software Tech Holdings Proprietary Limited	5 239	23 372	28 611	688	12 249	12 937	10 321
Kalula Communications Proprietary Limited	6 550	71 472	78 022	41 513	41 017	82 529	(522)
Zaloserve Proprietary Limited	110 423	462 858	573 282	27 716	334 964	362 680	109 237
Main Street 1653 Proprietary Limited	64 335	220 047	284 381	133 712	125 703	259 415	17 161
Global Command and Control Technologies Proprietary Limited	22 347	68 558	90 905	58 759	53 220	111 979	(13 665)
	208 895	846 307	1 055 202	262 387	567 153	829 540	122 532

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2021

50. INVESTMENTS IN SUBSIDIARIES (continued)

	Revenue R'000	Profit/(loss) before tax R'000	Tax expense R'000	Profit/loss after tax R'000	Other comprehensive income R'000	Total comprehensive income R'000	Profit/(loss) allocated to to non- controlling interest R'000
Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest 2020							
Software Tech Holdings Proprietary Limited	56 954	6 677	(1 870)	4 807	66	4 872	3 318
Kalula Communications Proprietary Limited	95 296	(4 001)	(2 042)	(6 043)	-	(6 043)	(1 450)
Zaloserve Proprietary Limited	1 441 354	61 565	(15 275)	46 290	-	46 290	16 895
Main Street 1653 Proprietary Limited	334 019	5 141	(2 875)	2 267	-	2 267	1 360
Global Command and Control Technologies Proprietary Limited	89 365	(11 983)	1 064	(10 919)	-	(10 919)	(8 298)
	2 016 988	57 399	(20 998)	36 401	66	36 467	11 825

	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/ (decrease) R'000	Dividends paid to non-con- trolling interest R'000
Summarised statement of cash flow for entities with non-controlling interest 2020					
Software Tech Holdings Proprietary Limited	3 546	(699)	(4 645)	(1 798)	(2 722)
Kalula Communications Proprietary Limited	(2 642)	(4 155)	31 491	24 694	-
Zaloserve Proprietary Limited	130 608	(17 721)	(31 247)	81 640	-
Main Street 1653 Proprietary Limited	(20 301)	(83 827)	72 153	(31 975)	-
Global Command and Control Technologies Proprietary Limited	2 863	(12 153)	16 734	7 445	-
	114 074	(118 555)	84 486	80 005	(2 722)

ayotsl.com



To download this report and other documents in this report series, visit www.ayotsl.com

