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## CONNECT WITH AYO

We encourage and welcome comments, feedback and suggestions on our reporting suits from all our stakeholders. Please direct your remarks to:

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Group Executive:  
Marketing and Communications  
email: [jeni.kostava@ayotsl.com](mailto:jeni.kostava@ayotsl.com)



To download this report and other documents in this report series, visit [www.ayotsl.com](http://www.ayotsl.com)



# INTEGRATED REPORT 2022



## Reflections

The past year has been one of turmoil and uncertainty but we look forward to growing revenue, continued commitment to servicing clients, positively impacting the communities in which we operate and creating value for our stakeholders.

Join us as we reflect on our journey.

## 2022 Highlights

REVENUE  
**1.8 billion**  
▲ 3%

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EPS  
**(78.60) cents**  
▼ (4%)

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HEPS  
**(60.25) cents**  
▲ 10%

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“THERE HAVE BEEN SOME CHALLENGES THAT HAVE RADICALLY ALTERED HOW WE DO BUSINESS. HOWEVER, I AM CONFIDENT THAT WITH OUR SOLID TURN-AROUND STRATEGY, WE WILL RETURN TO GROWTH IN THE NEXT 18-24 MONTHS”  
HOWARD PLAATJES, CEO



# INTRODUCTION

# Presenting AYO's 5th Annual Integrated Report

**The annual integrated report is our primary and most comprehensive report to all our stakeholders.**

This report aims to provide accurate, balanced insight into AYO's ongoing ability to create and sustainably preserve value while mitigating its erosion over time in relations to the six capitals. It describes our business model, strategy, material issues, risks and opportunities, governance, performance and impact. It strives to present a holistic snapshot of where we are on our journey to create a truly African globally-competitive technology business that enables and empowers all sectors of our society, while offering an outstanding investment opportunity and returns.

## TARGET AUDIENCE

The integrated report aims to address the information needs of all our stakeholders, including investors and shareholders, regulators, employees, partners, clients and society. Further in-depth data and information that may be of interest to specific audiences is available in the specialised reports in our reporting suite and on our website at [www.ayotsl.com](http://www.ayotsl.com).

## REPORTING SUITE

As part of our comprehensive integrated, financial and ESG reporting our 2022 reporting suite includes publications with detailed disclosures on our performance, governance and outcomes.



## GROUP ANNUAL FINANCIAL STATEMENTS

This report includes detailed data relating to the Group's respective financial position and performance. The information enables readers to assess our financial strength and outlook and includes risk and regulatory disclosures. It is of primary interest to the investment community, analysts, regulators and financial service providers.



## NOTICE OF AGM

The notice of AGM includes all relevant information as well as forms for electronic and proxy participation for our shareholders.

## REPORT STRUCTURE

We strive to continually improve the quality of our reporting to enable stakeholders to make an informed assessment of both our up-to-date performance and future prospects for value creation. This report includes four sections, which describe all aspects of our business and their relevance to our ability to create and sustainably preserve value:

AYO ECO-SYSTEM	STRATEGY	GOVERNANCE	PERFORMANCE
<div data-bbox="207 769 521 1058"> <p><b>INTERNAL ENVIRONMENT</b></p>  </div> <div data-bbox="207 1081 521 1401"> <p><b>EXTERNAL ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>• Business context</li> <li>• Stakeholders' needs</li> </ul> </div> <p>A comprehensive description of our Group and our business context</p>	<ul style="list-style-type: none"> <li>• Chairman's address</li> <li>• Our value creation model</li> <li>• Our capitals</li> <li>• Risks/opportunities</li> <li>• Material matters</li> </ul> <ul style="list-style-type: none"> <li>• Focus areas</li> <li>• Strategic trade-offs</li> <li>• Key performance indicators</li> </ul> <p>A summary of our resources (capitals), matters material to our business, critical risks and opportunities and our strategic decisions and trade-offs in our value creation endeavours.</p>	<ul style="list-style-type: none"> <li>• Our Board and governance structure</li> <li>• Committee reports                             <ul style="list-style-type: none"> <li>- Nominations committee</li> <li>- Audit and risk committee</li> <li>- Investment committee</li> <li>- Social, ethics and transformation committee</li> <li>- Remuneration committee</li> </ul> </li> </ul> <p>An overview of how our ethical leadership and good governance practices support the creation and preservation of stakeholder value, while minimizing its erosion.</p>	<ul style="list-style-type: none"> <li>• CEO address</li> <li>• Operational reviews</li> <li>• Corporate affairs director's review</li> <li>• Our impact</li> <li>• CFO address</li> <li>• Extracts from annual financial statements</li> </ul> <p>A consolidated presentation of our performance and analysis of our value-creation outcomes.</p>
<p>Page 11 - 33</p>	<p>Page 34 - 57</p>	<p>Page 58 - 75</p>	<p>Page 76 - 95</p>

### NAVIGATING THIS REPORT

Our capitals, focus areas and stakeholder groups are integral to our decision making and reporting. The following 3 sets of icons are used throughout this document for easy reference to these common themes.

#### OUR CAPITALS



FINANCIAL CAPITAL



HUMAN CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



INTELLECTUAL CAPITAL



MANUFACTURED CAPITAL



NATURAL CAPITAL

#### FOCUS AREAS



DISPUTE RESOLUTION



PEOPLE DEVELOPMENT



VALUE PRESERVATION



BRAND REPUTATION

#### STAKEHOLDERS' INTERESTS



EMPLOYEES



SUBSIDIARIES



SHAREHOLDERS



REGULATORS



SOCIETY

## REPORTING PERIOD

This report covers the 2022 financial year, which runs from 1 September 2021 to 31 August 2022. It also covers any material events after this date up until the Board approval date of 20 December 2022.

## BOUNDARY AND SCOPE

The information included in this report relates to activities and events at Group level, but also includes disclosures relating to our operating subsidiaries both in terms of financial and non-financial performance.

The financial reporting boundary has been set to include results of all AYO's subsidiaries, strategic investments, joint ventures and associated companies. The integrated reporting boundary has been calibrated to reflect all material information and events within our economic, operating and regulatory environments that have the potential to affect our value creating abilities both in the past and going forward in time.



## OUR INTEGRATED REPORTING BOUNDARY

Our financial reporting boundary



Joint ventures

Associated companies

Subsidiaries

Strategic investments

**RISKS • OPPORTUNITIES • OUTCOMES**

EMPLOYEES

SUBSIDIARIES

SHAREHOLDERS

REGULATORS

SOCIETY



### MATERIALITY

We apply the principle of materiality in assessing the issues and topics we discuss in this and our supplementary reports. Determining materiality is a Group-wide activity and our material matters are continuously reviewed in our business strategic planning cycle. An in-depth description of this process is presented in **the strategy section** of this report. The contents of the integrated report are based on the outcomes of this process.

### REPORTING FRAMEWORK AND COMPLIANCE

The integrated report is prepared in line with the principles and requirements of:

- the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework (2021)
- the Global Reporting Initiative (GRI) universal, sector and material topic standards
- the King IV Code of Corporate Governance (King IV™)
- the International Financial Reporting Standards (IFRS)
- the Johannesburg Stock Exchange (JSE) Listing Requirements
- the Companies Act No. 71 of 2008, as amended.

### ASSURANCE

The integrity of this report is endorsed by our coordinated assurance process, where AYO's executive committee and Board, with the oversight of the audit and risk committee, approve and sign-off the various sections for materiality and accuracy. Accredited service providers have rigorously assessed and provided assurance on selected non-financial metrics and disclosures. The Group's joint external auditors, Crowe JHB and THAWT Inc, have independently audited the consolidated annual financial statements and have reviewed the financial spreads extracted from the Group Annual Financial Statements in **the performance section** of this report. Their detailed auditor's report and unmodified audit opinion are published in the Group Annual Financial Statements.

## FORWARD-LOOKING STATEMENTS

This report includes certain statements that are forward looking. They may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'project', 'target', 'hope', 'predict' or 'intend'. By their nature, these statements involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. Known and unknown risks and other internal and external factors may affect such future events and may cause the actual results, performance and outcomes to differ materially from those expressed or implied by these forward-looking statements. No assurance can be given that these forward-looking statements will prove to be correct and stakeholders should not place undue reliance on such statements.

Forward-looking statements have not been reviewed or reported on by the Group's joint auditors.

Forward-looking statements made on 20 December 2022 at the time of publishing this report are informed by AYO's economic forecast and business plans as at 31 August 2022. The company does not undertake, other than in the terms stipulated in the JSE Listing Requirements, to update or revise any of these statements, whether as a result of new information, future events or otherwise.

## GROUP COMPANY SECRETARY CERTIFICATION

In terms of Section 88(2)(e) of the Companies Act, I, Wazeer Moosa, in my capacity as Group Company Secretary, confirm that, to the best of my knowledge, for the year ended 31 August 2022, AYO has filed with the Companies and Intellectual Properties Commission all such returns and notices, as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



**Wazeer Moosa**  
Group Company Secretary  
Cape Town  
20 December 2022

## BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility for ensuring the integrity of this integrated report. The directors confirm that this report provides a fair, balanced and appropriate account of the Group's strategy, risks, performance and prospects and addresses all material matters that impact or could impact AYO's capacity to create and preserve value in the short, medium and long term. The Board is confident that the integrated report has been prepared in accordance with the International <IR> Framework (2021) in all material respects.

This report was approved by the Board of directors of AYO on 20 December 2022.

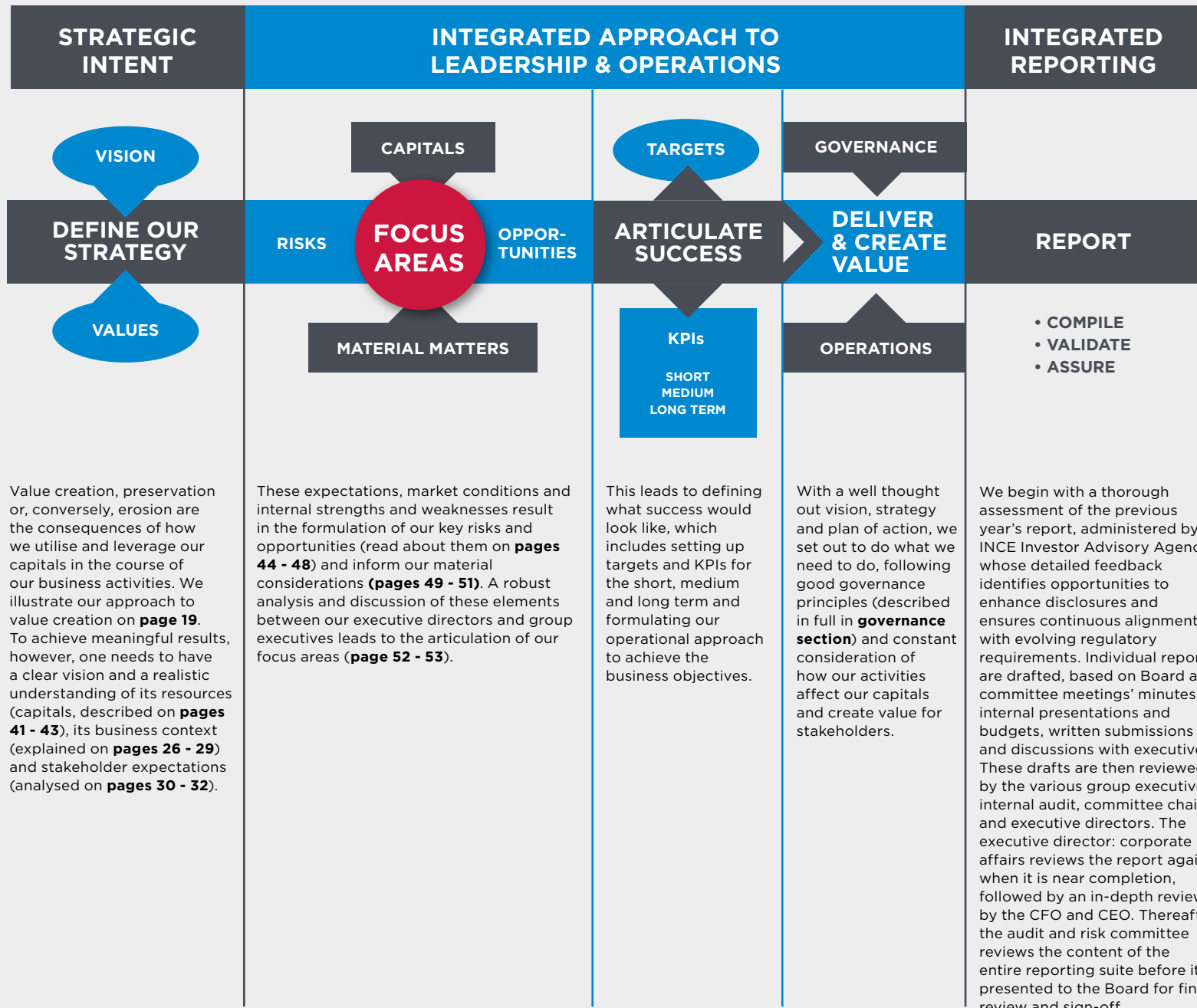
### Signed on behalf of the Board:



**Dr Wallace Mgoqi**  
Chairman  
20 December 2022



**Isaiah Tatenda Bundo**  
Chief Financial Officer  
20 December 2022



“INTEGRATING STRATEGY,  
RISK AND RESILIENCE LEADS  
TO BETTER DECISION-MAKING.”





In this section we describe material factors in our internal and external environment, which inform our strategy and decision making.

# AYO ECO-SYSTEM

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# The AYO Vision

## BUILDING AFRICA'S OWN TECH GIANT

The only constant in the world is change. Named by Fortune magazine as one of the “world’s 50 greatest leaders”, Peter Diamandis believes that the next decade will see more change than the last 50 years combined. And while change has always been driven by innovation, in this exciting 21st century, the true catalyst to progress is technology.

But progress is relative. It depends on one’s starting point. While the technology innovators in Silicon Valley are developing pizza delivery drones that bake the order enroute so it is “fresh out of the oven” at the drop-off point and creating medical robots that are capable of independently performing complicated heart surgery, the African continent is facing different calibre of challenges. Innovation that drives economic and social inclusivity, that provides access to quality healthcare or education would drive meaningful progress in Africa; not self-driving cars. Africa needs its own technology, technology that addresses its own crises, if it is to catapult into a prominent world state.

In 1999, at the eve of the 21st century, Alibaba was founded out of necessity. The established US-based e-commerce sector was not equipped to address the need of the enormous, vastly unbanked, Chinese population. By 2014 it was the largest e-commerce business in the world, raising \$25 billion in what was then billed the “world’s largest IPO”. A true technology giant.

With a myriad of unique problems to solve, perhaps it is Africa’s turn to produce the next global tech giant. Perhaps the building blocks are already in place. Perhaps the next technology unicorn is right in front of you, hiding in plain sight.



## AYO's Compelling Investment Case

AYO is a high growth-potential investment company that provides a good annuity income for investors, combined with a strong delivery on social value. It is an obvious choice for savvy investors, realizing significant long term value. AYO has been listed on the JSE since 2017 and our current asset base is valued at R3.8 billion.

JOIN THE AFRICAN TECHNOLOGY REVOLUTION



# About AYO

AYO is a technology investment company with interests in disruptive technologies that advance life, business and economics. Our extensive portfolio of subsidiaries and strategic investments offers high growth potential to our shareholders, while addressing fundamental needs and enabling essential services on the African continent.

We aspire to become a leading Africa-based technology group, pioneering smart living, working and playing throughout the continent and beyond. Thus, our investment decisions are informed by the most fundamental needs of our society and our ability to promote positive change through innovative technology. We believe that a future-focused strategic vision, followed by a disciplined approach, grit and executional excellence are the building blocks of a successful business.

## OUR BUSINESS PHILOSOPHY

We believe that a business' success and sustainability is determined by how well it solves a market's problem or fulfils a need. In essence, this is how a company creates and preserves value. The more fundamental the need being addressed, the bigger the business opportunity.

Therefore, AYO's starting point in defining our strategy begins with pinpointing the most pressing social needs and problems that we believe we have the capability and capacity to address. We look at the core, basic needs of our society, such as accessible healthcare, quality education and reliable telecommunications infrastructure as well as more temporary but pressing issues affecting the country, for example the electricity crisis and its impact on business and connectivity. We also consider wider, global challenges that affect South Africa and the rest of the world, such as climate change, agricultural sustainability and rich-poor gap. Having identified the critical issues we, as a nation, face, we then set off to apply our capitals and resources to develop or adapt the appropriate technology to find solutions that will have an exponential impact on our society.

At times this involves acquiring new businesses. At times it is about pivoting existing offerings or expanding our services. Sometimes we develop new technology from scratch and sometimes we adapt what we already have, to solve a different problem or service a different industry. Ultimately, the approach or the solution may vary, but the premise on which the business is built remains. The bigger the challenge and the better the solution, the more value we create for all.

## OUR APPROACH

Similarly, our investment approach begins with the concept of shared value in mind. What we can do for our investees is as important as what value they bring to our portfolio and what positive impact we can have on society together.

Managing a diverse portfolio of subsidiaries and investments, we believe in the power of the collective. At AYO, we share the powerful vision of empowering all lives on the African continent through technology, and we acknowledge that each business unit has a contribution to make towards this lofty goal. As custodian of the vision, our company's purpose is to create a collaborative environment that enables our diverse businesses to work together, explore synergies and unlock shared value.

We believe that working together, building on our diversity and individual strengths, we can solve more and bigger problems and ultimately, create more value for our society. Thus, our primary role is to create a conducive environment, that enables our companies to collaborate, pool resources and develop solutions to South Africa's biggest challenges.

As an investor, our role is to nurture and grow our investee companies. Like a "lawnmower parent", we believe in removing obstacles and providing support to our "children" when they face stumbling blocks, but respecting their independence and enabling them to trailblaze their own path to success. We offer earnest support wherever it may be needed - be it strategic direction, operational assistance or financial backing. But the approach is one of constructive input, rather than dogmatic command. The emphasis is on enabling growth and scale, so that together we can better solve our societal challenges, create opportunities, enhance lifestyles and initiate positive change.

## GLOBAL FOOTPRINT

The AYO Group services more than 500 organisational clients throughout the African continent, Europe, North America and Asia



## OEM AND SUPPLIER NETWORK

With over 120 principal OEM partnerships, the AYO Group is at the forefront of bringing international technology in Africa.



# AYO GROUP STRUCTURE

## Subsidiaries

KATHEA	100%
HST	100%
HEADSET SOLUTIONS	76%
SIZWE AFRICA IT GROUP	49.5%
SGT SOLUTIONS	40%
AFROZAAR	32%
DIGITAL MATTER	32%

## Associated companies

GC <sup>2</sup> T	24%
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## Joint ventures

### VUNANI FINTECH FUND

SNAPNSAVE	30%
BXCHANGE	27.4%
FLOW	10.9%
OZOW	14%
CLICK SURE	19.6%
BALNS	13%
LIFEQ	2.1%
RECOMED	13.9%
PAWAPAY	1.9%
PINEAPPLE	14.3%
PULSELIVE	10.4%

## Our value creation model

The business of an investment holding company is a mystery to many. How does a company that doesn't manufacture anything or offer any services work?

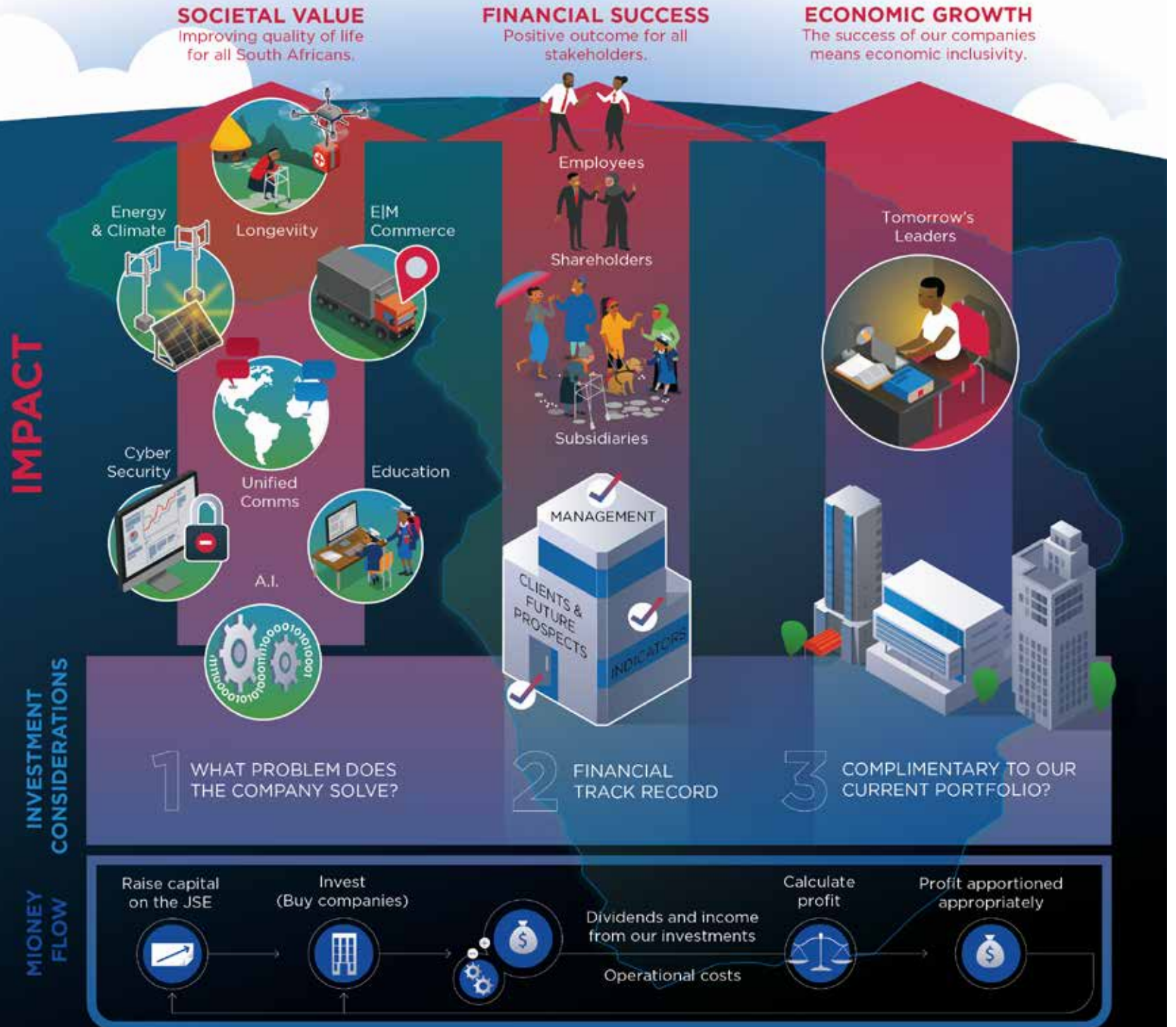
Like any other business, AYO uses its capitals, or resources, to create value for our stakeholders. While our inputs may not be as tangible as raw materials used in a manufacturing environment, they are extremely important to our investees. Sometimes the resources they need are financial, to fund scaling to the next economic tier. Sometimes they rely on our human capital to lend a hand with operational requirements that are better outsourced. And sometimes, it is the value of our OEM partner network that gives our companies the leg up they need to develop new cutting-edge products or enter new markets.

By supporting our subsidiary companies, we strive to grow them as individual businesses, which in turn, increases their own value, increases the value of our portfolio and ultimately, increases value for our shareholders and society. We earn fees and dividends from our investments, thus, the more successful they can be in the market, the better the return for our investors and stakeholders.



## AYO's Value Creation Model

Investment holding companies do not manufacture anything. There are no products, services or selling to customers; how does money flow in our system and how do we create value?



# AYO GROUP

## Our companies

The AYO Group is a conglomeration of subsidiaries, associated companies and strategic investments that touch on all aspects of technology and service all types of customers across various market segments. Their combined product range plays a critical role in South African infrastructure and services, while also providing opportunities for economic inclusivity, empowering communities and driving transformation. As we believe in the power of diversity, our portfolio is spread amongst companies and investments of different sizes, industries and lifecycle stages.

Our subsidiaries are companies, who benefit from our direct involvement through strategic direction (as we participate at Board level), operational support and financial backing. They are sizeable businesses, in their own right, who provide critical and essential services to corporate and government enterprises. On the other hand, our investments, like the Vunani Fintech Fund, are younger, growing firms, who deeply understand technology and utilise it in creative ways to make previously unavailable services accessible to the wider South African market. These emerging businesses rely vastly on agility and speed of execution. To facilitate this necessary flexibility, AYO's involvement with these companies is one of a financial enabler, rather than an actively involved parent brand.



Since 1980, Health System Technologies (HST) has been a specialist technology and software provider for the medical and health care industries. This 40 years plus track record speaks volumes for the agility and resilience of the company in an industry driven by innovation, where product lifecycles rarely last longer than a few years. It is this long-standing deep industry understanding and involvement that enables HST to develop products and services that completely and accurately address the challenges of the African health care sector.

HST's electronic patient record system has been used by medical and research facilities in the Western Cape for 23 years, continuously evolving in span and complexity. Their laboratory information system, developed in 2005, to this day remains the largest deployment of its kind in the world. Their products have been rolled out in Nigeria and Tanzania, while in the midst of the COVID pandemic in South Africa, the HST team integrated more than 28 independent laboratory software programmes enabling them to "talk to each other" to provide vital national statistics, including test results, patient data and infection rates.

Currently, HST is developing a prototype national healthcare registry, which is necessary for the implementation of the NHI bill.

**100%  
OWNED**



A value-added distributor of voice, audio-visual and video conferencing and workspace management tools, Kathea is a company focused on the future of work and collaboration in the 21st century. Their voice collaboration solutions range from cloud-based PABX, that route calls anywhere in the world sans the roaming charges to VoIP, Dect and WiFi phones. With Kathea's product range, service and sales centres based in Africa can cost-effectively service clients in Latin America, Europe, the US or the Far East.

Katheas workspace management wing has been the African representative of Condeco and iOffice+SpaceIQ - the two market leaders in the "smart workspace" environment. In October 2022 the two brands merged to form Eptura - now the largest global player with an estimated market value of USD 25 billion, placing Kathea in a fortunate position to represent the biggest world brand in the rapidly growing African market. Their workspace management systems are essential to the hospitality industry, retail and facilities management, as well as in the booming agile office space sector.

**100%  
OWNED**



For nearly three decades Headset Solutions, the authorised distributor of Poly, Jabra and Konftel for Africa, has been the supplier of choice for call centres and offices across the continent. Their extensive client list spans virtually all industries with customers like Capitec, Lufthansa, DHL and Massmart. Headset Solutions' product range includes quality, durable audio gear, as well as a wide range of video-conferencing equipment, integrated for collaboration platforms such as Zoom and Microsoft Teams.

With the proliferation of hybrid and remote working environments prompted by the COVID pandemic, Headset Solutions has enabled seamless business transition into the new ways of work for thousands of organisations, big and small, across every industry vertical. Boasting an impressive network of more than 800 channel partners and easy online access, the company is the leading distributor of telecommunications and consumer electronics in Africa.

**76% OWNED**



The largest revenue contributor to AYO's portfolio, Sizwe Africa IT Group offers managed services, technology infrastructure and support to major corporate and government clients, including South African Revenue Service (SARS), South African State Security Agency (SASSA), numerous government departments and municipalities and major corporates like Thamani Technologies and Systems and Telkom.

Since its inception in 1999, Sizwe's business has evolved to offer a wide range of services from cloud hosting and back-up to cyber security and data centre infrastructure. Having fostered OEM partnerships with more than 20 global brands, including Cisco, HP Enterprise, Microsoft, IBM, Huawei and many others, Sizwe is able to embed proprietary products and applications in customised, cost-effective offerings. Their progressive and future-orientated approach propels them to continuously innovate, adapt to evolving customer needs and bring cutting edge technologies to the African continent. In 2022 Sizwe Africa IT Group became the first and only local partner to obtain Cisco IoT Advantage certification, positioning them as the front runner of cyber security in a world where the staggering number of connected devices means growing security threats.

**49.5% OWNED**



Servicing customers throughout the SADC region, SGT Solutions is a highly technical business that few, if any, consumers would have heard about. Africa's vast and varied terrain requires multi-technology system to provide communications and network coverage reliably and cost-effectively to different points. In big metropolitan centres this involves the roll-out of fast-speed 5G network, which is one of SGT Solutions' offerings in partnership with Huawei in a continent-wide project. In less populated areas, however, the more cost-effective approach is to utilise radio microwave transmission linking mobile base stations with each other and with customers. The design, build, deployment and maintenance of this network is SGT's core service, utilised by customers including Vodacom, MTN, Telkom, Number Portability Company and air traffic and navigation users.

With South Africa plunging deeper and deeper into an energy crisis, SGT Solutions' DC power solutions are also fast becoming indispensable. The technology includes low cost, vandalism-proof DC modules, which sustain cell phone masts during extended periods of load shedding and enable continual signal transmission when AC power is not available.

**40% OWNED**



Mobile apps have been around since 2010 and so has Afrozaar. One of the early pioneers in the industry, for more than a decade the team at Afrozaar has been developing content management and distribution platforms, which provide memorable user experiences, incentivise community engagement and allow client organisations to monetise their digital assets. Something like a highly specialised Tik Tok for specific interests, like sport or travel.

Their Mojo Community platform offers passionate content creators and influencers the opportunity to share their best creative videos and photos in a competitive format with incentives and prizes across different challenges, such as the Travel Bug Challenge of the Food Fanatics Challenge. The platform has collaborated with major sporting brands including the British & Irish Lions, Sports Pro Media, Professional Squash Association and Welsch Cycling, transforming sports organisations into media powerhouses.

In the broader consumer segment, Afrozaar's augmented reality (AR) product, Augmenta, offers customers the opportunity to create engaging AR brand activations that build digital communities and foster deep consumer connection. Their creative, yet straightforward "no code" implementation makes augmented reality cost-effective and accessible to even the youngest of brands.

**32% OWNED**



A well-known player in the logistics industry, Digital Matter is the leading global developer of low-power GPS and IoT hardware for fleet and asset tracking and management. Their products, suitable and used across all industry sectors, include intuitive fleet tracking platform, remote device management system, battery-powered tracking and internet of things (IoT) sensor devices.

The Digital Matter team has recently developed a very successful tracking solution targeting specialised and niche tracking challenges in the market place. Tracksmart is a complete end-to-end solution providing a range of hardware, software and analytical services to assist with high-value asset monitoring requirements. Their newest products – Asset Auditor and Inspection One have also quickly gained popularity with the enterprise class target market.

Innovative solutions for property management, franchising, construction and utility clients have put Digital Matter at the forefront of digital asset management in South Africa. The company boasts an impressive list of corporate clients, including Columbus Stainless, Sappi, Engen, Sasol, Eskom, Cell C, Trafalgar Properties and many more.

**32% OWNED**



For the last 20 years, GC²T has been the national sovereign command and control capability of the Department of Defence. Today, the company is the leading technology provider for enabled awareness solutions across the commercial, security and military domains. Solutions include asset and force tracking across the globe (land, air or maritime), integrated situational awareness imagery to support managers, leaders and commanders to make informed and timeous decisions and constructive simulation technology. GC²T's training range, BattleTek, integrates live and virtual simulation systems to provide an all-encompassing LVC (live, virtual, constructive) experience for the ultimate practice of the "Art of War".

GC²T provides tracking, navigation, surveillance, simulation, air defence, command and control services to the South African Air Force, Denel and the African Union.

**24% OWNED**

“ WE ARE EVER MINDFUL OF THE NEED TO REMAIN RELEVANT BY DELIVERING A PORTFOLIO OF PRODUCTS, SERVICES AND SOLUTIONS THAT ENABLE OUR CLIENTS TO MEET THE INCREASING TECHNOLOGICAL DEMANDS/NEEDS AND MARKET SHIFTS DURING THE FOURTH INDUSTRIAL REVOLUTION WITH TECHNOLOGIES SUCH AS THE INTERNET OF THINGS, CLOUD-BASED SOLUTIONS, CYBER SECURITY, SERVICE AND TASK AUTOMATION AND THE ADVANCEMENT OF INDUSTRY-SPECIFIC SOLUTIONS.”

REV DR MEHANA, EXECUTIVE CHAIRMAN, SIZWE AFRICA IT GROUP



# AYO GROUP

## Strategic investments

**M-commerce solutions for Africa providing economic inclusivity to small and medium vendors and access to goods and services to consumers**

AYO's subsidiary companies are mature, scaled businesses that provide the Group with consistent revenue stream. Of course, the opportunity for exponential growth from such high base is, by definition, limited. This is where our strategic investments in fintech come in.

Managed and administered by Vunani Fintech Fund, AYO has invested R200 million between 2019 and 2022 in this fintech portfolio, which has produced 115% growth to date and was valued at R430 million as of 31 August 2022. The portfolio includes eleven companies, which connect and give access to various services, primarily via mobile platforms. In Africa, where 89% of web traffic is generated via smart phones, "online" practically means "mobile". Thus, Vunani's investments not only provide growth for shareholders and support for entrepreneurs, but essentially enable economic inclusivity for a substantial, previously untapped, market segment.



**30%  
INVESTMENT**



SNAPnSAVE

Highly scalable business, modelled after US-based Ibotta, SNAPnSAVE is a consumer loyalty programme, offering cash rewards for the purchase of products from participating brands. Customers include Johnson and Johnson, Pioneer Foods and Tiger Brands.



**27.4%  
INVESTMENT**



Powered by Google App Engine on a PaaS (platform as a service) basis, BXChange offers a mobile wallet with a pre-paid debit MasterCard to the under-served market within South Africa.



**10.9%  
INVESTMENT**



Mobile property marketplace connecting sellers and buyers, as well as landlords and tenants, with major customers including Seef, Broll, Remax and Century 21 Group.

**14%**  
INVESTMENT



An online payment gateway facilitating over R1.6 billion in monthly transactions for more than 1 million merchants.

**13.9%**  
INVESTMENT



A healthcare digital marketplace and booking platform connecting health care practitioners with their patients. In 2020 the platform was integrated in all Discovery client facing products, which represent 50% of the private health insurance market in South Africa.

**19.6%**  
INVESTMENT



Digital insurance platform servicing customers including WeFix, Massmart and Lewis retail groups.

**1.9%**  
INVESTMENT



A mobile money payment platform focused on the mobile money infrastructure provided by telecommunications companies in Africa. The platform processes more than 100 million transactions per year across 10+ African countries.

**13%**  
INVESTMENT



Developed by UCT students and co-funded by major Swiss banks, BLNS is a hardware wallet for blockchain payment transactions, allowing users to buy and trade between cryptocurrencies in a safe and cost-efficient way.

**14.3%**  
INVESTMENT



A peer-to-peer mobile insurance platform, which sells short term insurance products and performs intermediary services (acting as a user interface for the underlying insurer) via mobile app.

**2.1%**  
INVESTMENT



LIFEQ is a health monitoring app using non-invasive wearables (e.g. a smart watch) to measure specific parameters like oxygen inhalation levels and resting metabolic rate and provide health information and potential disease warnings including sleep apnea, diabetes or heart beat irregularities.

**10.4%**  
INVESTMENT



A sports social and media platform easily described as a mix of Strava and ESPN sport.

**AYO ECO-SYSTEM**

**OUR GROUP**



**EXTERNAL ENVIRONMENT**

- Business context
- Stakeholders' needs

## Business context

Our business does not exist in a vacuum. The environment in which we operate both informs and influences our strategic direction and our decision-making process. Global and regional economic, political and social developments, as well as the needs and expectations of our key stakeholders, affect our operations, pose risks and challenges, but also extend us the opportunity to play a significant role in South Africa's socioeconomic development and create value by promoting the achievement of UN SDGs locally.



# Economic and political environment

Below we describe some of the external events during the reporting period that have materially impacted on our strategy and operations and how our response to these creates value for our stakeholders and society.

## GLOBAL POLITICAL INSTABILITY

### Un SDGs impacted



### The context

With the Russian-Ukrainian conflict sending political and economic shocks throughout the globe, the African Union and its member states have re-prioritised expenditure on defence capabilities and command and control technologies.

### The opportunity



GC<sup>2</sup>T's command and control infrastructure is already deployed by the African Union's multi-national task force. By extending this offering to the individual member states, we have an opportunity to create a seamlessly integrated African defence system.

## SA ENERGY CRISIS

### Un SDGs impacted



### The context

South Africa’s energy grid has been experiencing a notable collapse in generating capacity since 2007. In 2022 the crisis has further exacerbated, having a devastating impact on the local economy. Unfortunately, the medium term outlook does not appear promising with rolling load shedding expected to continue within the next 5-10 years.

### The opportunity



Connectivity is one of the critical business requirements that has been severely impacted by the electricity shortage. While receiver devices at endpoint are sophisticated enough to function for reasonable periods sans power, it is of no use when the actual masts are disconnected and cannot emit signal. SGT has seized this opportunity to instal and service reliable power solutions for its customer base, thus solving a pressing problem while increasing revenues.

## EVOLVING SA LEGISLATION

### Un SDGs impacted



### The context

In a progressive endeavour to provide universal access to quality healthcare to all South Africans, Parliament has been hard at work to draft and pass the National Health Insurance (NHI) Bill, which will create a single healthcare platform for the country’s 55 million-plus population.

### The opportunity



For NHI to become a reality, a basic requirement is a single database of electronic patient records accessible by all healthcare practitioners. HST, which has, for more than 25 years, provided the service to Western Cape Provincial government, is already working on a solution to integrate private and provincial public records.

## NEW WORLD OF WORK

### Un SDGs impacted



### The context

While most sectors of the economy have recovered well post the COVID lockdowns of 2020 and 2021, some of the effects from the pandemic, particularly the shift to remote, hybrid or agile workspace, are set to stay. More and more companies are reducing office floor space in favour of greater flexibility and staff satisfaction.

### The opportunity



Already established as market leaders in their respective niches, our two subsidiaries – Kathea Communications and Headset Solutions – are taking this opportunity to supply cutting edge products to their diverse customer base spread throughout the African continent. Solutions include audio and video conferencing equipment, as well as smart office management systems.

## INCREASED CONNECTIVITY

### Un SDGs impacted



### The context

International statistics place smart phone penetration in Africa in the upper 80s and lower 90s percentiles, with even further growth expected in the next 3-5 years. With the advancement of technology, particularly in the mobile space, many new services can now be extended to previously under-served market segments.

### The opportunity



The Vunani fintech portfolio is mandated to respond to this exact opportunity. Their investments to date have already opened services including insurance, payment solutions, property management and various market places to a large and previously untapped low-income market. By 2022 the portfolio value has grown more than 115% with the forward outlook being even more promising.

# Our key relationships

AYO's ability to create and preserve sustainable value is contingent on quality engagements with our stakeholders, based on mutual trust, respect and open communication. We aim to build, maintain and strengthen these relationships and align the interests of our key stakeholders with our purpose-led journey.

## OUR SELF-ASSESSMENT OF THE RELATIONSHIP QUALITY

- ★ ☆ ☆ ☆ Strained relationship, requiring significant consideration and effective communication to overcome challenges

---

- ★ ★ ☆ ☆ Established relationship that requires further nurturing to improve its quality

---

- ★ ★ ★ ☆ Good quality relationship with room for further improvement

---

- ★ ★ ★ ★ Very strong relationship, based on shared vision and mutual value



## EMPLOYEES



**Basis of assessment:**  
Employee engagement survey

If our Board is our GPS navigation system leading the way, our team is the engine that “makes the wheels turn”. Their ideas, knowledge, skills, experience and commitment are instrumental to our value creation process.

### Needs and expectations

- Safe, healthy and inclusive working environment
- Job security and sustainability
- Competitive and fair remuneration
- Ongoing investment in training and development

### Engagement platforms

- Regular formal and informal sessions for business updates and ideas forums
- Training and development programmes and professional courses
- Team building events
- Employee wellness hotline
- Whistle blowing platform

### Salient engagement points

- 100% staff attrition rate amidst intense business uncertainty and highly stressful reporting period
- Over 90% participation in volunteer team building activities and functions
- Strong interest and full attendance and participation in training programmes
- Engaged, productive and collaborating office environment



## SUBSIDIARIES



**Basis of assessment:**  
Level and quality of engagement

Being our operating entities, our subsidiaries play a critical role in our value creation process, our social impact and our financial performance.

### Needs and expectations

- Balanced approach to operational support and autonomy
- Financial backing for growth and scale strategies
- Collaboration opportunities with sister companies
- Strong parent brand

### Engagement platforms

- Strategic direction through board participation
- Operational assistance via Group Executives team
- Standardised group-wide processes and AYO-run shared services
- Quarterly assessment via Group Internal Audit team

### Salient engagement points

- Appointment of Chief Operating Officer, responsible for coordinating intra-Group activities and driving subsidiary engagement
- Working together as a team with joint legal resources to address banking challenges affecting most companies within the Group
- Engaging with shareholders who oppose AYO's financial assistance to subsidiaries to align the interests of the two stakeholder groups



## SHAREHOLDERS



**Basis of assessment:**  
AGM attendance and effectiveness of communication

Our shareholders provide the financial capital we need for sustainable growth, thus enabling our value creation potential.

### Needs and expectations

- Sustainable capital growth
- Safety of investment
- Attractive dividend pay-out
- Realistic, sound and value-driven investment strategy
- Disciplined and responsible management of financial assets
- Good governance and ethical business practices

### Engagement platforms

- Annual general meeting
- Annual and interim reports
- Regular SENS announcements
- Investor centre page on AYO website

### Salient engagement points

- Critical trade-off challenge between shareholders' interest (cash preservation) and subsidiaries' interest (financial assistance for growth) with shareholders voting against the resolution at 2022 AGM
- Remuneration policy changes as a result of engagement with dissatisfied shareholders voting against the policy and implementation report at 2022 AGM
- Ongoing discussions with a significant shareholder to find amicable resolution to long-standing dispute



## REGULATORS



**Basis of assessment:**

Alignment with regulatory requirements and regulatory notices

Regulatory bodies like JSE, FSCA and government committees provide structure to our operating environment and ensure ethical corporate behaviour, good governance practices and satisfactory reporting disclosure.

**Needs and expectations**

- Responsible corporate citizenship
- Compliance with all legal and regulatory requirements
- Accurate and timely reporting of business performance
- Responsible taxpayer behaviour

**Engagement platforms**

- Compliance buffer and clear lines of communication via corporate sponsors
- Formal communication (filing and submissions) and cooperation in requests for information
- Attendance of regulatory workshops and training sessions
- Annual and interim reporting

**Salient engagement points**

- Providing clarity on reporting and governance enquiries
- Understanding and application of evolving disclosure requirements



## SOCIETY



**Basis of assessment:**

CSI investment and UN SDGs promotion progress

Our relationship with South African communities impacts on our brand and reputation. Our strategic alignment with UN SDGs, particularly quality education and reduced inequalities, allows us to create sustainable value for our society.

**Needs and expectations**

- Tangible contribution to transformation
- Improved access to services and opportunities through mobile and digital platforms
- Partnering and support on common social challenges
- Timely crisis support when disasters occur

**Engagement platforms**

- Direct investment into inclusive services and entrepreneurship via Vunani fintech fund
- Progressive SED and sponsorship programmes supporting entrepreneurship and SMMEs
- Direct and indirect community donations
- Volunteer and financial support for community events

**Salient engagement points**

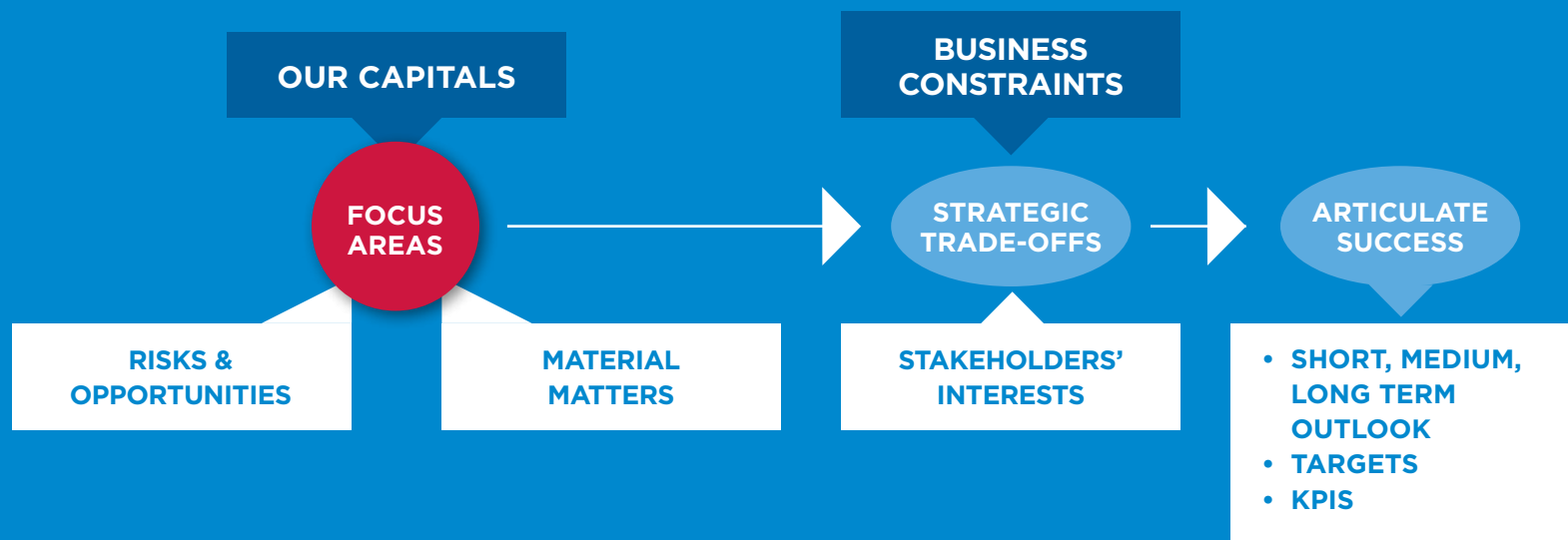
- 48 HFP (48-hour Film Project) Festival sponsorship
- Prestwich Primary School feeding scheme initiative for Mandela Day
- Continuous donation of COVID-related PPE to Eastern Cape public schools
- Financial contribution to Amy Foundation



“ POSITIVE STAKEHOLDER  
RELATIONSHIPS ARE BASED ON TRUST.  
GOOD COMMUNICATION IS KEY,  
SO IT'S IMPORTANT TO CREATE OPEN,  
TRANSPARENT CHANNELS OF  
COMMUNICATION WHERE PEOPLE FEEL  
RESPECTED AND LISTENED TO.

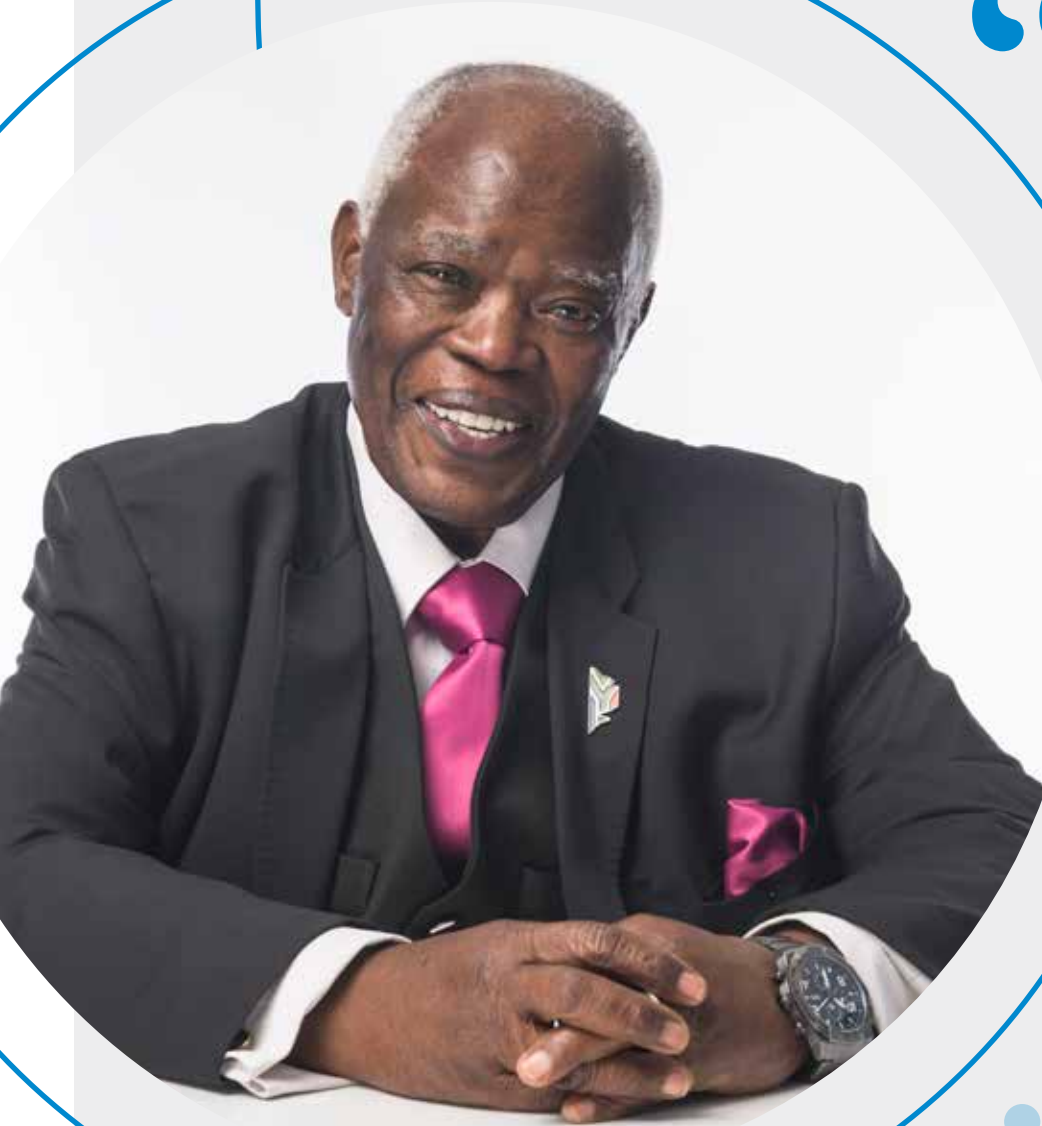


This section articulates our strategy for the creation, preservation and minimising the erosion of value. As described in the introduction of this report, we apply an integrated approach to defining our strategy. Our resources **(capitals)**, **risks and opportunities** and critical events that impact our business **(material matters)** collectively inform the central objectives we set for ourselves **(focus areas)**. While we strive to create maximum value for all stakeholder clusters, we have to be cognizant of our business constraints and make some balancing decisions **(strategic trade-offs)** to define a course of action that optimises the resultant benefits amidst sometimes conflicting interests. We then define what success looks like and set up measurable targets **(KPIs)** to evaluate our performance.



# STRATEGY

## Reflections from our Chairman



“ADVERSITY DOES NOT BUILD CHARACTER. IT REVEALS IT.

- JAMES LANE ALLEN

Our 5th year since listing on the Johannesburg Stock Exchange in 2018 has been one of unprecedented adversity for AYO and our people. But in the words of Arthur Golden, “adversity is like a strong wind. It tears away from us all but the things that cannot be torn, so that we see ourselves as we really are”. I am proud to say that in this period of extraordinary challenges, we have revealed our stoicism, resilience and strength. We have proven that we are destined to achieve great triumphs and the future is indeed as bright as the aurora lights.

Throughout the world and history, companies creating sustainable, tangible value in the long-term, being a genuine advocate for a transformed and inclusive society, have a strong foundation, based on three key principles:

- **CLEAR SENSE OF PURPOSE**
- **MEANINGFUL STAKEHOLDER ENGAGEMENT, AND**
- **CONSISTENT VALUE DELIVERY**

## CLEAR SENSE OF PURPOSE

AYO's strategic mandate has been, and remains, to create, drive and promote an inclusive, digital economy. One in which all South Africans, rich and poor, young and old, black, white and any other hue in our rainbow nation palette, is able to participate in and meaningfully contribute to the economy. Buy and sell. Connect and communicate. Create and seize opportunities. We remain steadfast on this commitment and looking back, have come a long way in the five short years of being a JSE-listed important economic player.

Our subsidiary businesses have developed and are busy implementing important projects that address critical challenges our nation is currently grappling with. Sizwe Africa IT Group provides the technology infrastructure and support to large organisations of national importance, including SARS, SASSA and local municipalities. SGT Solutions' economical and vandalism-proof DC power modules are now rolled out to most cellular network masts, so they can continue to emit signal and provide uninterrupted connectivity to businesses and households, even in the most severe of load shedding schedules. HST's electronic patient record system's capacity is currently being built up to accommodate national health registry, which will take us a step forward towards the coveted NHI implementation and afford access to quality health care for all our citizens. GC<sup>2</sup>T's surveillance, command and control technologies, which were implemented by the African Union in 2021 have gained further relevance, as the prolonged armed conflict between Russia and Ukraine has shown us just how fragile world peace really is. And our funding of digital start-ups and small businesses through the Vunani Fintech Fund has enabled the success of companies like Pawapay, BXChange and Ozow, amongst others, that have effectively provided access to millions of previously excluded Africans to the formal money and services sectors.

## NAVIGATING DIFFICULT RELATIONSHIPS

While it would have been wonderful if we could just go about doing business and deliver on our mandate, as it often happens in life, challenges tend to derail even the best of intentions and force us to take unnecessary detours on the path to success. Our banking challenges, which started in 2021, escalated to new heights this year, compelling us to sacrifice strategic momentum to manage this unfolding crisis. With the biggest banks in the country, acting in cohort, determined to exclude us from the economy by closing our accounts and transactional facilities, we endured significant strain on our financial and human resources, fighting literally for our survival. But the impact of this unwarranted attack against AYO is even more far-reaching. A strategically important acquisition deal that we have been working on for some time and that we announced to the market in August 2022, failed to materialise, as a direct consequence of this "banking war".

Yet, we weren't going to take this lying down. We approached the relevant judiciary institutions and are reassured as both the Competition Tribunal and the Equality Court found in our favour. While we were granted only temporary relief and the war is not yet over, winning the battle is a welcomed achievement for us in the short term. It ensures our immediate operations and gives me confidence that we are at the cusp of overcoming this obstacle in the next 12-18 months.

It has also sent a strong message that AYO will not be intimidated even by the most powerful of adversaries; that we will stand up to them and will fight for what is right. The same approach we are taking against the media coalition of private interest supporting publications, whose sustained smear campaign has been part of our lives for the past four years.

Although our court applications have been fruitful, we believe that in a legal battle there are no winners. The financial and human strain of prolonged litigation simply leads to value erosion and even the winner lands up worse off than if an amicable solution was found. For this reason, AYO is pleased with the ongoing discussions with the Public Investment Corporation ("PIC") and the Government Employee Pension Fund ("GEPF"), who initiated legal proceedings against us back in May 2019. It is a far more amicable process, which is unfolding as I write, and I am confident that in my 2023 address I would be able to share the positive outcomes of this engagement.

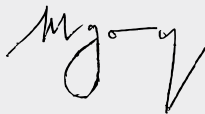
## FORWARD OUTLOOK

With the light at the end of the proverbial tunnel in sight, both in terms of our banking litigation and our stakeholder engagement, we are set to turn our business around and focus again on our strategic mandate with renewed vigour within the next 24 months. Our successes to date in building companies and brands that truly extend economic inclusivity to all our citizens and effectively address our society's most pertinent challenges like reducing the impact of load shedding, will be our stepping stones for future-focused impact investment. We will continue to navigate the challenges, seize opportunities and grow our portfolio as this is the way to realise our ambition of "building Africa's own tech giant".

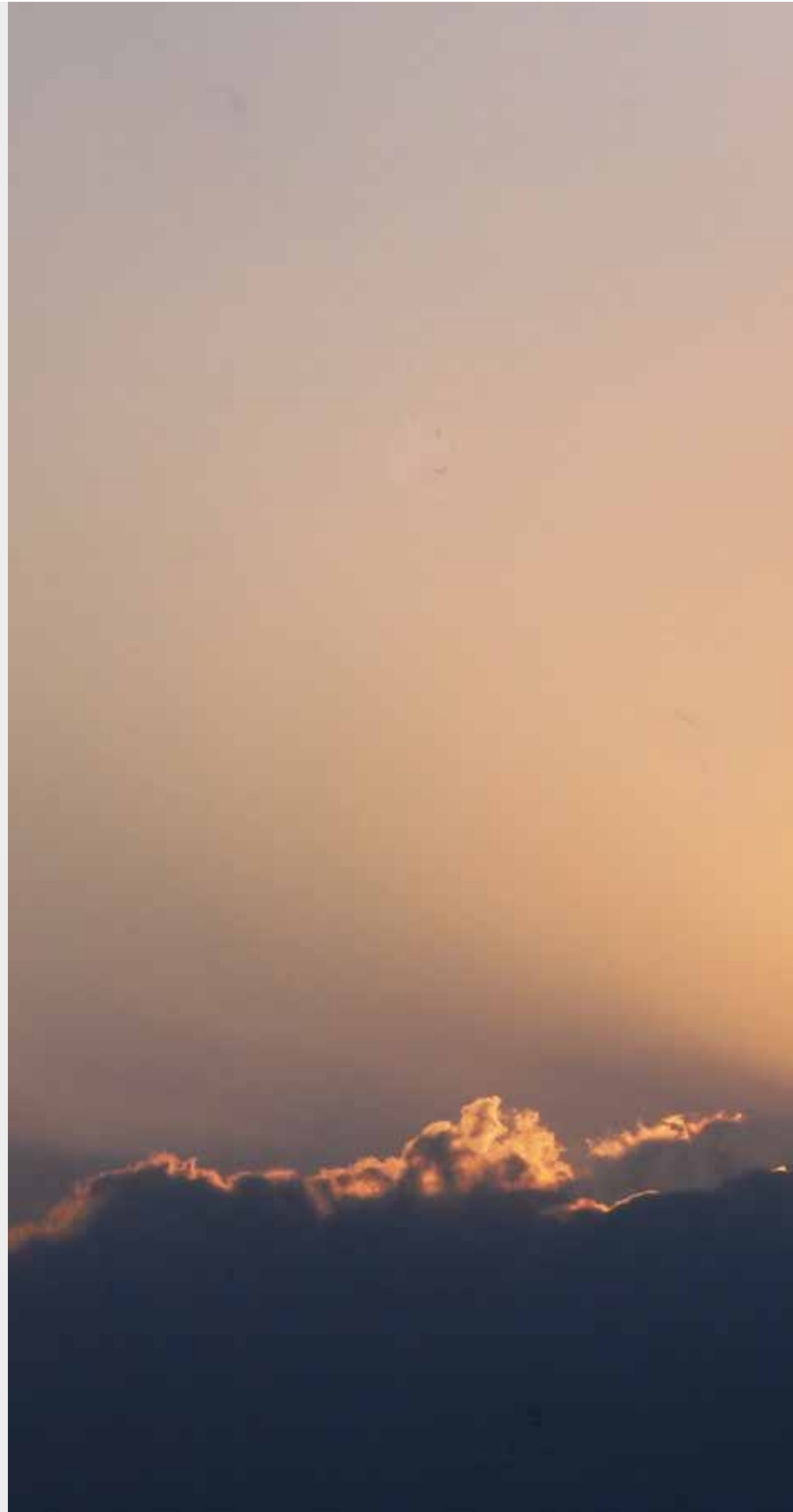
## APPRECIATION

Words fall short to convey my sincere gratitude and admiration to, before anyone else, our people. I acknowledge and admire the passion, dedication and bravery they have displayed, as well as the extraordinary work they have done, under such challenging circumstances. I extend heartfelt appreciation to our Board and executive team for their diligence, relentlessness and humility. Their leadership is what delivered us during this exceptionally trying period. I am proud and honoured to steer such a team that is not only capable but deeply committed to our common purpose and vision.

To all our other stakeholders - our shareholders, partners and customers - thank you for your continued support. Thank you for standing with us through the dark of the night. I look forward to watching the sunrise with you.



**Dr Wallace Mgoqi**  
Chairman  
AYO Technology Solutions



“ TO ALL OUR OTHER STAKEHOLDERS  
- **OUR SHAREHOLDERS, PARTNERS  
AND CUSTOMERS** - THANK YOU FOR YOUR  
CONTINUED SUPPORT. THANK YOU FOR STANDING  
WITH US THROUGH THE DARK OF THE NIGHT.  
I LOOK FORWARD TO WATCHING THE  
SUNRISE WITH YOU.

DR WALLACE MGOQ1



# Our value creation model

## KEY INPUTS

The quality and availability of our capitals is critical to our ability to create and preserve value. The capitals described here are further unpacked on **pages 41 - 43**.



### FINANCIAL CAPITAL

Our sound cash position, sustained asset base and operating revenue



### HUMAN CAPITAL

Our people, collective knowledge and skills and culture



### SOCIAL AND RELATIONSHIP CAPITAL

Our stakeholder relationships and key OEM partnerships



### INTELLECTUAL CAPITAL

Our intellectual property and brands, processes and systems



### MANUFACTURED CAPITAL

Our fixed assets, such as buildings, vehicles, technology devices and stock



### NATURAL CAPITAL

The natural resources we use, such as electricity and water

Our resources are finite and our diverse stakeholders' interest often compete for scarce capital allocation. This compels us to make some strategic trade-offs described on **page 56**).

Informed by our strategic focus areas (**pages 52 - 53**), material matters (**pages 49 - 51**) and risks and opportunities (**pages 44 - 48**), we direct our capitals to activities that maximise value creation.

## BUSINESS ACTIVITIES



## OUTPUTS

A balanced portfolio of complimentary companies in various lifestyle stages that diversify risk and income.

## OUTCOMES

### SHAREHOLDERS



Consistent dividend return

Investment value creation

### EMPLOYEES



Market-related earnings

Training and career development



Inspired and purpose-driven culture

### SUBSIDIARIES



Strategic direction



Collaboration opportunities with sister companies



Financial support for growth and scale

### REGULATORS



Tax contribution to the fiscus



Good corporate citizenship and regulatory compliance

### SOCIETY



Impact-driven CSI strategy



Support and investment in education initiatives and people development



Direct investment in disaster relief and community development programmes

# Our capitals







## FINANCIAL CAPITAL

- R3.8 billion total assets
- R1.1 billion in cash reserves and equivalents
- R1.8 billion gross revenue

### THE CHALLENGES WE FACED

- Ongoing banking challenges resulting in the collapse of a strategically and financially significant acquisition deal
- Conflicting stakeholder interests preventing AYO from providing financial support to and investing in the growth of subsidiaries
- Loss of interest income and high transactional costs due to banking dispute
- Escalating legal fees

## THE VALUE WE CREATED

-  Distributed R214 million in total dividends
-  R 2 million in staff training and development
-  R33 million tax contribution
-  R1.6 million total investment in CSI and SED programmes

### THE BOTTOM LINE

The impaired relationship with the banking industry and resultant litigation, as well as the unresolved differences with our important shareholder, are the two main contributors to the erosion of financial capital. Steps have already been taken to address the two issues with AYO being granted temporary relief by the courts in our banking conflict and discussions with PIC progressing well. The two interventions will remain a focus area for AYO in 2023.

Focus area






## HUMAN CAPITAL

- 1038 employees
- R 2 million investment in training and development
- Embedded culture of trust, loyalty and commitment

### THE CHALLENGES WE FACED

- Several lengthy simultaneous litigation processes over the course of the entire reporting period, leading to the “emotional fatigue” of our employees
- AYO’s prolonged negative media coverage has caused significant erosion to the value of our brand and makes attracting high calibre talent challenging and costly

## THE VALUE WE CREATED

-  R 422 million annual salary bill
-  51 completed courses at company level giving AYO well-rounded multi-functional team and solid succession pipeline
-  Advanced salary payment in the face of crisis fostering mutual loyalty and trust

### THE BOTTOM LINE

By demonstrating to our staff that they are our top priority during this busy, highly stressful reporting period marred with uncertainty, AYO managed to neutralise the risk of losing our people and foster unparalleled loyalty and camaraderie in the team. As we have always considered our human capital one of our key resources, people development remains a focus area in the future strategy.

Focus area



# Our capitals





## SOCIAL/RELATIONSHIP CAPITAL

- 120 principal OEM partnerships
- 500+ organisational clients across Africa
- R625K investment in impactful CSI community-focused initiatives

### THE CHALLENGES WE FACED

- Money available for CSI initiatives is directly related to our net profit. With legal and reputational challenges impacting on our profitability, funding for community support projects is reduced
- Excessive demands on our people in preparation for and attendance of dispute resolution affects the availability of our team for community support projects

## THE VALUE WE CREATED

-  Sizwe Africa IT receives the first and only Cisco IoT Advantage certification in South Africa
-  SGT Solutions partners with Huawei for continent-wide 5G roll-out project
-  Flagship Youth Day and Mandela Day initiatives supporting our local community

### THE BOTTOM LINE

Strong meaningful relationships, particularly with OEM partners, customers and suppliers are an important differentiator and success enabler for AYO. We have had great successes in this regard with important international partners like Huawei and Cisco during the reporting period and will continue to nurture these relationships going forward.



## INTELLECTUAL CAPITAL

- 137 specialised technology certifications
- Proprietary software and platforms used by customers across the globe
- Strict SOPs and checks in place ensuring good governance and ethical operations

### THE CHALLENGES WE FACED

- Ongoing litigation and negative media coverage impact on our brand reputation
- The strain of the reporting period's challenges on our resources affects the money and time AYO and our team can dedicate to continual staff development and certification

## THE VALUE WE CREATED

-  Customised, proprietary platforms and software embeds subsidiary companies in their clients' business operations
-  Continual investment in specialised technology certifications and skills development
-  Ethical and compliant governance from an exemplar corporate citizen

### THE BOTTOM LINE

While we have managed to develop the intellectual capital of our business in this challenging period, which is a big win, our brand reputation continues to suffer from unwarranted, yet relentless, negative attention. We acknowledge the impact of negative publicity on our biggest intellectual asset – our brand – and continue to prioritise this focus area.

Focus area








## MANUFACTURED CAPITAL

- R39 million fixed assets (property, plant and equipment)
- Modern, secure, cloud-based technology platforms
- Fully portable office equipment (including laptop-based fixed telephone lines) enable remote work and agile response to load shedding
- R200 million in stock on hand

### THE CHALLENGES WE FACED

- Maintaining sufficient stock levels protects us from supply chain interruptions, but challenges cash flow
- Escalating cost of continuous re-investment in tools and equipment

## THE VALUE WE CREATED

-  Budget-friendly business accommodation (in shared offices)
-  Adequate stock holding enables fast and reliable sales to their customers
-  Flexible work tools enabling remote work and minimising load shedding impact

### THE BOTTOM LINE

The sophisticated IT equipment we use and our investment in cloud-based communication and data storage enable us to operate seamlessly across the load shedding stages. This, as well as the confidence that our data is safe and accessible in the cloud, reaffirms the validity of the continual manufactured capital investment.




## NATURAL CAPITAL

- Future investment strategy focused on renewable energy and “green” technology
- Negligible impact of operations on the environment

### THE CHALLENGES WE FACED

- An important investment with high potential impact on the environment failed to materialise due to banking and reputational challenges

## THE VALUE WE CREATED

-  Minimal (if any) impact of our operations on natural resources

### THE BOTTOM LINE

AYO's operations already have negligible (or no) impact on natural resources. To create value in this domain we look at investing in companies that grow natural capital (e.g. renewable energy, water purification or food security technology). Our planned investment in Italian Summer folded at the last moment, which once again emphasises that we need to resolve the current crises in order to regain our strategic momentum.













## Our principal risks

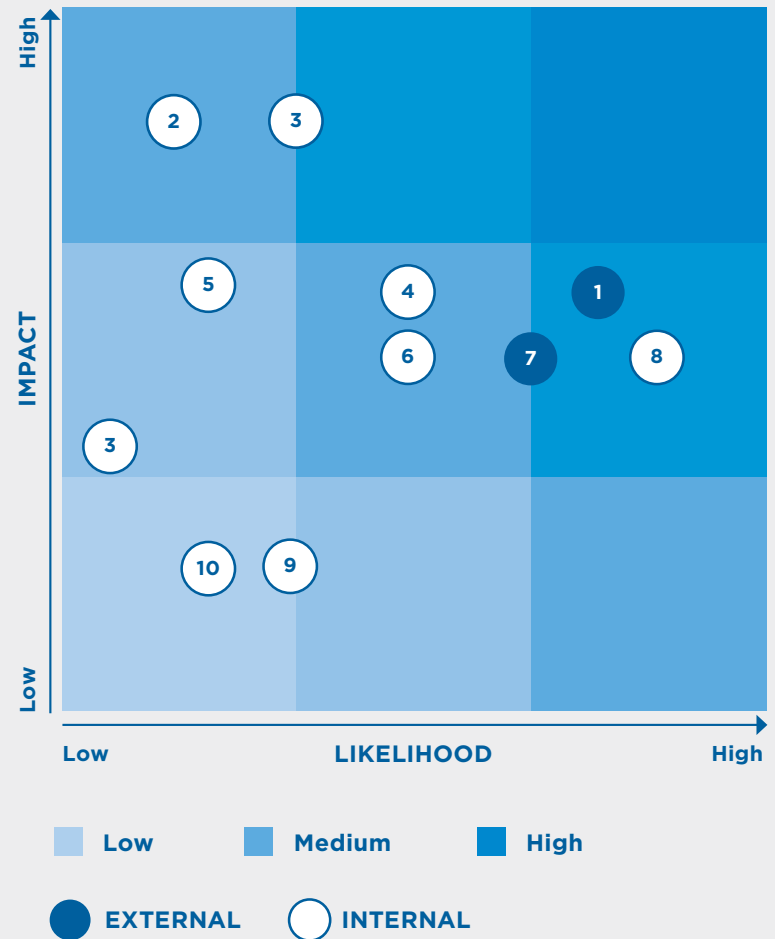
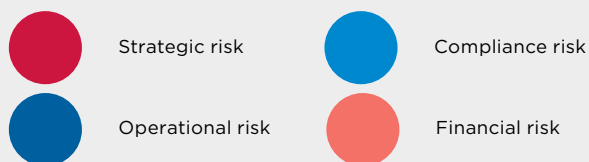
Beyond the economic and political climate, which affect all businesses, AYO's risk landscape is principally influenced by two critical, ongoing developments - our banking challenges, which affect us deeply on operational level, and the disagreements with the PIC (our second largest shareholder), which impacts our reputation and our ability to create and preserve value. Risk monitoring is an ongoing activity in the business with the OPSCO team meeting quarterly to identify and review principal risks for the Group and ensure adequate redress measures are in place. The risk register is then presented to the audit and risk committee for review and informs the strategic decisions taken at Board level.

**RISK MANAGEMENT”  
IS A CULTURE,  
NOT A CULT. IT  
ONLY WORKS IF  
EVERYONE LIVES  
IT, NOT IF IT'S  
PRACTICED BY A  
FEW HIGH PRIESTS.**

**TOM WILSON**

This section focuses on the 10 most critical risks for the organisation during the 2022 reporting time frame.

AYO'S TOP RISK	RISK CATEGORY
1 Economic and political climate	
2 Regulatory compliance	
3 Business longevity	
4 Succession planning	
5 Staff retention	
6 Erosion of subsidiaries' value	
7 Erosion of shareholders' value	
8 Cash preservation	
9 Data safety and protection	
10 Related party disclosures	



## 1 Economic and political climate

While South Africa has emerged from the COVID-induced recession and the economic and financial outlook has improved significantly, volatility remains high in the context of local and international political unrest. Inflationary and energy pressures in the country, uncertainty around the outcomes of ANC's imminent elective conference and the Ukraine-Russia war all contribute to a highly precarious and ambiguous economic climate, which ripples to affect every business organisation.

### MITIGATING ACTIONS

- Continuously monitor and follow the development of significant events that affect global and South African economy
- Include contingencies in our business plans to provide for negative impact of subdued economy
- Identify opportunities that emerge from this external environment and swiftly focus operational capacity to fill the gap and create value



Capitals Impacted



Focus area

## 2 Regulatory compliance

Regulatory requirements continuously evolve. Compliance with JSE, FSCA and any other regulatory body is a priority for AYO. However, given the legal challenges the business has faced during the reporting period, our team is stretched to its limits, which increases the risk of oversight of stringent obligations and subsequent liability for non-compliance.

### MITIGATING ACTIONS

- Adequate internal audit and reporting teams, who regularly attend regulatory body training events to keep abreast of latest requirements
- Compliance checklist process followed and consultation with corporate sponsors prior to any market announcements
- Company secretary assessment of compliance with King IV™ Code and Companies Act



Capitals Impacted



Focus area

## 3 Business longevity

The extensive legal challenges AYO is confronting simultaneously, together with the ongoing negative media focus on the Group and heightened regulatory attention are putting the business to a serious test, potentially threatening our longevity. These prolonged processes are straining our financial and human resources, forcing our operational focus and impeding our ability to concentrate on the strategic mandate we are set to deliver on.

### MITIGATING ACTIONS

- Business continuity plans in place and operational readiness to address potential negative litigation outcomes
- Continuous discussions in progress with the PIC to avoid further litigation
- Continuous stakeholder engagement with subsidiaries, regulators and staff to secure their ongoing support and promote open and transparent relationships



Capitals Impacted



Focus area

## 4 Succession planning

Leadership continuity and succession planning is paramount to the organisation. With the pressure AYO's executive team is under, as mentioned already, the prospect of unintentional oversight of fiduciary or compliance duties may lead to negative consequences for directors, such as public censures and fines. The Group needs to ensure continuity at Board level in the case of directors' regulatory investigations and penalties, however unlikely they may be.

### MITIGATING ACTIONS

- Directors' liability insurance taken by the Company on behalf of directors
- Directors continuous coaching in the provisions of laws and regulations
- Company secretary monitoring of directors' actions to ensure compliance



Capitals Impacted



Focus area

## 5 Staff retention

Ongoing media attacks on the AYO brand, uncertainty driven by prolonged litigation and the stressful work environment negatively impact staff morale. Key staff members may seek stability outside of the organisation. The already critical “brain drain” challenge the entire country is facing, losing competent recruits to emigration, exacerbates the difficulty of replacing valuable employees.

### MITIGATING ACTIONS

- Regular formal and informal engagement with the team promotes cohesiveness, improves morale and reduces uncertainty and anxiety
- Advance salary payments in periods of heightened business insecurity has demonstrated AYO’s commitment to staff’s wellbeing and used as a retention tool
- Continuous investment in people development to ensure business continuity in the case of critical staff members’ resignations



Capitals Impacted



Focus area

## 6 Erosion of subsidiaries’ value

Our subsidiary companies, as our principal investments, are of extreme importance to our business and financial performance. With the current banking challenges (which affect not just AYO Company, but many of the businesses in the Group), our inability to offer them financial assistance in this challenging period, due to lack of shareholders’ support, and the reputational damage, our subsidiaries’ performance is suffering, leading to decrease in the value of these investments

### MITIGATING ACTIONS

- Engagement with and (non-financial) support to subsidiary companies to promote their sustainability and growth
- Strong focus on business development at subsidiary level with OPSCO support



Capitals Impacted



Focus area

## 7 Erosion of shareholders’ value

With the already well-explained challenges testing the resilience of AYO, the Company may be compelled to sell its investments at lower than market value. Such scenario would significantly affect shareholders’ value as the losses from the revenue contribution of the traded subsidiary will be amplified by the losses from the discounted sales price. This may further trigger other subsidiaries to consider potential sales or management buyouts.

### MITIGATING ACTIONS

- A Group Chief Operating Officer has been appointed to focus on stakeholder engagement with subsidiary companies and improve communication flow
- The executive team, through Board participation in subsidiary businesses, contextualises current challenges and neutralises concerns
- Engagement with critical shareholders to emphasise the importance of creating value at subsidiary level through financial assistance to enlist their support



Capitals Impacted



Focus area

## 8 Cash preservation

AYO’s banking challenges have necessitated the use of third-party treasury services, which come at a high cost. Interest income, which has historically contributed significantly to the Group’s financial performance, has been severely diminished, as well. Additionally, the prolonged litigation with the banks in various judicial institutions, has led to exorbitant mounting of legal expenses, which further promotes the erosion of value.

### MITIGATING ACTIONS

- The favourable, albeit temporary, relief granted by the Equality Court and the Competition Tribunal ease some of the pressure on cash preservation
- Ongoing discussions with the PIC strive for amicable dispute resolution to avoid another lengthy and expensive legal trial



Capitals Impacted



Focus area

## 9 Data safety and protection

Leaks of confidential internal information to external parties, whether accidental or malicious, could have devastating impact on our brand, share price and operations. This threat is exacerbated by accessibility of our servers and cloud network from potentially unauthorised devices (like employees' personal computers), which is at times necessary due to load shedding and remote working arrangements.

### MITIGATING ACTIONS

- Sophisticated firewalls installed to protect data safety and integrity
- VPN deployment to prevent unauthorised access to data
- Restricted access to sensitive data
- Detailed business continuity plan in place for data breaches or IT failures



Capitals Impacted

## 10 Related party disclosures

With 7 subsidiaries and more than 20 strategic investments, as well as an intricate web of suppliers and service providers, identifying, recording and adequately reporting related party transactions is a challenge. Failure to recognise such transactions, however, may lead to erroneous disclosures in the annual financial statements, non-compliance with accounting standards and JSE Listing Requirements and potential penalties.

### MITIGATING ACTIONS

- New suppliers are screened before the start of their business relationship with the Group and expected to declare any connection to an individual or a company within the Group that may classify the parties as related
- Directors are required to declare and disclose any conflicts of interest that may have or may in the future result in a related party transaction at each Board and/or committee meeting
- Processes in place to identify and record related party transactions throughout the Group on a monthly basis, reviewed and approved by the CFO



Capitals Impacted

“THE ESSENCE OF RISK MANAGEMENT LIES IN MAXIMISING THE AREAS WHERE WE HAVE SOME CONTROL OVER THE OUTCOME, WHILE MINIMISING THE AREAS WHERE WE HAVE ABSOLUTELY NO CONTROL OVER THE OUTCOME”

PETER BERNSTEIN

# Material matters

In order to optimise the value we create, we focus on the issues that have the most significant potential impact on our business - our material matters. We apply integrated thinking to identify and prioritise these matters, which in turn inform our strategy, resource allocation and operational focus. This continual process takes place at Board and executive level and then filters down via the OPSCO team to daily operations.

	IDENTIFY	PRIORITISE	INTEGRATE	ASSESS & REPORT
INPUTS	<ul style="list-style-type: none"> <li>- Risks and opportunities in our external environment</li> <li>- Critical issues and opportunities within the Group</li> <li>- Stakeholder needs and expectations</li> </ul>	<ul style="list-style-type: none"> <li>- Robust deliberation, discussion and analysis of identified issues</li> <li>- Scenario planning</li> <li>- Consideration of capitals requirements and trade-offs</li> <li>- Appropriate governance structures</li> </ul>	<ul style="list-style-type: none"> <li>- Determine strategic focus areas and priorities</li> <li>- Articulate desired outcomes</li> <li>- Set targets, milestones and KPIs to measure progress</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor performance against set KPIs and objectives</li> <li>- Evaluate effectiveness and relevance of measures</li> <li>- Contextualise strategic decisions and provide progress updates to relevant stakeholders</li> </ul>
PROCESS	<p>We analyse our external and internal business context, the quality and availability of our capitals, and the needs and expectations of our stakeholders to identify the factors with the highest strategic, legislative, financial and reputational significance to our business in the short, medium and long term.</p>	<p>The identified risks, opportunities and important events are considered by our Board and executive team, with consideration for their likelihood of occurrence and potential impact, as well as the capitals affected by the possible scenarios to determine the most critical factors, which in turn, inform our strategic focus.</p>	<p>Material matters are integrated into our strategy in the form of focus areas with clearly identified KPIs, milestones and timelines set in place to measure progress. These KPIs are cascaded down the business and translated into operational objectives with resources allocated for the optimal achievement of targets.</p>	<p>To ensure the quality of our relationship with and enlist the support of our important stakeholders, we strive to present a full and accurate description of our material matters, decision making process and outcomes to them through this report and any other relevant engagement platform.</p>

Following the process described in the table on the previous page, we have identified and focused on the following material matters during the reporting period, which we address in our strategic focus areas:

## Business longevity and survival

The unsurmountable challenges faced by our business in the past couple of years and in this reporting period in particular, if unresolved, can pose a tangible threat to the very survival of AYO. Thus, in the short term, we have to sacrifice strategic momentum and pivot our focus to existential challenges.

**Capitals impacted:** 

**Stakeholders affected:** 

**Focus areas:** 

## PIC engagement

Bygone conflict with this important shareholder, driven by the Mpati Commission investigation and further fuelled by persistent negative media commentary, affects our ability to execute our strategic mandate and create value. It is in the interest of all stakeholders to resolve the dispute amicably and avoid unnecessary, prolonged legal proceedings, which will only exacerbate the value erosion.

**Capitals impacted:** 

**Stakeholders affected:** 

**Focus areas:** 

## Banking challenges resolution

The banking industry's systematic shut down of transactional accounts of our companies has far-reaching consequences for our operations and brand reputation. Legally challenging this unjustified action is straining our financial and human resources and eroding value for all our stakeholders.

**Capitals impacted:** 

**Stakeholders affected:** 

**Focus areas:** 

## Succession planning

Building a sustainable organisation for the now and the future requires continual investment in people and purposeful talent development. Our team has been stretched to the limit and despite our best efforts, this may lead to burnout and untimely exit of critical employees. It is imperative that we prepare for such possibility to ensure business continuity.

**Capitals impacted:** 

**Stakeholders affected:** 

**Focus areas:** 

## Restore brand reputation

The sustained media smear of AYO has significantly impaired our brand’s reputation and perception. Albeit unwarranted and often untrue, negative articles and associations influence our image and have detrimental consequences for our ability to grow our business and secure new customers or investments.

**Capitals impacted:**    

**Stakeholders affected:**     

**Focus areas:**   

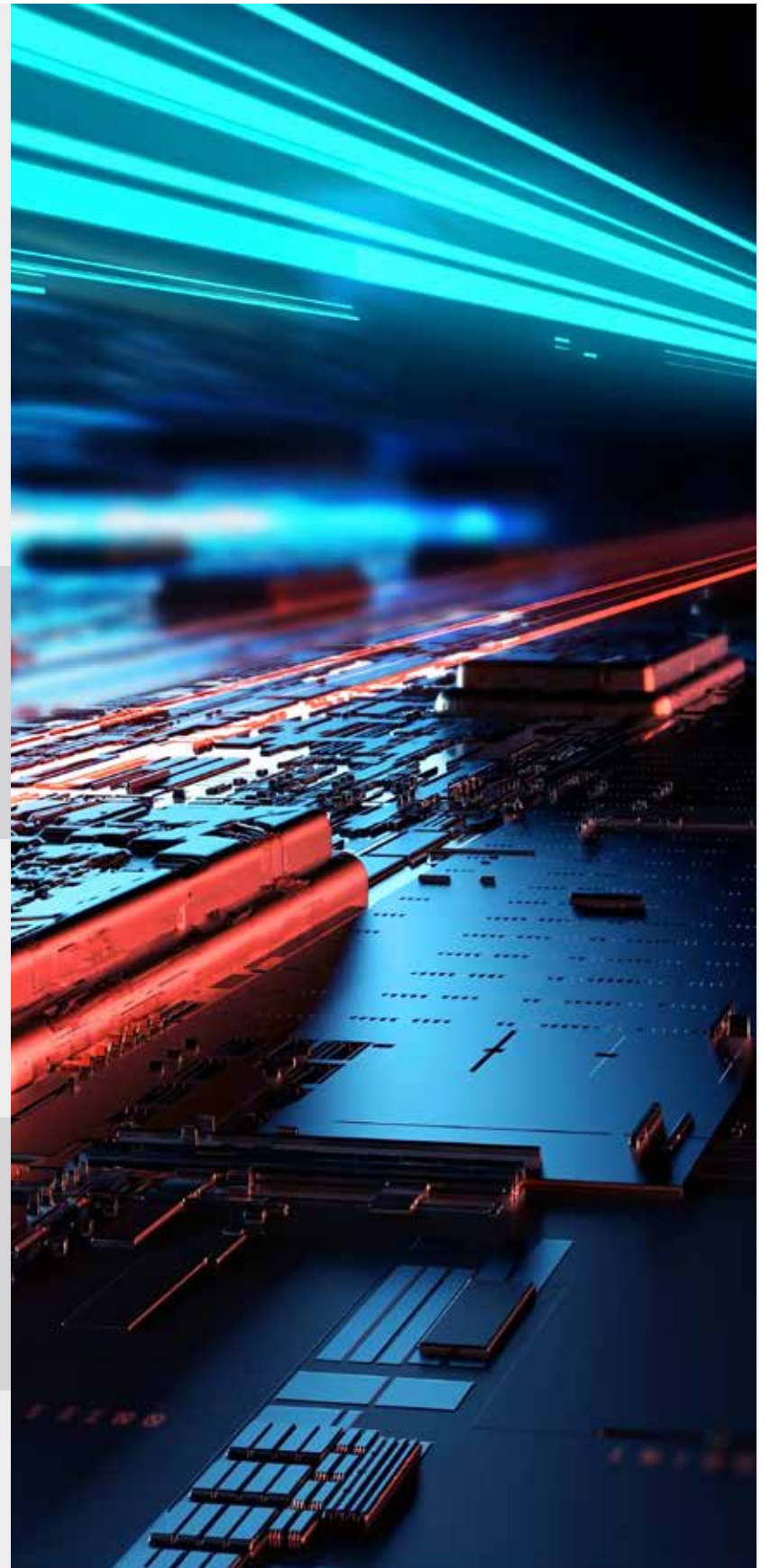
## Integrity, ethics and governance

Reputational challenges and public legal battles affect how regulators perceive and interact with us. It is critical that we demonstrate good governance and exemplar corporate citizenship to restore the trust and respect of regulators and by extension, of shareholders, the business community and society at large.

**Capitals impacted:**    

**Stakeholders affected:**   

**Focus areas:**   



## Focus areas

Informed by the most pressing difficulties we need to overcome, the risks and opportunities in our external and internal business context and the availability and quality of our resources, we identify the focus areas that we believe will create the most value in the short and medium term as well facilitate AYO's sustainability and prosperity in the long run. We prioritise the themes that will enable us, in the fastest possible way, to refocus on our strategic mandate and have the highest potential positive impact for all our stakeholder clusters. We believe that socio-economic change and value creation begins at home, thus also ensure that our focus areas are aligned with the UN SDGs.



### DISPUTE RESOLUTION

The critical focus area we emphasised in our 2021 report was “return to growth”. In 2022, however, with the large-scale legal dispute with the banking industry, which we presented to several judicial forums, the long-lasting stalemate with our second largest shareholder, the PIC, and the ongoing hostility with the media, we admit that we cannot focus on value creation or advancement of our strategic mandate, until we resolve these issues. The drain on our resources, both human and financial, is simply unsustainable.

#### IMPACT OF POTENTIAL SUCCESS

- Ability to refocus our attention and resources to strategic mandate, growth and value creation
- Return to “business as usual” with focus on customer acquisition at subsidiary level and investment portfolio expansion at Group level
- Funding of scaling strategies for subsidiaries, currently impeded by shareholder unfavourable vote
- Reclaim of standard business banking processes, reducing excessive third-party costs and suppressing negative media narrative

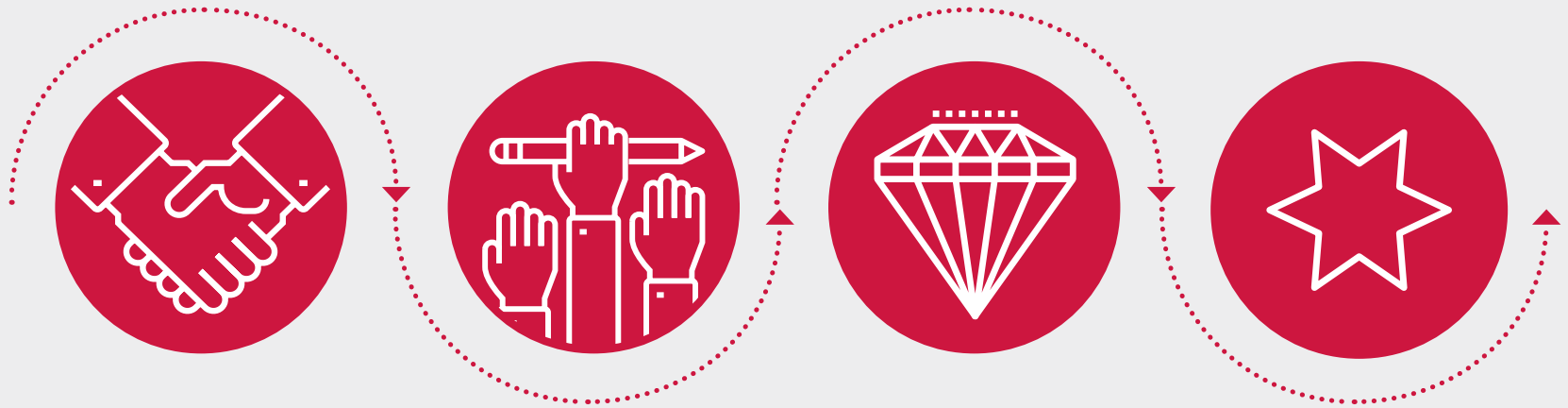


### PEOPLE DEVELOPMENT

“Growing our own timber” has been AYO's philosophy since inception, 26 years ago. Investment in the training and development of our people not only promotes UN SDGs like “quality education”, “reduced inequality” and “decent work and economic growth”, but also provides us with a rich succession pipeline, reinforces our commitment to our staff (thus, fostering a strong relationship with this important stakeholder) and allows us to unlock the unexplored capacity of our talented team.

#### IMPACT OF POTENTIAL SUCCESS

- Business continuity in the event of losing critical team members
- A rich pool of talented individuals who can imagine unorthodox solutions to unique African problems and drive inclusive socio-economic growth
- Motivated, loyal and invigorated employees
- Agile organisation, where multi-skilled workers can “put on different hats” and fill gaps, as dictated by business requirements



### VALUE PRESERVATION

As already made clear, AYO cannot concentrate on value creation, until the overwhelming obstacles impeding our progress are adequately addressed and successfully resolved. Thus, in the short term, we opted to sacrifice strategic momentum to resolve critical issues, while striving to preserve financial and non-financial value and protect our resources (capitals). This is a difficult resolution, on which we engage with our stakeholders, and we appreciate their understanding and support.

#### IMPACT OF POTENTIAL SUCCESS

- Sufficient financial resources to return to our robust value-creating strategy in the medium term
- Enhanced shareholder relationship, fostered during this difficult period of strategic downturn
- Healthy cash reserves, enabling adequate response to potential future challenges



### BRAND REPUTATION

Sustained negative media commentary and the additional legal challenges faced this year have caused irreparable damage to our brand. This has far-reaching implications for every aspect of our business from implementing our acquisition/growth strategy to securing new business and attracting talent for the workplace. Our approach to date of not getting involved in direct confrontation with hostile media has not yielded the desired results. Thus, we have no choice but to respond to media's aggression and protect our brand.

#### IMPACT OF POTENTIAL SUCCESS

- Respected and admired strong business brand, gauged by customers and peers on the basis of quality service delivery, rather than hearsay
- Amicable relationship with regulators and reduced waste of resources on unnecessary and unjustified inspections and enquiries
- Social licence to operate earned on the basis of trust and value-creating mutually-beneficial community and stakeholder engagement initiatives

## Key performance indicators



### DISPUTE RESOLUTION

Banks' withdrawal of transactional facilities	Interim relief granted by both Competition Tribunal and Equality Court, ordering banks to reinstate AYO's accounts.	+
PIC dispute	Ongoing engagement and discussions with the shareholder aiming for amicable out of court resolution	/
Daily Maverick/ Zama litigation	Following brand damaging false "whistle blower report", AYO has initiated legal proceedings against the publication and their "informant".	/






### PEOPLE DEVELOPMENT

100% employee retention rate	Despite the stressful and challenging work environment, intervention such as strong internal communication strategy and advance salary payments resulted in AYO retaining all its employees in this critical period.	+
Employee value proposition	Internal surveys indicate high levels of employee satisfaction driven by fair and adequate remuneration policy, clear incentive structure, continuous learning opportunities and team building events.	+
Employment equity indicators	AYO exceeds all BBBEE scorecard requirements in terms of racial and gender equality, HDIs and females in management and transformation.	+





**VALUE  
PRESERVATION**

Financial support for growth strategies	Unfortunately, due to insufficient shareholder support, AYO is unable to provide financial assistance to facilitate subsidiaries' growth strategies. This has impacted the performance of Afrozaar and GC²T.	
Investments for growth	Despite successfully completed negotiation, an important acquisition deal did not materialise due to reputational and banking challenges.	
Financial indicators	In the face of numerous disputes and reputational matters, the Group posted stable financial performance in comparison to the prior year with a mild growth in revenue.	



**BRAND  
REPUTATION**

Stakeholder engagement	Successful communication roll-out with all stakeholder clusters on important developments through the year, resulting in improved relationship capital.	
Media coverage	Decreased frequency of AYO hostile articles and improved accuracy of reporting throughout the media landscape. Increased positive media coverage through amicable media channels.	



**POSITIVE**



**NEGATIVE**



**NEUTRAL**

## Strategic trade-offs

As part of our integrated thinking, we continuously assess the availability and quality of capital inputs, short, medium and long term needs and objectives and future prospects. Our strategic focus areas and material considerations underline our decisions when we are faced with challenging choices, requiring trade-offs between various stakeholder interests. Below are some of the decisions we took this year and the rationale behind them.

### CONCENTRATING RESOURCES TO DISPUTE RESOLUTION

The impasse we find ourselves in with the banking sector, coupled with a brittle relationship with a major shareholder, posed a real threat to the very longevity of our business. Thus, it was imperative for us to resolve these conflicts and we allocated significant resources (both human and financial) to the task. This diminished our capacity to execute our acquisition growth strategy and thus, create value for our shareholders. We lowered our growth projections for the short and medium term and aimed to preserve, rather than create, financial value during the period.

Given the positive outcomes to date with both critical conflict issues, we believe this was a well-placed decision. With both cases expected to reach final resolution in 2023, we have developed a solid turn-around strategy that we trust will see AYO return to profitability by 2024.

### PRIORITISING PEOPLE VS CASH FLOW

The banking industry's rigid and callous approach towards our company, together with the slow wheels of justice, led to several dead ends throughout the year. On a few occasions we found ourselves in a position where it was possible that AYO would remain fully "unbanked", thus unable to process any payments, including salaries. Of course, this was extremely unsettling for our team, who continued to put in tremendous amount of effort in defending AYO's position while having no personal financial security. AYO has always put people first and did not deviate from its values.

To protect our people, we processed salary payments for months in advance, impacting our cash flow and posing an unprecedented risk for the business. Our team proved to us that we have made the right choice and that the mutual trust and respect values that we share are a tangible result of the ethical culture we have created together.

### DIVIDEND PAY-OUTS IN LEAN PERIODS


AYO's undertaking to its shareholders at listing was to deliver regular solid dividend income while growing the underlying value of their investment. Our shareholders, particularly the Government Employee Pension Fund through the Public Investment Corporation, whose ultimate beneficiaries are vulnerable retirees and orphans, have come to rely on AYO's dividend, particularly in the tough economic conditions brought upon by the pandemic. With the challenges experienced in the last two years, leading to impaired financial performance, the Board has had to make a difficult choice between delivering on the brand's promise to shareholders and cash preservation.

Ultimately, we believe that failing our shareholders would be a negative reflection on our ethical business reputation and will erode their trust in us in the long term. Thus, we continue to apply our hybrid dividend model, where we prioritise shareholders' interests even in the face of subdued financial performance.

### ALWAYS PROTECTING OUR BRAND

While it is true that we are now accustomed to being the target of negative media attention and for the most part remain silent in the face of aggressive provocations, this year we changed our approach and challenged our critics. Following a false "whistle blower" report, Daily Maverick published a deceptive article, despite being presented with sufficient proof to the contrary prior to publication. AYO instigated legal action against the media and its "informant".

With our resources (both human and financial) already stretched to the limit with other litigation projects, it might seem as frivolous to embark on yet another legal conflict. Yet, we believe that our brand has been subjected to enough unwarranted media negativity and it is time to stand up to our aggressors. Sacrificing our resources in the short term is necessary to protect the value of our brand for the future.



“ WE ARE (MOST OF US) EMBEDDED IN AN EXCEEDINGLY COMPLEX NETWORK OF SOCIAL RELATIONSHIPS, MANY OF WHICH ARE VITAL TO OUR WELL-BEING. EVERY DAY WE CONFRONT ISSUES RELATING TO THE NEEDS AND WANTS OF OTHERS AND MUST CONTINUALLY MAKE ACCOMMODATIONS. AND IN ADDRESSING THESE CONFLICTING INTERESTS, THE OPERATIVE NORM IS - OR SHOULD BE - FAIRNESS, A BALANCING OF THE INTERESTS AND NEEDS OF OTHER PARTIES, OTHER ‘STAKEHOLDERS.

PETER CORNING



Holistic approach to corporate governance and purposeful application of the King IV™ principles contribute immensely to value creation. AYO's governance is established by the tone set at the top through purpose-driven leadership by the Board and the executive team, and the values and behaviours expected from all employees in the organisation. Our leaders drive and enable this mindset, so that our Group can thrive and create value in this agile and challenging period.

# GOVERNANCE

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# Board report

AYO's Board of Directors is a professional, active, purpose-driven unit that effectively and efficiently leads the Group with intent, integrity and ardour.

## PURPOSE

The Board assumes ultimate responsibility for the performance and affairs of the Company. As such, the Board sets and steers AYO's strategic direction, provides effective leadership on an ethical foundation and is the custodian of corporate governance in the organisation.

The Board further oversees the execution of the adopted business strategy and monitors the application and effectiveness of governance processes and policies through duly constituted committees.

## TERMS OF REFERENCE

In line with the conditions of paragraph 7.F.6 and paragraph 8.63(r) of the JSE Listing Requirements, the Board governs in accordance with its official charter, as outlined in the Group's Memorandum of Incorporation (MOI), which is fully compliant with the provisions of the Companies Act, the King IV™ Code of Corporate Governance, AYO's Code of Ethical Conduct and formal Decision Making Framework.

The Board Charter (as updated in 2020) was reviewed against evolved regulatory requirements and remained unchanged in this reporting period.

## COMPOSITION

Following the resignation of Mr Ismet Amod on 23 November 2021, the AYO Board consists of 4 executive and 7 non-executive directors. As recommended by the King IV™ Code and global best practices, majority of our Board members are independent, non-executive directors.

The varied expertise, skills and experience the eleven Board directors bring, ensure not only demographic diversity but robust, rigorous discussions and ultimately, effective leadership. A brief bio on each of our professional leaders is included on pages 64 - 65.

## COMPANY SECRETARY

An important associate of the Board is the company secretary, Mr Wazeer Moosa, who plays a pivotal role in the establishment of effective processes and systems that enable good governance, as well as raising matters that may warrant the Board's attention. 2022 was the fourth year of Mr Moosa's tenure in the role and the Board is comfortable that he has displayed the necessary competence, qualifications, experience and commitment for the role, in compliance with paragraph 3.84(i) of the JSE Listing Requirements. The Board is also satisfied that Mr Moosa has maintained an arm's length relationship with individual directors and is not a director of the Company.

## MEETINGS

**4 - QUARTERLY MEETINGS**

**1 - SPECIAL MEETINGS**

**96.4% - OVERALL ATTENDANCE:**

# Salient discussion points 2022

## FOCUS AREAS

Beyond the ordinary matters the Board deals with in their deliberations, such as approval of financial and annual reports, budgets, dividend declarations and committee's feedback, important discussions in 2022, related to all four strategic focus areas of the Group.



### 1. DISPUTE RESOLUTION

- Court applications with Western Cape High Court, Equality Court and Competitions Tribunal against the banks' decision to withdraw transactional facilities
- Discussions with PIC
- Defamation application against several media houses and a "whistle-blower", who falsely accused AYO of financial reporting inaccuracies. The new agencies published the story, despite our timely submissions disproving it.



### 2. PEOPLE DEVELOPMENT

- Staff retention measures to counteract the uncertainty caused by the banking crisis
- Stakeholder (including employee) communication during legal proceedings



### 3. VALUE PRESERVATION

- AYO and subsidiaries' restructure post the withdrawal of transactional banking facilities
- Securing alternative transactional banking facilities/solutions
- Investment pipeline outside of South Africa



### 4. BRAND REPUTATION

- Appointment of judge Heath to review and advise on the findings of the Mpati report, as relating to AYO
- Judicial application to set aside the Mpati report, based on judge Heath's findings

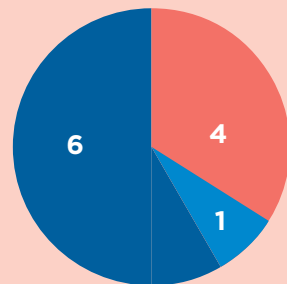
## Focus areas for 2023

The key outcomes the Board will strive for in the upcoming year stem from the work already in progress in 2022:

- **Conclusive resolution to the Group's impasse with the banking sector**
- **Amicable and mutually beneficial relationship with the PIC**
- **Stakeholder engagement to restore AYO's brand reputation**

Successful conclusion of these ongoing critical issues will enable us to regain our strategic momentum and resume our business and social mandate.

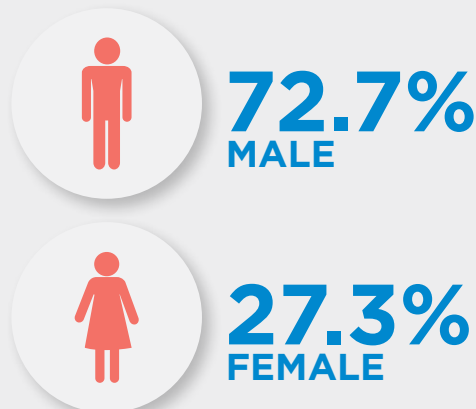
### BOARD INDEPENDENCE



non-executive independent ■  
 executive ■  
 non-executive ■

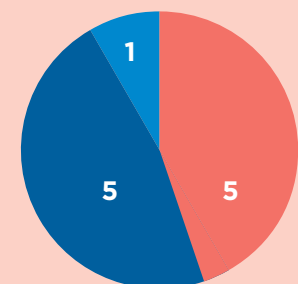
\*

### BOARD GENDER DISTRIBUTION



\*

### BOARD RACE DISTRIBUTION

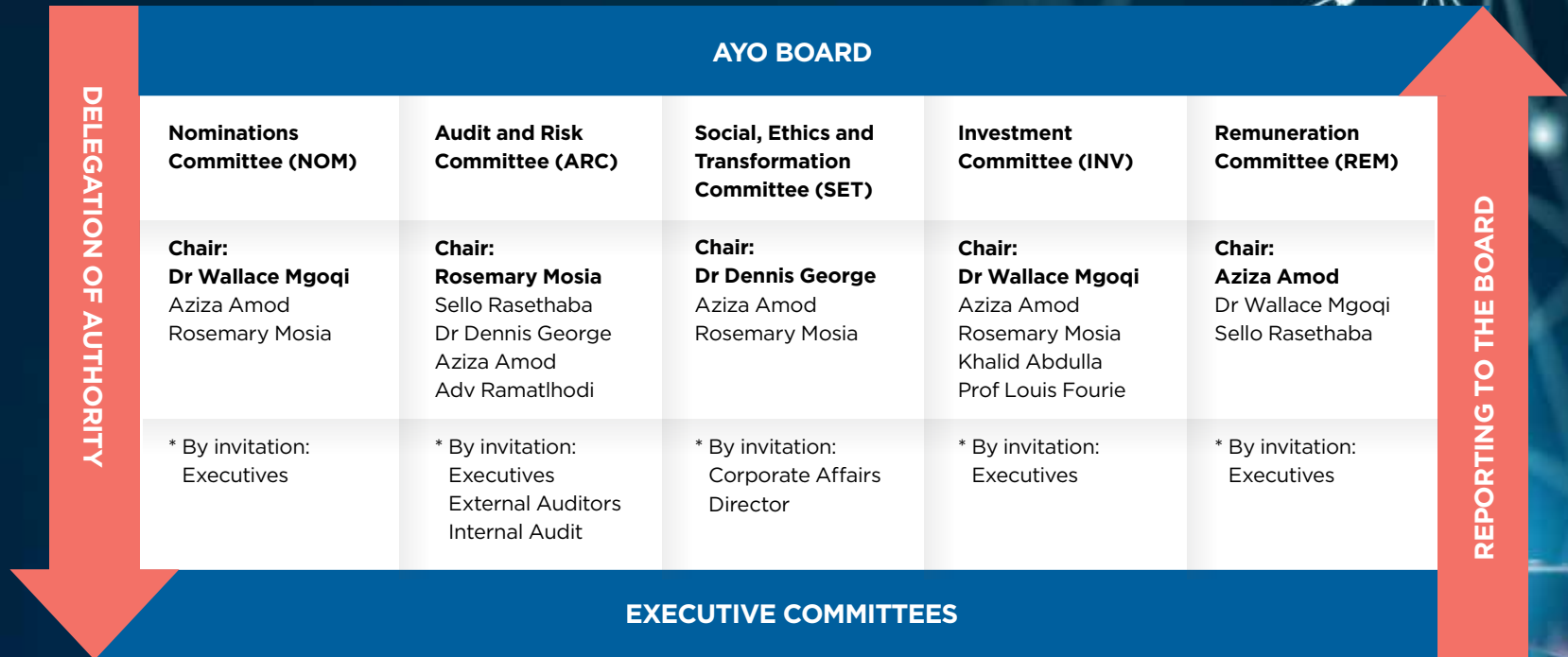


coloured ■  
 black ■  
 white ■

\*

\*The above charts are based on Board composition as of 31 August 2022, prior to the retirement of Howard Plaatjes as executive director, effective 13 December 2022.

# Governance structure



\*Mr Howard Platjes, having reached retirement age has retired from his position as CEO of AYO Technology Solution, effective 13 December 2022.

## Directors' profiles

**DR WALLACE MGOQI**  
Independent Non-Executive Chairman

Age: 73

Qualifications: BASc, LLB,  
2 post grad qualifications,  
3 honorary doctorates of law

Board tenure: 5 years

Committees: NOM (c); INV (c); REM

Skills codes: A, B, C, D, E, F, G, H, I, J, K, L



**VANESSA GOVENDER**  
Director of Corporate Affairs

Age: 50

Qualifications: Diploma Human Resources  
Management, NC Strategic Human Resource  
Management, NC Occupationally Directed  
Education and Training Practices

Board tenure: 4 years

Skills codes: A, F, G, I, J, K, L



**HOWARD PLAATJES**  
Chief Executive Officer

Age: 60

Qualifications: BCom (Hons) Finance,  
Executive Leadership Development  
Programme, Management Development Programme

Board tenure: 4 years

Skills codes: A, B, C, D, E, F, G, I, J, K, L



**KHALID ABDULLA**  
Executive Deputy Chairman

Age: 57

Qualifications: Master of Business  
Administration (MBA), BCompt (Hons),  
CTA, Project Management

Board tenure: 3 years

Committees: INV

Skills codes: A, B, C, D, E, G, H, I, K, L



**TATENDA BUNDO**  
Chief Financial Officer

Age: 40

Qualifications: BCom Accounting,  
CA(SA)

Board tenure: 4 years

Skills codes: A, B, C, D, E, G, H, K, L



**\*AZIZA AMOD**  
Non-Executive Director

Age: 59

Board tenure: 10 years

Committees: NOM, INV, REM (c), SET, ARC

Skills codes: A, B, C, D, F, G, H, I, J, K, L



\*Aziza Amod will be up for re-election at the next AGM as she has reached her nine-year tenure. As per the King IV™ code, independent non-executive directors may serve for longer than nine years if a vigorous assessment is conducted annually to establish that the director exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.

**DR DENNIS GEORGE**  
Independent Non-Executive Director

Age: 64

Qualifications: MBA Technology and Innovation, PhD Technology and Innovation

Board tenure: 4 years

Committees: SET (c); ARC

Skills codes: A, B, C, D, F, G, H, I, J, K, L



**ROSEMARY MOSIA**  
Independent Non-Executive Director

Age: 55

Qualifications: MBA

Board tenure: 4 years

Committees: ARC (c); SET; NOM; INV

Skills codes: A, B, C, D, F, G, H, I, J, K, L



**ADV DR NGOAKO RAMATLHODI**  
Independent Non-Executive Director

Age: 67

Qualifications: BA Law, LLB, MSc, honorary doctor of law

Board tenure: 5 years

Committees: ARC; INV

Skills codes: A, B, C, D, E, G, H, I, K, L



**SELLO RASETHABA**  
Independent Non-Executive Director

Age: 64

Qualifications: BA Accounting, MPhil Accounting

Board tenure: 4 years (interrupted)

Committees: ARC; REM

Skills codes: A, B, C, D, F, G, H, K, L



**PROF LOUIS FOURIE**  
Independent Non-Executive Director

Age: 66

Qualifications: PhD, MBA cum laude

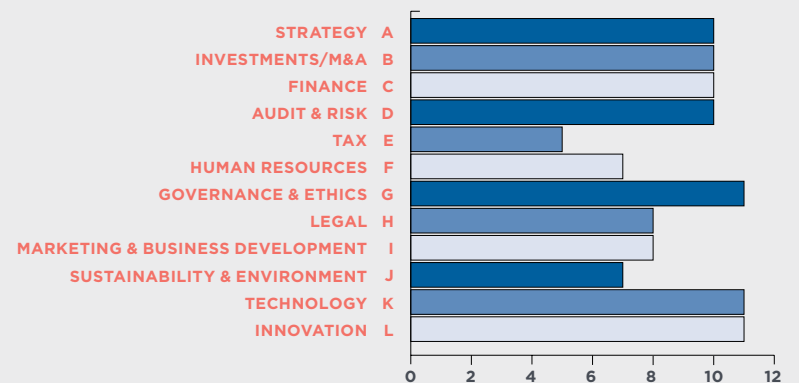
Board tenure: 2 years

Committees: INV

Skills codes: B, C, D, G, J, K, L



**BOARD SKILLS AND EXPERIENCE**



# COMMITTEE REPORTS

A hand is shown on the right side of the page, with the index finger pointing towards a bright, glowing node in a network of white lines and dots. The background is a dark blue gradient with a complex, interconnected network of white lines and dots, resembling a digital or data network. The overall aesthetic is modern and technological.

# Nominations (NOM) committee

“AYO’s Board is a diverse, capable and knowledgeable team that leads with high integrity and ethics and maximises the Group’s value creation capacity by considering business’ and societal needs and expectations.”

### Committee purpose

The nominations committee is responsible for:

- Ensuring that the Board has the appropriate composition in terms of structure, size, diversity (of skills and demographics) and independence to function effectively
- Spearheading the formal and transparent process of nomination, election and appointment of directors
- Induction and ongoing training of directors
- Succession planning for AYO’s Board, executive team and senior management



### Committee composition

No changes to the committee’s membership or structure have taken effect in the 2022 financial year.

### Terms of reference

The committee’s charter, which was updated in 2020, remained unchanged and is fully aligned with the requirements of the King IV™ Code of Corporate Governance.

### Committee meeting statistics

MEETINGS	ATTENDANCE
1	100%

### Salient outcomes

- Evaluated the size and composition of the Board, post the resignation of Mr Amod on 23 November 2021, and agreed not to appoint an alternative director in his place
- Evaluated the Board’s composition against the Board diversity policy, adopted in 2020, and is satisfied that the Board has met and in certain cases exceeded its voluntary targets in terms of gender, race, culture, age, field of knowledge, skills and experience diversity in the governing body.
- Reviewed the composition and performance of the Board and its committees and determined that the governing units are adequately resourced and constituted
- Found no significant matters or material concerns in respect of the Board and the committees’ performance
- With view of the challenges the Group faced, resolved to offer regular refresher training to directors on their fiduciary duties

### Self-evaluation

The nominations committee is satisfied that it has adequately fulfilled its responsibilities in accordance with its mandate during the reporting period.

## Audit and risk (ARC) committee

“Our assurance practices and risk management initiatives continue to evolve and mature. Our finance and internal audit teams are well-resourced with skilled and highly experienced professionals and our relationship with the external audit partners is open and supportive.”

### Committee purpose

The main role of the audit and risk committee is to provide independent oversight of:

- Integrity and accuracy of AYO’s financial statements and all official reports issued by the Company
- Governance of risk in the organisation
- Effectiveness of all assurance processes, including the internal and external audit function

### Committee composition

Composition of the committee remains unchanged during this reporting period, after all members stood for re-election and gained the support of shareholders at the 4th AGM.



### Terms of reference

The audit and risk committee charter, which stipulates the terms of reference for the committee was reviewed and updated in 2022. The revised document is fully aligned with the requirements of the King IV™ Code and is available on AYO’s website at ayotsl.com.

### Committee meeting statistics

MEETINGS	ATTENDANCE
4	93,3%

### Salient outcomes

- Assessed the Group’s financial reporting procedures against the stipulations in paragraph 3.84(g)(i) of the JSE Listing Requirements and found the processes adequate and the team well-resourced and skilled.
- Reviewed and were satisfied with the performance of the Group CFO, Mr Tatenda Bundo, who is in the fourth year of his tenure.
- Reviewed and accepted the interim and annual financial statements for the Group and the Company, as well as the 2022 integrated annual report.
- Oversaw the re-appointment of the Group’s external audit partner and reviewed the assurance reports and progress updates of the internal and external audit units.
- Examined the ongoing updates of the Group risk register to ensure that all significant risks are accounted for and sufficient mitigating processes are in place.

### Self-evaluation

The audit and risk committee executed its statutory responsibilities pursuant to section 94(7) of the Companies Act, paragraph 22.15(h) of the JSE Listing Requirements and the King IV™ Code for Corporate Governance for the 2022 financial year.

## Investment (INV) committee

“Due to the challenges the Group is handling with its banking partners and shareholder, the investment team’s capacity in the short-term has been shifted to assist with the resolution of this crises, so that AYO can swiftly regain its strategic momentum.”

### Committee purpose

The investment committee’s principal role is to:

- Consider investment opportunities in respect of acquisitions, listed securities or any other financial instruments to advance AYO’s mandate
- Approve acquisitions and disposals in line with the limits of authority as delegated by the Board
- Review and approve the periodic evaluations of the Group’s assets for inclusion in official financial reports

### Committee composition

The committee is well-resourced with the membership of four non-executive and one executive director. Thus, no changes to the committee’s composition were made during 2022.

### Terms of reference

The investment committee charter was reviewed during the year to ensure alignment with the stipulations of the King IV™ Code. Found adequate and relevant, the document remained unchanged.

### Committee meeting statistics

MEETINGS	ATTENDANCE
5	100%

### Salient outcomes

- Evaluated the performance of AYO’s portfolio given the challenging operating context.
- Reviewed and approved the valuations and loan impairments of the Group’s underlying assets, prepared by the independent corporate finance advisors, for inclusion in the interim and annual financial statements.
- Considered and advanced the acquisition of Italian Summer, which was announced to the market in August 2022 and was subsequently halted due to the unresolved banking challenges of the Group.
- Oversaw the disposal of Puleng, induced by the banking crisis.

### Self-evaluation

The investment committee is satisfied that it has adequately fulfilled its responsibilities in accordance with its mandate during the reporting period. As acquisitive growth remains a critical part of AYO’s long term strategy, we look forward to shifting the committee’s focus back to our core purpose upon the successful resolution of our current operating challenges.



# Social, ethics and transformation (SET) committee

## Committee purpose

The SET committee's main purpose is to:

- Ensure that AYO is governed and operates in an ethical manner
- Steer the social and economic development initiatives of the Group
- Monitor implementation of and progress towards transformation targets, including BBBEE compliance and employment equity
- Promote good corporate citizenship across the organisation

## Committee composition

In line with the requirements of section 72(4) of the Companies Act, the SET committee consists of three non-executive directors. With all three presented for and re-elected at the fourth AYO AGM, the composition of the committee remained unchanged during the financial year.



## Terms of reference

Updated in 2020, the SET committee charter was reviewed during the period and found relevant and adequately compliant with all relevant requirements. The document remained unchanged and is available on the Company's website.

## Committee meeting statistics

MEETINGS	ATTENDANCE
2	100%

## Salient outcomes

- Updated directors' interests' disclosure process to ensure more transparent procurement and accurate disclosure.
- Engagement of new independent, externally managed service provider for our whistle blowing and fraud prevention hotline, to ensure anonymity and swift remedial action.
- Full skills audit and several refresher training interventions, led by IODSA registered directors.
- Completion of corporate restructure, which commenced in 2021, consequent to our banking challenges, resulting in the rationalisation of 28 positions.
- Continued focus on people development with interns deployed throughout the Group in our skills development initiatives and application to SITA for discretionary funding to expand on the project in 2023.

## Self-evaluation

The committee, in association with the Group Corporate Affairs director, has been actively involved in monitoring the implementation of behavioural and ethical directives at operational level. We are confident that we have successfully fulfilled our responsibilities during 2022 in line with the committee's mandate, the Companies Act, the JSE Listing Requirements and the King IV™ Code's provisions.

“ MEANINGFUL STAKEHOLDER ENGAGEMENT, BASED ON A FOUNDATION OF MUTUAL TRUST AND RESPECT, HAS BEEN THE CORE FOCUS OF THE ORGANISATION IN 2022. OUR ETHICAL APPROACH AND BEHAVIOUR ARE EVIDENT IN BOTH CONFLICT RESOLUTION TALKS AND THE EMPHASIS WE PLACED ON OUR PEOPLE.

DR DENNIS GEORGE  
CHAIR OF SET COMMITTEE



## Remuneration (REM) committee

**“In a particularly challenging period, AYO’s remuneration plan has addressed the unique circumstances of the Group and the responsibilities assumed by our leaders. We are committed to implementing fair, responsible and transparent remuneration practices that balance shareholder and employee outcomes, reward excellence and promote achievement of our strategy.”**

### Background statement

AYO believes in fair and responsible remuneration that motivates and rewards excellence to ensure long-term success and sustainability.

This is achieved via;

- a flexible, holistic compensation model, which allows for tailored incentives linked to the Company’s objectives for the period
- rigorous remuneration governance
- accurate and transparent reporting, and
- assiduous stakeholder engagement.

The remuneration committee, which consists of Ms Amod as chair, Mr Rasethaba and Dr Mgoqi, is the custodian of all remuneration matters at AYO. During the 2022 financial year, the committee met five times, enjoying full attendance on each occasion, and deliberated on several important topics:

- updates and enhancements of the remuneration policy
- advanced salary payments to all staff due to banking challenges and risks
- criteria for awarding STIs and LTIs in this extraordinary period

#### REMUNERATION POLICY REVIEW AND STAKEHOLDER ENGAGEMENT

While the committee is satisfied that the remuneration policy is relevant, fit for purpose and aligned with all relevant statutory requirements, the policy itself and the implementation report did not meet the approval of 75% of shareholders at the annual general meeting as stipulated in paragraph 3.84(k) of the JSE Listing Requirements. The committee engaged with the dissenting shareholders and appointed 21st Century Consulting to review the policy and recommend further enhancements. All shareholders’ and consultant’s comments have been addressed in a new proposed draft of the policy and should the Board ratify the amendments, the updated document will be tabled at the next annual general meeting.

#### ADVANCED SALARY PAYMENTS

With the banking sector’s collective decision to withdraw transactional banking facilities for our companies, AYO faced an atypical risk – inability to pay monthly salaries, driven not by cashflow considerations, but rather inability to transact with its own funds. This was a significant threat for our employees and their families and the committee, on three occasions, determined it appropriate to advance monthly payroll to protect our team, who had demonstrated their loyalty and resilience in such challenging circumstances.

#### INCENTIVE CRITERIA

LTIs and STIs are critical components of AYO’s remuneration plan, which ensure that employees’ activities are aligned with the short and long-term strategy of the business and rewarded appropriately. The unique situation of the Group in this reporting period, marred with exhaustive litigation and contextual challenges, has brought about a shift in focus areas for the moment, as described in this report. Thus, the criteria used to evaluate performance had to reflect this change.

Non-financial KPIs, particularly ones relating to conflict resolution, stakeholder engagement and reputational matters, have been temporarily elevated in weighting to 75%, while financial KPIs have been redefined in terms of cost management, rather than revenue growth.

While unorthodox, the decisions taken by the remuneration committee during the reporting period have enabled the Company to address its pertinent challenges and reward the team fairly for their commitment and diligence. As such, the committee is satisfied that it has successfully delivered on its mandate for 2022 and will continue to promote exemplary compensation practices going forward.



**FUTURE AREAS OF FOCUS**

- **Continue to monitor and enhance remuneration policy to balance the interests of all stakeholders and secure shareholders’ support**
- **Ensure KPIs used to determine STIs and LTIs are aligned with current business focus**
- **Benchmark AYO’s remuneration to industry best practices and pay scales**

**Committee meeting statistics**

MEETINGS	ATTENDANCE
5	100%

**REMUNERATION COMMITTEE  
ROLE AND RESPONSIBILITIES**

**Remuneration policy governance**

- Oversee the design, articulation and regular review of a remuneration policy and framework
- Ensure that all remuneration-related decisions are compliant with any and all regulatory requirements, AYO’s strategic objectives, risk tolerance, financial conditions and future prospects.
- Regularly review and ensure that the remuneration elements are aligned with the Company’s needs and strategic objectives.

**Remuneration administration**

- Determine specific remuneration packages for executive directors and group executives.
- Determine annual targets and criteria to measure the performance of and incentivise executive directors and group executives, aligned with the short, medium and long term objectives for the Company.
- Select appropriate benchmarking indicators and comparative group for evaluating remuneration levels.
- Determine overall annual remuneration for all staff, including STIs and LTIs.
- Determine annual non-executive directors’ fees.

**Report on all remuneration related matters to stakeholders**

- Remuneration reporting
- Stakeholder engagement on remuneration related matters.

# Remuneration policy

## APPROACH TO REMUNERATION

The remuneration policy is designed to:

- Attract and retain critical talent and skilled workforce
- Motivate and reward consistent high performance
- Ensure short term success and long term sustainability
- Promote an ethical culture and responsible corporate citizenship
- Reward employees and directors in a fair, equitable and competitive manner

Our dynamic approach to remuneration and target setting aligns individual behaviours with corporate objectives. We structure compensation around the execution of our strategy, which is measured by performance criteria. We pay for performance and different components of our reward structure recognises and rewards individual and collective performance.

	STRATEGIC INTENT	DESCRIPTION	ELIGIBILITY
<b>GUARANTEED PAY AND BENEFITS</b>	Attract and retain talented, high performing people	<ul style="list-style-type: none"> <li>• Total cost-to-company remuneration, including Company contribution for selected benefits</li> </ul>	All employees
<b>BONUS PAYMENTS</b>	Motivate and reward consistent performance	<ul style="list-style-type: none"> <li>• Discretionary bonus payment equivalent to one month's total guaranteed pay</li> </ul>	All employees
<b>STI</b>	Incentivise performance aligned with set business objectives	<ul style="list-style-type: none"> <li>• Individual annual incentive up to a maximum of 150% of total guaranteed pay, awarded on the achievement of pre-determined criteria</li> </ul>	Executive directors and Group executives
<b>LTI</b>	Align shareholder and employee interests	<ul style="list-style-type: none"> <li>• A retention package of up to 100% annual guaranteed pay, awarded based on achievement of pre-defined KPIs and payable at the end of the next interim reporting period</li> </ul>	Executive directors and Group executives

Criteria and KPIs for STI and LTI are determined annually by the remuneration committee. Reward packages are reviewed annually and adjusted for inflation, equality and fairness, as necessary at the beginning of each financial year.

Bonuses, STIs and LTIs are forfeited if an employee has been dismissed or voluntarily resigned during the financial year. In case of mutual separation, retrenchment, retirement or death, the benefits are paid pro-rata for the period worked.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

AYO believes that the duties and responsibilities of non-executive directors extend beyond meeting attendance. Therefore, non-executive directors' fees are set as single retainer amounts. Non-executive directors do not participate in any short or long term incentive programmes.

# Implementation report

The following criteria, aligned with AYO's strategic focus areas, have been set and performance benchmarked against, in the allocation of STI and LTI for the executive management team in 2022:

FOCUS AREA	PERFORMANCE CRITERIA	WEIGHTING
<b>Dispute resolution</b>	- Satisfactory resolution of banking crisis - Considerate engagement with critical stakeholders	50%
<b>People development</b>	- Internal communication and retention of critical staff - Succession planning	15%
<b>Value preservation</b>	- Cost management effectiveness - Value erosion risk management	25%
<b>Brand reputation</b>	- Crisis communication and reputational value erosion minimisation	10%

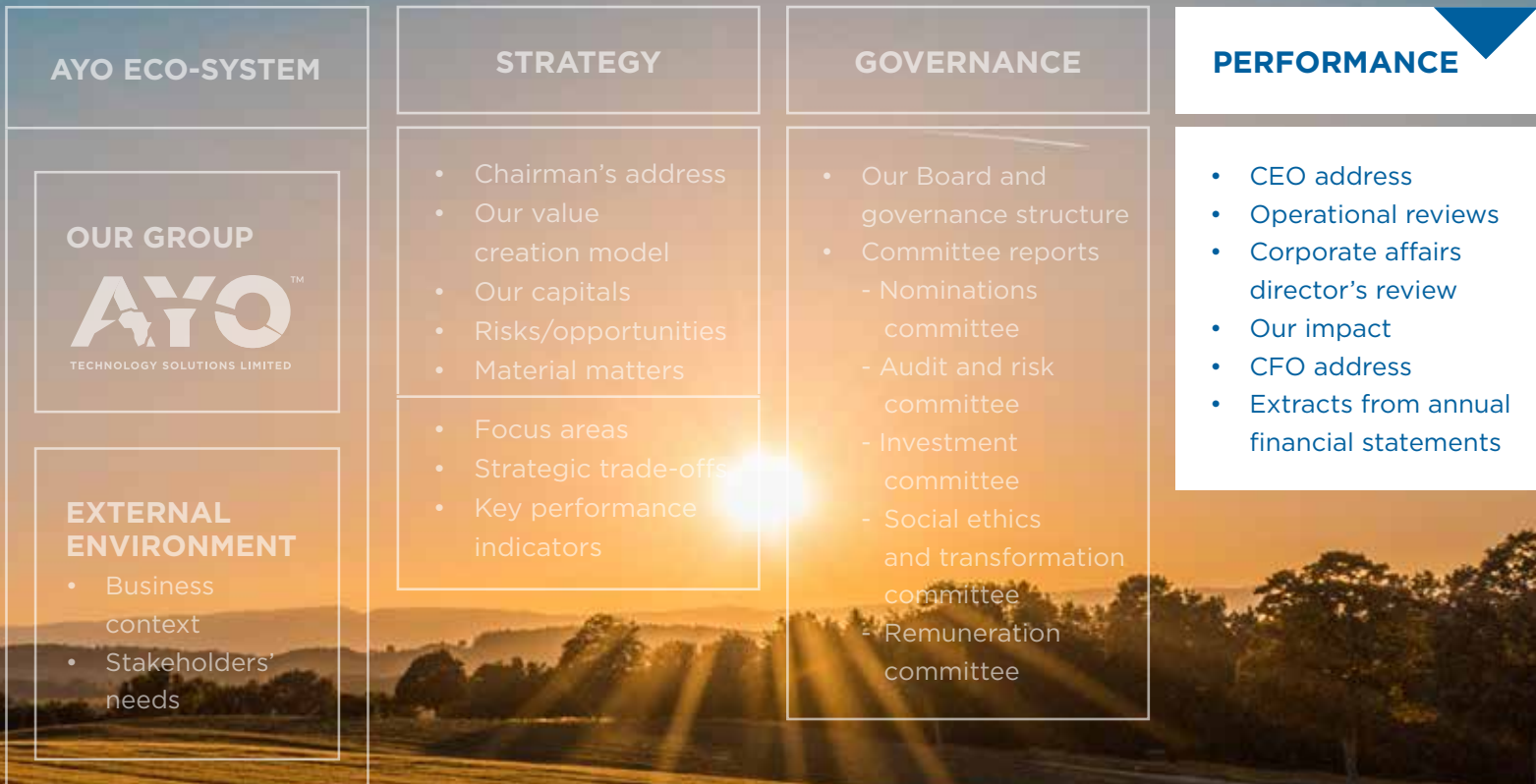
## EXECUTIVE DIRECTORS' REMUNERATION

	Basic salary	Bonus	STI	LTI	Other benefits	Provident Fund	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
H Plaatjes	4 313	404	7 980	2 470	156	538	15 861
T Bundo	3 606	341	7 084	2 112	248	433	13 824
V Govender	2 990	294	6 963	1 820	145	538	12 750
K Abdulla	4 448	429	4 400	1 545	198	618	11 638
I Amod*	945	315	6 000	-	73	-	7 333

\* Ismet Amod's remuneration is reflective of the period before stepping down from the Board, namely September to November 2021.

## NON-EXECUTIVE DIRECTORS' EMOLUMENTS

	Directors fees	Consulting fees	Total
	R'000	R'000	R'000
Dr W Mqoqi	1 240	200	1 440
A Amod	827	200	1 027
Dr D George	910	200	1 110
R Mosia	744	200	944
S Rasethaba	496	200	696
Adv Dr N Ramatlhodi	413	250	663
Prof Dr L Fourie	413	200	613
<b>Total</b>	<b>5 044</b>	<b>1 450</b>	<b>6 494</b>



In this section we assess the outcomes of our value creation endeavours and the impact of our activities on all our stakeholder clusters.

# PERFORMANCE

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## Reflections from our Chief Executive Officer

“ THERE IS A LIGHT AT THE END OF EVERY TUNNEL. SOME TUNNELS JUST HAPPEN TO BE LONGER THAN OTHERS

- ADA ADAMS

This is my fourth year at the helm of the AYO Group. As I look back at my tenure and the challenges we have faced - in our business and as a nation - what is clear, is that it has not been an easy ride. No one goes into business believing it will be simple, but over this period, there have been some challenges that have radically altered how we do business. One is the COVID-19 pandemic, another the energy crisis that appears will remain a part of our lives for at least another decade. The social and political turbulence our country has experienced over the past decade and more has also had an impact on daily lives.

For its part, the AYO Group has also fought a series of successive battles, that at times, felt unattainable. Yet, with another gruelling year behind us, we have emerged stronger, more resolute and determined than ever, to build Africa's best and largest transformed ICT conglomeration. This year, I am now more confident than ever that we are at the end of the tunnel, as the light begins to shine on AYO once again.



## THE UMBRA

Since the highly publicised Mpati commission of inquiry back in 2018, AYO has been the subject of much animosity, primarily driven by sensation-seeking news houses. While the constant negative publicity affected our reputation, sapped our resources, and impeded our strategy execution, its impact on us pales in comparison to the banking fiasco of 2022. Citing “reputational damage by association” as a direct consequence of the same Mpati report, the South African banking industry withdrew services from our Group, leaving us with no transactional facilities to conduct our business. We took the matter to court (in fact, to several courts), which again drew media attention, perpetuating the plunging spiral.

## REGAINING MOMENTUM

The judiciary received our case well, with both the Equality Court and the Competition Tribunal granting AYO temporary relief and ordering our accounts reinstated. This is the first glimmer of light in this unexpectedly long tunnel. Our case is strong, and I am confident that in the next reporting period this challenge will be decisively resolved.

The operational impact of the banking dispute has been severe. It affected our people, our subsidiary businesses, our clients, and our reputation. We needed to stabilise our position before we can shift our attention back to our strategic mandate. Thus, we concentrated on four focus areas, which are fundamental to our “return to growth” strategy, which I shared in 2021.

## CONFLICT RESOLUTION

Meaningful stakeholder engagement is the foundation of a successful business and any unresolved conflict with our stakeholders will affect the value we are able to create. Beyond our strained relationship with the banking sector and certain media groups, the relationship between us and our second largest shareholder, the PIC, is of particular importance, as it directly affects our strategy execution and progress. Having been at loggerheads with each other for over three years, I am pleased that we have overcome our differences and are discussing future possibilities in an amicable, professional manner.

## VALUE PRESERVATION

As a parent company, the value we offer our subsidiaries stems from our ability to enable their own growth and value creation strategies. Often, our companies and investments need AYO’s financial backing to implement their vision at scale and deliver societal, as well as business, benefits.

You may recall from my previous addresses that since listing, AYO’s objective has always been (and remains) to create a conducive collaborative group environment, where the individual businesses work together and support each other in the pursuit of the shared vision

Precluded from offering financial assistance to our companies by the challenges I have described above, in this reporting period I am delighted to see the fruits of our hard work over the past four years. Sister companies were reaching out and lending a hand (or a loan) to one another to ensure no growth opportunity is missed, and that value is created and preserved. With this level of collaboration and mutual support amongst our various businesses, I am confident that in the coming year, once the current challenges are resolved, we will return to growth and tangible value creation for all South Africans.

## PEOPLE DEVELOPMENT

The unsurmountable challenges we faced and exhaustive, countless hours of legal preparation took a toll on our team. Beyond the excessive volume of work, the banking crisis brought about huge levels of anxiety amongst our employees. The executive team decided on three occasions to advance salary payments to demonstrate our commitment to the people of the organisation and to ease their valid apprehension. This could also be described as a successful, innovative talent retention technique, as AYO managed to retain all its employees in this traumatic period.

## BRAND REPUTATION

Resolving the critical conflicts will be a giant step towards restoring AYO’s reputation. As a brand, we are accustomed to negative media attention from several antagonistic publications, having been the object of numerous unfounded allegations over the last four years. The banking industry’s move to withdraw our transactional facilities gave these unfriendly journalists fresh fuel and they jumped on the accusations’ bandwagon with renewed zealously. They were, however, uncharacteristically quiet when the courts granted us relief. To mitigate, we have put a tremendous amount of effort into engaging with our direct stakeholders, contextualising the circumstances. As a result, we continue to enjoy the support and approval of our subsidiaries, our shareholders, and our people.

**LOOKING AHEAD**

2022 was a year in which all our resources were focused on removing the obstacles from our path. Just like the entire world had to “pause” to deal with the COVID pandemic before redirecting its attention back to economic growth and sustainable development, AYO had to decisively address the pertinent issues, before refocusing on our strategic mandate. Given the positive interim feedback from the judiciary in our banking conflict, and the progress of our constructive engagement with the PIC, I am optimistic that the cycle is on the cusp of turning for AYO.

I strongly believe that our vision remains relevant. Now, more than ever, South Africa needs higher levels of inclusive economic growth, and this is the basis of our investment strategy. When I look at our subsidiary businesses, I feel like a proud father, seeing how they have evolved and grown, generating attractive returns, while enabling critical public services like healthcare, national defence, and telecommunications, thus creating tangible value for all society. I see the success of our fintech fund with the start-ups funded in 2019 and 2020 fast becoming household names in digital financial services, and empowering vast groups of Africans to partake in the formal economic flow and I know we are on the right track.

We remain committed to our vision to widen accessibility to essential services (from healthcare to education) amongst the African people. Looking forward, I believe the next investment unicorn will come from the energy sector. Despite our acquisition setback this reporting period, where an important investment in this field was obliterated because of the current obstacles, our focal point remains sustainable, scalable green energy generation. Given the current electricity crisis and the high cost of alternatives, it is AYO’s vision and purpose to make the energy transition accessible and affordable to all consumers, thus maximising value creation for all stakeholders.

**APPRECIATION**

In this extraordinarily challenging year, I have been humbled and awestruck by the resilience of our people. I salute the everyday AYO heroes, our team of dedicated and passionate employees, who have embodied grace under pressure and risen to every challenge we faced. I thank you for your commitment, loyalty, and relentless determination.


I am appreciative and grateful to our Board and especially our chair, Dr Wallace Mgoqi, for the unwavering support and wise council throughout the period. I value the incredible efforts of our directors and the executive team. Sincere thanks are also due to our stakeholders – our subsidiary companies, our shareholders, our partners and suppliers and our customers. Without your continued support we wouldn’t be who we are.

Investing for the future is a long term endeavour and we have taken a long term approach. This difficult period is only a temporary phenomenon that has made us stronger and more focused, so we can look to the future with greater resolve. As this report demonstrates, there is ample reason to believe that AYO will bounce back, tougher, and fiercer, to live up to our promise and potential.

**Howard Platjes**

Chief Executive Officer

10 December 2022



“ INVESTING FOR THE FUTURE IS A LONG TERM ENDEAVOUR AND WE HAVE TAKEN A LONG TERM APPROACH. THIS DIFFICULT PERIOD IS ONLY A TEMPORARY PHENOMENON THAT HAS MADE US STRONGER AND MORE FOCUSED, SO WE CAN LOOK TO THE FUTURE WITH GREATER RESOLVE. THERE IS AMPLE REASON TO BELIEVE THAT AYO WILL BOUNCE BACK, TOUGHER, AND FIERCER, TO LIVE UP TO OUR PROMISE AND POTENTIAL.

## Group companies operational reviews



FY22 was again a challenging year for Headset Solutions marred with persistent supplier stock unavailability due to the global chip shortage, affecting multiple industries for over two years now. However, despite the challenges, we managed to increase revenue by 36,8% from the prior year.

Our biggest growth was achieved through the Jabra brand which grew 91% in sales year on year. Revenue was spread over 308 contributing channel partners, which indicates a healthy channel partner base.

Profit margins were negatively affected by the weakened Rand. As our stock is purchased in foreign currency, but sold in the local one, we are vulnerable to an extent to exchange rate fluctuations out of our control. However, our stock holding has been a major contributor to the satisfactory gross profit achievement in the 3-Tier Distribution market we operate in.

Towards the end of the financial year, we added two more brands to our portfolio namely YeaStar and Yealink which will start to contribute to our revenue in the next reporting period. One of the growth focus areas in FY23 will be to expand our African footprint and increase revenue from exports.

### **Nielle Truter**

Chief Operations Officer  
Headset Solutions



Kathea is a technology distribution business that represents leading brands including Jabra, Poly, Yealink, Logitech, CTouch, Condeco and Jupiter. Kathea imports and markets these products to the Southern African market through a partner community of resellers and system integrators. Kathea also offers partner enablement services to go with these technologies.

The brands that Kathea represents position the business to operate in 3 main technology areas: equipping of boardrooms for video collaboration, provision of personal devices for business use (such as headsets) and supplying solutions that help businesses manage the utilisation of their boardrooms and other shared workspaces.

Kathea enjoyed revenue growth of 39% for the 12 months ended August 2022 (2021: 7%). A change in revenue mix did result in lower margin percentages and gross margin growth was 20% (2021: 0%). External drivers of this revenue growth include a combination of both a return to the workplace and a more generally buoyant business environment, as the market emerges from the COVID aftermath. Internal drivers include Kathea's continued success in representing the global brands that dominate corporate spend in this area and Kathea's continued improvement in servicing the reseller community. Personal devices experienced continued demand (no post-COVID drop off) and the demand for meeting space solutions grew substantially, surpassing pre-COVID levels. Fixed costs remained in line with budgets and, accordingly, Kathea reported strong double-digit growth in profit before tax.

Kathea's investment in inventory increased substantially to meet this increase in demand. Whether this 2022 growth includes some degree of "catch-up spend" or whether it reflects a new level of enterprise demand as video collaboration is more widely used is not yet entirely clear, but the 2023 outlook is certainly one of continued good growth.

### **Peter Cowen**

Chief Executive Officer  
Kathea Communications



HST had an excellent year financially and exceeded its revenue target by 100% for the 2022 reporting period. Given the extraordinarily challenging conditions, this is an excellent achievement and serves as evidence for the resilience and agility of our business.

We continue to focus on delivering excellent quality service to our clients, based on deep understanding of their business context and needs and purposeful, meaningful and consistent engagement. As a result, our anchor customer, the National Health Laboratory Service, has extended our contract once again for the 2023 financial year.

We are again at the negotiation table with our second anchor client, the Western Cape Government, and are close to renewing our long-standing SLA for a further 5-year period. This is great news for us as all this revenue drops straight to the bottom line.

A few new business prospects are also on the horizon with 2 new partnership vendors. While we are still in the early stages of engagement, I am buoyant in my expectations for the upcoming reporting period and the medium term with such exciting opportunities firmly within reach.

The COVID pandemic and its devastating effects seem to be behind us now as and we look with optimism to the new financial year ahead. While the impasse with our banking service providers significantly impacted our capacity for new business development, the recent favourable rulings by the Equality Court and the Competitions Commission have given us some welcome temporary relief and renewed optimism for a lasting satisfactory outcome.

**Adam Abdurahman**  
Chief Operating Officer  
Health System Technologies



After a relatively gradual nine months of trading, Sizwe finished strong in the last quarter which resulted with the company closing the 2022 financial year with a revenue of R916.5M, a significant growth of 27% from R720M in the previous financial year (2021 financial year) taking into consideration the economic challenges experienced.

The Western Cape Government and South African Revenue Services (SARS) remained Sizwe's largest and strategic clients, with both organisations having extended their contracts ensuring recurring revenue for the next financial year.

We are also pleased with new contracts commencing early next year for the next three years namely: City of Johannesburg, Metropolitan Trading Company (MTC) and Passenger Rail Agency of South Africa (PRASA).

Sizwe remains committed to continuously be at the forefront of digital transformation, provide unparalleled solutions and technology, and offer the exceptional service delivery and customer experience. To that end, our global and local technology partners recognise, endorse, and accredit our best-in-class technicians and engineers with expertise across multiple industries. Our latest awards in the industry are Kyocera Black Belt Award, Huawei Nova Partner, Lenovo ISG Silver Partner of the Year and Cisco IoT Advantage Specialist. We also managed to retain our ISO certifications.

There are strategies in place to grow business in all regions.

Cloud, Cybersecurity, Digital Innovation and Software Applications services and solutions remain our key offerings.

**Altus Stoop**  
Executive Director  
Sizwe Africa IT



SGT Solutions has delivered good financial results during the 2022 financial year, generating strong cash flow and with profits in line with budget. The telecommunication market remains strong, with continued investment by the big mobile networks in network upgrades (5G expansion and spectrum changes).

Although COVID has abated from a personnel perspective, the supply chain issues became a dominant factor for all equipment suppliers. This has caused delivery delays, which in turn had an impact on business volume for parts of SGT's business.

The overall market position of SGT remains strong, having been selected by Vodacom again to be a preferred service provided for installation of microwave links on their towers and continued investment in network monitoring to ensure quality of service for their customers. Our synchronisation offering has gained market share and our contract with MTN group has contributed to healthy business volume in the year. SGT has been awarded as Partner of the Year in Africa by Microchip, our OEM partner for this business. Microchip is a global leader in synchronisation equipment and we are proud to have gained this recognition.

For the year ahead, we believe that the recovery of the SA economy as a whole will lead to opportunities for expansion into more areas of business, assisting in the growth path for SGT. The company has identified the following key focus areas with strongly positive prospects:

- Expansion of field services into 5G installations for MTN
- Network build in specialised technologies, such as satellite networks and secure radio communication
- Providing point-to-multipoint microwave solutions to Telcos for cost effective fixed wireless broadband connections, augmenting their fibre roll-out
- Expansion into ICT networks with Alcatel-Lucent as partner, with focus on municipal and industrial customers.

Our overall outlook for 2023 is optimistic, expecting solid growth while maintaining healthy profitability, despite expecting logistic and manufacturing delays to continue into the new year.

**Dr Vincent Scholtz**  
Chief Executive Officer  
SGT Solutions



FY 2022 has been a challenging year for GC²T, and we were unable to drive revenue growth and reduce liabilities. The primary reason for this has been the delays experienced in finalising key contracts, including the African Union C3IS MNJTF Support and Maintenance contract and the conversion of the SAAF CMSP deal. Non-placement of several smaller DoD contracts, due to re-direction and re-prioritisation of funds after the KZN floods also had a negative impact.

The cashflow position has been affected by the delays experienced with contracts, thus cash built up in the previous year(s), had to fund portions of the direct operational costs. Fortunately, GC²T had built up sufficient positive cash reserves to date. The downside, however, is the impact on planned repayments of loans to the shareholders, which have not occurred on time. The cost savings achieved in FY2022 also bode positively for us, as the below-the-line cost remains at its minimal level, which ensures that usage of funds and cash remained well managed.

The SAAF SCAD CMSP Support and Maintenance deal, has now evolved into a multi-year (3 Years) contract for the SAAF CMSP, which was concluded just after the financial year end on 09 September 2022. The value of the contract is also larger, as GC²T has become the sole source supplier, providing a full turn-key service to the SAAF. Other minor contracts from previous year(s) also carried over into 2022, enabling us to meet operating expenses and alleviating cash flow challenges.

GC²T has engaged with several African countries indirectly, via strategic collaborations with military vehicles manufacturers, enhancing the vehicle offerings by providing value added solutions (hardware & software) command and control systems. The configured solutions, which allow operational missions to be undertaken using mobile and static headquarters, will be undertaken by the UN Infantry Battalion for peacekeeping and armed support missions. Potential for further contracting is high, which informs our positive outlook for the FY2023.

**Ratilal Rowji**  
Chief Executive Officer  
GC²T



Digital Matter had a very successful 2022 with revenues increasing 17% year-on-year, while gross profit and profit before tax climbed by 35% and 72%, respectively. The strong financial performance was due to our key customers recovering from the post-pandemic slump and unlocking additional CAPEX resources for new projects. Digital Matter has also started importing hardware directly from suppliers, resulting in lower cost of sales and increased margins.

Our InspectionOne effective paperless tracking system, which provides an independently verifiable audit trail, essential in safety and compliance critical applications, continues to gain traction. To date, the system has been implemented successfully at numerous sites, including Sasol (Secunda and Sasolburg), BHP Billiton (SA and Australia) and Columbus Stainless. Digital Matter's other flagship products – TrackSmart and AssetAuditor – also performed exceptionally well in the still very tough operational environment

Access to quality development resources is proving to be very difficult and poses risk to future growth. However, I am optimistic that 2023 will be another successful year with record revenues and improved margins for the company.

**Jeremy Williams**  
Managing Director  
Digital Matter



FY2022 has been a very difficult year for Afrozaar with revenues falling short of projections and cash constraints impacting on our ability to implement critical projects. Having said that, we made some good progress in terms of our product refinement strategy, implementing our first video streaming offering, and are optimistic of its success in the upcoming financial cycle.

Our key priority is investing into establishing a dedicated sales strategy and team, which has been identified as the critical impediment to our performance in 2022. We remain focused on our three key territories, namely United Kingdom/Europe, Africa and North America. Our UK office has done well this year in growing the business in the region. Thus, establishing in-country representation in the US is now our main focus. Again, cash flow constraints are making this a challenging endeavour, hampering our growth in this important market.

Our Publisher's Toolbox and PT Sportsuite products remain strong amidst growing competition globally and MojoReporter is well positioned to succeed in the B2C arena. With the correct funding structure, the three products can achieve significant market share and revenue growth in 2023. The commercial model remains sound with respectable profit margins and dependable annuity income. Bolstering the development and sales teams is, thus, the critical success factor, which will inform our performance in the coming year

**Richard Cheary**  
Chief Executive Officer  
Afrozaar



# Corporate affairs director review

In yet another year of “business unusual”, underpinned by atypical but significant challenges, AYO did not overlook its overarching business imperative – to create social, economic and transformational value. Our focus was on protecting and supporting our brand, people and integrity, through deliberate engagement with critical stakeholders, resolving conflicts and “clearing the obstacles”, so to speak, so we can again concentrate on our strategic momentum. This meant finding new ways to mindfully pursue the promotion of UN SDGs in our society, while most our resources were deployed in the critical processes ensuring AYO’s long term sustainability.

## PEOPLE AT THE CORE

The legal and operational challenges that defined 2022 for AYO took a toll on the team. Retaining and motivating critical talent in such circumstances is not easy. We had to adopt some unorthodox practices, such as paying salaries several months in advance, which not only proved our commitment to our people, but also served as a successful retention methodology. Coupled with a consistent and open internal communication campaign, this resulted in AYO retaining its full team, which in itself, is an extraordinary achievement. With the positive rulings of the Competitions Tribunal and the Equality Court at the end of the reporting period, we look forward to reinstating regular payroll processes, which will ease some of the pressure for both the company and our employees.



Beyond our own team, AYO’s people focus has always extended to the South African community. We take our role as driver and enabler of social transformation seriously and strive to promote economic inclusivity, gender equality and access to opportunities for all citizens of our rainbow nation. With the strain on our resources (both human and financial) over the year, our long term community upliftment initiatives slid somewhat down the priority list. Yet, it was heart-warming to see our employees trading their traditional team building and celebratory activities to, instead, spend time together working on school and community feeding schemes. Such selfless choices are a true testament to the values and culture we share at AYO.

## PROTECTING OUR BRAND

No matter the industry, geographical location, business size or age, a company’s brand is its most important asset. We are well accustomed to unwarranted negative media sentiment towards our brand and were not surprised when hostile journalists took the opportunity to again villainise our name. This time, AYO did not take the criticism lying down.

The accusations started with a dismissed employee, posing as a “whistle blower” sharing false information with media and regulatory bodies. The thorough regulators’ investigation came out empty, but that did not protect us from more targeted negative publicity. Despite our engagement with the prying media house and presentation of sufficient proof of the falsehood of the allegations, the articles were published and amplified, causing further erosion to the value of the AYO brand. We have instigated legal proceedings against both the media house and their “informer”. Going forward, we will continue to fiercely protect our name and take decisive action against any publication that sensationalises unverified reports to the detriment of our brand.

## BUSINESS INTEGRITY

We credit our commitment to maintaining the highest standard of ethical business behaviour and integrity for AYO’s continued success. It is our solid relationships with our stakeholders, built on a strong foundation of honesty, transparency and mutual trust, that have motivated them to stand with us during this challenging period. For yet another year, our externally managed whistle-blowing line, available 24hr a day in all official South African languages through multiple channels, remained 100% silent. I am proud of the ethical and virtuous behaviour of AYO’s leaders and employees in 2022. There is no other way but up, for a company with such an inspired, loyal and honourable team.

# Our impact

AYO’s commitment to promoting the advancement of UN SDGs is evident in everything we do, from our investments to our business practices and social responsibility initiatives. Investing in businesses like HST – instrumental to the healthcare of all South Africans (SDG 3), SGT and Sizwe Africa IT – enhancing digital accessibility and services throughout the country (SDGs 4, 8, 9, 10 and 11), we strive to positively impact opportunities and quality of life for all. Our CSR campaigns continue to promote quality education (SDG 5) and offer support to those who need it the most (SDGs 1 and 2). As an ethical and exemplary corporate citizen, we promote SDGs 16 and 17 while setting the precedent for best practices in the industry.

## ENABLING INCLUSIVITY, REDUCING INEQUALITY

Addressing the abundant poverty and unmistakable inequalities that still persist in our society 35 years into democracy will not be achieved until all South Africans have access to participate in the formal economy. Digital availability of services like financial mobility, insurance and healthcare make that possible and this is where AYO, through our investment in the Vunani Fintech Fund, makes the most significant contribution to promoting these important sustainability objectives. Mobile wallets and payment gateway systems funded by the investment, process more than 3 billion monthly transactions for more than 1 million merchants, who would not have otherwise been able to take part in the formal economy. Other services commercialised by the fund include insurance, property and healthcare mobile marketplaces, consumer loyalty programmes and social media.



## ENHANCING CONNECTIVITY, CREATING OPPORTUNITIES

Fast and reliable connectivity is an essential requirement for economic and social inclusivity. It provides access to new markets and customers. It makes learning, communicating and working possible. While our investment in various mobile-based services through Vunani Fintech Fund creates opportunities for many Africans to access the formal economy, it would not be possible without a stable and reliable connection. Through our subsidiary SGT, we provide this critical service, rolling out 5G and microwave connectivity solutions for network operators in South Africa, Nigeria, Ghana and Eswatini, thus enabling millions of people to access previously unattainable opportunities. Additionally, SGT has been rolling out back up power solutions for transmission towers, which have been seriously impacted by the energy crisis, facilitating uninterrupted connectivity through the rolling blackouts experienced recently.



## FOSTERING INCLUSIVITY AND DIVERSITY IN THE WORKPLACE

Through significant efforts from both the public and private sectors, much progress has been made in embracing the diversity of our rainbow nation in the workplace. Yet, there is still a long way to go and AYO takes this responsibility seriously. We believe it is our duty, as an employer, to create opportunities for as many people as possible and provide them with an inclusive, tolerant and accommodating workplace. Our people have long been our top priority and we continue to diversify our employee base, invest in the continual education of our staff and create an environment where different cultures are respected and celebrated. We continuously welcome interns and learners from various educational and economic backgrounds, offering them real life work experience, growth opportunities and a glimpse into a happy, safe and stimulating work environment.



## BUILDING A SUSTAINABLE FUTURE

Sustainable future is a critical objective for us at AYO from two perspectives. Ensuring the sustainability of our own organisation in this period of turmoil has been our top priority in the last year and we are pleased with the positive outcomes achieved to date. However, it is equally important to create a sustainable future for all. As a fairly insignificant contributor to climate change, we believe that the biggest impact we can have on ecological sustainability is through our investments. In 2022 we focused on identifying such opportunities and completed the acquisition process for a new subsidiary in the green energy field. Unfortunately, due to the challenges of the business, the deal fell through in the final stage. However, we are confident that in the upcoming financial year these obstacles will be eliminated and we will again be able to concentrate all our resources on driving a successful impact investment strategy.





## CFO report

### OVERVIEW

The Group has had a particularly tough and uncertain year due to legal battles to ensure that the Group's bank accounts remained open after large transactional banks had notified the Group of their intention to withdraw all banking facilities within the Group in the prior year,

In view of survival, part of the operating strategy of the Group for the past year was to ensure efficiencies in all aspects of all operations. This stance has been taken to ensure continuity and longevity for all business operations within the Group.

Additionally, although the whole world is currently in an "endemic" in relation to COVID 19, the effects of the pandemic are still being felt by us all, in the form of, tough economic conditions which have resulted in very little growth in the Group's performance.

### DISPOSAL OF INVESTMENTS

During the year, the Group disposed of two of its subsidiaries, namely, Puleng Technologies Proprietary Limited ("Puleng") and Global Command and Control Technologies Proprietary Limited ("GC<sup>2</sup>T").

Puleng suffered immensely from the loss of its contracts due to the Group's strained relationships with banking institutions. As a result, Puleng was classified as a non-current asset held for sale in the prior year as management had a plan to dispose of the asset within 12-month after 2021 financial year.

The investment was disposed of effectively on 1 November 2021 with its results being included for only 2 months in the current year.

On 1 November 2021, the board of GC<sup>2</sup>T was changed for strategic purposes. The change resulted in the Group losing control of the company. GC<sup>2</sup>T was classified as a subsidiary in the prior year and all its assets, liabilities, income and expenses formed part of the Group numbers, however due to the loss of control, it has been classified as an associate in the current year as the Group still holds 24% of the overall share capital. As the investment is classified as an associate, only the Group's portion of its overall income after tax is included in the Group's financial results.

## GROUP PERFORMANCE

The Group has seen satisfactory results from its subsidiaries in the current year despite the disposal of its investments, its challenges with the banks, in addition to the dire economic conditions faced worldwide from increasing interest rates, an increase in the cost of living and an upcoming recession.

## INCOME STATEMENT

Revenues have increased slightly by 3% from R1.70 billion in the prior year to R1.76 billion in the current year due to additional once off revenues earned in the managed services division and exponential growth in the unified communications division.

The unified communications division includes Kathea Communications Proprietary Limited, ("Kathea Communications") which was acquired on 1 March 2021. Kathea Communications generated revenue of R236 million, gross profit of R52 million, and profit before tax of R19 million for the current year while it contributed revenue of R93 million, gross profit of R20 million and profit before tax of R8 million for the 6 months from 1 March 2021 to 31 August 2021.

The Group's gross profit percentage decreased from 26% to 22% as the prior year margin included high gross profits earned by Puleng. Since the sale of Puleng, the remaining margins are consistent at 22%.

As part of its vision, the Group has continued to focus on increasing efficiencies through a reduction of operating costs. The Group's strategy has materialised in this regard as operating costs have decreased in the current year. These cost savings were however offset by a R69 million goodwill impairment and R40 million in non-recurring legal fees incurred in a bid to ensure that the Group was able to remain operational and have transactional banking facilities.

The loss before tax incurred by the Group has increased by R33 million in the current year compared to the prior year mainly due to the decline in gross margins, increase in impairment expenses and decrease in interest income.



## BALANCE SHEET

The Group has seen an overall decreased in its total asset value.

Non-current assets have had an overall increase in the current year compared to the prior year.

The increase is due to the recognition of the put option for GC<sup>2</sup>T and loans receivable from GC<sup>2</sup>T which were previously eliminated from the Group figures. An additional contributor to the increase of the overall non-current asset is the increase in loans provided to various entities in a bid to provide the Group with additional interest income.

Goodwill declined in the current year of due to the R69 million impairment recognised on goodwill relating to the Zaloserve business unit.

The right of use assets and intangible assets have also decreased due to the winding down of the assets as a result of depreciation being recognised.

Investments at fair value have declined from the prior year due to some strategic investments suffering from the effects of the economic downturn.

In terms of the Group's current assets, the working capital components have increased. Trade and other receivables increased significantly in the current year as a result of additional funds transferred to attorney's trust accounts, while inventories increased due to upcoming contracts expected to be serviced shortly after the financial year end. Other financial assets have also seen a significant increase due to the Group's investment strategy that has resulted in the Group investing more funds in the stock exchange in a bid to increase its passive income earning potential.

Cash holdings have declined due to working capital requirements as well as the provision of loans in a bid to earn more investment income.

The Group had minimal liabilities, the majority of which relate to its day-to-day operations the most significant of which are trade and other payables.

## FUTURE OUTLOOK

The Group aims to continue servicing its customers and ensuring high quality products and services are provided at all times and aims to become a leading African IT group engaging in disruptive technologies that will impact infrastructure, education, longevity and health, e-commerce, industry automation, fin-tech, cyber security, and green energy solutions.

The Group aims to ensure that its governance structures allow it to be a good corporate citizen and now ESG becoming a significant part of every business, the Group will be doing its part to ensure that it is transparent in disclosing all required information.

## APPRECIATION

We wish to thank our Board, executive management, group executives, employees, as well as our strategic partners, business partners and other key external stakeholders for their support and loyalty during a tough financial year.



**Isaiah Tatenda Bundo**  
Chief Financial Officer

# Consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2022

	Reviewed 2022 R'000	Audited 2021 R'000
Revenue	1 755 179	1 699 492
Cost of sales	(1 367 534)	(1 252 890)
<b>Gross profit</b>	<b>387 645</b>	<b>446 602</b>
Other operating income	16 012	10 873
Other operating gains	58 877	33 798
Other operating expenses	(807 370)	(783 024)
Movement in credit loss allowances	(47 412)	(84 422)
Finance income	147 394	164 639
Finance costs	(13 556)	(13 529)
Profit from equity-accounted investments	25 250	24 539
<b>Loss before taxation</b>	<b>(233 160)</b>	<b>(200 524)</b>
Taxation	(32 904)	(57 579)
<b>Loss after taxation</b>	<b>(266 064)</b>	<b>(258 103)</b>
<b>Other comprehensive income:</b>		
<b>Items that will be subsequently reclassified to profit or loss:</b>		
Exchange differences on translating foreign operations	(478)	3 776
<b>Total comprehensive loss for the period</b>	<b>(266 542)</b>	<b>(254 327)</b>
<b>Loss after taxation attributable to:</b>		
Shareholders of AYO	(270 303)	(259 146)
Non-controlling interests	4 239	1 043
<b>Total loss after taxation</b>	<b>(266 064)</b>	<b>(258 103)</b>
<b>Total comprehensive loss attributable to:</b>		
Shareholders of AYO	(270 781)	(255 370)
Non-controlling interests	4 239	1 043
<b>Total comprehensive loss</b>	<b>(266 542)</b>	<b>(254 327)</b>
<b>Earnings per share (cents)</b>		
Basic loss per share (cents)	(78.60)	(75.31)

# Consolidated statement of financial position as at 31 August 2022

	Reviewed 2022 R'000	Audited 2021 R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>1 196 036</b>	<b>990 573</b>
Property, plant and equipment	38 627	50 792
Right-of-use of assets	94 360	117 209
Goodwill	75 458	144 593
Intangible assets	121 912	157 636
Investments in equity accounted joint ventures and associate	72 692	43 502
Loans to related party companies	280 764	222 252
Other loans receivable	252 833	84 356
Investments at fair value through profit or loss	116 059	125 141
Derivatives	113 738	-
Finance lease receivables	3 131	22 854
Deferred tax	26 462	22 238
<b>Current assets</b>	<b>2 615 099</b>	<b>3 176 223</b>
Inventories	200 251	148 875
Loans to related party companies	125 405	38 542
Other loans receivable	151 541	168 661
Trade and other receivables	785 303	487 512
Other financial assets	223 210	146 904
Finance lease receivables	13 149	13 474
Current tax receivable	1 328	8 533
Cash and cash equivalents	1 114 912	2 163 722
Assets classified as held for sale	-	59 790
<b>Total current assets</b>	<b>2 615 099</b>	<b>3 236 013</b>
<b>Total assets</b>	<b>3 811 135</b>	<b>4 226 586</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital	4 441 488	4 444 410
Reserves	(31 745)	(31 581)
Accumulated loss	(1 452 902)	(938 353)
<b>Equity attributable to shareholders of AYO</b>	<b>2 956 841</b>	<b>3 474 476</b>
Non-controlling interests	150 561	125 651
<b>Total equity</b>	<b>3 107 402</b>	<b>3 600 127</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>	<b>120 627</b>	<b>116 102</b>
Derivatives	39 017	19 953
Lease liabilities	76 660	90 673
Employee benefit obligation	3 233	5 476
Other financial liabilities	1 717	-
<b>Current liabilities</b>	<b>583 106</b>	<b>486 704</b>
Trade and other payables	393 603	312 312
Loans from related party companies	-	10 601
Other financial liabilities	12 567	2 136
Lease liabilities	29 869	34 979
Deferred income	45 075	33 252
Current tax payable	14 824	7 349
Provisions	51 784	33 502
Dividend payable	32 305	28 344
Contingent considerations liability	-	24 228
Bank overdraft	3 079	1
Liabilities classified as held for sale	-	23 653
<b>Total current liabilities</b>	<b>583 106</b>	<b>510 357</b>
<b>Total liabilities</b>	<b>703 733</b>	<b>626 459</b>
<b>Total equity and liabilities</b>	<b>3 811 135</b>	<b>4 226 586</b>

## Condensed consolidated statement of changes in equity as at 31 August 2022

	Reviewed 2022 R'000	Audited 2021 R'000
<b>Balance at the beginning of the period</b>	<b>3 600 127</b>	<b>4 296 092</b>
Total comprehensive income attributable to shareholders of AYO	<b>(270 303)</b>	(259 146)
Total comprehensive income attributable to non-controlling interests	<b>4 239</b>	3 560
Dividends declared	<b>(223 574)</b>	(452 098)
Dividends paid to non-controlling interests	-	(6 799)
Foreign currency translation reserve	<b>(165)</b>	3 118
Changes in ownership reserve	-	5 148
Movement in non-controlling interest – changes in ownership	-	10 252
Treasury shares	<b>(2 922)</b>	-
<b>Balance at the end of the period</b>	<b>3 107 402</b>	<b>3 600 127</b>

<b>Comprising of:</b>	2022 R'000	2021 R'000
Stated capital	<b>4 444 410</b>	4 444 410
Treasury shares	<b>(2 922)</b>	-
	<b>4 441 488</b>	<b>4 444 410</b>
Reserves	<b>(31 745)</b>	(31 581)
Retained income	<b>(1 452 902)</b>	(938 353)
Non-controlling interests	<b>150 561</b>	125 651
<b>Total equity</b>	<b>3 107 402</b>	<b>3 600 127</b>

# Condensed consolidated statement of cash flows for the year ended 31 August 2022

	Reviewed 2022 R'000	Audited 2021 R'000
<b>Cash utilised in operations</b>	<b>(221 253)</b>	<b>(284 132)</b>
Finance income	66 069	126 687
Finance costs	(9 182)	(12 929)
Dividend income	8 430	1 848
Tax paid	(21 984)	(64 387)
<b>Net cash to operating activities</b>	<b>(177 920)</b>	<b>(232 913)</b>
<b>Cash flows from investing activities</b>		
Net additions to property, plant and equipment	(11 264)	(20 010)
Net additions to intangible assets	(1 672)	(30 732)
Acquisition of subsidiaries, net of cash acquired	-	(55 447)
Loss of control of subsidiary	(56 496)	-
Loans advanced to related party companies	(13 450)	(94 150)
Loans repaid by related party companies	5 781	52 050
Other loans advanced	(165 438)	(117 388)
Other loans repaid	46 053	-
Purchase of investments at fair value	(46 350)	(26 000)
Amounts advanced to acquire other financial assets	(65 129)	(110 518)
Amounts repaid from other financial assets	6 313	16 378
Net amounts withdrawn in trust	(284 763)	21 579
Finance lease receipts	23 261	9 555
<b>Net cash to investing activities</b>	<b>(563 154)</b>	<b>(354 683)</b>
<b>Cash flows from financing activities</b>		
Net proceeds or repayment of other financial liabilities and leases	(43 855)	(37 064)
Loans received from related party companies	-	10 000
Loan from related parties repaid	(19 013)	-
Payments for contingent consideration arrangements	(30 000)	(5 500)
Employee benefit obligation payment	(443)	(727)
Dividends paid	(214 311)	(437 137)
Share buy back	(2 922)	-
<b>Net cash to financing activities</b>	<b>(310 544)</b>	<b>(470 428)</b>
<b>Total cash movement for the period</b>	<b>(1 051 618)</b>	<b>(1 058 025)</b>
Cash at the beginning of the period	2 163 722	3 221 747
Effect of exchange rate	(271)	-
<b>Total cash at the end of the period</b>	<b>1 111 833</b>	<b>2 163 722</b>

# Analysis of shareholder information

## SHAREHOLDER INFORMATION AS AT 31 AUGUST 2020

Analysis of shareholders	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
1 - 5 000	2539	91,99%	9 67 719	91,99%
5 001 - 10 000	91	3,30%	590 709	3,30%
10 001 - 100 000	97	3,51%	2 391 393	3,51%
100 001 - 1 000 000	16	0,58%	4 689 537	0,58%
1 000 001 - and more	17	0,62%	335 484 586	0,62%
<b>Totals</b>	<b>2760</b>	<b>100%</b>	<b>344 123 944</b>	<b>100,00%</b>

Major shareholders (5% and more of the shares in issue)	Number of shares	Percentage of total issued shares
African Equity Empowerment Investments Limited	169 866 829	49,36%
Government Employees Pension Fund	99 782 655	29,00%
	269 649 484	78,36%

Distribution of shareholders	Number of shareholders	Number of shares	Percentage of total shares	Market Value (ZAR '000 000)
Institutions	802	100 027 424	29,07%	30 208
Corporations (Private)	66	8 264 077	2,40%	2 496
Individuals/Insiders	97	12 037 947	3,50%	3 635
Public and Other	433	53 927 667	15,67%	16 286
<b>Total</b>	<b>2760</b>	<b>344 123 944</b>	<b>100,00%</b>	<b>103 925</b>

Share trading statistics	Market price per share (cents)
High	649
Low	262
Year-end	433
Volume traded (shares)	1 166 930
Value traded (rand)	4 218 350
Volume of shares traded as a percentage of issued capital	0,34%
Market capitalisation at 31 August 2022 (Rand)	1 488 731 853
Market capitalisation at 30 November 2022 (Rand)	1 036 823 501

## DIRECTORS' INTERESTS IN SHARES

2022	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total	Percentage of total shares
A Amod	1 250	-	-	-	1 250	0.0004%
D George	-	-	-	3 000 000	3 000 000	0.8718%
K Abdulla	1 250	-	-	-	1 250	0.0004%
<b>Total</b>	<b>3 750</b>	<b>-</b>	<b>-</b>	<b>3 000 000</b>	<b>3 003 750</b>	<b>0.8729%</b>
2021						
A Amod	1 250	-	-	-	1 250	0.0004%
D George	-	-	-	3 000 000	3 000 000	0.8718%
K Abdulla	1 250	-	-	-	1 250	0.0004%
<b>Total</b>	<b>3 750</b>	<b>-</b>	<b>-</b>	<b>3 000 000</b>	<b>3 003 750</b>	<b>0.8729%</b>

There has been no changes in directors' shareholding between 2020 and 2021 financial year, as well as between the end of the reporting period and the date of this report.

## Shareholders' diary

### FINANCIAL REPORTS

Announcement of interim results	May 2023
Interim report	May 2023
Announcement of annual results	November 2023
Integrated report	December 2023

### DIVIDEND PAYMENT

Gross dividend (cents per share)	60
Dividend net of dividend withholding tax (cents per share)	48
Announcement date	Wednesday, 30 November 2022
Last date to trade cum dividend	Tuesday, 20 December 2022
Trading ex-dividend commences	Wednesday, 21 December 2022
Record date	Friday, 23 December 2022
Date of payment	Tuesday 27, December 2022

Share certificates may not be dematerialised between Wednesday, 21 December 2022 and Friday, 23 December 2022, both days inclusive.

### LISTING

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

# Corporate information

<b>Directors:</b>	<p>Dr Wallace Mgoqi (Chairman)*#,          Howard Platjes (Chief executive officer)^/,          Isaiah Tatenda Bundo (Chief financial officer)^,          Vanessa Govender (Corporate affairs director)^,          Khalid Abdulla (Executive deputy chairman)^,          Rosemary Mosia**#, Aziza Amod*,          Sello Rasethaba**#, Dennis George*#,          Ngoako Ramatlhodi*#, Prof Louis Fourie**</p> <p>* Non-executive          # Independent          ^ Executive          / Retired with effect 13 December 2022</p>
<b>Registered office:</b>	1st Floor, North Block, Waterway House, 3 Dock Road, V&A Waterfront, Cape Town, 8001
<b>Company secretary:</b>	<p>Wazeer Moosa          1st Floor, North Block, Waterway House, 3 Dock Road, V&amp;A Waterfront, Cape Town, 8001          Email: wazeer.moosa@ayotsl.com</p>
<b>Joint auditor:</b>	<p>Thawt Inc.          3 Monte Vista Blvd, Monte Vista, Cape Town, 7460</p>
<b>Joint auditor:</b>	<p>Crowe Jhb Inc.          3 Sandown Valley Crescent, Sandown, Sandton, 2031</p>
<b>Transfer secretaries:</b>	<p>JSE Investor Services South Africa Proprietary Limited          Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001</p>
<b>Joint sponsor:</b>	<p>Vunani Proprietary Limited          151 Katherine Street, Vunani Office Park, Sandown, 2196</p>
<b>Joint sponsor:</b>	<p>Merchantec Capital          13th Floor, Illovo Point, 68 Melville Rd, Illovo, Sandton, 2196</p>

